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“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

**Analysis of Financial Literacy of Small and Medium Enterprises in
Tangerang Regency****Gustian Akbar^{1*}, Lena Erdawati¹**¹Universitas Muhammadiyah Tangrerang
Jl. Perintis Kemerdekaan I/33 Cikokol Banten***Email:** gustianakbar20@gmail.com**ABSTRACT**

This study is to determine the level of financial literacy of SMEs in Tangerang Regency and to analyze the that influence it. The type of research used is descriptive quantitative, namely a quantitative approach with the Chi Square method. The population used in this study are SMEs in Tangerang Regency. The sample is selected by purposive sampling method and Lemeshow formula as many as 97 respondents. The results showed that financial literacy in Tangerang Regency was in the medium category. Variables that affected the financial literacy of SMEs are differences in age, education, length of business, income, ownership of saving and ownership of loan. Meanwhile, differences in gender and length of business had not affect financial literacy of SMEs in Tangerang Regency.

Keywords: financial literacy, gender, age, education, length of business, income, saving, and loan

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INTRODUCTION

Financial service institutions in various regions are experiencing rapid growth and increasingly diverse products and types of operations that take advantage of technological advances (Porter & Kramer, 2019), but unstable and inefficient financial systems lead to poor distribution of funds, which can hamper economic growth (Prochniak & Wasiak, 2017).

Financial management in everyday life cannot be separated from one's financial literacy in making the right financial decisions (Putra et al., 2020). (Tahir et al., 2021) define financial literacy as financial knowledge and the ability to apply it in daily life to achieve prosperity. (Hauff et al., 2020) explain that financial literacy is very important for several reasons. Financially literate consumers can go through difficult financial times because they may have accumulated savings, bought insurance and diversified their investments. Financial literacy is also directly correlated with positive financial behaviors such as timely bill payments, loan installments, savings before they run out and using credit cards wisely. Financial literacy occurs when a capable individual or (literate) is someone who has a set of skills and abilities that make that person able to use existing resources to achieve goals. Literacy is an important thing that must be possessed to achieve its goals. Financial literacy is defined as a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the financial consequences that arise (Damayanti et al., 2018).

Financial literacy is related to a person's ability to manage finances (Dai et al., 2021). Financial literacy can be defined in a broad or narrow sense, the broad definition is to adopt an understanding of the economy and how economic conditions affect household decisions (Wortnington in Capuano and Ramsey, 2011). While the narrow definition according to Gallery, Newton and Palm, 2010 (in the research of Capuano and Ramsay, 2011) financial literacy focuses on basic financial management tools such as budgeting, saving, investing, and insurance.

Financial literacy includes knowledge and understanding of financial instruments and institutions (Mndzebele & Kwenda, 2020). Financial literacy can be defined as financial knowledge that aims to achieve prosperity (Senda et al., 2020). (Yuesti et al., 2020) explain that financial literacy helps individuals to avoid financial problems. As revealed by Vitt et al (2000), financial literacy education is very useful for human life, SMES who must know financial literacy so that the financial management of SMES avoid financial risks.

In addition to knowledge, what is also important for SMEs is that conditions such as the ease of obtaining credit must also be considered due to strict regulations from financial institutions (Beal and Delpachitra, 2003) and the aggressiveness of marketing activities and the growth of financial products and services (Marcolin and Abraham, 2006), strengthening assumption that financial literacy is a must.

Halabi, et al. (2010) said that research in SMEs Australia provides evidence that small business only understand very basic things from accounting information and have problems understanding financial literacy.

The following is a conceptual framework designed to simplify, understand, the relationship of the dependent variable of financial literacy to the independent variables, namely gender, age, education, length of business, income, ownership of saving and ownership of loan.

