

Financial Literation Levels of Small Businesses in Bajawa, Ngada District

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Abstract: This study aims to identify: the behavior of small business actors in making financial decisions, especially decisions related to investment, saving and consumption; measuring the level of financial literacy of small business actors, and measuring the role of financial institutions and the Ngada Regency government in educating small business actors in managing their company finances. This research is a descriptive research with survey techniques. The population in this study were small business actors in Bajawa sub-district engaged in restaurant and trade businesses. The results showed that 70% of respondents used the income from their business profits for consumption activities, 20% for investment activities in the form of buying land, building houses, buying two-wheeled or four-wheeled vehicles, and 10% for saving activities. The level of financial literacy of respondents is 50% classified as not literate, 33% classified as less literate, and 17% classified as sufficient literate. The role of financial institutions and the Ngada Regency government in educating business actors is still relatively low, namely 25%

Keywords: financial decisions, financial literacy, financial education

I. INTRODUCTION

Knowledge, skills and abilities possessed by micro, small and medium enterprises in managing finances are needed for the survival of their business. The results of a survey conducted by the Financial Services Authority (OJK) in 2013 showed that the level of financial literacy of the Indonesian people was still very low, where well literacy was 21.84%; sufficient literate of 75.69%; less literate by 2.06%; not literate of 0.41%. The findings of the Financial Services Authority are very concerning because they show the public's lack of understanding of the proper methods and patterns of financial management. Therefore, it is not surprising if many MSME actors experience financial distress problems in managing their business finances

The results of research conducted by [1]) show that the literacy level of MSME owners in Tegal City is still low and is influenced by gender, education and income factors. Indrawati (2015) also reports that the level of financial literacy of urban communities in Jember Regency is low and is influenced by factors of income,

education, gender, ownership of financial products and behavior towards financial services. Halabi A.K.R. Barret and R. Dyt (2010) who conducted research at SMEs Australia, showed that small business actors only understand very basic things from accounting information and have problems with financial literacy. Some of the research results above indicate that the understanding of financial literacy by micro, small and medium enterprises in Indonesia is classified as low

Bajawa sub-district has a very strategic location because it is located in the center of Bajawa City which is the center of community business activities, causing many entrepreneurs to open their businesses, as shown in the table below.

TABLE 1
 TYPES OF SMALL BUSINESS IN BAJAWA DISTRICT

No	Type Of Business	
1	Restaurant / Food Stalls	40
2	Sandal and Shoe Shops	32
3	Accessories Store	7
4	Electronics Stores	12
5	Clothing Store	38
6	Photocopy Shop	10
7	Children's Toy Store	13
8	Kitchen Supply Store	30
	Total	182

Source: Office of Cooperatives, SMEs and Trade of Ngada Regency, 2019

Based on data on the types of small businesses in Bajawa District, it is necessary to carry out an analysis of the level of financial literacy of small business actors in order to know the skills, abilities and knowledge they have in managing their business finances, which can be categorized into four levels, namely well literate, sufficient literate, less literate and not literate (OJK.go.id).

II. LITERATURE REVIEW

A. Financial Literation

According to the Financial Services Authority (2014) states that financial literacy is a series of processes, activities or activities to increase the knowledge, confidence and skills of consumers and the wider community so that they are able to better manage finances. The financial literacy program is a series of processes or activities to increase the knowledge, skills and confidence of the wider community including micro, small and medium entrepreneurs so that they are able to better manage their personal and company finances.

The purpose of financial literacy is to remove all forms of price and non-price barriers to public access to the use of financial services. The Financial Services Authority has a program to increase the financial literacy index in Indonesia in the form of the National Strategy for Indonesian Financial Literacy (SNLKI). The basic framework of SLNKI consists of three pillars, namely: (1) Financial Literacy Education and National Campaigns, (2) Strengthening Financial Literacy Infrastructure, and (3) Financial Products and Services Development.

According to [2] [3], [4], there are three indicators used by the Financial Services Authority to measure financial literacy, namely: (1) Ownership of knowledge and belief about financial service institutions, financial products and services, (2). Have knowledge and conviction about the features, benefits and risks of rights, and obligations related to financial products and services, (3) Have skills in using financial products and services. Furthermore, the financial services authority categorizes the level of financial literacy into four parts, namely: (1). Well literate, which is having knowledge and belief about financial service institutions and financial service products including features, benefits, risks, rights and obligations related to financial products and services, and having skills in using financial products and services, (2). Sufficient literate, which is having knowledge and confidence about financial service institutions and financial products and services including the features, benefits, risks, rights and obligations related to financial products and services, (3). Less literate, which is only having knowledge of financial service institutions, financial products and services, (4). Not literate, which is not having knowledge and confidence in financial service institutions, financial products and services, and not having skills in using financial products and services.

