



## Analysis of Financial Indicator Literacy Determinants on The Performance of Bandung City SMEs

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**ABSTRACT:** Bandung is a city in Indonesia that is active in promoting innovation, business creation, and mentoring small businesses. One of the efforts is to provide mentors to develop MSME businesses. In addition, Bandung City also holds various business coaching programs for MSME actors. Thus, MSMEs in Bandung City can develop their business better. There are many problems faced by MSMEs, but one of the problems they often convey is related to how to manage business finances. Many of them do not understand how to manage their business finances because their financial literacy is still low. This is in accordance with the results of the 2022 National Financial Literacy and Inclusion (SNLIK) survey conducted by the Financial Services Authority (OJK), the financial literacy index of MSME players in Indonesia in 2022 is 38.32 percent. After analyzing the data collected by distributing questionnaires to see financial literacy, especially MSME actors registered in the city of Bandung, it was found that the most influential financial literacy to improve MSME performance was financial knowledge. This knowledge is necessary to assist a person in making the right financial decisions and managing personal or business finances well.

With the increase in financial knowledge and after an analysis related to how the influence of financial literacy on MSME performance, partial results between financial knowledge, financial behavior and financial attitudes to MSME performance have a positive and significant effect as evidenced by multiple linear equations  $Y=3.276+0.355X_1+0.272X_2+0.294X_3$  with a significance level of  $<0.05$ . As well as for the results of the coefficient of determination test for literacy, the effect of financial literacy on financial performance was 78.3% and the rest was influenced by other variables.

**KEYWORDS:** Financial knowledge, financial behaviour, financial attitudes and performance of MSMEs.

### INTRODUCTION

Micro, small and medium enterprises (MSMEs) are currently considered as the key to resource generation and the generation of new economic factor resources in Indonesia. The role of MSMEs in developing countries is very important because it creates jobs, fights poverty, improves income distribution and manufacturing, rural economy and entrepreneurship, especially women and educated youth. By having great potential to become a source and driver of new economies in Indonesia. In reality, MSMEs still face several problems, such as: accounting problems, low operating margins, limited capital, limited management experience, low economies of scale, marketing skills and limited access to financial resources. MSMEs are a source of livelihood for many people and can afford low, skilled jobs that can reduce poverty. So far, MSMEs are seen as a resource to effectively improve the level of the Indonesian economy. From data reported by the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UMKM), the total number of MSMEs in Indonesia exceeded 8.71 million business units in 2022. The share of MSMEs in national GDP is around 61 percent and represents 97 percent of the total workforce. In every crisis, MSMEs become a buffer, flexible and can recover well. Therefore, the development of small and medium enterprises is a necessary condition to further accelerate economic growth in Indonesia. The Indonesian government pays a lot of attention to the MSME sector. One of the strategies for developing MSMEs is to increase access to financing.

Based on initial observations made in the city of Bandung, there are still many MSMEs who do not understand financial literacy and financial management of their business, they only focus on selling their business, but ignore business financial management which is an important factor in assessing whether a business is healthy or not. Some of them are only worried about what strategy is appropriate to increase profits, and not infrequently they do not understand calculating the cost of goods sold. The results of SNLIK 2022 show that the level of financial literacy of the Indonesian people is 56.99 percent, up from 2019 which was only 43.60 percent. Although this year's financial inclusion rate reached 95.53 percent, this figure increased from the previous SNLIK period in 2019 of 86.46 percent. This shows that the gap between literacy and inclusion rates will shrink from 38.16% in 2019 to 35.42%



in 2022. Based on these data, it is clear that financial literacy is still very low compared to the financial inclusion of the Indonesian people. Although every year the percentage of financial literacy continues to increase from 2019 to 2022.

## THEORETICAL FOUNDATION

### THE CONCEPT OF FINANCIAL LITERACY

The concept of financial literacy is the knowledge of individuals in making decisions when managing finances. Financial literacy includes the ability of individuals to know how financial service institutions work to financial service products. Individuals with a good level of financial literacy understanding will be more aware of the benefits and risks of existing financial products and services. The ability of individuals to make decisions about choosing financial service products can help individuals in the future such as buying a house, children's education costs to pension funds (Soetiono, 2018).

According to Huston (2010) The application of financial literacy to each individual includes the ability to read, analyze and manage personal financial conditions. Including the selection of financial service institution products, financial plans for the future, and being able to analyze an economic phenomenon. Financial literacy is a measure of the extent to which a person understands financial concepts and has the necessary ability confidently to manage one's own finances through long-term decisions and long-term planning, taking into account changing economic events (Remund, 2010). Quoted from the Financial Services Authority of individuals who *well literate* is an individual who understands and believes in financial institutions and service products. They can identify risks, understand rights and obligations and are proficient in using financial products and services.

