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The Effect Of Financial Literation Implementation On The Performance Of Financial Management In Middle Small Micro Enterprises In Tomohon City

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ABSTRACT

The research that will be carried out by the team refers to one of the Higher Education Research Master Plans, in this case Sam Ratulangi University, which is about matters related to the social, humanities and culture fields, with the topic of increasing the competitiveness of MSMEs and cooperatives. In this 21st century, the ability to manage money and finances effectively is becoming increasingly important, not only for professionals but for everyone who is responsible for managing financial affairs in everyday life. This ability is included in the term financial literacy. Financial literacy is not limited to understanding knowledge, skills and beliefs of existing financial institutions, products and services, but attitudes and behavior also have an influence in increasing financial literacy for the realization of public welfare. This study aims to determine how much influence the implementation of financial literacy has on financial management for MSME actors in Tomohon City. As for the sample in this study are the 70 micro, small and medium enterprises in Tomohon city. The final result or output of this research is in the form of a study on the implementation of good financial literacy in financial management performance in micro, small and medium enterprises in Tomohon city In addition, what is also the outcome of this research is the publication of National and International Journals.

Keywords: financial literacy, financial management, MSMEs

INTRODUCTION

Currently, in facing the era of the ASEAN Economic Community (AEC), good management, transparent and accountable financial management, as well as the ability to produce an innovation that is different from competitors is needed for the realization of business continuity in the midst of competition in the global market. The business world has experienced a setback due to the fact that many business actors fail to manage their company's finances properly and effectively.

Micro, Small and Medium Enterprises (MSMEs) have long been understood to have a significant role in the economic growth of a country. The presence of these micro, small and medium enterprises has proven their contribution to efforts to increase commercial interest rates in general (Ministry of Finance of the Republic of Indonesia, 2015). This is closely related to the

existence of the creative economy, which is part of the micro, small, and medium enterprises in Indonesia. The big role of the creative economy is in optimizing the existing resources in the State of Indonesia, not only in terms of exploiting rich natural resources but also in pouring ideas into business creativity that creates many new businesses that were never thought of before.

The presence of MSMEs in the economic activity of a country is eagerly awaited, because the existence of micro, small and medium business actors opens opportunities for the economic growth of a country. However, it is unfortunate when the presence of MSMEs often does not last long because they cannot manage their business finances properly and properly so that their business continuity is not maintained. The problems faced by most of the MSME players are conventional problems that have not been resolved completely, such as issues of resource capacity, ownership, financing, marketing and various other problems related to financial management, so that MSMEs have difficulty competing with large companies.

Managing finances is a reality that must be faced by every human being in his daily life , where one must manage finances properly in order to balance income and expenses, be able to meet the needs of life and not get caught in financial difficulties. Therefore, financial intelligence is something that needs to be considered in today's modern life. Financial intelligence is the ability that a person has to manage his / her financial resources, with financial well-being as the ultimate goal. Financial literacy is closely related to financial management where the higher one's financial literacy is, the better one's financial management will be. Financial management is an application of financial management concepts at the individual level. Financial management which includes planning, management and financial control activities is very important to achieve financial prosperity. Planning activities include activities to plan the allocation of income earned will be used for anything. Management is an activity to regulate or manage finances efficiently while control is an activity to evaluate whether financial management is in accordance with what was planned or budgeted for.

Managing or managing business and business finances effectively is a method to maintain the rate or flow of company funds so that there are no leaks that lead to financial losses. Financial management *is* generally an activity of managing funds in daily life carried out by an individual or group with the aim of obtaining *financial* welfare . In achieving this prosperity, good financial management is needed so that money can be used as needed and not wasted. To be able to implement a good financial management process, it requires financial responsibility to carry out the process of managing money and other assets in a way that is considered positive. The financial management process is an activity that is very important to be carried out by business actors, including for the people's economy, the majority of which are Micro, Small and Medium Enterprises (MSMEs). UMKM is a form of small community business whose establishment is based on someone's initiative. According to Kerry (2010), the role of MSMEs is very strategic in the economy as one of the main driving forces in economic development.

