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DOES FINANCIAL LITERACY AFFECT THE RESILIENCE OF SMALL BUSINESSES IN TRADITIONAL MARKETS?

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ABSTRACT

The study was conducted to measure the effect of financial literacy on the resilience of small businesses in traditional markets. This research uses a quantitative approach by using the SEM-PLS application to process and analyze research data. The population in the study included 14,384 small businesses in 25 traditional markets. N=14,384. Based on a confidence level of 5%, it is known d = 0.05. The results showed that the sample (N) = 389.17 or rounded to 389. The results showed that the cation literation had no positive and insignificant effect on the small business resilience.

INTRODUCTION

Small and medium-sized micro-Usaha (MSMEs) are theoretically very important for the resilience and sustainability of the community. MSMEs play an important role in job creation and economic dynamics. MSMEs serve as job creation engines (Ayyagari et all., 2014; Birch, 1987; Neumark *et al.* 2011) are the basis for entrepreneurial talent development and innovation (Acs et al., 1994; Acs & Audretsch, 1987; Brunswicker & Vanhaverbeke, 2015). Small businesses are seen as flexible in keeping up with market changes, responsive to new opportunities and more quickly adapting to changing economic dynamics than large companies. One of the centers of small business actors in the traditional market. The existence of traditional markets in Indonesia is not just an economic affair but further to the norms, cultural spheres, as well as civilizations that have lasted for a long time in various regions of Indonesia (Bintoro, 2010). In the traditional market, money circulates in many hands, fixed and stored in many pockets, the chain of displacement is longer so that the multiple of the long turnaround has an impact on economic movements for cities and regions (Pangiuk, 2018).

The Indonesian Market Traders Association (IKAPPI) assesses that the traditional market is currently facing 3 major challenges. Based on the information of the chairman of the Indonesian Market Traders Association (IKAPPI) Imam Hadi Kurnia, information was obtained that currently, the traditional market is facing 3 major challenges that must be addressed shortly. These three challenges are a test of the resilience of small businesses in traditional markets. Macro-small business actors in the traditional market play a role in building a solid fortress for national economic resilience. The first challenge is the decline in people's purchasing power. The decline in purchasing power was triggered by several things including the increase in fuel, the weakening of the rupiah in recent times, the trend of rising prices that soared and never fell, and the weakening of the rupiah against the US dollar. The situation is evenly distributed throughout Indonesia. Imam explained that the majority of traditional market traders complained a lot about the situation because it indicated that the decline in revenue reached 30%-40%. The second challenge is the lack of government participation in preparing MSMEs in traditional markets in facing the Asean Economic Community (AA) which has been active since January 1, 2016. According to Imam, it is felt that the government is less than optimal in preparing traditional markets to face the challenges of the AA. The third challenge is the rampant weakening of the function and role of traditional markets. The weakness is due to the high number of traditional market fires, forced evictions of market traders around traditional markets, the modern retail expansion that has exceeded the limits of reasonableness until negative campaigns about continuing to target traditional markets are realized or not have weakened the function and role of traditional markets as a bulwark of the national economy.

The demands for the sustainability of small businesses to survive the various environmental pressures are felt also by small business actors in Jakarta's traditional market. Revitalization efforts carried out by Perumda Pasar Jaya and the government are quite helpful. Based on the results of interviews with small business people in kramat jati traditional market, Pondok Labu, Mayestik, and Palmerah Market, information in general that government support although felt less but felt so far is enough to motivate them to *survive*. Based on the recognition of the swordsmen in the traditional market of Jakarta, one of the conventional efforts made by small businesses in traditional markets to be able to survive their business is to increase financial access. It's not an easy thing to do. The majority of small businesses in traditional markets lack collateral so constrained in accessing finance (Chittenden & Hutchinson, 1996). Access to finance can occur due to the financial literacy of traditional market traders (Adam et al., 2017; Ye & Kulathunga, 2019). Empirically financial literacy encompasses concepts across from awareness and knowledge of financial products, financial institutions, and concepts regarding financial skills such as the ability to calculate compound interest payments as well as more general financial capabilities such as money management and financial planning (Xu &Zia, 2012). In the field, it is recognized by traditional traders in the market above. They generally have financial literacy because they are educated by training organized by Perumda Pasar Jaya in collaboration with universities in Jakarta that care about small businesses in traditional markets. In addition, they get information from the bank's credit marketing officers. BPR, Cooperatives are also from NGOs. For example, the recognition of Marnaek Manurung as the chairman of the management coaching and training program at 200 traditional Jakarta market traders was organized by the PD. Pasar Jaya is in collaboration with Universitas Pelita Harapan. One such training is improving literacy such as policies in product pricing, and the skills needed to predict financial conditions in traditional market traders. With adequate financial literacy skills, business and financial decisions created will lead to improved development over time, increasing the ability of businesses to survive during a crisis and will ultimately make the business have long-term resilience. The question in this study wanted to describe the relationship between financial literacy and the resilience of small businesses in traditional markets.