### THE IMPORTANCE OF FINANCIAL LITERACY

Stable personal finances are essential for a secure household and future (Munohsamy, 2015). Low financial knowledge can lead to poor financial decisions (Jacob, 2000), affecting an individual's ability to achieve long-term goals (Ergün, 2018). In addition, poor financial literacy can lead to unsecured personal loans (Wang et al., 2021), financial difficulties, and possible bankruptcy (Bourova et al., 2018). Individuals with high literacy might invest in stocks, resulting in a higher return on investment (Van Rooij et al., 2011). Good financial literacy will support individuals to avoid financial problems, well-managed income, and depressive conditions, especially during a pandemic. In general, financial literacy is not only a survival tool (Jacob, 2000) but plays an important role in maintaining and increasing money (Lusardi, 2019). Therefore, personal finance education can improve individual financial management capabilities and economic decisions (Refera and Kolech, 2015).

### ASPECTS OF FINANCIAL LITERACY

Financial literacy consists of 4 (four aspects) according to (Chen & Volpe, 1998) that is:

- *General Personal Finance Knowledge*, is basic knowledge about personal finance and how to manage finances in life including considerations that arise in making financial decisions.
- *Savings and Borrowing*, is knowledge about savings and loans made by each individual such as the use of credit cards.
- *Insurance*, an individual's understanding in choosing the right insurance and in accordance with the needs to get financial protection guarantees in the future.
- *Investment*, an individual's understanding of investing. Investment can be defined as an economic sense in the purchase of an item that is not consumed now but for the future in the hope of having a profit.

### FINANCIAL LITERACY INDICATORS

Every individual has a different understanding of financial literacy. Hendriks (2010) Defining financial literacy includes understanding financial knowledge and how it is applied. According to Oseifuah, Emmanuel (2010), that there are 3 indicators of Financial Literacy, including:

- ✦ **Financial Knowledge:** have knowledge of financial terminology. Financial Knowledge consists of two components, including skills in finance and mastering financial tools and features. Financial skills are a person's technique in making decisions related to financial management. These activities include: preparing a budget, being able to choose various investment options correctly, being able to make insurance plans, being able to use credit services. While financial tools are tools that are used by someone to make financial management decisions, which include, among others: selection of debit cards, credit cards, and selection of check



facilities. The problems of financial skills and mastery of financial tools, among others: 1). financial bookkeeping or budget is still low, 2). investment, 3). low knowledge about credit for MSME actors and 4). Low knowledge of accounting.

- ✦ **Financial Attitudes:** interest or interest in improving financial knowledge. Behavioral Finance is the level of behavior of a person when they manage their finances, seen from the psychological side and their habits. While financial management behavior is a sequence of how a person makes decisions about his finances, able to align between individual motives and company goals. While a person's financial management behavior is related to the effectiveness of financial management. It is said to be good if someone is able to place his fund post according to the original plan. And this is influenced by factors including a person's attitude towards financial management, his understanding and knowledge related to financial problems, and the locus of control. The factors that influence financial management behavior described in research from Ida and Dwinta include locus of control, knowledge of finance, and the existence of income management. Behavioral Financial Indicators include: 1) types of financial planning and budgeting, 2) preparation attributes related to financial planning, 3) saving, 4) understanding of insurance, 4) spending related to unexpected expenses, 5) investment, 6) procedures for making debts to financial services, and 7) monitoring and paying bills, checking and justifying financial management, and 7) being able to improve financial management.
- ✦ **Financial Behaviour:** oriented towards spending and saving. Financial attitude is a person's attitude towards his thoughts, opinions and assessment process related to personal finance. In another sense, the process of applying financial principles in an effort to realize value in the decision-making process and the process of managing resources. Financial attitude is the process of a person's agreement and disagreement when evaluating financial management practices. There are other Financial Attitude Indicators in this study: 1) personal views related to personal finance, 2) understanding of empowerment funds about debt, 3) understanding of financial security systems, and 4) ability to calculate personal finances.

## THE CONCEPT OF MSME PERFORMANCE

According to Hasibuan (2017: 9) "MSME performance is a result of work achieved by a person or organization in carrying out the tasks assigned to it which is based on skills, experience, sincerity and time." Or in other words, MSME performance is the result of work achieved by an individual and can be completed with the individual's task in the MSME in a certain period, and will be linked to the size of the value or standard of the MSME that the individual works. From this understanding, it can be concluded that MSME performance is the result of work achieved as a whole compared to the results of work, targets, targets or criteria that have been determined in advance and have been mutually agreed upon on a business identity with asset and turnover criteria that have been determined in the law.

