Importance Understanding Literacy Finance in Building Sustainable MSMEs

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Abstract

Objective study This is for increase understanding literacy finance among SMEs to become attention important for development sustainable. Method study This with systematic literature review of four article relevant and appropriate formula problem. Results found exists eight antecedents and four mercy consequently from literacy finance for SMEs. Limitations article This is Still focused on one database only and general discussing MSMEs, so researcher recommend for researcher next in perfect article.

Keywords: Literacy Finance, MSMEs and Finance

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INTRODUCTION

Growth the Micro, Small and Medium Enterprises (MSMEs) sector has become key important in strengthen the economy in many countries. MSMEs contribute to creation field work, innovation, and development economy local. However, SMEs often face significant challenges, for one is lack of understanding literacy finances among perpetrator business the. Literacy finance covers knowledge, skills, and attitudes required for manage finance in a manner effective. SMEs often is owned entity in a manner family or individual, who can cause incomprehension about management effective finance. Lack of understanding literacy finance can resulted management bad finances, like difficulty in compile budget, manage debt, or experience difficulty in take decision wise investment. As a result, MSMEs tend more prone to to risk finances and possibilities failure business (Nkundabanyanga et al., 2014).

Existing research gaps show that although has There is a number of effort for increase literacy finance among MSMEs, still There is limitations in understand effective ways for convey information finance to them. Study previously tend focus on approach gift more information traditional, like training direct or material print. However, with fast development technology information and communication, still There is potential yet excavated For using digital media or tool technology other For increase understanding literacy finance among SMEs (Shah et al., 2021).

Besides that, there is gap in research that examines effect from understanding literacy finance on performance MSME finance and sustainability. Study more deep need done for understand How enhancement literacy finance contribute to growth business and management more finances. This can help identify benefit concrete from investment in understanding literacy finance and describe impact in period long for SMEs and the economy in a manner whole (Ngek, 2016).

Besides that, lack understanding literacy finance among MSMEs can also impact on inclusion finance. More understanding good about service finance, like loan micro, insurance, and investment, can help SMEs access source Power more financial broad. Because it is necessary study more carry on for explore How understanding literacy finance can role in promote inclusion finance among SMEs (Tóth et al., 2021).

As for context geographic, differences between developed and developing countries as well influence level literacy finance among SMEs. Developing countries Possible face more challenge big in provide access to training and resources Power literacy finances, so demand appropriate approach with situation the. Because it is necessary exists comparative studies effectiveness approach literacy finance in various context economy and culture. In face global challenge, build importance understanding literacy finance on SMEs will become step crucial for reach development sustainable and inclusive. more research comprehensive and innovative needed for address existing knowledge gaps and identify effective ways in increase understanding literacy finance among SMEs. So, it is hoped that MSMEs can manage finance they with morewise, increase performance business, and contribute in a manner positive on the economy in a manner whole (Owusu et al., 2019).

Objective study This is for increase understanding literacy finance among SMEs
to become attention important for development sustainable. So researcher want to knowing two things to be formula problem research, namely: (1) What just factor antecedents of financial literacy in MSMEs? And (2) What just factor consequently of financial literacy in MSMEs?

LITERATURE REVIEW

Literacy Finance

Literacy finance is abilities and knowledge individual for understand and manage finance they. This covers understanding about concept and product finances, abilities read and understand information finances, as well Skills in take decision wise finances. Literacy finance possible somebody for manage income, expenses, savings, investments, and debt with effective. With literacy finance, individual can understand how make budget, compile plan finance period long, and take decision based on existing risks and opportunities. Literacy Finance is also involved awareness will importance protection financial through insurance, understanding about planning retirement, and knowledge about method protect self from fraud finance (Nugraha et al., 2022).

Besides that is literacy finance also includes understanding about How system finance work, incl the role of banks, stock markets, investments, and institutions finance other. With understanding this, individual can optimizing benefit from service available finances and avoid no risk necessary. Literacy finances are very important for reach well-being financial and stability economy. Individuals who have level literacy high finances tend more capable overcome challenge finance, face change economy, and achieve objective finance period long. Increase literacy finances among public is important goal for reach inclusion more finances good and development sustainable economy. With literacy more finances well, expected individual and society can manage finance they with more well and take more decisions wise in matter finance (Frimpong et al., 2022).

