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Financial Literization of MSMEs in Indonesia

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Abstract: The purpose of this journal is to analyze the level of financial literacy among MSMEs in Indonesia. Through surveys and interviews, this study tries to identify the main challenges faced by MSMEs in terms of financial management and formulate strategies to improve financial literacy among MSME players. Financial literacy plays a crucial role in improving the sustainability and competitiveness of MSMEs. This research proposes a holistic and integrated financial literacy strategy to strengthen the financial understanding of MSME players in Indonesia. I conducted this research to explain the idea of financial literacy among MSMEs in Indonesia. This research analyzes journal publications published in the last 5 years from 2016 to 2020 using a literature review using qualitative methods and descriptive statistics. It can be drawn from several journals. In conclusion, research on financial literacy shows an increasing trend from year to year. The research was conducted through a survey of a number of MSMEs in various economic sectors. Questions in the survey covered understanding of financial concepts, cash flow management and investment. In-depth interviews were also conducted to understand the first-hand experiences of MSME players. Low Literacy Level: All micro enterprises have a minimal level of financial literacy, especially in terms of preparing financial statements and long-term financial planning. The results show that many MSMEs lack understanding of financial basics, such as the preparation of simple financial statements and debt management. Therefore, efforts are needed to improve their financial literacy. Training and workshops: Organize regular training and workshops to provide an in-depth understanding of basic financial concepts. Establish an online platform with easily accessible financial education resources for MSME players. Collaboration with Financial Institutions: Strengthen collaboration with financial institutions to provide financial guidance and solutions that suit the needs of MSMEs.

Keyword: Financial Literacy, MSMEs, Economic Growth, Financial Education, Access to Finance

INTRODUCTION

MSME play a key role in Indonesia's economic growth, but often face obstacles in terms of effective financial management. This journal provides an overview of financial literacy among MSMEs, highlighting the importance of a good understanding of basic financial concepts. MSMEs play a vital role in Indonesia's economy, but financial literacy among MSME players is often an obstacle. This study aims to explore the level of financial literacy, identify barriers, and formulate solutions to improve financial literacy in the MSME sector.

Some of the economists who have made important contributions to financial literacy in MSMEs in Indonesia include:

- a) Prof. Dr. Armida S. Alisjahbana: An economist who focuses on economic development and financial inclusion, including financial literacy among MSMEs.
- b) Prof. Dr. Chatib Basri: Former Indonesian Minister of Finance who actively contributes to economic policy discussions, including aspects of financial literacy for the MSME sector.
- c) Dr. Sri Mulyani Indrawati: Indonesian Minister of Finance who is concerned with empowering MSMEs through improving financial literacy.
- d) Dr. Faisal Basri: Economist and financial expert who also speaks on the importance of financial literacy to improve the competitiveness of MSMEs.
- e) Prof. Dr. Rhenald Kasali: A management and economics expert with views on the need for innovative approaches to financial literacy for MSMEs.

Their approach and insights form the basis of thinking on how to improve financial literacy among MSMEs, as well as providing input for more effective policies and initiatives to support the sector. Many studies have been conducted on financial literacy. The purpose of this study is to emphasize the reflection of financial literacy in MSMEs. This research used descriptive statistical analysis based on public journals on financial literacy in micro, small and medium enterprises.

METHOD

The research was conducted through a survey of a number of MSMEs in various economic sectors. Questions in the survey covered understanding of financial concepts, cash flow management and investment. In-depth interviews were also conducted to understand the first-hand experiences of MSME actors. This research uses a mixed approach, combining quantitative surveys and qualitative interviews. The survey involved a representative sample of MSME actors from various sectors, while in-depth interviews were conducted to understand the context and experiences more deeply.

This study uses secondary data from 2016 to 2020 that has been published in national and international scientific publications on financial literacy in Micro, Small and Medium Enterprises (MSMEs) in Indonesia. This journal was obtained or accessed online from publications published and indexed by Scopus. The Publish or Perish program was used to sort the articles, 1). A descriptive statistical qualitative method approach from 45 journal literature studies and research on financial literacy for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia was used in this study. Sugiyono (2016) defines qualitative research as descriptive, the data analyzed is not used to confirm

or reject any hypothesis the findings of the analysis. The findings of the analysis are in the form of.

RESULT AND DISCUSSION

Number of Publications per Year

There are 45 journals published in Scopus journals related to financial literacy for MSMEs in Indonesia from 2016 to 2020. The most journal publications related to financial literacy for MSMEs in Indonesia were in 2019. Meanwhile, there were fewer journal publications than other years, namely in 2016 and 2017.