## FACTORS AFFECTING MSME PERFORMANCE

According to Minuzu (Suci 2019: 13) there are two types of factors that affect the performance of MSMEs, namely internal factors and external factors:

### Internal factors consist of:

- **Human Resources Aspect.** Entrepreneurial resources are related to management as a trigger for the production process, entrepreneurs need to have reliable abilities to organize and combine labor and their duties appropriately, entrepreneurs must have the ability to plan, organize, direct and control.
- **Financial aspects** Financial aspects: processes, institutions, markets, and instruments involved in the movement or transfer of money between individuals, businesses, and governments.
- **Technical and operational aspects** also known as production aspects are a series of activities that produce value in the form of goods and services by converting inputs into outputs.
- **Marketing Aspect** The marketing aspect is the process of identifying, creating and communicating, as well as maintaining relationships that satisfy customers to maximize MSME profits. **External factors consist of:**
- The policy aspect of government is a set of actions legitimately chosen and allocated by the government or the State to all members of society to solve the faced in order to achieve certain goals for the benefit of society.
- **Socio-Cultural and Economic Aspects** These three non-physical aspects, both directly and indirectly, are always related to people's lives both in their daily internal and external lives.

### REQUIREMENTS FOR QUALITY MSME PERFORMANCE MEASUREMENT

According to Rivai (2008: 19-24) revealed several requirements for a quality MSME performance measurement, namely:

- Inputs (potential) Inputs are resources used for the implementation of a policy, program, and other activities. The input referred to as a requirement for quality performance measurement is obtained by answering the questions of who, what, why, when, where, how and process.
- Output is the result achieved from a programme, activity and policy. In order for MSME performance measurement to be of high quality, the conditions that must be met are regarding the output of performance measurement itself, namely the clarity of assessment and the success of performance measurement as a performance enhancer.

### MSME PERFORMANCE INDICATORS

According to Khanka (2009) the size of business performance indicators consists of three indicators:

- Sales growth is an increase in the number of sales from year to year.
- Profit Growth: The definition of operating profit is the difference between realized revenue arising from transactions during a period and the costs associated with that income.
- Capital Growth: Growth in relation to the measurement of business growth is when the scale of the company is getting bigger.

### CONCEPTUAL FRAMEWORK

Every business has different internal resources. Internal resources of the organization refer to the strengths and weaknesses that exist in a particular company. This includes the assets, capabilities, information, and knowledge possessed by the company concerned. Financial literacy possessed by an entrepreneur will increase the company's internal ability to access financing for future growth. Therefore, financial literacy can be seen as the internal capacity of the company to achieve business performance. Overall, the level of financial literacy is statistically proven to have a significant positive relationship with the performance of MSMEs. Based on the drawing, the conceptual framework explains that each factor affects the level of financial literacy of MSMEs and their business performance, and how the two things are related. The level of financial literacy is determined from indicators of financial knowledge, financial attitudes, financial behavior **which** include each core competency. Meanwhile, business performance is further described using indicators of profit growth, capital growth and sales growth.