THEORETICAL FOUNDATION

Financial Literacy

In the 21st century, the ability to manage money and finance effectively is becoming increasingly important, not only for professionals in the investment and banking sectors but for everyone responsible for managing financial affairs in everyday life. This ability is included in financial literacy terms (Aprea & Wuttke, 2016). Financial literacy is not limited to understanding knowledge, skills, and beliefs in existing financial institutions, products, and services, but attitudes and behaviors also influence improving financial literacy for the realization of public welfare (OJK, 2017).

The level of financial literacy is very important for every individual, because if an individual has a good level of financial literacy *(well literate)* then the individual will be able to manage his finances well. The term financial literacy refers to an individual's set of skills and knowledge that enables him or her to make informed and effective decisions through an understanding of finance (Sinha, 2018). Understanding financial literacy refers to the ability to assess information and make effective decisions regarding money use and management (Bayrakdaroğlu &Şan, 2014). Furthermore, Mitchell & Lusardi (2015) in Amagir *et al.* (2018) states that financial literacy can be seen as a human capital investment and can be helpful in the context of decisions about retirement, savings, credit, and other financial decisions.

The Organisation for Economic Co-operation and Development (OECD) (2016) defines financial literacy as the knowledge and understanding of financial concepts and risks, following the skills, motivations, and beliefs to apply that knowledge and understanding to make effective financial decisions, improve financial well-being individuals and communities, and participate in the economic field (OJK, 2017: 15).

Eniola &Entebang (2016) says that financial literacy is knowledge of the facts, concepts, principles, and tools of technology that underlie to be smart in using money. Furthermore, Faulkner (2015) explained that financial literacy is the ability to read and understand matters related to financial problems. According to Firli (2017). Financial literacy knowledge is the ability to gather important information and have the ability to distinguish between diverse financial choices, discussing financial problems, planning, and solutions that can affect financial decision making (Firli, 2017). From some of the above definitions can be concluded that financial literacy is the knowledge and ability possessed by a person to manage finances to improve the welfare of life, where decisions can have an impact on society, countries, and the economy globally.

Financial literacy is more important than ever in today's world. Being aware of money, income, savings, and expenses management can equip us with the knowledge to combat fraud and take charge of their finances.

The term financial literacy encompasses concepts that start from awareness and knowledge of financial products, financial institutions, and concepts regarding financial skills such as the ability to calculate compound interest payments as well as more general financial capabilities such as money management and financial planning (Xu &Zia, 2012).

Financial literacy can simply be interpreted as financial literacy. In other words, financial literacy is also knowledge of how to manage and design finances. Financial literacy can broadly be defined as an understanding of the conditions of inequality that can affect households in making decisions economically. While narrowly it can be defined that financial literacy educates on basic financial management tools such as saving, investment, and insurance (Gallery et al., 2011).

The term *financial literacy* has many definitions according to some experts, the most basic definition of financial literacy is the ability to manage finances individually (Remund, 2010). Financial literacy is knowledge in managing and making personal financial decisions (Chen &Volpe, 1998). Financial literacy is a person's skill in using his knowledge to manage income (wealth) effectively for a prosperous life (Fornero & Monticone, 2011). Financial literacy is the knowledge that underlies the intelligence of a person is using money following principles, concepts, technological tools, and facts (Garman & Forgue, 2010). Financial literacy is the capital owned by someone who is used in economic activities to improve financial well-being (Huston, 2010). According to the Financial Services Authority in an OJK circular 2014 stated that financial literacy is an educational process to improve the skills, knowledge, and confidence of the wider community to manage finances wisely.

Financial literacy has different implications depending on the level of income in the country. In high-income countries, financial literacy is considered a complement to consumer protection (Xu &Zia, 2012). One of the main goals of financial education is to equip everyone with the ability to plan existing financial products such as retirement planning or Home Ownership Credit (KPR) as well as for sound financial decision making.

In low-income countries, financial reach is much more limited. Similarly, more sophisticated financial products will usually only be accessed by a small percentage of the population. The role of financial literacy in developing countries will also focus more on improving access to finance and financial services. In addition, the difference between developing countries and developed countries is that people in developing countries rely more on micro-businesses as their source of income, therefore people in developing countries are more relevant to financial capabilities such as capital management, business skills, and knowledge than the types of people such as workers in developed countries who receive salaries.