Based on the description above, the research team is interested in conducting a study entitled "The Effect of Financial Literacy Implementation on Financial Management Performance in Micro, Small and Medium Enterprises in Tomohon City "

Problem Formulation

Based on the background of the problems above, the researcher tries to formulate the problems that occur in micro, small and medium enterprises in Tomohon City, namely:
Is there an effect of the implementation of financial literacy on the performance of financial management in micro, small and medium enterprises in Tomohon City?

Research Objectives

Based on the problems that have been formulated, the objectives of this study are:
This is to determine the effect of the implementation of financial literacy on the performance of financial management in micro, small, and medium enterprises in Tomohon City.

LITERATURE REVIEW

UMKM is a productive business unit that stands alone, which is carried out by individuals or business entities in all economic sectors (Tambunan, 2012). In principle, the distinction between Micro Enterprises (UMi), Small Businesses (UK), Medium Enterprises (UM) and Large Enterprises (UB) is generally based on the initial asset value (excluding land and buildings), annual average turnover or number of workers. permanent. However, the definition of MSMEs based on these three measuring tools is different in each country. Based on the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises in Chapter 1 (general provisions) explains:

a. A micro business is a productive business owned by an individual and / or an individual business entity that meets the criteria for a Micro Business as regulated in this Law.
b. Small Business is a productive economic business that stands alone, which is carried out by an individual or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or is a part, either directly or indirectly, of a Medium or Large Business that meets the criteria of Small Business. as referred to in this Law.
c. Medium Enterprises are productive economic enterprises that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, directly with Small or Large Businesses with the amount of net assets or annual sales proceeds as regulated in the Law. this.

Development of MSMEs

According to the *database* from the State Minister for Cooperatives and SMEs (Menegkop & UKM) and the Central Statistics Agency (BPS), in 1997 *in* Tambunan (2012), there were around 39.7 million micro and small enterprises (MSEs), with an average sales value per year less than IDR 1 billion per unit, or about 99.8 percent of the total business units for that year. In 1998, when the economic crisis reached its worst point with a huge negative impact on almost all economic sectors in Indonesia, many companies of all sizes went bankrupt or drastically reduced the volume of activities. At that time, Menegkop & UKIM estimated that almost 3 million MSEs had stopped doing business, and the number of medium and large businesses had closed their businesses.

MSME Financial Management

Definition of MSME Financial Management

According to Husnan (2010) financial management or financial management is the regulation of financial activities in an organization. Financial management involves business planning, cash management and controlling financial activities. This financial management is carried out to manage finances in a small business, starting from funding, cash management, and the need for business development. The internal needs of the company for financial reports as a performance evaluation tool, to assist in decision making, as a condition for applying for credit to banks or creditors, while external needs are the responsibility of the company to candidates or investors / creditors, which is accountable to the public.

MSME Financial Management Advice

Quoted from the *website* berkesa.com management is useful as a controller in spending money, it will generate profits, so that it is able to finance the business. This financial management needs to be implemented by players in UMKM, it is hoped that in the future it will reduce the risk of business losses. The following are suggestions for financial management for MSMEs:

a) Separate personal money and business money The mistake that often occurs and is most often made by MSME actors is mixing business money with personal money. The risk that if there is no separation between personal money and business money is the excessive use of personal money, then physically separating personal money from business money is very important.
b) Make a money spending plan Plan the best use of money. Never use money without a clear plan, because there is a possibility of experiencing a lack of funds if there is no clear planning. Align expenditure plans with sales and cash receipts targets. Perform a *cost and benefit analysis* to ensure that the expenses incurred are not in vain and provide clear benefits.
c) Create a financial record book Everyone's memory is not always strong and even very limited, so managing the finances of a business must be done with complete records. At a minimum, have a cash-in and cash-out book that records the cash flows in and out of money, in addition to matching the physical amount of money with your records. Record receivables and assets that you have. If you are able, you can use a computer system to facilitate the recording process.
d) Calculate profit correctly Counting the profits precisely is as important as making the profit itself. The most important part of calculating profit is calculating costs. Most of the costs can be found due to cash payments. Most of the others in the form of cash, namely depreciation and amortasi. Some have not happened yet but need to be reserved for future expenses, for example taxes and interest.