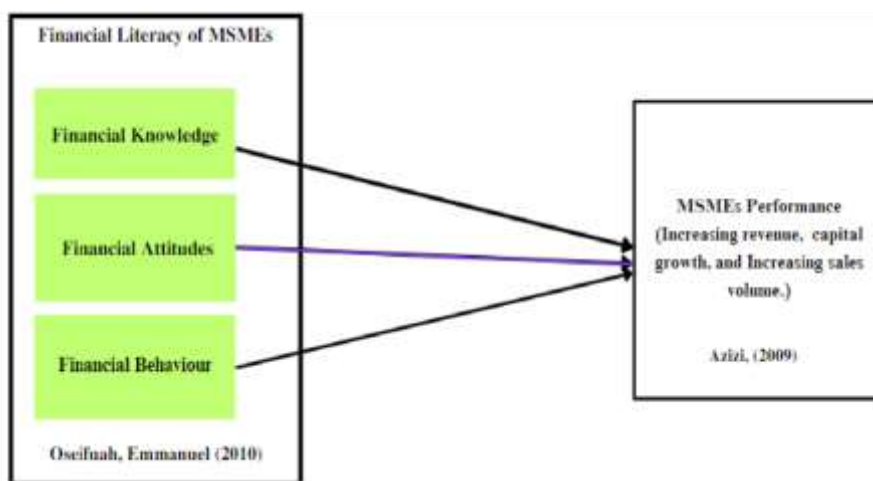


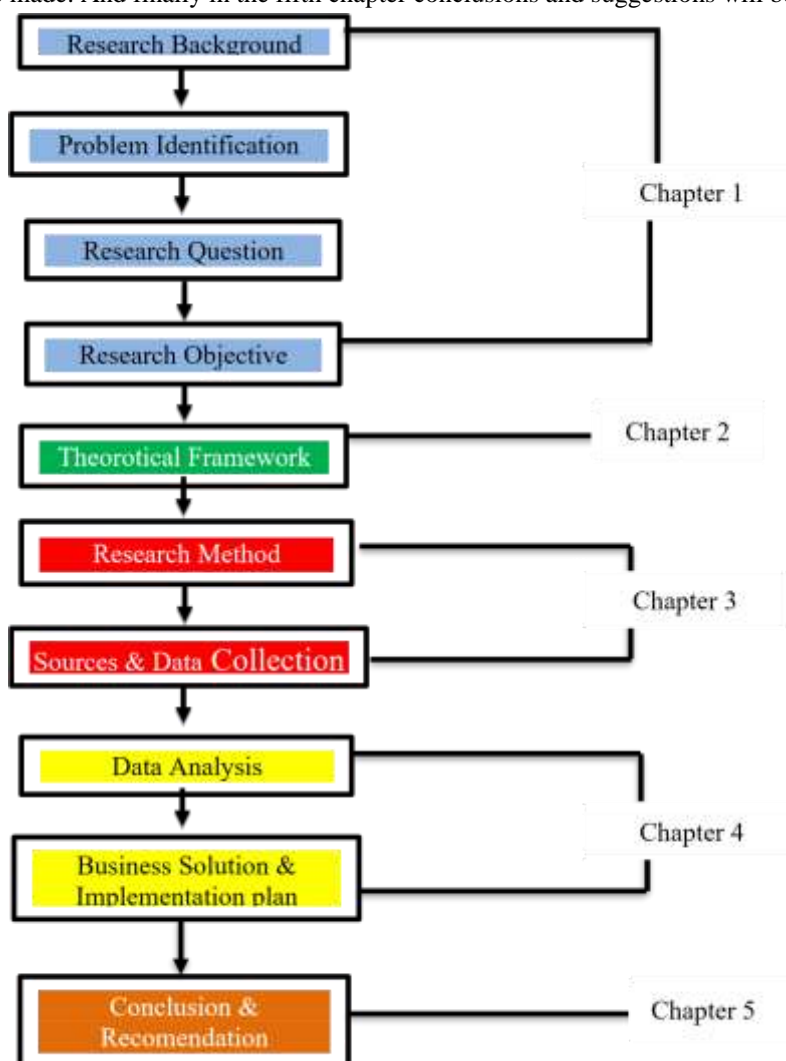
Figure 2. 1 Conceptual Framework in the Study

### METHODOLOGY RESEARCH DESIGN

This research begins in the first chapter, with the identification of the problem, which is continued by determining the research question, the objectives achieved within predetermined limits and limitations. Then in the second chapter will be conducted literature research for research structure. The purpose of literature review is to provide explanations related to research theories and terms and evaluate the results of previous research that are relevant to support research. Previous studies in this study are obtained by collecting



and reviewing existing literature based on journals, books and research publications with the research topic. After reviewing the existing literature, then the third chapter will be analyzed to obtain research results. Based on the results of the study, researchers make conclusions and suggestions related to research. The research method used in this study is a survey method using questionnaires. Furthermore, a descriptive analysis was carried out to describe the level of financial literacy of MSME actors in the city of Bandung which can be categorized into low, medium, and high levels of understanding. Meanwhile, to see whether financial knowledge, financial skills, financial behavior, financial attitude and financial performance are related to the level of financial literacy of MSME actors in Bandung City using hypothesis test analysis using SPSS. In the fourth chapter, recommendations and implementation will also be made. And finally in the fifth chapter conclusions and suggestions will be made for interested parties.



(Source: Author's Analysis)

**POPULATION**

The number of MSMEs according to data from the KUMKM Office is 8,662 recorded starting from NIK, business type name, assets, turnover and access to financial institutions. So the researchers made the number equal to the population in this study.

