The Influence of Financial Literacy on Financial Management in Small & Medium Enterprises (Case Study on Coffee Shop Management in Bandung City Period 2020 – 2021)

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ABSTRACT

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Introduction/Main Objectives: This study aims to determine how the development of financial literacy and management as well as to determine the effect of financial literacy on basic financial knowledge, savings and credit, investment and insurance on financial management at SMEs in the form of Coffee Shop in Bandung City. **Background Problems:** Financial literacy is a person's understanding or ability to measure financial concepts and has the ability to manage finances well. Financial literacy is very necessary for SMEs in managing their business finances. **Research Methods:** The method used is descriptive and verification analysis method with a quantitative approach. The technique of determining the sample using Nonprobability Sampling. **Finding/Results:** The results of the study found that literacy about basic financial knowledge has a significant effect on SME's financial management, literacy about savings and credit has a significant effect on SME's financial management, literacy about Investment has a significant effect on SME's financial management and literacy about insurance also has a significant effect on SME's financial management. **Conclusion:** The more literate on financial knowledge, savings and credit, investment and insurance, the more SME's financial management increase.

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1. Introduction

Small and Medium Enterprises or SMEs are the foundation of the Indonesian economy today. The role of MSMEs in the Indonesian economy is no longer in doubt. MSMEs have an employment rate of around 97% of the total workforce and have a contribution to gross domestic product (GDP) of around 57%. In the economic crisis that occurred recently, many large-scale businesses experienced problems, but MSMEs were able to prove and maintain their continued existence and get through the crisis that occurred (Septiani & Wuryani, 2020). The number of MSMEs in Indonesia has increased significantly over time, one of the cities that has also experienced an increase is the city of Bandung.
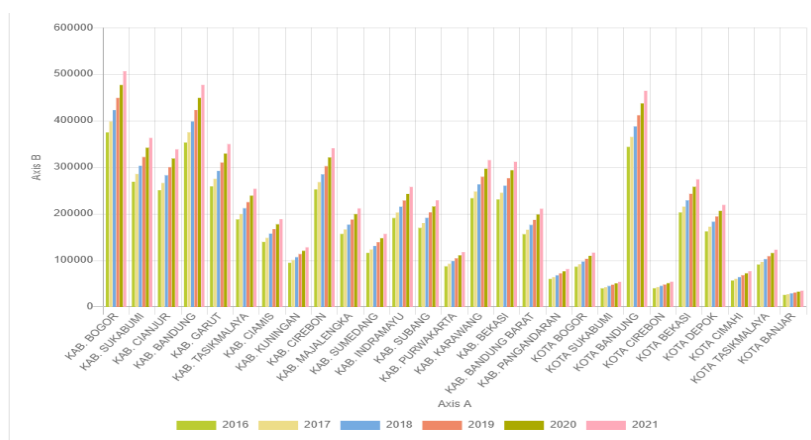
Source: opendata.jabarprov.go.id, 2022

Figure 1. SMEs data in West Java Province for 2016-2021

In Figure 1, it can be seen that SMEs in Bandung City are increasing every year. This can be proven because Bandung City has long been known for its culinary tourism concept. In the recent years, one of the culinary businesses that has great potential for development in the city of Bandung is the coffee shop business which can be found in all corners of the city of Bandung. Based on observations (Prasetyo, et.al, 2021) , there is a high potential market, many small and medium businesses have been started by the people of Bandung City. This was proven when Bandung succeeded in getting the title of "evening coffee connoisseur", which means coffee connoisseurs who have just emerged and are usually in the age range of 16 - 23 years. This is the market niche that is actually the basis for the proliferation of "impromptu" coffee shops in the city of Bandung.

Table 1. Coffee Shop Data in Bandung City

No	Year	Number of Coffee Shops
1	2019	157
2	2020	227

3	2021	370

Source: Bandung City Tourism and Culture Department, 2022

Based on the data in Table 1, it is also said that the city of Bandung, which is the capital of West Java, has quite a lot of *coffee fans* . This is proven by the number of *coffee shops* in the city of Bandung increasing every year. This is due to the extensive coffee fields in West Java with a production of 17,628.00 tons per year and the land area reaches 33,630.00 hectares. This is also based on research (Muawanah, 2019) which states that the growth in the number of existing *coffee shops is supported by the increasing number of people, so that business opportunities to open coffee shops in several areas are very attractive to business people.*

By the explanation above, we can realize that the number of SMEs in the form of Coffee Shops continues to grow, but there are also many Coffee Shops that experience very slow growth in their business which has resulted in several cases of Coffee Shops going out of business. The failure often experienced by Coffee Shop MSMEs to develop their business is due to the weaknesses of these MSMEs, namely limited capital, weak management, lack of use of information and technology and weak financial literacy in managing business finances.