Rotate Cash Flow

Financial management also includes how to manage accounts payable, accounts receivable and inventory. Cash turning slows down if the credit sales term is longer than the purchase price, or if you have to store merchandise on stock. Try to use the same terms as credit purchases.

To Control Assets, Debt And Capital

Check the inventory in the warehouse regularly and make sure everything is complete and in good order. The same thing needs to be done with receivables from buyers and invoices from *suppliers*.

Set Aside Profits For Business Development

Enjoying the benefits of a business is of course a natural thing, but set aside some of the profits you have to develop your business, or to maintain business continuity. Increasingly large an undertaking, it will be more and more complex the way financial management. MSMEs that already have creditors and investors, the higher the demand for having a good financial record.

Financial Literacy

Definition of Financial Literacy

Financial literacy is an important thing for everyone to have to manage finances or income generated by someone to support their welfare in the future. To achieve prosperity and prosperity a person must have good financial management. The term financial literacy is widely found and has a definition according to several experts, as follows:

According to Chen and Volpe (2008) financial literacy is about knowledge or ability to manage personal finances and financial understanding of savings, insurance and investment. Orton (2007) states that financial literacy is an inseparable thing in a person's life because financial literacy is a useful tool for making informed financial decisions, however from the experiences of various countries it still shows relatively low financial literacy.

Byrne in Rasyid (2012) also found that low financial knowledge will lead to making wrong financial plans and can lead to the attainment of welfare when they are no longer productive.

The Financial Services Authority (2014) states that financial literacy is a series of processes or activities to increase the knowledge, skills of consumers and the wider community so that they are able to manage finances better, according to what they need and provide benefits. The Financial Services Authority divides the level of financial literacy into several parts:

1. ***Well literate*** , namely having knowledge and belief about financial service institutions and financial service products, including features, benefits, risks, rights and obligations related to financial products and services, as well as having skills in using financial products and services.
2. ***Sufficient literate,*** namely having knowledge and confidence about financial service institutions and their products and services, including the features of benefits and risks, rights and obligations related to financial products and services.
3. ***Less literat****e,* only having knowledge about financial institutions and financial products.
4. ***Not literat****e,* means not having knowledge and confidence in financial service institutions and financial products and services and not having skills in using financial products and services.

To increase public understanding of finance, the Financial Services Authority established a program to improve financial literacy, namely the National Strategy for Financial Literacy in Indonesia. In the National Strategy for Financial Literacy in Indonesia there are several pillars, 1)

Education and National Campaigns, 2) Strengthening Infrastructure, 3) Product Development and service.

It can be concluded that understanding and managing financial literacy for all people in Indonesia is very important for the welfare of the community in terms of finance.

Factors Affecting Financial Literacy

There are several factors that affect financial literacy. According to Huston (2010) there are several factors that can affect financial habits such as economy, family, friends, cognitive abilities, habits, society and institutions. Meanwhile, according to Monticone (2010) in his research, he explains that a person's level of financial literacy is influenced by:

1. Socio-demographic characteristics

In his research, Monticone explained that women and ethnic minorities have low knowledge, while educated individuals have greater financial knowledge / literacy. Financial knowledge is positively correlated with wealth or income. According to Bernheim inMonticone states that men have better financial knowledge and macroeconomics.

According to the *Australia and New Zealand Banking Group* in Monticone stated that adults have higher financial knowledge than friends who are younger or older.

2. Family Background

Apart from socio-demographic factors and cognitive abilities, financial literacy / knowledge of finance is influenced by family background, especially parental education. That parental education data affects one's knowledge of finances.

3. Wealth

According to Delavande in Monticone Research (2010), financial knowledge allows investors to price higher than the return on their assets at any risk and is a human model investment. In this framework, the benefits of investing in financial knowledge also depend on the number of assets invested, because the higher the provision of financial knowledge, the higher the return on assets will be. Therefore, according to this model, wealthy individuals must have a greater incentive to have *financial literacy* .