**SAMPLE**

According to Akdon and Ridwan (2009: 253) "related to the determination of samples as ancerc-ancerc, if the subject is less than 100, then it is better to take all, so that the research is a population study. Furthermore, if the subject is large, it can be taken between





10% - 15% or 20% - 25% or more". Based on the description above, because the population is more than 100 people, the sampling technique used is proportionate stratified random sampling, a sample of randomly selected and proportional populations. Meanwhile, according to Akdon and Ridwan (2009: 253) the sampling technique uses the following formula:

$$n = \frac{N}{N \cdot d^2 + 1}$$

Where: n = Number of samples

N = Total Population

$d^2$  = Precision (set at 10%, 7% or 5% with a confidence level of 95%) Based on this formula, the number of samples is obtained as follows:

$$\begin{aligned} &= \frac{8.662}{8.662 \cdot (0,0049) + 1} \\ &= \frac{8.662}{43.44} \\ &= 199.38 \text{ or } 199 \text{ UMKM} \\ n &= \frac{N}{N \cdot d^2 + 1} = \frac{8.662}{8.662 \cdot (0,07)^2 + 1} \end{aligned}$$

After calculating the number of samples from the total population of MSMEs registered in the city of Bandung as many as 8,662, the number of samples was produced at 199 MSMEs.

## DATA COLLECTION METHODS

Researchers conducted an online survey designed based on Google's form platform delivered through social media using whatsappApp. Due to the limitations of respondents who only focus on MSMEs in the city of Bandung which are applied to this study, snowball sampling is applied to this study. Initially, I distributed questionnaires to several MSMEs who were still coaching in Bandung City and then those who responded to the survey continued to comfortably distribute the survey to MSMEs they knew who were already registered in Bandung City. Each person is required to answer the survey only once to ensure data accuracy. Participants are adults who meet the following criteria: (1) MSMEs who are at least 18 years old, (2) agree to participate in surveys by providing informed consent online and (3) have the ability to read and answer questions.

## RESEARCH INSTRUMENT

The survey method is widely used in business studies, because business is a social phenomenon that involves many transactions carried out, and the data needed for decision making comes from humans. Therefore, a questionnaire was developed containing four parts, of which the first and second sections contain the identity of the respondent and the company profile, respectively. The questions in this section are closed questions with a predefined answer format.

Then for the development of questions in the third and fourth sections regarding financial literacy and MSME performance, each uses the unidimensional method. According to this method, the variables measured have been hypothesized by relating them to one construct (Azizi, 2009). For the third part, this study chose to adopt and adapt the instruments developed by Sabana (2014) to represent financial literacy. The items and dimensions used by Sabana (2014) are more comprehensive than measures used in other studies, as they include financial management and mathematical knowledge, which were rarely considered in measuring financial literacy in other previous studies.

## DATA ANALYSIS METHODS

### VALIDITY TEST

Validity test is a measuring tool to determine the validity or invalidity of a data. The measuring instrument referred to the questions asked on the questionnaire. A questionnaire can be said to be valid if the questions on the questionnaire can reveal something that the questionnaire measures. In this study, the data obtained will then be accumulated through SPSS to find out whether or not a data



is valid. The technical factor analysis used is Confirmatory Factor Analysis (CFA). Question items that have a data loading factor of  $>0.5$ .

## RELIABILITY TEST

According to Sugiyono (2019), reliability is the result of research where there is the same data at different times. An instrument is said to be reliable if after a test (manual or SPSS) results are obtained stating that the Cronbach Alpha is greater than or equal to 0.6 then the item is declared reliable. Similarly, Lim (2007) defines reliability as the degree of consistency of a research instrument that measures a variable under study. He also stated that the more consistent a measurement is, the higher the reliability of the instrument. An instrument is considered to have 100% reliability if each time the instrument is managed, the same results are obtained. If an item in a variable shows a value less than 0.6, then the item should be excluded from the questionnaire (Sekaran & Bougie, 2010).

## CLASSICAL ASSUMPTION TEST

Before testing multiple linear regression analysis of research hypotheses, it is necessary to test classical assumptions or statistical requirements for data that must be met in multiple linear regression analysis. Classical assumption tests used include normality tests, multicollinearity tests and autocorrelation tests.

## NORMALITY TEST

According to Ghazali (2011: 160) stated that to test whether the data is normally distributed or not, a P-Plot graph test is carried out by looking at the distribution of data (points) on the diagonal axis, namely by making normality test decisions as follows:

- Data is said to be normally distributed, when the points are close or close to the diagonal line.
- Conversely, the data is not normally distributed, if the points spread far over the diagonal line.

## MULTICOLONICITY TEST

According to Ghazali (2011: 105) "the multicollinearity test aims to test whether the regression model found a correlation between independent variables". To test multicollinearity by looking at the VIF value of each independent variable, if the VIF value  $< 10$  or *Tolerance Value*  $> 0.10$ , then it can be concluded that the data is free from the symptoms of multicollinearity. Conversely, multicollinearity occurs if the VIF  $> 10$  or the *Tolerance Value*  $< 0.10$ .