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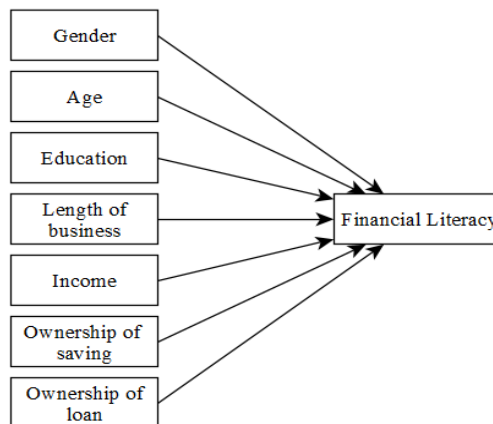


Figure 1 Conceptual Framework

METHOD

The population of this study is SMEs in Tangerang Regency, but the population of this study is unknown (unknown population). The sampling technique used in this research is purposive sampling method, namely taking samples with certain criteria. The criteria determined are SMEs in Tangerang Regency who are more than 18 years old. The sampling technique uses the Lemeshow formula with the assumption that the population is normally distributed. The level of confidence used in this study is 95% or 0.5, so the value of $Z_{\alpha/2}$ or $Z_{0.025}$ is 1.96. The estimated proportion is 0.5. In addition, the margin of error or margin of error allowed in this study is 10%. From this formula, the number of samples can be determined by the following calculation:

$$n = \frac{Z_{\alpha/2}^2 p(1-p)}{e^2} = \frac{1,96^2 \times 0,5(1-0,5)}{0,1^2} = 96,04 \dots \dots \dots (1)$$

The number of respondents in this research sample has been rounded up to 97 respondents. This study uses a questionnaire as the main tool to collect research data.

The data analysis technique used is the Chi-Square analysis. Chi-square analysis is a statistical technique used to test hypotheses when the population consists of two or more classes (Sugiyono, 2011).

RESULT AND DISCUSSION

The explanation of the interpretation of the hypothesis obtained from the chi-square test analysis is if the probability is <0.05 then H_0 is rejected, H_a is accepted, there is a relationship between the independent variable and the dependent variable, and if the probability ≥ 0.05 then H_0 is accepted, H_a is rejected, there is no relationship between the independent variable and the dependent variable

To measure the correlation using the value of the contingency coefficient. Correlation is measured in two steps, namely checking for positive and negative signs, then looking at the correlation value in the range of 0 to 1. If 0 means there is no relationship at all, and 1 means there is a close relationship between the two variables.

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Table 1. Descriptive Statistics (font 10 pt)

		Pearson Chi-Square	Contingency Coefficient	Asymptotic Significance (2-sided)
Variables	Gender	4.268	.205	.118
	Age	17.902	.395	.001
	Education	20.308	.416	.002
	Length of business	5.066	.223	.281
	Income	18.666	.402	.001
	Ownership of saving	7.254	.264	.027
	Ownership of loan	8.494	.284	.014

Source: Processed data, 2022

DISCUSSION

The Effect of Gender on Financial Literacy of MSMEs in Tangerang Regency

The gender variable has a chi-square value of 4.268 and a significance value of 0.118. The significance value is greater than 0.05 and has a chi-square value of 4.268 which is smaller than the chi-square table value of 5.991, it can be concluded that H_0 is accepted and H_a is rejected. The first hypothesis (H_1) is not proven, gender has no effect on the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.205 means that the relationship between gender and financial literacy of SMEs in Tangerang Regency is less close. The result of this study contradicts the result of study by Chen and Volpe's (2002) which states that gender has a significant effect on the level of financial literacy.

The Effect of Age on The Financial Literacy of SMEs in Tangerang Regency.

The age variable has a chi-square value of 17.902 and a significance value of 0.001. The significance value is smaller than 0.05 and has a chi-square value of 17.902 which is greater than the chi-square table value of 9.488, it can be concluded that H_0 is rejected and H_a is accepted. The second hypothesis (H_2) is proven, age affects the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.395 means that the relationship between age and financial literacy of SMEs in Tangerang Regency is quite close. The result of this study is in accordance with the result of study by Al-Tamimi (2009) which shows that age affects the level of individual financial literacy, but contradicts the results of study by Amaliah and Setyawati (2015).

The Effect of Education on Financial Literacy of MSMEs in Tangerang Regency.