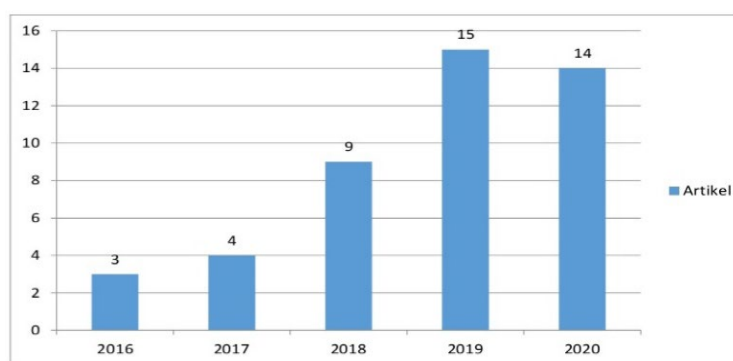


Figure 1. Number of articles on the theme of financial literacy for Micro, Small and Medium Enterprises (MSMEs) in Indonesia published in 2016-2020

Source: Processed Data (2021)

Research Type of Each Publication

This study further shows the type of research used for each journal publication observed. The results show that the most widely used type of research methodology is from published journals both national and international journals related to financial literacy in Micro, Small and Medium Enterprises from 2016 to 2020, namely descriptive research, 12 journals, then analytical research, 18 journals, and finally, 18 journals. There are 15 journals that use empirical research.

Table 1. Types of Research from Each Publication

Tahun Terbit	Jenis Penelitian			Total
	Analisis	Deskriptif	Empiris	
2016	1	1	1	3
2017	1	2	1	4
2018	3	2	4	9
2019	6	4	5	15
2020	7	3	4	14

Sumber: Data Olahan (2021)

Research Approach of Each Publication

Table 2 shows the research methodology used for each journal published in the 10-year period from 2016 to 2020. In this observation, the most widely used research is a qualitative approach in 12 journals.

Table 2. Research Type of Each Publication

Tahun Terbit	Jenis Penelitian			Total
	Kualitatif	Kuantitatif	Campuran	
2016	1	2		3
2017	2	1	1	4
2018	2	5	2	9
2019	4	9	2	15
2020	3	10	1	14

Sumber: Data Olahan (2021)

Subject Discussion Financial literacy for MSMEs

The results of this study indicate that there are a number of subjects discussing each journal related to financial literization of MSMEs in Indonesia based on public journals from 2016 to 2020.

Table 3. Discussion of Financial Literization Journal on MSMEs

Subyek	Tahun Terbit					Total
	2016	2017	2018	2019	2020	
Inklusi Keuangan	1	3	5	9	7	25
Edukasi Keuangan	2	1	4	6	7	20

Sumber: Data Olahan (2021)

Discussion on Financial Literacy in MSMEs can involve several key aspects: Financial Literacy Level: Discussion of the level of financial literacy as measured by the survey results, highlighting significant findings and comparisons across MSME industry sectors.

Influencing Factors: An in-depth discussion of the factors that influence financial literacy, including how education, business experience and access to financial resources can shape MSMEs' financial understanding.

Financial Education Program Analysis: Evaluation of the effectiveness of financial education programs accessible to MSMEs. Discussion on how such programs can be scaled up or replicated to have a greater positive impact.

Financial Technology (Fintech) Impact: Analysis of the contribution of fintech adoption to MSME financial literacy, including benefits and potential risks. Discussion on the integration of financial technology as a tool to improve MSME financial access and management.

Studies on financial literacy have experienced an increasing trend in the number of studies and articles from year to year. Financial literacy plays an important role in determining people's willingness to use financial services. The benefits of financial literacy from a macroeconomic point of view are also very important because the higher the level of financial literacy of the community, the more people will use financial products and services.

Financial Literacy Improvement Strategy

Training and Workshops: Organize regular trainings and workshops to provide in-depth understanding of basic financial concepts.

Online Resources: Establish an online platform with easily accessible financial education resources for MSME players. Collaboration with Financial Institutions: Strengthen collaboration with financial institutions to provide financial guidance and solutions that suit the needs of MSMEs. Formal and Non-Formal Education: Promote financial literacy inclusion in formal education curriculum and organize non-formal programs for MSME players who are not covered by formal education. Education and Training: Participate in financial education and training programs organized by relevant institutions or the government. Use Financial Applications: Utilize financial applications or simple accounting software to help record transactions and prepare financial reports.

Consultation with Financial Experts: Consult their finances with financial experts or consultants for advice and guidance. Participate in Seminars and Workshops: Participate in seminars or workshops that address the topic of financial literacy and better financial management. Engage with Financial Institutions: Communicate with financial institutions to gain a better understanding of the financial products and services they offer. Form a Financial Recording Habit: Get into the habit of recording every financial transaction regularly so as

to better monitor cash flow and financial health.

Keeping Up with Economic Developments: Understand economic developments and their impact on their business, so that they can take appropriate measures. **Exchange Experiences with Fellow MSMEs:** Engage in forums or business communities to share experiences with other MSMEs and gain insights into successful financial practices. **Understanding Tax:** Understand tax obligations and ensure compliance with tax regulations. **Periodic Monitoring and Evaluation:** Conduct periodic monitoring and evaluation of the financial health of their business to identify areas for improvement.