## CORRELATION TEST

According to Ghazali (2011: 110) "the autocorrelation test aims to test whether in the linear regression model there is a correlation between the fault of the confounding in period  $t$  with the error of the confounding in period  $t-1$  (previous)". If there is a correlation, then there is an autocorrelation problem. In this study to test the presence or absence of autocorrelation symptoms using the Durbin-Watson test (DW test).

## HETEROSCEDASTICITY TEST

According to Ghazali (2011: 139) "the heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another". There are several ways to perform heteroscedasticity tests, namely *plot graph tests*, park tests, *glacier tests*, and *white tests*. Testing in this study used a *plot graph*, between the predicted value of the dependent variable, namely ZPRED and the residual SRESID. There is no heteroscedasticity if there is no clear pattern, and the points spread above and below the number 0 on the Y-axis.

## HYPOTHESIS TEST

### MULTIPLE LINEAR REGRESSION

In general, correlation analysis tests the strength of the relationship between two continuous variables (Franzese & Luliano, 2019) using correlation coefficients ranging from -1 to +1. The higher the value of the correlation coefficient (close to +1 or -1), the stronger the relationship between the two continuous variables, and vice versa. However, correlation analysis cannot assess whether one variable can explain the other. Therefore, multiple linear regression can be used to test the effect of more than two independent



variables on the dependent variable. Here's the basic equation of econometrics to model the relationship between the independent variable (X) and the dependent variable (Y). Indeed, multiple linear regression aims to estimate the parameters model  $\alpha$  and  $\beta$  that fit with the joint distribution of X and Y (Franzese &; Luliano, 2019).

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3$$

In this study, SME performance and financial literacy were treated as dependent variables and independent variables, respectively,

**PARTIAL TEST**

Partial tests are used to determine the significance / significance of regression coefficients as well as test the hypothesis proposed. In order for the results obtained by regression to be explained the relationship, the regression results are tested using a t-test with a confidence degree of 0.05.

**COEFFICIENT OF DETERMINATION (R<sup>2</sup>)**

To find out the amount of contribution made by each variable, it is necessary to find the coefficient of determination. The coefficient of determination is also to describe values that range from zero to one. If R<sup>2</sup> is close to 1, it can be said that the stronger the model is in explaining the variation of the independent variable to the dependent variable and vice versa if R<sup>2</sup> is close to 0, the weaker the variation of the independent variable in explaining the dependent variable.

**RESULT**

**MULTIPLE LINEAR REGRESSION ANALYSIS**

In this study to examine how the influence between financial literacy on MSME performance. After SPSS analysis, the author obtained results that can be seen in the following table:

**Table 1. Multiple Linear Regression Test Results**

Coefficients <sup>a</sup>						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.276	.785		4.173	<,001
	Financial knowledge	.355	.040	.439	8.887	<,001
	Financial behaviour	.272	.036	.349	7.529	<,001
	Attitudes Financial	.294	.030	.283	9.756	<,001

a. Dependent Variable: MSME performance

Source: Results of Data Processing with SPSS

Based on the table, it shows that financial literacy such as financial knowledge, financial behavior and financial attitudes have an influence on the performance of MSMEs. For more details, you can note the following equation:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3$$

$$Y = 3.276 + 0.355X_1 + 0.272X_2 + 0.294X_3$$

For the explanation of the equation made based on the formula from a simple regression analysis whose value is based on the processed results of the questionnaire data is:

- For the constant value ( $\alpha$ ) with a value of 3.276, which means that if the financial literacy variable is considered equal to zero, then the MSME performance variable is 3.276.
- For the coefficient of the financial knowledge variable ( $\beta X_1$ ) with a value of 0.355 which means that financial knowledge has a positive effect on financial performance, which shows that if financial knowledge increases by one unit, it will cause an increase in MSME performance by 0.355.





- For the coefficient of the financial behavior variable ( $\beta X_2$ ) with a value of 0.272, which means that financial behavior has a positive effect on financial performance, which shows that if financial behavior increases by one unit, it will cause an increase in MSME performance by 0.272.
- For the coefficient of the financial attitudes variable ( $\beta X_3$ ) with a value of 0.294 which means that financial attitudes have a positive effect on financial performance, which shows that if financial knowledge increases by one unit, it will cause an increase in MSME performance by 0.294.
- Of the three financial literacy such as financial knowledge, financial behavior and financial attitudes, the highest regression coefficient value is financial knowledge 0.355, this means that the largest contribution of the influencer to the performance of MSMEs in the city of Bandung is financial knowledge.