The education variable has a chi-square value of 20.308 and a significance value of 0.002. The significance value is smaller than 0.05 and has a chi-square value of 20.308 which is greater than the chi-square table value of 12.592, it can be concluded that H_0 is rejected and H_a is accepted. The third hypothesis (H_3) is proven, that education affects on the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.416 means that the close between education and financial literacy of SMEs in Tangerang Regency is quite close. The result of this study is in accordance the result of study by Jhonson and Margaret (2007) which states that education has a very important role in the level of individual financial literacy. Likewise, according to Gutter (2008) which states that education has a significant positive effect on financial knowledge. Individuals who get a good financial education will have a better level of financial knowledge.

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The Effect of The Length of Business on Financial Literacy of MSMEs in Tangerang Regency.

The length of business variable has a chi-square value of 5.066 and a significance value of 0.281. The significance value is greater than 0.05 and has a chi-square value of 5.066 which is smaller than the chi-square table value of 9.488, it can be concluded that H_0 is accepted and H_a is rejected. The fourth hypothesis (H_4) is not proven, the length of business has no effect on the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.223 means that the relationship between the length of business and the financial literacy of SMEs in Tangerang Regency is less close. The result of this study is not in accordance with the results of study by Kamila (2017) which shows that the length of business affects the level of financial literacy.

The Effect of Income on Financial Literacy of MSMEs in Tangerang Regency

The income variable has a chi-square value of 18.666 and a significance value of 0.001. The significance value is smaller than 0.05 and has chi-square value of 18.666 which is greater than the chi-square table value of 9.488, it can be concluded that H_0 is rejected and H_a is accepted. The fifth hypothesis (H_5) is proven, income affects the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.402 means that the relationship between income and financial literacy of SMEs in Tangerang Regency is quite close. The result of this study is in accordance with the result of studies by Lusardi, Annamaria, Olivia S. Mitchell (2011), Chen and Volpe (2002), and Al-Tamimi (2009). However, this contradicts the results of study by Amaliah and Setyawati (2015).

The Effect of Saving Ownership on Financial Literacy of MSMEs in Tangerang Regency

The ownership of saving variable has a chi-square value of 7.254 and a significance value of 0.027. The significance value is smaller than 0.05 and has a chi-square value of 18.666 which is greater than the chi-square table value of 5.991, it can be concluded that H_0 is rejected and H_a is accepted. The sixth hypothesis (H_6) is proven, ownership of saving affects on the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.264 means that the close relationship between ownership of saving and financial literacy of SMEs in Tangerang Regency is less close. The results of this study are in accordance with the result of study by Desiyanti (2016) which states that banking financial products, namely savings, have a high utility index value among SMEs.

The Effect of Loan Ownership on Financial Literacy of MSMEs in Tangerang Regency.

The ownership of loan variable has a chi-square value of 7.254 and a significance value of 0.014. The significance value is smaller than 0.05 and has a calculated chi-square value of 8.794 which is greater than the chi-square table value of 5.911, it can be concluded that H_0 is rejected and H_a is accepted. The seventh hypothesis (H_7) is proven, that ownership of loan affects on the financial literacy of SMEs in Tangerang Regency. The contingency coefficient value of 0.284 means that the relationship between loan ownership and financial literacy of SMEs in Tangerang Regency is less close. SMEs in Tangerang Regency can take advantage of savings and loan products from banks that can help their business continuity, by applying for loans to related banks and can save some of their income as savings. Financial education about borrowing and saving at financial institutions is not only in formal institutions but also in non-formal ones (Chowa & Despard, 2013).

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CONCLUSION

Based on the results of the study, it can be concluded that the variables that affected the financial literacy of SMEs are differences in age, education, length of business, income, ownership of saving and ownership of loans. Meanwhile, differences in gender and length of business have no effect on financial literacy of SMEs in Tangerang Regency

The government is expected to strengthen socialization to SMEs and the need for synergy between the Financial Services Authority as the regulator of banking and non-bank financial services to provide financial education and financial services. SMEs are expected to support and implement government programs to improve financial literacy and provide input in socialization to keep abreast of developments in financial literacy.

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