Based on several studies, it can be said that the level of financial literacy in SMEs is still relatively low, there are many factors that cause this to be low, so the author wants to know the influence of the level of financial literacy on the financial management of SMEs, especially Coffee Shops in the city of Bandung.

Researchers see a research opportunity to examine the internal conditions of MSME Coffee Shop operators in Bandung City regarding financial literacy. The author conducted this research to determine the extent to which the above variables, namely financial literacy, influence the financial management of MSMEs, Bandung City. So, based on the background of the problem above, the author is interested in testing the extent of the influence of financial literacy on the financial management of MSMEs in the Bandung City area.

2. Literature Review

2.1. Financial Literacy

According to Chen and Volpe in (Sobaya, et.al. 2016), financial literacy is the knowledge and ability to manage personal finances in the form of an understanding of basic financial knowledge, savings, insurance and investment. Financial literacy occurs when a person has skills and abilities that can enable that person to utilize existing resources to achieve goals.

2.2. Financial Literacy about Basic Knowledge

According to (Nugraha, 2020), basic financial knowledge is an understanding of finance related to financial management principles which are applied as a reference in managing personal, family and business finances.

2.3. Financial Literacy about Savings and Credit

Savings are an accumulation of excess funds obtained from income. According to Kapoor, et al. in Yushita (2017) in choosing savings, there are six factors that need to be considered, including: rate of return, inflation, taxes, security, as well as restrictions and fees. Meanwhile, credit, according to Banking Law No. 7 (1992), explains that credit is the provision of money or bills that can be equated with it, based on an agreement or loan agreement between a company and another party which requires the borrower to pay off the credit after a certain period of time, amount of money, reward or distribution of profits.

2.4. Financial Literacy about Insurance

Insurance is a form of risk control that is carried out by transferring risk from one party to another Another way is to minimize risks that may occur in the future. (Nugraha, 2020)

2.5. Financial Literacy about Investment

According to Martono and Harjito in Nugraha (2020), Investment is the investment of funds by a company into an asset which is expected to get a profit or return in the future.

2.6. Financial Management

Financial management or financial management is something that must be done in business activities in order to create healthy finances to achieve financial prosperity (Bayunitri & Malik, 2022)

2.7. Small and Medium Enterprises

According to (Prasetyo, et.al. 2021), Small and Medium Enterprises (MSMEs) are independent productive business units carried out by individuals or business entities in all economic sectors.

3. Method, Data, and Analysis

The method used in this research is a descriptive research method with a quantitative approach. The population in this study is all SMEs in the form of Coffee Shop in Bandung City. The sampling technique in this study is non-probability sampling because the exact number of the population is un known, and with purposive sampling as the sample determination technique, 96 coffee shops were obtained as respondents. The data source in this research uses primary data in the form of a questionnaire. The analytical tests used in this research are validity test, reliability test, classical assumption test, simple linear regression analysis, coefficient of determination analysis, and t test hypothesis testing.

4. Result and Discussion

4.1. Validity test

The validity test is shown by the correlation coefficient between the scores of each question item and the total score. To find out whether the variable being tested is valid, if the calculated r value is > 0.361. The results of the validity test can be seen in the following table:

Table 2. Validity Test of Basic Knowledge X1

Correlation Probability	SER01	SER02	SER03	SER04	X1
SER01	1.000000				

SER02	0.252982	1.000000			
	0.1774	-----			
SER03	0.188982	0.119523	1.000000		
	0.3172	0.5293	-----		
SER04	0.144338	0.182574	0.763763	1.000000	
	0.4467	0.3342	0.0000	-----	
X1	0.581500	0.510137	0.801157	0.801418	1.000000
	0.0008	0.0040	0.0000	0.0000	-----

Source: Data processing results, 2022

Table 3 Validity Test of Savings and Loans X2

Correlation Probability	SER06	SER07	SER08	SER09	X2
SER06	1.000000				

SER07	0.592760	1.000000			
	0.0006	-----			
SER08	-0.005301	0.153741	1.000000		
	0.9778	0.4173	-----		
SER09	0.032571	0.032571	0.070869	1.000000	
	0.8643	0.8643	0.7098	-----	
X2	0.699860	0.758507	0.462661	0.474420	1.000000
	0.0000	0.0000	0.0100	0.0081	-----

Source: Data processing results, 2022

Table 4 Validity Test of Insurance X3

Correlation Probability	SER11	SER12	SER13	SER14	X3
SER11	1.000000				

SER12	0.165274	1.000000			
	0.3828	-----			
SER13	0.191383	0.569175	1.000000		
	0.3110	0.0010	-----		
SER14	0.112000	0.615016	0.281423	1.000000	
	0.5557	0.0003	0.1319	-----	
X3	0.460704	0.832439	0.646658	0.823947	1.000000
	0.0104	0.0000	0.0001	0.0000	-----

