

The Analysis of Financial Literacy of Traditional Market Seller

(Comparative Study of Traditional Market Seller at Three Cities in Indonesia)

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ABSTRACT

Basically financial literacy is closely related to our everyday life. However, there are still many people who do not realize that what they meet or do is financial literacy. Traditional market sellers are micro-small (MSMEs) business player who generally still have problems related to capital. The low level of financial literacy makes the traditional market seller cannot develop their business. This study aims to investigate the financial literacy level of traditional market sellers in four cities in Indonesia, namely Kupang, Yogyakarta, Purwokerto, Bandung. The participants were traditional market seller in total 120 who spread across the four cities. The primary data was questionnaire data and analysed using descriptive statistics method. The study found that the financial literacy level in four cities was included in the medium category with 71.20%.

Keywords: *Financial attitude, Financial behaviour, Financial knowledge, Financial literacy, Traditional market seller.*

1. INTRODUCTION

Basically, financial literacy is closely related to our everyday life. However, most of the people still unrealized that what they have met or what they have done is part of financial literacy, for example, saving money in Bank or using financial product such as ATM.

People with high level of financial literacy are potential to have higher productivity values. Besides that, financial literacy must be applied more broadly to form a society that has higher competitiveness to achieve financial prosperity. Therefore, financial literacy is one of the priority programmes in many countries [1] The developments of technology (information system) in every sector requires each component in society to follow the changes or developments without exception.

Financial literacy itself has an important roles for society because it provides knowledge and understanding of how to manage financial well. People with high level of literacy can minimize the risk when using financial products and services. Additionally, with the high level of understanding, skills, and public trust society have, can encourage financial industry to do innovation, in

financial products and services and makes it more affordable [1]

Financial literacy is not only related to knowledge, support, skill and public trust of financial industry, but also related to people financial habits. Financial literacy level of society is also can support the economic growth of a country. This is because, society with well-literate financial literacy is easy to understand financial sector as a result they can use financial products and services which support their financial prosperity. Further, they can prevent loss potential on financial sector.

Several studies found that financial literacy can support the economic growth of one country. World Bank and Asian Development Bank did the related research. Indonesian Financial Services Authority (OJK) conducted National Survey of Financial Literacy (SNLIK) in 2019 and showed that financial literacy index was 38,03%. This number was increased from 2016 which the national financial literacy was only 29.7%. it could be said that in three years, there was an increasing about 8,33% [2]. However, the result is still lower than other countries in ASEAN.

Traditional market seller is one of the micro-small scale enterprise which still has a problem with capital. The traditional market seller more often have difficulties in accessing capital source. Existing capital sources are coming from informal financial institution which provide high loan interest around 6% or above. The difficulties in finding alternative capital sources is caused of inaccessibility of formal financial institution. Thus, financial literacy is playing an important role in terms of providing understanding and knowledge about financial products and services from financial institution. Therefore, traditional market seller needs to understand financial literacy so they can utilise financial products and services from formal financial institution and do not be fooled by financial informal institution.

Traditional market is a place where seller and buyer meet to do transaction directly. It exists because people need a place to sell their things. Further, in Indonesia, most of traditional market is becoming important in economy sector. Most of the people with low income or from low class become a traditional market seller to support their life. It is becoming an alternative job in the middle of the high unemployment in Indonesia [2]

In general, traditional market is defined as a place where sellers and buyers meet and do transaction directly. It also has features such as many open space buildings called kiosk which manage buy the seller or market management. Traditional market usually sells local things not import stuff but the quality of the things are quite similar to things that sold in modern market.

The traditional market seller is difficult to develop their business because their financial literacy is low. Based on a research conducted by Sari in 2019 [2], found that financial literacy level of women MSMEs players in Patrang district, region of Jember was very low. Therefore, they need more knowledge of financial literacy to have better financial performance to achieve a better business. Similarly, research from [3] found that financial literacy of women MSMEs players at Nangkaan Market Bondowoso was low under 60% as well as [5] stated that financial literacy of women MSMEs players at Umbulsari Market was low. However, [4] investigated that financial literacy level of women MSMEs players of silver handicraft in Kota Gede was similar to financial literacy level of men MSMEs player.

According to the above description, researcher conducted a study entitled: *The Analysis of Financial Literacy of Traditional Market Seller (Comparative Study of Four Cities in Indonesia: Kupang, Yogyakarta, Purwokerto, Bandung)*.