**PARTIAL TEST (T TEST)**

The partial test uses the significance level of hypothesis testing, which is a significant level value  $\leq 0.05$  which means there is a significant effect while if the value is  $\geq 0.05$  on the contrary there is no significant. For this study, the partial test results can be seen in the following table:

**Table 2.** Partial Test Results or T-Test

Coefficients <sup>a</sup>						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.276	.785		4.173	<,001
	Financial knowledge	.355	.040	.439	8.887	<,001
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	Attitudes Financial	.294	.030	.283	9.756	<,001

a. Dependent Variable: MSME performance

Source: SPSS Data Processing Results

In the table for financial knowledge, a t value of 8,887 is obtained with a significant value of 0.001. Then for financial behavior obtained a t value of 7,529 with a significant value of 0.001 and finally financial attitudes obtained a t value of 7,529 with a significant 0.00. Then for degrees of freedom ( $df = n-2$  or  $df = 199-2$ ) then obtained the table t value of 1.653. Because all three have a t table value greater than the calculated t value and the significance is also smaller than *alpha*, which is 0.05, the hypothesis is accepted that there is a significant relationship between financial literacy (financial knowledge, financial behavior and financial attitudes) with the performance of MSMEs in the city of Bandung.

**COEFFICIENT OF DETERMINATION**

The coefficient of determination was used in research with the aim of knowing the magnitude of the contribution of the influence of financial literacy (financial knowledge, financial behavior and financial attitudes) with the performance of MSMEs registered in the city of Bandung. The following are the results of SPSS calculations carried out by researchers:

**Table 3 Financial Literacy Determnation Coefficient Test Results**

**Model Summary**

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942a	.887	.885	2.06038

a. Predictors: (Constant), financial Knowledge, Financial Behaviour, Financial Attitudes

b. Dependent Variable: Performance MSME Source: SPSS Data Processing.



From some of these tables, which are the results of SPSS processing, there is a hypothesis test for the coefficient of determination of financial literacy such as financial knowledge, financial behavior and financial attitudes, the author can explain that the influence of financial literacy on MSME performance is 88.5%. While the remaining 11.5% is influenced by other factors that influence the determination of the rise or fall of MSME performance because apart from financial literacy there are many other factors that are not studied.

**BUSINESS SOLUTION**

Based on the results of data analysis that the author has done previously, it was obtained that in general, financial literacy has a positive and significant effect on improving the performance of MSMEs, in this case, the author focuses on MSMEs in the city of Bandung. In this study, the author measures the financial literacy of MSMEs using three indicators including financial knowledge, financial behavior, and financial attitudes. Then for the processed data using SPSS obtained from these three indicators, the greatest influence on MSME performance is financial knowledge with a regression coefficient of 0.355 in improving MSME performance. So in this case, the author provides a solution based on these results so that in the future in the city of Bandung to be able to focus more on MSME financial literacy, namely financial knowledge. There are several solutions proposed to increase the financial knowledge of MSME actors, including:

**Table 4.** Business Solution

Financial Knowledge Learning Focus	Description	Suggested Solutions
Financial management	Manage finances, make budgets, and manage cash and profits well. MSME players can learn how to maintain finances to remain stable and develop.	<ul style="list-style-type: none"> <li>. Conduct financial knowledge or financial literacy learning and training focused on topics such as financial management, budget planning, and business strategy.</li> <li>. Using financial applications to help MSME actors manage finances, make budgets, and manage cash and profits well. Financial applications that can be used include Xero, Zoho Books, and QuickBooks.</li> <li>. Adopt an orderly bookkeeping or accounting system in order to better monitor finances.</li> <li>. Identify unnecessary spending and look for ways to cut ineffective spending. As well as looking for ways to increase revenue.</li> <li>. Consider financial strategies such as loans or investments that can help improve business finances.</li> </ul>
Budget planning	All companies, including MSMEs, must have good budget planning to manage income and expenses so that they are always balanced. This helps prevent financial risks that may occur in the future.	<ul style="list-style-type: none"> <li>. Provide training and workshops focused on budget planning and financial management, as well as applying financial tools in it. This will help MSME actors understand and apply the principles of better budget planning.</li> <li>. Conduct regular evaluations to measure the financial performance of MSME actors, so that they can understand how the budget that has been made is running and make the necessary adjustments. Evaluation can be done periodically every month or quarterly.</li> <li>. Determine long-term goals and strategic plans that are sustainable and measurable. MSME players must understand well the business direction to be achieved so that the budget can be managed better and respond faster if there is turmoil in the market or other business conditions.</li> <li>. Looking for effective and efficient ways to cut operational costs so that the budget of MSME actors can be optimized optimally. Cost cutting can be done by purchasing fewer raw materials or saving on office tools and supplies.</li> </ul>



