



The Role of Financial Literacy in The Performance and Sustainability of Fitrah Cerah Store

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Abstract. This research focused on the importance of financial literacy on business performance and sustainability, encompassing the quality produced by business owners, the quantity of tasks completed, timeliness in running the business, effectiveness in resource use, independence in managing the business, and work commitment as key indicators for measuring performance and sustainability, with Fitrah Cerah Store as the study object. In the era of globalization and increasingly intense business competition, good managerial and financial management skills were key to the survival of companies. Financial literacy played a crucial role in helping business owners understand and manage their finances effectively, which in turn affected business performance and sustainability. This research used a qualitative approach to explore the relationship between financial literacy and business performance, as well as its impact on business sustainability. Data were collected through interviews, observations, and documentation, which were then analyzed using data reduction, presentation, and verification methods. The results of the study showed that financial literacy had a significant positive influence on business performance, especially in terms of quality, quantity, timeliness, independence, and work commitment. Additionally, financial literacy played an important role in maintaining business sustainability through budget management, cash flow prediction, and proper investment decision-making. Thus, good financial literacy not only helped business owners improve performance but also ensured the sustainability of their businesses in the face of increasingly complex market competition.

Keywords: Financial Literacy, Performance, Business Sustainability.

1 Introduction

The era of globalization required companies to possess the ability to manage themselves effectively and efficiently. The rapid development of the business world posed challenges and threats for business actors to compete and maintain their company's survival. In an increasingly sharp business competition, the success of an industry was significantly determined by its ability to seize opportunities and employ the right strategies to understand the market [1]. One aspect of company management that needed attention was financial issues, which were crucial for the sustainability of the business. A company's finances were related to its funding sources and their usage. The more efficient the use and management of funds, the better the financial

performance of the company. Therefore, companies needed to maintain proper financial performance and good governance.

Financial performance was an analysis conducted to determine the extent to which a company had adhered to established regulations regarding the proper and correct use of finances [2]. The presence of financial performance was vital within the company. It served as a key benchmark to assess whether a company's performance was good or not, based on financial reports. One solution for business actors to survive in this disruptive era was to possess knowledge related to company management, financial management, and sound financial literacy [3]. Additionally, financial literacy provided significant benefits, particularly in the financial services sector, such as choosing and using financial products and services according to needs, better financial planning capabilities, and avoiding detrimental activities like investing in unclear financial instruments.

According to the Financial Services Authority (OJK), financial literacy was a series of processes or activities aimed at enhancing the public's awareness, confidence, and abilities, with the hope of developing good financial management skills [4]. According to Furqani [5], the scope of financial literacy encompassed various modules or knowledge related to finance itself, such as interpreting economic transactions and their various practices, understanding economic resources, including natural and human resources, introducing the concept of spending for basic needs, prioritizing, maintaining a simple lifestyle, and consumer knowledge, mastering saving concepts through both traditional and modern means, such as savings, insurance, and investments, understanding the concept of sharing, including zakat and taxes, as well as grasping the concepts of unhealthy financial practices and financial crimes like corruption and fraudulent investments [5]. A broad understanding of financial knowledge was beneficial for MSME entrepreneurs to better recognize other forms of formal finance, such as banking. As noted by [6], financial knowledge theory was closely linked to financial literacy as it could be taught and understood through financial education.

In light of the above phenomenon, the researcher selected Fitrah Cerah Store as the research object. This study focused on the role of financial literacy in relation to performance and sustainability, which was essential to help managers improve business growth and development. A business could thrive and grow effectively if its actors were also able to manage finances through proper budgeting, debt management, and accurate financial record-keeping. It could be concluded that the better the financial understanding possessed by business actors, the more mature they were in making business and financial policies and decisions to sustain and enhance their business viability. As financial knowledge improved among business actors, they had better opportunities to improve their business conditions and sustain their operations amid crises, thus ensuring their business sustainability.

2 Literature Review

2.1 Financial Literacy

Financial literacy encompassed knowledge and skills in managing personal or business finances to make sound financial decisions [7]. With a mastery of financial literacy, individuals could plan their finances well, avoid financial issues, and identify secure financial access [4]. According to OJK, financial literacy involved knowledge, beliefs, and skills that influenced attitudes and behaviors in financial management for the sake of well-being. Financial literacy was also defined as the ability to manage finances to enhance the economy of business actors [8] and as financial insight to achieve prosperity [9].

