

Increasing Financial Literacy For Business Strategies For Strengthening Small And Micro Industries In Medan City

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ABSTRACT

The purpose of the study was to determine the effect of financial literacy on business strategy and performance of MSMEs in Medan City. As for Financial Literacy as an independent variable, business performance as the dependent variable and business strategy as a mediating variable. The study used a descriptive quantitative approach using secondary data, namely by distributing questionnaires to 125 micro, small and medium enterprises in Medan City. Data on MSME were obtained from the Medan Cooperative and MSME Service. With non-probability purposive accidental sampling method. The research data was processed using SPSS 23 statistical software by performing the classical assumption test (normality test, multicollinearity test, heteroscedasticity test) which was then analyzed by multiple regression and descriptive analysis, then the research hypothesis was partially tested and the coefficient of determination was tested. The results of this study are financial literacy has a positive and significant effect on business strategy and business performance. Revealing that with good financial literacy, MSME actors will carry out the right business strategy and with every increase in financial literacy for MSME actors it will also improve their business performance. And the results of the mediation of the business strategy variable show that with financial literacy, MSME actors will carry out business strategies that result in better business performance.

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INTRODUCTION

Performance of Micro, Small and Medium Enterprises (SMEs) are required to have dynamic capabilities and strategically capable of seeing opportunities and expand market share due to strong pressure and Global business competition affects Business Units Micro Small and Medium Enterprises (MSMEs), such as challenges of globalization, acceleration of technology, change demographics to social conditions demand actors MSMEs have the ability to do innovation and entrepreneurial spirit (Kuryanto & Syafruddin, 2009).

Every business aims to make a profit of business that is managed effectively and efficiently (Wijayanti, S., & Sadewo, 2021). Micro Business Performance Small and Medium Enterprises in Indonesia still exist under the performance of Micro, Small and Medium Enterprises in several neighboring countries. In the current condition Small Micro Enterprises often experience conditions that are unstable and undeveloped (Suriyanti, L. H., & Binangkit, 2019).

The improvement in the performance of MSMEs is still far from what it was expected to be able to compete with big businesses especially in the midst of the Covid-19 pandemic. SMEs as contributor to the national gross domestic product (GDP). play an important role in economic

recovery Indonesia. Even though MSMEs are expected to be wrong a cushion for economic recovery during the pandemic Covid-19

Even though Micro, Small and Medium Enterprises continue to contribute to the growth of Gross Domestic Product every year. The contribution of MSMEs to GDP on a constant price basis amounted to IDR 5,721.1 trillion in 2018 and in 2019 it rose 22.9% to IDR 7,034.1 trillion. Meanwhile, the contribution of MSMEs to GDP at current prices amounted to IDR 9,062.6 trillion in 2018 and 2019 increased by 5.7% to IDR 9,580.8 trillion, not only that, Indonesian MSMEs also contributed to absorbing a workforce of 119.6 million or 96.92% of the total workforce in Indonesian business units. Compared to 2018, employment increased by 2.21%. (Ministry of Cooperatives, 2021). This shows that the entrepreneurial ability of MSME actors is still lacking which can be caused by internal factors and external factors (Sadewo & Purnasari, 2019).

This phenomenon is not comparable to the conditions of SMEs that occur in the field. Because business actors often face various obstacles due to the lack of financial literacy for micro and small business actors such as business competition, access to capital, infrastructure, marketing to technology (Suardana & Musmini, 2020). So it is hoped that the government's efforts through the Financial Services Authority and Financial Institutions in supporting micro and small business actors for the distribution of financial literacy. The problem of financial literacy does not arise by itself, because financial literacy is able to facilitate the use of products effectively and help micro and small businesses to develop skills and financial products according to their needs (Munizu, 2010).

The impact of the Covid-19 pandemic has also caused changes in the business environment which has resulted in micro, small and medium enterprises having to make efforts to adjust their business strategy. A good strategy is a strategy that can adapt to various changes in the business environment that occur to improve the performance of micro, small and medium enterprises so that they are competitive (Sudarsono, 2015).

From the phenomena and previous empirical research, the problem can be formulated that whether Financial Literacy affects the performance of MSME businesses mediated by Business Strategy.

METHOD

This research uses a quantitative descriptive method approach to explain the data that has been collected to determine the research objectives, namely research to obtain data that is objective and includes collecting and analyzing quantitative data and then carrying out a testing method using SPSS 23 software (Sugiyono, 2018). The subjects in this study were Micro-Small Business actors in Medan City, to find out that financial literacy affects the performance of MSME businesses in Medan City which is mediated by Business Strategy.

The population in this study are MSME players in Medan City with an observation period from November 2021 to January 2022, by distributing questionnaires for three months of observation at various locations and markets in Medan City. Because there are limitations to the size of the study population, the sampling used in this study is using non-probability sampling with the accidental sampling type, namely not all members of the population have the opportunity to become samples in this study, but anyone who meets the desired criteria as a sample, namely SMEs

in Medan. The number of studies used in this study were 125 MSME actors. Data were analyzed using SPSS 23 as a data analysis method.