Table 5 Validity Test of Investment X4

Correlation Probability	SER16	SER17	SER18	SER19	X4
SER16	1.000000				

SER17	0.448044	1.000000			
	0.0130	-----			
SER18	0.736485	0.228133	1.000000		
	0.0000	0.2253	-----		
SER19	0.508304	0.459703	0.489901	1.000000	
	0.0041	0.0106	0.0060	-----	
X4	0.858568	0.702002	0.777807	0.781724	1.000000
	0.0000	0.0000	0.0000	0.0000	-----

Table 6 Validity Test of Financial Management Y

Correlation Probability	SER21	SER22	SER23	SER24	SER25	SER26	SER27	Y
SER21	1.000000							

SER22	0.306529	1.000000						
	0.0995	-----						
SER23	0.234115	0.218218	1.000000					
	0.2131	0.2467	-----					
SER24	0.107668	0.073947	0.621261	1.000000				
	0.5712	0.6978	0.0002	-----				
SER25	-0.08758	0.517857	0.190941	-0.12016	1.000000			
	0.6454	0.0034	0.3121	0,5271	-----			
SER26	0.087580	0.419643	0.354604	-0.01849	0.607143	1.000000		
	0.6454	0.0210	0.0545	0.9228	0.0004	-----		
SER27	0.259005	0.170790	0.302079	0.032571	0.413493	0.665184	1.000000	
	0.1670	0.3669	0.1047	0.8643	0.0231	0.0001	-----	
Y	0.418119	0.644980	0.692319	0.398153	0.618832	0.753929	0.678958	1.000000
	0.0215	0.0001	0.0000	0.0293	0.0003	0.0000	0.0000	-----

Based on the table above, it shows that all question items for variable Financial Management (Y) are declared valid and can be used in hypothesis testing because the calculated r value is 0.418119 > 0.361, so that the data obtained can measure the precision and accuracy of measuring instruments in carrying out their measuring function.

4.2. Reliability test

According to Ghozali (2013), the requirement for reliability testing is that the variable being measured has a *Cronbach Alpha value* above 0.6. The table below shows the reliability results for the four variables studied in this research:

Table 7 Reliability Test X1

	SER01	SER02	SER03	SER04
SER01	0.23	0.05	0.05	0.03
SER02	0.05	0.14	0.02	0.03
SER03	0.05	0.02	0.26	0.19
SER04	0.03	0.03	0.19	0.25
	Mean of Varians				0.22
	Mean of Covarians				0.06
	Cronbach Alpha				0.62

Source: Data processing results, 2022

Table 8 Reliability Test X2

	SER06	SER07	SER08	SER09
SER06	0.25	0.15	0.00	0.01
SER07	0.15	0.25	0.03	0.31
SER08	0.00	0.03	0.19	0.04
SER09	0.01	0.01	0.01	0.24
	Mean of Varians				0.23
	Mean of Covarians				0.09
	Cronbach Alpha				0.72

Source: Data processing results, 2022

Table 9 Reliability Test X3

	SER11	SER12	SER13	SER14
SER11	0.26	0.04	0.04	0.05
SER12	0.04	0.27	0.13	0.29
SER13	0.04	0.13	0.20	0.11
SER14	0.05	0.29	0.11	0.79
	Mean of Varians				0.38
	Mean of Covarians				0.11
	Cronbach Alpha				0.62

Source: Data processing results, 2022

Table 10 Reliability Test X4

	SER16	SER17	SER18	SER19
SER16	0.25	0.12	0.19	0.12
SER17	0.12	0.31	0.06	0.13
SER18	0.19	0.06	0.26	0.12
SER19	0.12	0.13	0.12	0.24
	Mean of Varians				0.26
	Mean of Covarians				0.12
	Cronbach Alpha				0.78

Source: Data processing results, 2022

Table 11 Reliability Test Y

	SER21	SER22	SER23	SER24	SER25	SER26	SER27
SER21	0.17	0.06	0.05	0.02	-0.02	0.02	0.05
SER22	0.06	0.26	0.06	0.02	0.13	0.11	0.04
SER23	0.05	0.06	0.25	0.15	0.05	0.09	0.08
SER24	0.02	0.02	0.15	0.24	-0.03	0.00	0.01
SER25	-0.02	0.13	0.05	-0.03	0.26	0.16	0.11
SER26	0.02	0.11	0.09	0.00	0.16	0.26	0.17

| SER27	0.05	0.04	0.08	0.01	0.11	0.17	0.25
Mean of Varians							0.24
Mean of Covarians							0.06
Cronbach Alpha							0.71