4. Time Preference

According to Meier and Sprenger in Monticone (2010), they present the results of a field study linking individual decisions to obtain personal financial information with time preferences. In their research, Meier and Sprenger show that time preference, individuals can explain who will and who will not choose to have financial knowledge.

Financial Literacy Indicators

According to Oseifuah (2010), there are several key elements of financial literacy skills and knowledge that are usually mentioned in the literature, namely:

1. Mathematical knowledge and standard knowledge such as basic numbers and the ability to understand .
2. Financial understanding of the nature and form of money, how money is used and the consequences of consumption decisions.

3. Financial competencies such as understanding the main characteristics of basic financial services, attitudes in using money and savings, understanding financial records and realizing the importance of reading and maintaining them.
4. Conscious be risks associated with financial products, and understand the relationship between risk and revenue.
5. Financial responsibility, namely the ability to make the right decisions on financial issues, knowing the rights and responsibilities of consumers, the ability, and the confidence to seek help when something goes wrong.

METHODOLOGY

Types of Research

This research is classified as quantitative research, which means that in analyzing the data using numerical formulas or mathematical models.

Location and Time of Research

This research was conducted in the city of Tomohon for micro, small, and medium enterprises.

Population and Sample

The population in this study were all micro, small and medium enterprises in Tomohon City about 6100 unit. Sampling is done by using a sample design with a purposive sampling method where the sample selection is carried out based on an assessment of several characteristics of the population members that are adjusted to the purpose of the study. Sample in this research is 125 unit. The sampling technique was with criteria. The criteria base on the districks have an average annual growth of 5%.

The type of data in this study is quantitative data. The data source used is primary data. Data collection using a questionnaire conducted by meeting directly with respondents.

Method of Analysis

The data analysis used in this research includes descriptive analysis, classical assumption test, multiple linear regression analysis, F test and t test. The data analysis referred to in this study is an activity carried out after all the data has been collected, whether it is data from all respondents or data from other sources (Sugiyono, 2011).

RESULTS

This study aims to determine the level of financial literacy in economic actors of MSMEs in Tomohon City from 140 respondents with 14 indicator questions based on *financial knowledge, financial skills, financial behavior, financial attitude* and financial performance.

Financial Literacy Level Based On Financial Knowledge

The results of the analysis in this study are based on the overall results on variable *financial* knowledge, on average, respondents answered 52% of the three indicator questions, namely knowledge of the benefits of financial management, knowledge of how to prepare financial and expenditure budgets, and knowledge of credit loans. It can be seen that the

MSME economic actors in Tomohon City fall into the category of low financial literacy, namely <60%.

This shows that *financial knowledge* is a factor that plays an important role in determining the criteria for the level of financial literacy. The higher the financial knowledge *(* financial *knowledge)* of female umkm actors, the higher the level of financial literacy they have. Owned financial knowledge can be a strong asset to assist umkm actors in overcoming risks that may occur in the process of managing and making financial decisions related to the financial performance of the business. Conversely, if *financial knowledge is* low, the level of financial literacy will also be low which is of course related to the financial performance of a business.

Financial Literacy Level based on Financial Performance

The results of the analysis in this study are based on the overall results on the average financial performance of respondents who answered 64% of the two indicator questions. It can be seen that the MSME economic actors in Tomohon City fall into the category of moderate financial literacy levels, namely between 60% - 70%. regarding the ability to meet its financial obligations (liquidity) and the ability to generate operating profits (profitability).

It can be concluded that the purpose of assessing the financial performance of this business is to determine the level of liquidity, namely the company's ability to obtain its financial assessment that must be fulfilled immediately or the company's ability to meet its finances at the time of collection and to determine the level of profitability or profitability, which shows the ability of the business to generate profits for certain period. Therefore, financial performance is related to the level of financial literacy, if the financial performance of the business is good, then the level of financial literacy of MSME economic actors is also good .