What the Indonesian government has done for financial literacy in MSMEs

As of my last research in January 2022, the Indonesian government has taken several steps to increase financial literacy in MSMEs. Some of the initiatives include: **Financial Education Programs:** The government launched financial education programs focused on MSMEs, either through seminars, trainings, or financial literacy campaigns. **Cooperation with Finance Agencies:** Cooperation with Finance Agencies to provide financial guidance and training to

MSMEs. This involves providing more accessible financial resources. **Financial Inclusion:** Improved access of MSMEs to financial products and services, including support to open bank accounts, obtain loans and understand various financial instruments. **Formal and Non-Formal Education:** Integration of financial literacy in formal education curriculum.

Implementation of non-formal financial literacy programs, such as workshops and trainings, that can be accessed by MSME actors. **Financial Literacy Campaign:** Launching a national campaign to raise awareness and understanding of the importance of financial literacy among the public, including MSMEs.

Negative Impact of Not Learning Financial Literacy in MSMEs

Not learning financial literacy can have significant repercussions on MSMEs. Some possible negative impacts include: **Higher Financial Risk:** MSMEs may face higher financial risks due to a lack of understanding of basic financial concepts. This can lead to difficulties in managing cash flow, identifying risks, and long-term financial planning. **Inability to Optimize Resources:**

MSMEs may not be able to optimize the use of their financial resources. Lack of financial literacy can lead to inefficient spending and poor investment decisions.

Difficulty Obtaining Financing:

Unfamiliarity with financial concepts and lack of proper financial documentation can make it difficult for MSMEs to secure financing from financial institutions.

Lack of Financial Planning: MSMEs may not be able to plan their finances properly. Without financial literacy, budget planning, investments, and long-term financial strategies may be neglected. **Loss on Investment Opportunities:** MSMEs may miss out on valuable investment opportunities because they are unable to properly evaluate potential projects or business expansions. **Not Maximizing Business Growth:** Lack of understanding of the financial aspects of the business may limit the growth potential of MSMEs. Difficulties in managing finances can hinder business expansion and development.

Low Competitiveness: Micro, small and medium enterprises that lack adequate financial literacy may be less competitive in the market. This may affect their competitiveness in the face of business competition. **Difficulty in Achieving Personal Financial Goals:** MSME owners may face difficulties in achieving their personal financial goals if they do not understand how to manage and optimize their business finances. Therefore, it is important for MSMEs to improve financial literacy to improve financial health and ensure sustainable

business growth.

Financial literacy of micro, small and medium enterprises in Indonesia has become a major issue in recent years. Previous studies have highlighted a number of aspects that affect the level of financial literacy for MSMEs.

Research by Handayani (2019) found that a lack of understanding of financial management, particularly in relation to budget planning and cash management, is a key challenge for MSMEs in Indonesia. This factor directly impacts the sustainability and growth of their business.

In addition, research by Susanto (2020) emphasized the importance of financial education that is accessible to MSMEs. The findings suggest that improving financial literacy depends not only on internal factors of MSMEs, but also on external support in providing relevant educational resources.

A recent study by Rahayu et al. (2023) highlighted the role of financial technology (fintech) in improving the financial literacy of MSMEs. They found that the adoption of financial technology can provide easier and more affordable access to financial services, thus improving MSMEs' financial understanding and management.

Overall, this literature review illustrates the complexity of financial literacy in MSMEs in Indonesia and shows the importance of a holistic approach that includes both internal and external aspects to improve financial literacy levels and support the sustainable growth of MSME businesses.

CONCLUSION

Based on the selection of literature reviews of several public journals that have been published between the last 5 years from 2016 to 2020, the results obtained are 45 journals and research that discuss financial literacy in MSMEs in Indonesia. In observations from the 2016-2020 journal publications selected in the observation, the most research used was a quantitative approach of 27 journals.

The subject of discussion in the analyzed articles discusses financial literacy journals related to MSMEs the most, namely financial inclusion for MSMEs in 25 journals out of 45 journal samples, followed by the subject of financial education for MSMEs in 20 journals.

The journal concludes that improving financial literacy among MSMEs can support sustainable economic growth. An integrated and sustainable strategy needs to be implemented to overcome this challenge and empower MSMEs as the backbone of the Indonesian economy.

This research provides valuable insights into financial literacy among MSMEs in Indonesia and provides a basis for the development of more effective initiatives to support the growth and economic resilience of the MSME sector.

An integrated and sustainable financial literacy strategy can help MSMEs overcome challenges and improve their competitiveness. A strong understanding of basic financial concepts is expected to strengthen the resilience and growth of MSMEs in Indonesia.

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