B. Small Business

Small business is an economic activity owned by the people which has a smaller scale and level and covers all business fields which as a whole are small business activities that need to be prevented and protected from various business competitions which do

not meet the criteria of fair business competition [5], [6].

According to law number 20 of year (2008), small businesses are productive economic enterprises that are independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become both direct and indirect. dai medium enterprises or large businesses that meet the criteria for small businesses as referred to in this law. Small businesses have the following criteria:

a. Has a net worth of more than Rp. 50,000,000.00 up to a maximum of Rp. 500,000,000.00 excluding land and buildings for business premises.

b. Have annual sales revenue of more than Rp. 300,000,000.00 to a maximum of Rp. 2,500,000,000.00

c. Already have a business license and other legality requirements including NPWP.

III. METHODS

This type of research is quantitative descriptive, which describes the behavior patterns of small business entrepreneurs in making financial decisions from the results of their businesses for consumption, investment and saving activities as well as the level of financial literacy of small business actors. The sampling technique used was sampling purposes with an error rate of 5% with a sample size of 119 people [7]. Data collection techniques using questionnaires and interviews. The data analysis technique used descriptive statistics, namely the distribution of frequency and mean.

IV. RESULTS

Identification of models for making investment decisions, saving, and consumption of small business actors in Bajawa District

Based on the questionnaire given to 119 respondents to fill in, it turned out that 110 respondents or 92.44% of respondents filled out the questionnaire answers and returned, this indicates a high level of participation from respondents as a result of respondents understanding the questions from the questionnaire given

The decision-making model for saving, from the respondents of small business operators, a total of 24 respondents or 20% chose to use the profits from their business for investment activities and the most investment was the purchase of two-wheeled and four-wheeled vehicles by 60%, this was due to the large number of two-wheeled vehicle respondents. or four wheels to support their business activities, the respondent's investment in the form of building a house is 20% and buying land is 10%. The low ability of small business actors to invest shows that small business actors are still oriented and strongly influenced by the local culture of the Ngada Regency community,

namely consumptive culture, both traditional ceremonial events and wedding parties and so on. [8]–[10]

The number of respondents who made a saving decision model was 12 people or 10%. This shows that small business actors in Bajawa District do not yet have full awareness of taking advantage of the profits from their business to save as a form of long-term investment. Lack of awareness of small business actors to save will affect the lack of partnerships with financial institutions, both banks and cooperatives, so that small business respondents find it difficult to access financial institutions to get additional capital for their business activities.

The model for making consumption decisions from respondents of small business actors in Bajawa District is very high, as many as 83 respondents or 70%. respondents take advantage of the profits from their business for consumption decisions, this shows that respondents are still very much influenced by a consumeristic culture so that their business is not well developed.

The level of financial literacy of small business actors in Bajawa District is in the aspect of understanding financial institutions for not literate 50%, less literate 33%, and sufficient literate 17%. The results of the not literate achievement of 50% show that small business actors in Bajawa District do not have knowledge and confidence in financial institutions and financial products and services, and do not have skills in using financial products and services. The less literate achievement of 33% shows that small business actors in Bajawa District only have knowledge of financial service institutions, financial products and services. A sufficient literate achievement of 17% shows that small business actors have knowledge and confidence about financial service institutions and financial products and services including features, benefits, risks, rights and obligations related to financial products and services and have skills in using financial products and services.

The role of financial institutions and the government of Ngada Regency in educating small business actors in the Bajawa sub-district is still relatively low at 25%. The low role of financial institutions and the Ngada Regency government can be seen from the lack of assistance and activities carried out such as training and seminars.

V. CONCLUSIONS AND SUGGESTIONS

Financial decisions made by small entrepreneurs in Bajawa District are more dominant for consumption activities than investment and saving activities. The level of financial literacy of small business actors in Bajawa District is 50% not literate where small business actors do not have knowledge and confidence in financial institutions and financial products and services, besides that they also do not have skills in

using financial products and services. The role of financial institutions and the Ngada Regency government in educating small business actors in Bajawa sub-district is still relatively low.

To increase the level of financial literacy of small business actors in Bajawa District, it is advisable to involve active roles from financial institutions, especially banks, educational institutions, especially students and the Ngada District government by implementing an educational model taking into account the understanding of small business actors and a role model that can be trusted.

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