

Financial Literacy on Funding Access of Micro Small Medium Enterprise in Bandung - Indonesia

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ABSTRACT

The purpose of this research is to determine and analyze the impact of financial literacy on funding access of Micro Small Medium Enterprise (MSME) members of Small Medium Enterprise Association Member in Bandung, West Java Province, Indonesia. This research used a quantitative method with descriptive research type, with a total of 350 respondents. Data analysis techniques used were descriptive analysis and simple linear regression analysis. Results showed that financial literacy gave an impact on funding access. They need to maintain and continuously improve their financial literacy due to its impact on their funding access.

Keywords: *Financial Literacy, Funding Access, Micro Small Medium Enterprise.*

1. INTRODUCTION

MSMEs often face a range of problems that become an impediment to their development and even threaten their sustainability, including the lack of educated human resources, lack of adaptability and utilization of new technology, lack of information, and access to funding access, marketing resources, and training. According to [1], MSMEs' access to funding access is one of the most important issues in its business activity because, without easy access to funding capital, MSME would have a hard time scaling or fulfilling a potentially larger demand, and thus create a vulnerability in its growing phase. According to [2] expressed a similar notion where he believes that good funding accessibility from various formal or informal financial institutions can reduce MSME's credit constraint that may otherwise be used as initial investment of development of their ventures.

One cause of low credit distribution rate from the formal financial institutions, especially the banking sector, toward MSME is due to the financial institutions' cautious nature in giving out loans for MSME because they can not accurately assess MSME's financial condition and performance that actually can be elaborated through the use of financial report [3]. Unfortunately, most MSMEs are unable to provide a

financial report that describes their business condition [4]. Administrative requirements in funding access in the form of financial reports are one of the things that have hampered MSME's ability in accessing these funding resources [4]. According to [5] illuminated this phenomenon by pointing out the low level of financial literacy among the MSMEs which included the ability to manage and register financial activities of the business. This lack of ability reduces MSME's ability in accessing funding from financial institutions. This statement is supported by [6] who suggested that the main factor that affects MSME's access to funding from financial institutions is their level of financial literacy.

The financial literacy rate of Indonesian people is still relatively low in comparison with other developing countries. Based on the Financial Service Authority's data in 2019, the percentage of Indonesian people that can be categorized as well literate in knowledge, skills, and application regarding financial literacy was only 38,03%. Indonesia lags behind Malaysia which scored 66% of its population as financially well literate, Singapore scored 98%, and Thailand scored 73% (BNI, 2019). Furthermore, according to Financial Services Authority (OJK) in 2014, the level of financial literacy among the MSME entrepreneurs only amounted to 15,68% of the total population that can be categorized as financially well literate. This low financial literacy

level phenomenon may cause various problems, including the inability of the entrepreneurs to carry out saving and debt management, and long-term planning. Higher financial literacy levels positively and significantly impacted an individual's usage of financial products and services [7]. According to [8] in their research also found that individuals with high and comprehensive financial knowledge can increase their chances of success in obtaining access to funding.

Previous research observing the relationship between financial literacy and funding access has been conducted by some researchers, including [6] where he found a positive relationship between financial literacy toward funding access in MSMEs in Kampala, Uganda. The phenomenon mentioned before and lack of financial knowledge and funding access of MSME entrepreneurs affected their venture's ability in achieving their goals [9]. This research examined the internal conditions of MSMEs, especially the financial literacy level of its owner. Therefore, financial literacy was determined to become the independent variable in this research to analyze its role and impact on funding access of MSME. This research was conducted through the use of a questionnaire to MSME members of Small Medium Enterprise Association Members in Bandung, Indonesia. This research also supports the importance of the MSME empowerment program to strengthen its sustainability.

2. METHODS

This research used quantitative and descriptive methods. According to [10], descriptive analysis is a type of statistics that displays the size and summary from sample data. Sampling techniques used in research is one of the non-probability samplings namely saturated sampling. Saturated sampling is a sampling technique that uses all members of the population as samples. It is often used when the population of the research is relatively small or the research wants to make the margin of error in generalization very small [11].

The population and sample in this research were Micro, Small, and Medium scale entrepreneurs that are members of the Small Medium Enterprise Association Member in Bandung which consisted of 350 MSMEs. Data collection methods used in this research were primary data from the questionnaires given to MSME entrepreneurs. While secondary data collection method was obtained from several sources including books, journals, the internet, and previous research, as well as relevant information related to this research.

Descriptive analysis in this study was conducted to obtain information about the level of financial literacy and ease of funding access among MSME members of the Small Medium Enterprise Association in Bandung

so that knowledge can be obtained about both variables with the interpretation of the score with the following categorization: 20-30% falls in the very poor category, 36% -52% in the poor category, 52% -68% in fair category, 68% -84% in the good category, and 84% - 100% is put in very good category [12]. The data analysis technique used in this research was the linear regression technique. Furthermore, a hypothesis test was also conducted using the t-test and the coefficient of determination.

3. RESULTS AND DISCUSSION

Based on the results of questionnaires distributed in this study, the obtained respondents were as many as 350 people with the object of research being Small Medium Enterprise Association Member in Bandung. It can be seen that from 350 respondents studied, around 28.6% of them aged 21 to 30 years, 31.4% of them aged 31 to 40 years, 34.3% of them aged 41 to 50 years, and 5.7% others aged over 50 years. This indicates that most respondents aged 41 to 50 years.