RESULTS AND DISCUSSION

Validity Test

An instrument is said to be valid if it is able to measure what is desired and is able to obtain the right data from the variables studied. The minimum requirement to be considered eligible is if r count $\geq r$ table (0.30) (Ghozali, 2016). In this study (Financial Literacy, Business Strategy, and MSME Performance) are declared valid because the r -count is greater than 0.30. Based on the validity test values of the instrument items for all these variables, the data used in this study were declared valid or able to express data correctly.

Normality Test

The normality test aims to determine the extent to which the regression model, the dependent variable, and the independent variables have a normal distribution or not in this study. Normality test of this research using the Kolmogorov-Smirnov (KS) technique. Based on the SPSS output, Asymp. Sig. (2-tailed) in model 1 of 0.098 and Asymp. Sig. (2-tailed) in model 2 is 0.200 which means that the value is greater than the significance level of 0.05, so the data tested in this study are normally distributed. using the Kolmogorov-Smirnov (KS) technique. Based on the SPSS output, Asymp. Sig. (2-tailed) on model 1 of 0.098 and Asymp. Sig. (2-tailed) on model 2 of 0.200 which means that the value is greater than the significance level of 0.05, so that the data tested in this study normally distributed.

The Effect of Financial Literacy on the Business Strategy of MSME actors

Based on the test results, the test results are obtained partial shows an unstandardized coefficients beta value of 0.554 and also where the calculated t value is greater than t table which is $10.798 > 1.666$ with significantly smaller than the standard error which is $0.000 < 0.05$ which means Financial Literacy (X) has a significant positive effect on Business Strategy (Y1).

Table. 1 Financial Literacy Test Results for Business strategy

| | | Coefficients ^a | | | |
|------------------|--------|---------------------------|--------------|--------|------|
| | | Unstandardized | Standardized | | |
| | | Coefficients | Coefficients | | |
| Model | B | Std. Error | Beta | T | Sig. |
| (Constant) | 12,649 | 2,795 | | 4,526 | ,000 |
| Literacy Finance | ,554 | ,051 | ,742 | 10,798 | ,000 |

Based on the results of the analysis it is produced that financial literacy has a partial effect on Business strategy. This means that the higher MSME actors' financial literacy will increase The Business Strategy.

The Effect of Financial Literacy on Performance Small Micro Business

Based on the test results, the test results are obtained partial shows the value of unstandardized coefficients beta of 0.596 and also where the value of t counts more the size of the t table is 15.361 > 1.666 with significantly smaller than the standard error which is 0.000 < 0.05 which means Quality of Service (X) has an effect significant positive effect on Customer Loyalty (Y2).

Table. 2 Financial Literacy Test Results for business performance

| | | Coefficients ^a | | | |
|------------------|--------|-----------------------------|---------------------------|-------|------|
| | | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
| Model | B | Std. Error | Beta | | |
| (Constant) | 10,449 | 2,112 | | 4,948 | ,000 |
| Literacy Finance | ,596 | ,039 | ,844 | 5,361 | ,000 |

Based on the results of the analysis it is produced that financial literacy variable has a partial effect on the performance of small micro enterprises in the city of Medan. This shows that if financial literacy increased by one time then the performance variable business will also increase by 15.36%. Based on four indicators namely Financial planning, financial knowledge, financial behavior, financial attitude, the SMEs feel encouragement performs better than the literacy variable

The effect of Financial Literacy is not direct effect on the performance of Micro and Small Enterprises through Business Strategy.

From the results of regression calculations show that financial literacy variable has a significant positive effect to business strategy and also obtained results testing that financial literacy has a positive effect and significant to the performance of SMEs. Based on the results of the data analysis, then can be seen with the summary table as follows:

Table. 3 Indirect Influence

| Variabel | Coefficient Track | Standard error | t count | value | Significant |
|----------|-------------------|----------------|---------|-------|-------------|
| X -> Y1 | 0,554 | 0,446 | 10,795 | | 0,000 |
| Y1 -> Y2 | 0,902 | 0,098 | 31,160 | | 0,000 |
| X -> Y2 | 0,596 | 0,050 | 15,361 | | 0,000 |

Based on the table above, to search indirect influence (PTL) is as follows:

$$PTL (X-Y2) = P1 \times P2$$

Information:

PTL (X-Y2) = indirect effect of variable X against Y2.

P1 = direct effect of X on Y1.

P2 = effect of Y1 on Y2

$$PTL (X-Y2) = 0.554 \times 0.902 = 0.499$$

From these results, results were found that Financial Literacy (X) has a significant effect indirectly to the Business Performance of 0.499. This indicates that literacy access increased financial support for MSME actors good then there is an increase in business strategy and will be immediately followed by growth performance of micro, small and medium enterprises.

CONCLUSION

Based on the results of research on 125 MSME actors in Makassar City, it can be concluded that financial literacy has a positive and significant influence on performance MSME efforts mediated by business strategy, proven and acceptable. Therefore, the higher the level of understanding of the financial literacy of MSME actors in the city of Medan, the MSME actors will carry out business strategies so that their business performance can be improved. This research focuses on micro, small and medium enterprises in the city of Makassar, whose population coverage is so large that MSME actors cannot be represented as a whole. The use of the research model only tests the effect of the construct linearly so that it is still possible to add other independent variables.

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