There were four main aspects of financial literacy: basic financial knowledge, savings and loans, protection, and investment [10]. Financial literacy enabled individuals to read, analyze, and manage their financial situations, which impacted their well-being [11]. OJK also launched the National Strategy for Financial Literacy in Indonesia (SNLKI) to improve the financial literacy index of the community. Overall, financial literacy helped individuals choose the right financial products, plan their finances effectively, and avoid unclear investments, thereby promoting sustainable financial well-being [12].

General knowledge about finance included personal knowledge regarding how to manage income and expenses, which related to performance quality. If performance quality was good, it would be possible to manage income and expenditures effectively. Savings and loans were inevitable in business, making timely and effective performance crucial for achieving good profits and results.

The goal of financial literacy was to ensure that earned income was not solely spent on consumptive matters but invested in more productive avenues that would yield substantial returns in the future. Financial literacy was beneficial not only for individuals but also for financial institutions. When the public recognized and understood the products offered by financial institutions, they were more inclined to purchase those products. Individuals who understood financial services products were more likely to deposit their money in banks rather than keeping it at home, benefiting financial institutions as one of their products gained popularity.

2.2 Business Performance

Performance was the result of an individual's work from tasks that were carried out with responsibility and could be assessed from aspects such as added value, business units, labor, productivity, and export value [13]. This performance was related to the individual's role in the company over a certain period and in accordance with established standards. A business was an economic unit that engaged in activities to produce goods or services for sale, managed by one or more people with authority in various fields such as personnel, marketing, and finance. Additionally, the business also included supporting units that were separate from the head office.

Business performance was the work result achieved by individuals or teams in a business, based on tasks carried out responsibly. This performance reflected how well individuals fulfilled their roles and duties in the organization, which could be

evaluated over a certain period based on the size and standards set by the company. Business performance was an important indicator that reflected the operational efficiency and effectiveness of an economic unit. By understanding and analyzing various aspects of performance, businesses could improve productivity, competitiveness, and sustainability in an increasingly competitive market. Good management in personnel, marketing, and finance was key to achieving optimal business performance.

As had been known, business actors were often not able to make the right management and financial decisions to improve their business performance. Business actors did not fully understand and comprehend financial products, such as general financial knowledge, savings and loans, insurance, and investments, which actually had a significant impact on the performance of micro, small, and medium enterprises.

2.3 Business Sustainability

Many businesses tried to maintain their sustainability amidst increasingly intense competition and rapidly changing market conditions. However, quite a few experienced closures due to ineffective management in maintaining the existence of the business. One of the main causes of this problem was the lack of financial literacy skills among managers and business actors. Low financial literacy could have resulted in difficulties in managing budgets, predicting cash flow, and making appropriate investment decisions, all of which were vital for business continuity.

According to Wiharno and Nurhayati [11], business growth could be measured by various parameters, such as sales, asset condition, performance, productivity, and profit [14]. These parameters provided a clear picture of the financial and operational health of a business. For instance, an increase in sales and profit could have indicated that the business succeeded in its marketing and sales strategies, while good asset condition reflected efficiency in resource management.

Furthermore, Panggabean, Dalimunthe, and Aprinawati emphasized that business sustainability was also influenced by success in innovation and the management of employees and customers [15]. Continuous innovation helped businesses remain relevant and competitive, while good employee management could have increased productivity and job satisfaction. Effective customer management, on the other hand, was important for building loyalty and maintaining market share.

Business sustainability was also affected by several additional factors, such as comprehensive business planning, competitor analysis, and the ability to evaluate risks. Without a clear business plan, businesses might have struggled to set realistic goals and strategies to achieve them. Analyzing competitors was also essential for businesses to understand their position in the market and find gaps that could be exploited. Knowledge of risk calculation in business was key to making the right decisions. Business actors who could identify and evaluate risks were able to create better mitigation strategies, making their businesses more resilient to economic shocks or sudden market changes.

For a business to be sustainable, business actors had to work hard and adapt to ever-changing circumstances. Flexibility in strategy and the ability to quickly innovate were crucial elements to remain relevant in the market. By prioritizing the development of financial literacy, innovation, and effective management, businesses

could have increased their chances of long-term sustainability and growth. Companies that created advantages were able to survive and grow, while maintaining sustainability towards a more prosperous future. The ability to compete excellently was the strategy to achieve the ultimate goal, which was sustainability and high profit. The assessment of a company's success in providing products, meeting consumer needs, and dominating the market reflected sustainable competitiveness. Additionally, a company's competitive ability was also evident in its capability to anticipate new competitors, as well as manage suppliers, distribution, and competition with other companies.