2. LITERATURE REVIEW

Based on many sources of literature, literacy is defined as individual ability in using all his potential and skills in his life. This definition encompasses someone

ability in managing and understanding information during reading and writing [2]

UNICEF defines literacy as the ability to read, to write, and to count for an effective development of each individual and community. Further, UNESCO states that someone is literate if he can read and write with understanding short sentences in his life .

Based on the definitions above, it can be seen that how literacy is playing an important roles on our daily life because it also affecting the economy of one country in utilising the resources they have.

2.1. The Definition of Financial Literacy

Organization for Economic Co-Operation and Development (OECD,2016) defines financial literacy as knowledge and understanding of concept and financial risks, as well as skills, motivation, also belief in applying knowledge and understanding in order to make an effective financial decision, to increase financial prosperity (financial well-being) individual and society and to participate in economy sector.

According to Indonesian Financial Services Authority (OJK), financial literacy is knowledge, skills, and beliefs that affect our attitude and behaviour to increase the quality of decision making related to financial management to gain prosperity. OJK divided the level of financial literacy of Indonesian people into four parts:

- 1) Well literate (21,84%) means people have knowledge and confidence of financial institution and their products included features, benefits and risks, rights and obligations of financial products and services, as well as have a good skill in using financial products and services.
- 2) Sufficient literate (7,69%) indicates people have knowledge and confidence of financial institution and their products included features, benefits and risks, rights and obligations of financial products and services.
- 3) Less literate (2,06%) means people only have knowledge of financial institution, their products and services.
- 4) Not literate (0,41%) indicates that people do not have knowledge and confident of financial institution also its products and services, and do not have skills in using financial products and services.

Besides OJK, there are several experts who propose the definition of financial literacy. He states that financial literacy is a set of skills and knowledge that enable an individual to make a decision and to use all their financial resources effectively. Financial literacy as the ability to understand financial condition and financial concept and to change the knowledge into appropriate behaviour.

There are four aspects of financial literacy according to Chen & Volpe [5] that is:

- 1) Understanding the basic knowledge of individual financial that is to understand some aspects which related to basic knowledge of individual financial.
- 2) Saving and loans such as the use of credit card
- 3) Insurance which is basic knowledge of insurance and its products
- 4) Knowledge of investment such as the risk of investment, market interest rate, etc.

2.2. Empirical Study

Hariadi et al., [3] found that financial literacy level of women MSMEs player was in low category with details percentage of each variables; financial knowledge was 47%, financial skill was 50%, financial behaviour was 60%, financial attitude 53% and financial performance 60%. This could be concluded that women MSME in Umbulsari Market have not understood the importance of financial knowledge, where they could not make either business financial report or personal finance report. They also could not set their financial goals could not made long term planning, and also could not made cost planning accurately so it matched with their income. From this variables measurement, it could be said that the average of the financial literacy was about 54%. Referring to the developing Indonesia financial index in 2013 by OJK, this number was categorized as low or Less literate because the number was less than 60%.

Research result from [6] showed that the majority traditional market seller in Denpasar City had medium level of financial literacy. Based on the data analysis, variables such as education level, business length, and gender had a significant influence on financial literacy level of traditional market seller in Denpasar City. Variables of education level and business lengths had positive and significant influence on financial literacy level partially. While, gender variable did not have positive influence and not significant to financial literacy level of traditional market seller in Denpasar city.

Research result of [5] showed that financial literacy level of MSMEs players silver handicraft in Kotagede, Yogyakarta had moderate level of financial literacy. The influence variables were age, education level, business length, and monthly sales turnover had influence significantly to financial literacy level of the seller. On the other side, gender did not have any influence to financial literacy level of MSME actor. In other words, financial literacy level was not determined by gender. Both, men and women has similar financial literacy level.

Sari [2] on her research revealed that based on variables of financial knowledge, financial behaviour, and financial attitude, financial literacy level of women MSMEs players, was categorised low which less than

60%. While, based on financial skill and financial performance variables, the financial literacy level was categorized modest between 60% – 70%. The higher the literacy level of women MSMEs players, the higher the financial performance for their business welfare.

Sine et al., [7] study result found that overall, based on the indicators of financial literacy, it can be said that the financial literacy of traditional market seller in Oesapa Market was categorised medium. It means that they have knowledge and trust to formal financial institution but they did not have skills in utilising the products and services of the financial institution.

3. METHOD

This study used descriptive quantitative methodology with participatory approach. Data collection method was survey or questioner. The questioner consisted of respondent characteristics, questions and statements. Information of traditional market seller was gained using purposive sampling technique.