Micro, Small and Medium Enterprises (MSMEs)

Term This refers to the sector business consisting from business units with relative scope and scale small compared to with company big (Fitriya Fauzi, 2020). SMEs play role important in the economy in many countries because contribution in create field work, improve growth economy and progress sector business local. The definition of MSMEs can varies from country to country, depending on the criteria and measures set by the authorities government or institution related. kindly general, SMEs can identified based on criteria following (Shah et al., 2021):

a) Micro Business: Usually covers business with amount very limited employees, relative assets small, and income low annual.

b) Small Business: More business big compared to with micro, with amount more employees and assets big as well as more income high.

c) Medium Enterprises: Size more effort big than small with amount more employees, assets, and income significant.

The criteria used for classify SMEs can different between countries. For example, some countries might use size income annual as criteria major, while others may be more emphasizes quantity
employee or size asset. SMEs have role strategic in development economy because can help reduce level unemployment, strengthening Power competitive economy local, and advance innovation in sector certain. government and various institution push MSME development with provide various support and facilities, such as training, funding, market access, and support technical other. With the right support, SMEs can become a strong economic pillar and contribute in a manner significant to growth and development a.country (Toth & Kasa, 2022).

METHODS

Study This researching Financial Literacy variable using Systematic Literature Review (SLR) method. This used for build understanding from Financial Literacy variable in SMEs. Systematic Literature Review (SLR) on research This done in accordance with Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. PRISMA flowchart in Fig. 1 follows This show track data search and decision for results end studies, namely:

RESULT AND DISCUSSION

Antecedents of Literacy Finance on MSMEs
Antecedents is influencing factors something desired variable researched. Based on analysis researcher that there is a number of antecedents from literacy finance on SMEs, that is as following:

Table 1. The Antecedents of Literacy Finance

<table>
<thead>
<tr>
<th>No.</th>
<th>Antecedent</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial technology</td>
<td>(Nugraha et al., 2022); (Thomas, 2023)</td>
</tr>
<tr>
<td>2</td>
<td>Cultural-context dependent</td>
<td>(Agyei, 2018)</td>
</tr>
<tr>
<td>3</td>
<td>Financial knowledge</td>
<td>(Msomi &amp; Nzama, 2022)</td>
</tr>
<tr>
<td>4</td>
<td>Financial behavior</td>
<td>(Msomi &amp; Nzama, 2022)</td>
</tr>
<tr>
<td>5</td>
<td>Financial skills and Attitude</td>
<td>(Msomi &amp; Nzama, 2022)</td>
</tr>
<tr>
<td>6</td>
<td>Availability of financial resources</td>
<td>(Owusu et al., 2019)</td>
</tr>
<tr>
<td>7</td>
<td>Availability of financial capital</td>
<td>(Ngek, 2016)</td>
</tr>
<tr>
<td>8</td>
<td>Supply chain practices</td>
<td>(Hamdana et al., 2022)</td>
</tr>
</tbody>
</table>

Source: Researcher Analysis (2023)

Literacy good finances will to empower SMEs to take decision wise finances, take advantage opportunity business, manage risk with more well, and improve continuity business they in period long. With strong understanding about aspects finance, entrepreneurs can face challenge economy with more good and achieve sustainable growth. Knowledge about finances, behavior, and skills good finances is base for manage finance business with wise. The right approach and strategy must considered for ensure material education submitted finances in accordance with values and practices local. Literacy finance can help businessman for manage with more effective and optimizing use source power available finances. Management inventory, selection partners business, and smart negotiation can increase profit margins and resilience business. MSME owners who own attitude positive to finance and behavior discipline tend reach success more financial (Nugraha et al., 2022).