Financial literacy can be defined as a measurement of how well an individual can understand and use information related to finance (Huston, 2010). Financial literacy not only requires a dimension of knowledge but also requires an additional dimension of application that requires a person to have the ability and confidence in the financial knowledge he has to be used in financial decision-making.

Financial literacy categories can be grouped into three categories: low (<60%), moderate (60%-80%), and high (≥80%), grouping these categories based on the percentage of correct respondent answers and some answers used in measuring *individual financial literacy* (Chen &Volpe, 1998).

Small Business Resilience

The resilience of small businesses is in the company's ability to survive in times of crisis. For example, in the longstanding resistance of companies to external shocks and companies are facing economic crises or various crises faced. Resilience has a wider scope and is not limited to business management. It also considers current and future interests (Prabawani, 2013). Indicators of measurement of small business resilience variables in this study refer to Naidoo (2010) among others as follows:

a. The company has survived various crises.
b. The company can solve various challenges in times of crisis.
c. The company is well-positioned to survive during the crisis.
d. Companies can restore sales volumes after a crisis

RESEARCH METHODS

Descriptive research methods using quantitative approaches are used to describe or explain current events in the form of meaningful numbers (Surakhmad, 1982). These variables are then processed statistically. The data analysis method in this study is analytically statistical using SEM (*Structure Equation Model*) testing with SEM-PLS software. The population in the study included 14,384 small businesses in 25 traditional markets. N=14,384. Based on a confidence level of 5%, it is known d = 0.05. The results showed that the sample (N) = 389.17 or rounded to 389. Data collection methods use literature research such as books and documents related to the business environment, manager, strategy, performance, and competitive advantage so that secondary data is obtained that is objective, accepted, and recognized truth, interviews, observations, and questionnaires. Here are the operational financial literacy variables:

Table. 1 Financial Literacy

Variable	Indicators	Symbol
Financial Literacy Ye & Kulathunga (2019)	Level of financial performance	LK 1
	Increase Financial Bookkeeping Knowledge for small businesses	LK 2
	Amount of loan administration fees when making a loan	LK 3
	The interest rate in charge	LK 4
	Ownership of a savings account	LK 5
	Simple financial accounting planning	LK 6
	Plan requirements required when making a loan to a bank or financial institution instead of a bank	LK 7
	Credit fund risk level	LK 8
	Predicting financial conditions	LK 9
	Ability to minimize the level of loss when incurred unable to pay	LK 10

Here are the small business resilience variables:

Table. 2 Small Business Resilience

Indicators	Symbol
Level of resilience to various crises	KUK1
Level of ability to complete during a crisis	KUK 2
Ability to sustain effort during a crisis	KUK 3
Ability level to restore sales volume after a crisis	KUK 4

RESULTS OF RESEARCH AND DISCUSSION

The financial literacy variable consists of 7 questionnaire statements with each having the code LK2, LK3, LK4, LK5, LK6, LK7, and LK8, and has an average score of 3.92 entered into the high category based on score interpretation criteria. The complete recapitulation is presented in Table 4.10.

Table 4 Description of Respondents of Financial Literacy Variables
1

Code	Financial Literacy Variables	Answer Distribution					Sum	Average Score
		STS	**TS**	**KS**	**S**	**SS**		
	Indicator	**1**	**2**	**3**	**4**	**5**		
LK2	Knowledge of financial bookkeeping for small businesses	3	3	38	315	32	391	3,94

LK3	Consider the cost of loan administration	3	1	32	332	23	391	3,95
LK5	Take advantage of a savings account	0	12	41	294	44	391	3,95
LK6	Simple financial accounting planning	0	3	45	311	32	391	3,95
LK7	Know the terms of the loan	0	3	102	244	42	391	3,83
LK8	Be aware of the risks of credit funds	0	0	56	313	22	391	3,91
Average Indicator Score								3.92

Source: Data Processed by Researchers (2021)

Based on the Table, it is seen that the indicators with the highest average values are located on indicators coded LK3, LK5, and LK6 with the contents of the statements "Considering the administrative costs of loans", utilizing savings accounts", and "Simple financial accounting planning" with identical scores of 3.95 and entering the high category. We can also see in table 4.8 respondents many choose option S or agree, while the STS option or strongly disagree, rarely chosen by respondents, so the number is 0 or empty (no one chooses). Furthermore, the lowest average score is in LK7 of 3.83 and falls into the high category that reads "Knowing the terms of the loan".