Qualitative data was used in this study where non-numerical data described phenomenon or social condition that has been investigated. This data change into quantitative data for conclusion based on the numbers. Data sources in this study was primary data where was collected and analysed by the researcher itself through questionnaire distribution, observation and interview.

The data was gained directly from the traditional market seller in four cities in Indonesia. Primary data then analysed in order to find out the financial literacy level of economic actor. Secondary data is data that retrieved from other sources which related and supported this study.

The research sample in this research was 120 respondents spread over four cities in Indonesia namely Kupang, Yogyakarta, Purwokerto and Bandung.

The sampling technique was using random sampling. Data collection method were questionnaire, observation, and interview. Likert scale Model was applied on the questionnaire.

Data analysis for this study was descriptive statistics. Criteria for financial literacy level was obtained from respondents' answer to twenty six (26) questions.

The result of this study then be compared to criteria of financial literacy of Chen & Volpe (1998). The criteria of financial literacy are divide into:

- 1) High, if the percentage number of literacy level more than 70%
- 2) Medium, if the percentage number of literacy level between 60% - 79%

- 3) Low, if the percentage number of literacy level less than 60%

4. RESULTS & DISCUSSION

This study revealed the financial literacy level of traditional market seller in four cities in Indonesia i.e Kupang, Yogyakarta, Purwokerto, and Bandung. The research result showed that indicators for financial

attitude was still low especially in Kupang and Purwokerto where the number was 63,33% and 63,17% respectively. Financial attitudes is referring to someone attitude in applying financial principals such as managing financial personally and investment or saving decision.

The comparison of financial literacy level in four cities (Kupang, Yogyakarta, Purwokerto and Bandung) could be seen on the Table 1 below.

Table 1. The financial literacy level of traditional market seller

No	City	Indicators				Financial Literacy
		Financial Knowledge	Financial Behavior	Financial Attitude	Financial Technology	
1	Kupang	79,02	81,83	63,33	79,73	75,98
2	Yogyakarta	65,54	61,00	62,83	68,40	64,44
3	Purwokerto	74,72	73,33	63,17	70,13	70,34
4	Bandung	72,26	77,83	73,83	73,27	74,05
Average		72,89	73,50	65,79	72,88	71,20

Based on the Table 1 above, it could be seen that financial knowledge of traditional market seller in four cities was categorized medium with 65,54%-79,02%. It indicates that most of the respondent have already knew the financial products and services thus they can utilise it. It showed that their financial literacy has increased. Financial knowledge was the main modal they must have to overcome the risk in managing financial. In other words, if their financial knowledge is good then they will have good level of financial literacy. This research is similar to [5] research where found that financial literacy of traditional market seller in Denpasar was categorised medium. However, this study was contrast to research conducted by [3] which found that financial literacy level was categorised low 60% based on the indicator of financial knowledge.

The second indicator was financial behaviour. Based on this indicator, the traditional market seller in four cities had 61%-81,83%. This is means that financial literacy level was medium according to financial behaviour indicator. This result was better than research result conducted by [2] where financial literacy was low category based on the financial behaviour indicator. Further, from this study, Yogyakarta had the lowest level of financial behaviour as the average age of the respondent was above 50 years old thus they more rely on their memory or manually managing their financial especially for income and spending report.

Next, from the indicator of financial attitude. It was found that financial literacy level of traditional market seller had 62,83%-73,83% and it was medium category. This is means that if someone showing good attitude on managing financial then they will have better financial

behaviour which result in have good financial literacy level. This study revealed that most of the respondent decided to do investment in form of saving money in formal financial institution. It shows that they have understood that they must saving their income for future. This result was in contrast to research result of Sari [2] where the financial literacy level was low category according to financial attitude indicator.

The last indicator was respond to financial technology. Based on this indicator, the traditional market seller in four cities have medium category of financial literacy with 64,44%-75,98%. It means that if they have good respond to financial technology, they will be better in managing their financial. The traditional market seller in four cities did offline transaction by coming to financial institution as well as did online transaction using ATM or Banking message.

5. CONCLUSION

Based on the research result, it can be concluded that financial literacy of traditional market seller in four cities in Indonesia is categorised as medium category with index number 71,20%. The detail numbers for each indicators are financial knowledge 72,89%, financial behaviour 73,50%. Financial attitude 65,79% and financial technology 72,88%. This result shows that financial literacy of traditional market seller is increasing. It means that the traditional market seller have understood the importance of financial literacy which they can create simply financial report not only for their business but also for their personal matter. Further, they have used financial technology for business transaction. However, in terms of loan, they prefer to lend from their

friends or family rather than propose loan through financial institution.

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