Business strategy	MSME players need to understand how business strategies can affect their business finances, such as opening new branches, expanding markets, or adding new products. With a better understanding of business strategies, MSME players can make smarter and more effective financial decisions.	<ul style="list-style-type: none"> <li>. Provide training and workshops focused on business strategy and finance. Such training may include an understanding of investment, new product development and expansion of business markets.</li> <li>. Guiding MSME players to develop measurable business plans and focus on achieving long-term goals. This will help MSME players in planning well their financial expenditures and making smarter financial decisions.</li> <li>. Applying the SWOT analysis method (Strengths, Weaknesses, Opportunities, and Threats) to assist MSME actors in formulating better business and financial strategies.</li> <li>. Collaborating with financial experts or financial consultants to provide personal assistance and consultation for MSME actors, so as to obtain more focused and measurable direction in managing business finances well.</li> <li>. Encouraging business collaboration between MSMEs to increase opportunities to expand markets and open new business opportunities.</li> </ul>
<b>Financial Knowledge Learning Focus</b>	<b>Description</b>	<b>Suggested Solutions</b>
Read financial statements	MSME players need to have the skills to read financial statements in order to understand their business finances, and determine financial performance and business risks better.	<ul style="list-style-type: none"> <li>. Provide training and workshops focused on reading financial statements, including how to read balance sheets, income statements, cash flow and financial ratio analysis, as well as evaluating the company's financial performance.</li> <li>. Adopt financial management tools, such as financial applications or accounting software, that facilitate the management of financial statements and financial information and business performance in real time.</li> <li>. Apply the SWOT analysis method (Strengths, Weaknesses, Opportunities, and Threats) to assist MSME actors in evaluating financial performance and risk, and making decisions based on the analysis.</li> <li>. Provide personal guidance and consultation to MSME actors to help understand financial statements and determine better financial strategies.</li> <li>. Using case studies or concrete examples of similar MSME businesses, which are successful in determining financial performance and various ways to improve financial performance.</li> </ul>
Risk management	MSME players can learn to manage financial risks that may occur in their business, such as market, operational, and credit risks. This helps them make more reliable financial decisions and minimizes the risk of financial loss.	<ul style="list-style-type: none"> <li>. Provide training and workshops focused on financial risk management, including an understanding of market risk, operational risk, and credit risk, as well as how to minimize financial losses that may arise.</li> <li>. Encourage MSME players to make measurable financial risk planning and focus on risk control, financial expenditure, and effective financial decision making.</li> <li>. Apply SWOT analysis methods (Strengths, Weaknesses, Opportunities, and Threats) and risk analysis to assist MSME actors in evaluating possible financial risks, and making decisions based on these analyses.</li> <li>. Provide personal assistance and consultation to MSME actors to help understand risk management and determine better financial strategies.</li> <li>. Using case studies or concrete examples of financial risk management in similar MSME businesses that have been successful, so that MSME actors are more open to risk planning techniques and applications in their business activities.</li> </ul>

Source: Author Analysis



## IMPLEMENTATION PLAN

- Socialization and Participant Selection: Conducted with the aim of introducing the program to prospective participants and screening participants who really need financial knowledge learning or financial literacy.
- Making Learning Materials and Objectives: Making learning materials tailored to the needs of prospective participants. Learning objectives are made to help prospective participants understand the importance of financial knowledge or financial literacy and how to manage business finances better.
- Implementation of Training or Coaching: Training or coaching is carried out intensively by utilizing learning methods that are suitable for the needs of prospective participants, such as lectures, discussions, simulations, and direct practice. The training focuses on understanding the concept and application of financial knowledge or financial literacy in managing business finances.
- Task Assignment and Evaluation: After training, tasks related to business financial management are given. This task aims to help prospective participants apply the concept and application of financial knowledge or financial literacy that has been learned. Evaluation is carried out to determine the extent to which participants understand and are able to apply the concepts that have been learned.

## CONCLUSION

Based on the formulation of the problem in part one, the author will answer with the results of the research conclusions as follows:

- Based on the analysis of data conducted by the author presented in part 4, research results were obtained that financial literacy has a positive and significant effect in developing the performance of MSMEs registered in Bandung City, this is evidenced by multiple linear regression tests that produce the equation  $Y = 3.276 + 0.355X_1 + 0.272X_2 + 0.294X_3$  and the results of the parsial test produce a significance of  $<0.05$ .
- Then in the results of the hypothesis test related to which financial literacy indicators contribute the most to the development of MSME performance, it was obtained that financial knowledge indicators have the greatest influence in improving the performance of MSMEs registered in the city of Bandung. This is evidenced by the test results of the coefficient of determination ( $r^2$ ) = **0.799 or 79.9%**.

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