Small Business Resilience Variable Decryption

The small business resilience variable consists of 4 questionnaire statement indicators with each having the codes KUK1, KUK2, KUK3, and KU4. The small business resilience variable has an average score of 3.21 entered in the moderate category based on the criteria for interpretation of the average score. The complete recapitulation is presented in the following table:

Table 5. Descriptions of Small Business Resilience Variable Respondents

Code	Business Resilience Variables	Answer Distribution					Sum	Average Score
		STS	**TS**	**KS**	**S**	**SS**		
	Indicator	**1**	**2**	**3**	**4**	**5**		
KUK1	Level of resilience to various crises	0	130	48	209	4	391	3,22
KUK2	Level of ability to resolve during a crisis	0	138	55	194	4	391	3,16
KUK3	Ability to sustain effort during a crisis	0	130	47	210	4	391	3,23

KUK4	Ability levels reverse sales volumes after a crisis	0	130	45	207	9	391	3,24
Average Indicator Score								3,21

Based on the table above can see that for sts options (strongly disagree) both in the code KUK1, KUK2, KUK3, and KUK4 no one chooses so written 0. Some answer SS or strongly agree to see less than other options, namely TS, KS, and SS.

Furthermore, we can see that the indicator with the highest average value is located on the KUK4 coded indicator with a score of 3.24 which reads "The level of ability to reverse sales volume after a crisis" and falls into the moderate category. The KUK3 code that reads "the ability to sustain effort during a crisis" has an average score of 3.23 entering the moderate category. The KUK1 code which reads "resilience level to various crises" has an average score of 3.22 entered in the moderate category. So we also find that there is a very thin difference of 0.01 in KUK1, KUK1, KUK3, and KUK4. While KUK2 which reads "level of crisis resolution capability" has an average score of 3.16 the smallest compared to others still in the moderate category.

Based on the results of the analysis of the respondent's perception description on financial literacy (3.87) that indicators with a value of 3.95 high categories are LK3: consider the administrative costs of loans 3.95, LK5: benefit savings accounts 3.95, and LK6 : simple financial accounting planning 3.95. While based on the results of inferential analysis on financial literacy variables (0.775) that indicators with a value of 0.874 average high LK2: Knowledge of financial bookkeeping for small businesses.

The results of the calculation indicate that generally respondents, namely small businesses in traditional markets interpret financial literacy considering the administrative costs of loans, utilizing savings accounts, and simple financial accounting planning. However, the respondent's interpretation of the priority of action carried out in financial literacy is not following the priority of action that should be done by small businesses in the traditional market in financial literacy, namely financial bookkeeping knowledge for small businesses. Respondents generally prioritize considering the administrative costs of borrowing, utilizing savings accounts, and simple financial accounting planning.

Based on the results of the analysis of the description of respondents' perceptions on the resilience of small businesses (3.21) indicators with a value of 3.24 high category KUK4 ability level returns sales volume after the crisis. Meanwhile, based on the results of an inferential analysis on the business resilience variable (0.974) that the indicator with a value of 0.990 averages high KUK3: The ability to sustain the business during a crisis

The results of the calculation indicate that generally respondents, namely small businesses in traditional markets interpret that the resilience of small businesses can reverse sales volumes after a crisis. However, the respondent's interpretation of the priority of action carried out in financial access is not following the priority of action that should be done by small businesses in the traditional market in the resilience of small businesses. Respondents generally prioritize the level of ability to restore sales volume after a crisis.

The results of SEM PLS analysis showed that there was an insignificant influence of Financial Literacy on The Resilience of Small Businesses. The results of this study are different from the research on the Influence of Financial Literacy on Business Resilience previously researched by several Philanthropist researchers (2020); J Ye & Kulathunga (2019); Hussain et al., (2018); Eniola & Entebang (2017); Iramani et al., 2018; Agyei (2018), which shows that there is a positive and significant influence on financial literacy on the resilience of small businesses.

Based on the explanation above shows these differences to be findings in this study. This study shows that the influence of financial literacy is not significant on the resilience of small businesses. This is because financial literacy is the ability to assess information and make effective decisions about the use and management of money (Bayrakdaroğlu &Şan, 2014). But to achieve small business resilience can not be direct, other factors mediate to achieve business resilience. According to Bareiss, Porter, &Murray, (1989), knowledge resources must be converted first to achieve competitive advantage. In addition, Financial Literacy research on SME Growth moderated by Financial Access variables was conducted by (Hussain *et al*., 2018).

CONCLUSION

Financial Literacy has no positive and insignificant effect on small business resilience. This is an indication that financial literacy cannot affect the resilience of small businesses directly. Other variables are needed that moderate financial literacy variables to small business resilience variables. Knowledge in finance does not necessarily make the resilience of small businesses strong, opportunities are needed in other things such as open access to finance and e-business capabilities to maintain business resilience.

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