Based on their educational background, 8.6% of them are graduates of junior high school/ equivalent, 60% of them had high school education/ equivalent, 22.9% of them are bachelors, and 8.6% are in another category. This indicates that most of the respondents are educated until high school/ equivalent. Based on its business lifespan, it is known that from 350 respondents studied, amounting to 2.9% has run their business from 1 to 6 months, 11.4% from 6 to 12 months, 37.1% from 1 to with 2 years, and 48,6% of them have run their business for more than 2 years. This indicates that most of the respondents have run their business for more than 2 years. Based on the category of the number of business employees, it is known that from 350 respondents studied, 54.3% of them have 1 worker, 37.1% of whom have 2 to 5 people working, 5.7% of which have 6 to 10 employees, while the rest of 2.9% has more than 10 people. This indicates that the majority of respondents have only a single person running their businesses.

When observed based on financial institutions that they have accessed for fundings or loans, it can be seen that from 350 respondents studied, 2.9% of them has obtained financing or loans from banks and cooperatives, 42.9% of them has obtained financing or loans from the bank, 5.7% of them has obtained financing or loans from Micro Finance Institutions, 28.6% of them has obtained financing or loans from cooperatives, and 20% of them has obtained financing or loans from others. This indicates that most of the respondents have obtained financing or loans from the bank.

The data in Table 1 is based on the recapitulation results from respondents regarding the level of financial

literacy of the MSME entrepreneurs in Bandung. It can be observed that the total score for the Financial Literacy Level of Small Medium Enterprise Association Member in Bandung is 1257. Ideally, the expected score for the respondent's answer to 15 statements is 2625. The calculation in the table shows the value obtained is 1257 or 47.9% of the ideal score of 2625. Thus, Financial Literacy Level (X) of Small Medium Enterprise Association members is in the poor category. Responde respondents on financial literacy show by Table 1 as a follow.

Table 1. Respondents' Response on Financial Literacy (X)

No	Dimension	Total Score	%
1	Knowledge Dimension	789	45.10%
2	Application Dimension	468	53.50%
Total Score		1257	
Score Percentage		47.90%	

Continue line of MSME's financial literacy show by Fiuge 1 as a follow.

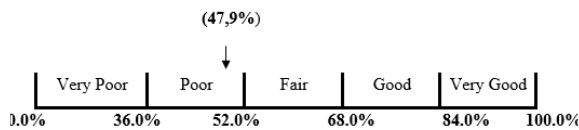


Figure 1. Continuum Line of MSME's Financial Literacy

From Table 2, which shows the result of recapitulation from respondents' responses about Funding Access at Small Medium Enterprise Association Member in Bandung, it was found that the total score for Financing Access at MSME members is 1631. Ideally, the expected score for respondents' answers to 13 statements is 2275. Based on the calculation shown in the table, the value obtained is 1631, or 71.1% of the ideal score that is 2275. Thus, Funding Access (Y) of Small Medium Enterprise Association Members is in a good category.

Table 2. Respondents' Response on Funding Access (Y)

No	Dimension	Total Score	%
1	Funding amount received	598	68.30%
2	Funding access frequency	1033	73.80%
Total Score		1631	
Score Percentage		71.10%	

Continuum line of MSME's funding access show by Figure 2 as a follow.

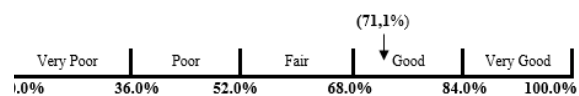


Figure 2. Continuum line of MSME's funding access

Based on the result obtained in the simple linear regression test, it can be formulated that $Y = a + bX$ and therefore got $Y = 1,085 + 0,818X$ which can be interpreted that symbol (+) indicates the positive state of direction, where an increase or decrease in an independent variable that is Financial Literacy (X) will cause increase/decrease on the dependent variable of Funding Access (Y).

Results of data processing on t-test yielded t table = 2.035 and t count result was 4,696. Because the value of t arithmetic (4,696) > t table (2.035), then H0 was rejected. This indicates that there is an impact of Financial Literacy on Funding Access among the MSME members of the Small Medium Enterprise Association in Bandung. Based on the results of the data processing coefficient of determination it is known that Financial Literacy affects Funding Access as much as 40.1% while 59.9% is influenced by other factors that are not examined in this study.

Therefore, it can be concluded that with the result of the hypothesis test obtained, there is a significant impact from financial literacy to funding access of MSMEs. The respondents' score of financial literacy is poor even though it has a significant impact on funding access that fell in the good category. Coefficient show by Table 3. as a follow.

Table 3. Coefficient

Model	Unstandardized coefficients		Standardize d coefficient	t	Sig.	
	B	Std. Error	Beta			
1	(constant)	1.085	.383		2.836	.008
	Financial Literacy	.818	.174	.633	4.696	.000

The results of this study are in line with previous research conducted by [13] where she found that there was a significant positive influence between Financial Literacy to Funding Access. This result is also in line with the results of [6] study in Kampala, Uganda, which positively showed a significant relationship between Financial Literacy and the Funding Access of MSMEs. Based on the result of this study and previous ones, the various party needs to note that supporting MSME literacy regarding financial institutions and markets can help improve their chance of successfully obtaining funding or loans from said institutions

4. CONCLUSIONS

Based on the results of the research, it can be concluded that the financial literacy level of Small Medium Enterprise Association Members in Bandung was in the poor category with a percentage of 47.9% of the ideal score. While the level of funding access of MSMEs was in the good category with a percentage of

71.1% of the ideal score. Furthermore, based on the analysis of regression and coefficient of determination, it can be stated that there was a positive and significant influence of Financial Literacy toward Funding Access with 40.1% of the total factors that affected the value of MSMEs' Funding Access. Whereas, the rest 59.9% were influenced by other factors that were not examined in this research

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