3 **Research Methods**

3.1 **Research Design**

This study used a qualitative approach. The research method employed in this study was the qualitative method. The qualitative method was a research procedure that produced descriptive data in the form of written or spoken words from people or observable behaviors. This qualitative method was used due to several considerations, such as its greater flexibility and ease of adaptation when dealing with multiple realities. This method presented the essence of the relationship between the researcher and the respondents directly and was more sensitive, allowing it to adapt and sharpen the mutual influence on the value patterns faced by the researcher. In collecting data in the field, the researcher was assisted by colleagues who acted as instruments while also helping to collect data.

3.2 **Data Collection**

The data collection method was a technique or way that could be used by the researcher to collect data, while the data collection instrument was a tool selected and used by the researcher in their data collection activities to make the process more systematic and easier. In this study, the researcher acted as both the instrument and the data collector. The procedures used in data collection were observation, interviews, and documentation.

3.3 **Data Analysis**

Data analysis in this study was conducted simultaneously with data collection and followed the three-stage "water model": data reduction, data presentation, and verification. The qualitative analysis process involved organizing and sorting data to find patterns and determine important information to be studied and communicated.

The qualitative data development procedure consisted of:

Data Collecting: Data collection.

Data Editing: Cleaning data by checking the accuracy of responses.

Data Reducing: Simplifying and organizing data, including removing irrelevant data.

Data Display: Presenting data in a descriptive format.

Data Verification: Rechecking data to ensure consistency.

With these steps, data analysis became more systematic and easier to understand.

3.4 Hypothesis Testing

The hypothesis in this study will be tested using the p value and the coefficient of determination (R^2). If the p value is <0.05 , then the hypothesis stating that there is a significant influence between the independent and dependent variables will be accepted.

3.5 Research Ethics

This research started from data. Data was everything in the study. Therefore, the data had to be truly valid. The measure of a study's validity lay in the tool used to gather data, whether it was accurate, correct, appropriate, and measured what it was supposed to measure. The tools for collecting qualitative research data were interviews, observations, and documentation methods. Thus, what was tested for accuracy was the researcher's capacity to design the focus, determine and select informants, implement data collection methods, analyze and interpret, and report the research results, all of which needed to demonstrate consistency with one another.

This research emphasized two important aspects of qualitative data collection: prolonged observation and triangulation.

- Prolonged Observation: The researcher needed to conduct observations more than once to build a close relationship with the informants, thus increasing trust and openness. By extending the observation period, the researcher could obtain more complete and in-depth data, and enhance confidence in the data collected.
- Triangulation: To ensure data accuracy, the researcher compared interview results with observations and related documents. The application of triangulation also included checking the reliability of several data sources. External validity was pursued by providing detailed and systematic descriptive reports, allowing readers to clearly understand the research context and findings.

Overall, both methods aimed to enhance the credibility and validity of qualitative research findings.

4 Results and Discussion

4.1 Financial Literacy on the Performance of Fitrah Cerah Store

This study used a qualitative research procedure with several stages, including data collection, data validity, data reduction, data presentation, and data verification. The performance measurement indicators included quality, quantity, timeliness, independence, and work commitment. The interview results showed that financial

literacy had a positive and significant effect on the performance of the Fitrah Cerah Store.

Quality: Related to employees' perceptions of work outcomes and demonstrated skills.

Quantity: Measured by the amount of output produced, influenced by financial behavior.

Timeliness: Assessed how well time was utilized in completing tasks.

Independence: Described employees' ability to work independently.

Work Commitment: The level of employees' attachment to their responsibilities in the organization.

The interview results indicated that financial literacy had a positive and significant impact on business performance. Financial literacy played a crucial and significant role in improving the performance of a business. Based on the results of in-depth interviews with the business owner, who also managed the Fitrah Cerah Store, it was found that financial literacy did not only influence one aspect of performance but encompassed various interconnected dimensions. The quality of work produced in running the business depended heavily on how well the tasks were performed, which was closely related to the owner's skills and ability to understand and apply financial principles.

In terms of quantity, financial literacy enabled the business owner to be more productive in creating efficient business activity cycles. Owners who had a good understanding of how to manage cash flow, predict expenses, and make investment decisions were able to generate more output, both in terms of products and services offered to customers. Furthermore, the ability to manage time effectively in running and managing the business was also evidence that financial literacy played an important role in achieving timeliness and ensuring business operations ran on schedule.