1. The level of financial literacy based on *financial knowledge* from the average respondent's answers, namely 52% of the three indicator questions regarding the benefits of financial management, budget preparation knowledge and aspects of borrowing / credit are classified as low where the criteria for the level of financial literacy are <60%. So, MSME economic players in Tomohon City are still low on financial knowledge. So financial literacy education is needed so that business financial performance is good for the welfare of the business. This shows that *financial knowledge* is a factor that plays an important role in determining the criteria for the level of financial literacy. The higher the financial knowledge *(financial knowledge)* of female umkm actors, the higher the level of financial literacy they have. Owned financial knowledge can be a strong asset to assist umkm actors in overcoming risks that may occur in the process of managing and making financial decisions related to the financial performance of the business. Conversely, if *financial knowledge is* low, the level of financial literacy will also be low which is of course related to the financial performance of a business
2. The level of financial literacy based *financial skills* from an average of 66% of respondents answered three questions about saving routine indicator, separate fund private enterprise funds, and manage finances properly classified as being where the criteria of financial literacy levels between 60% - 70 %. Thus, MSME economic players in Tomohon classified're going financial skills. *Financial skills are* related to financial literacy because

the better the level of financial skills, the better the level of financial literacy of umkm actors and is related to the financial performance of the business.

3. The level of financial literacy based on *financial behavior* from the average respondent's answers answered 59% of the three questions, namely being careful in taking credit / debt, recording adequate financial records, for example making cash masu notes or daily cash out, and paying bills (electricity, water, telephone) where the criteria for low financial literacy are <60%. So, MSME economic players in Tomohon City are still low in *financial behavior* . So there is a need for financial literacy education for the welfare of the business and the level of financial literacy of umkm actors is good, so that business financial performance is also good.
4. The level of financial literacy based on the *financial attitude* of the average respondent's answers answered 58% of the three indicator questions regarding risk-taking attitude in decision making, the attitude of making loans if you experience difficulties and the attitude of prioritizing your most important needs in the budget where the criteria for the level of literacy low financial, namely <60%. So, MSME economic players in Tomohon City are still low in *financial behavior, s*o there is a need for financial literacy education for the welfare of the business and the level of financial literacy of SMEs factors is good, so that business financial performance is also good.
5. The level of financial literacy based on the financial performance of the average respondent's answers answered 61% of the two indicator questions regarding the ability to fulfill their financial obligations (liquidity) and the ability to generate operating profits (profitability) where the criteria for moderate financial literacy levels are 60% - 70%. Thus, MSME economic players in Tomohon classified're going financial performance. Financial performance is related to financial literacy because the better the level of financial performance, the better the level of financial literacy of the business umkm actor.

CONCLUSIONS

Based on the research results as described in the previous chapter, conclusions can be drawn, namely:

1. The level of financial literacy based on *financial knowledge* are still low on financial knowledge. So financial literacy education is needed so that business financial performance is good for the business. This shows that *financial knowledge* is a factor that plays an important role in determining the criteria for the level of financial literacy. The higher the financial knowledge *(financial knowledge)* of female umkm actors, the higher the level of financial literacy they have.
2. MSME economic players in Tomohon classified're going financial skills. *Financial skills are* related to financial literacy because the better the level of financial skills, the better the level of financial literacy of umkm actors and is related to the financial performance of the business.
3. MSME economic players in Tomohon city are still low in *financial behavior*. So there is a need for financial literacy education for the welfare of the business and the level of financial literacy of umkm actors is good, so that business financial performance is also good.
4. MSME economic players in Tomohon city are still low in *financial behavior*. So there is a need for financial literacy education for the welfare of the business and the level of financial literacy of umkm actors is good, so that business financial performance is also good.

5. MSME economic players in Tomohon classified're going financial performance. Financial performance is related to financial literacy because the better level of financial performance means the better level of financial literacy of the business MSME actor.

RECOMMENDATION

This research has limitation so the Association must also function as a mediator with the government and look for strategic breakthroughs with increasingly intense competition in businesses.

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