Consequences of Literacy Finance on MSMEs

Consequent is various arising factors from result something variable literacy finances, so researcher find a number of consequently from literacy finance in SMEs is as following:

Table 2. The Consequents of Literacy Finance

<table>
<thead>
<tr>
<th>No.</th>
<th>Consequent</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial risk perceptions</td>
<td>(Civelek et al., 2022)</td>
</tr>
<tr>
<td>2</td>
<td>Home bias</td>
<td>(Sulistianingsih &amp; Santi, 2023)</td>
</tr>
<tr>
<td>3</td>
<td>risk preferences</td>
<td>(Sulistianingsih &amp; Santi, 2023)</td>
</tr>
<tr>
<td>4</td>
<td>Decision financing</td>
<td>(Sulistianingsih &amp; Santi, 2023)</td>
</tr>
<tr>
<td>5</td>
<td>Digital finance</td>
<td>(Frimpong et al., 2022)</td>
</tr>
<tr>
<td>6</td>
<td>performance</td>
<td>(Frimpong et al., 2022)</td>
</tr>
<tr>
<td>7</td>
<td>Loan repayments</td>
<td>(Msomi &amp; Nzama, 2022)</td>
</tr>
<tr>
<td>8</td>
<td>Access to formal credit</td>
<td>(Nkundabanyanga et al., 2014)</td>
</tr>
<tr>
<td>9</td>
<td>top management</td>
<td>(Shah et al., 2021)</td>
</tr>
<tr>
<td>10</td>
<td>Innovations</td>
<td>(Shah et al., 2021)</td>
</tr>
<tr>
<td>11</td>
<td>Experience</td>
<td>(Satria et al., 2023)</td>
</tr>
<tr>
<td>12</td>
<td>Corporate financial results</td>
<td>(Tóth et al., 2021)</td>
</tr>
<tr>
<td>13</td>
<td>Corporate financial decisions</td>
<td>(Tóth et al., 2021)</td>
</tr>
<tr>
<td>14</td>
<td>Corporate risk-taking</td>
<td>(Tóth et al., 2021)</td>
</tr>
</tbody>
</table>

Source: Researcher Analysis (2023)

Literacy finance give significant benefits for MSMEs in build sustainable business. Knowledge and skills good finances help manage risk, take more decisions wise, optimize performance finance, and expand access to source power finance. Use technology finance can increase efficiency operational and expanding access to service finance. SMEs that have literacy good finances tend show
more performance. Literate MSME owners finance tend more responsible answer in pay off loan them. They capable manage cash flow with more well, so minimize risk inability pay return loan. Institution finance tend more believe give loan to managed business with good and have good understanding about finance. Experience in manage finance give outlook valuable for MSME owners. Literacy finance can enrich experience and help in face challenge more finances complex. Literacy finance contribute to results finance more company well, incl profitability and sustainable growth (Agyei, 2018).

CONCLUSION AND SUGGESTIONS

In introduction research "Importance understanding Literacy Finance in building sustainable MSMEs" has discussed about importance literacy finance for business micro, small and medium enterprises (MSMEs). SMEs play vital role in economy, however they often face challenge finance consequence lack of understanding literacy finances among perpetrator business the. Because it, improve understanding literacy finance among SMEs to become attention important in reach development sustainable and inclusive more finances.

There are several suggestions from researchers in perfect content article this, ie as following this:

Government and institutions related need providing literacy - focused training and education programs finance for MSMEs. these programs must designed with approach practical and easy understood, so that MSMEs can obtain relevant knowledge and skills with situation finance them. SMEs often difficulty get access to source power the required finances for develop business them. Push provision loan micro and support finance more affordable can help increase capability MSME finance. Utilise technology information and communication for increase literacy finance can become solution effective. Use applications and digital platforms can give access to information finance, tools planning and service possible finances help SMEs in manage finance them. Done deep research for measure impact from enhancement literacy finance on performance MSME finance and sustainability. With have strong data and evidence about benefit literacy finance, will more easy for convince the perpetrators businesses and stakeholders interest other For invest more Lots source Power in literacy programs finance. Enhancement literacy finance among SMEs require collaboration between government, institution finance, organization nonprofits, and the sector private. Build synergy between all party related will possible effective and sustainable implementation of literacy programs finance.

However, researchers feel that study This Still own limitations is Still sourced one database, still two formulas problem, and still on the phenomenon in a manner general. Recommended For researcher next do repair and addition of databases, formulations problems and phenomena latest.

REFERENCES