The effectiveness in managing resources—whether financial, labor, or raw materials—also improved with adequate financial literacy knowledge. Business owners were able to allocate resources more wisely, minimize waste, and ensure that every asset owned by the company was used optimally. In this context, financial literacy helped entrepreneurs understand financial statements, evaluate spending strategies, and take advantage of investment opportunities to strengthen the business's capital.

Additionally, independence in running the business also increased with financial literacy. Business owners who understood financial literacy were able to make strategic decisions without relying too much on others, such as financial consultants or business advisors. They were capable of independently analyzing risks, planning budgets, and managing debts and receivables wisely. This independence provided a competitive advantage, as it allowed the business to adapt more quickly to changing market conditions and customer needs.

Financial literacy contributed directly to increased work commitment, both from the owner and employees. With a clear understanding of how the business's finances were managed, the owner could set realistic goals and provide clear guidance to employees. This created a more productive work environment where each individual had a good understanding of their role in supporting the business's financial success.

Overall, these findings indicated that financial literacy served as a strong foundation for effective and efficient business management. The higher the level of financial literacy possessed by the business owner, the better the performance of the Fitrah Cerah Store in maintaining sustainable operations, adapting to market changes, and achieving long-term business goals. Financial literacy was not just knowledge but a crucial skill that could determine the success and growth of a business. The higher the financial literacy of the business owner, the better the management and performance of the business, consistent with Butar's research, which showed a positive relationship between financial literacy and business performance [16].

4.2 Financial Literacy on the Sustainability of Fitrah Cerah Store

The results of interviews in the qualitative study with the business owner showed that financial literacy played a very important and significant role in ensuring the sustainability of the business. Good financial literacy enabled the owner of Fitrah Cerah Store to make more accurate strategic decisions related to business management, ranging from providing products that met market demand to effectively fulfilling consumer needs. Adequate financial knowledge helped the owner analyze cash flow, plan expenditures, and manage investments more efficiently, ensuring that business operations ran smoothly and remained competitive in the market.

Accuracy in business strategy formulation also played an important role in maintaining the sustainability of Fitrah Cerah Store. The owner, who possessed good financial literacy, was able to identify market opportunities, respond quickly to changing consumer needs, and provide products that not only met quality standards but were also aligned with pricing and market trends. With this ability, Fitrah Cerah Store was able to position itself in the market as a relevant and competitive business.

Moreover, financial literacy provided Fitrah Cerah Store with a sustainable competitive advantage. With in-depth knowledge of financial management, the business owner could ensure long-term financial stability. They were able to minimize the risk of losses through careful budgeting, effective debt management, and investing in areas that could increase profitability. Thus, the business was not only able to survive in the competition but also had the potential to continue growing.

Overall, the financial literacy possessed by the owner of Fitrah Cerah Store contributed not only to the operational continuity of the business but also provided a strong foundation for long-term sustainability. A business owner with financial literacy could make smarter business decisions, innovate in response to market changes, and ultimately create a business that not only survived but also thrived in an increasingly competitive business environment. The higher the owner's or entrepreneur's financial literacy, the better the business management and the stronger and more resilient the business sustainability [17].

This statement is consistent with the research conducted by Butar, which showed that financial literacy had a positive and significant relationship with business sustainability [16]. Good financial literacy in running a business allowed the creation of a competitive advantage in the business world, enabling the business to not only survive but also grow towards greater advancement. With this advantage, the business could maintain sustainability towards a more prosperous future. The ability to

compete effectively is part of the process for achieving the ultimate goal of being sustainable and oriented toward high profits.

5 Conclusion

Based on the presentation of the research results, the following conclusions were drawn:

Financial literacy had a positive and significant role in business performance. The results of in-depth interviews with the business owner, who also ran the Fitrah Cerah Store, showed that the quality of work was derived from the perfection of tasks in relation to the skills and abilities of the entrepreneur, the quantity of activities produced by the entrepreneur, timeliness in running and managing the business, effectiveness in managing resources, independence in operating the business, and work commitment, all of which were performed well and more optimally due to financial literacy knowledge. This indicated that financial literacy played a positive and significant role in the performance of the Fitrah Cerah Store.

The results of interviews in the qualitative study with the business owner showed that financial literacy had a positive and significant role in the sustainability of the business. This was due to the accuracy of the Fitrah Cerah Store in providing products, meeting consumer needs, and fulfilling market demands based on the owner's financial literacy, which enabled the business to compete sustainably, allowing the entrepreneur to excel in the competition.

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