Source: Data processing results, 2022

4.3. Classic assumption test

4.3.1. Normality test

In order to test whether the data is normally distributed or not, the Kolmogorov-Smirnov Test statistical test is carried out. Residuals are normally distributed if they have a significance value >0.05. The normality test table is as follows:

Figure 2 Normality Test
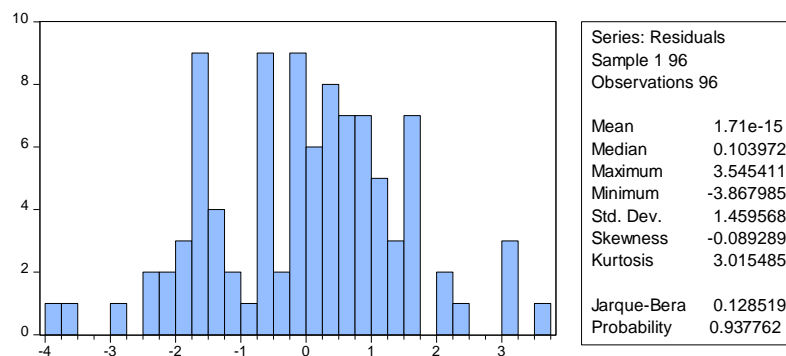
Source: Data processing results, 2022

The normality test results above show that the residual from the regression analysis has a probability of 0.937762, thus the data is normally distributed.

4.3.2. Multicollinearity test

Multicollinearity test to determine whether there is a high correlation between independent variables. Multicollinearity testing uses the VIF test, if the VIF value is smaller than 10 then there is no multicollinearity in the data.

Table 12 Multicollinearity Test

Variables	Coefficient Variance	Uncentered VIF	Centered VIF
C	5.323267	229.7833	NA
X1	0.018984	151.5809	1.313110
X2	0.020418	182.0443	1.239300
X3	0.011768	93.85234	1.269991
X4	0.016246	121.8675	1.254539

Source: Data processing results, 2022

The results of the multicollinearity test above show that the VIF value of each independent variable is smaller than 10. Thus, there is no deviation from the multicollinearity test.

4.3.3. *Heteroscedasticity test*

The results of the heteroscedasticity test using *Breusch-Pagan-Godfrey* when the probability is > 0.05 then the model does not contain heteroscedasticity, and when the probability is < 0.05 then the model is confirmed to have heteroscedasticity. The test results can be seen from the table below:

Table 13 Heteroscedasticity Test

F-statistic	2.087884	Prob. F(4.91)	0.0888
Obs*R-squared	8.069803	Prob. Chi-Square(4)	0.0891
Scaled explained SS	7.307232	Prob. Chi-Square(4)	0.1205

Source: Data processing results, 2022

From the table above, it can be seen that the probability value is 0.0891 > 0.05, so it can be concluded that the data in this study does not contain heteroscedasticity.

4.4. Multiple Linear Regression Analysis

In order to be able to find out and test the relationship between the independent variables Basic Knowledge, Savings and Loans, Insurance and Investment on the dependent variable Financial Management. This research uses the OLS (Ordinary Least Square) multiple linear regression method.

Table 14 Multiple Linear Regression Analysis

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	7.739941	2.307221	3.354660	0.0012
X1	0.304361	0.137781	2.209015	0.0297
X2	0.308250	0.142891	2.157246	0.0336
X3	0.238412	0.108483	2.197702	0.0305
X4	0.311731	0.127460	2.445727	0.0164
R-squared	0.354099	Mean dependent var		23.58333
Adjusted R-squared	0.325708	SD dependent var		1.816107
SE of regression	1.491302	Akaike info criterion		3.687854
Sum squared resid	202.3822	Schwarz criterion		3.821413
Log likelihood	-172.0170	Hannan-Quinn Criter.		3.741841
F-statistic	12.47214	Durbin-Watson stat		1.417852
Prob(F-statistic)	0.000000			

Source: Data processing results, 2022

The estimated results obtained from the multiple linear regression model are as follows:

$$Y_t = 7.739941 + 0.304361 (X1) + 0.308250 (X2) + 0.238412 (X3) + 0.311731 (4) + e_t \quad (1)$$

4.5. Coefficient of Determination Test (R^2)

The Coefficient of Determination Test (R^2) is carried out to measure how much variation in the dependent variable can be explained by the independent variable. If the coefficient of determination

value = 0 (Adjusted R2 = 0), it means that the variation in the dependent variable cannot be explained by the independent variable. Meanwhile, if R2 = 1, it means that the variation in the dependent variable as a whole can be explained by the independent variable.

Table 15 Coefficient of Determination Test

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	7.739941	2.307221	3.354660	0.0012
X1	0.304361	0.137781	2.209015	0.0297
X2	0.308250	0.142891	2.157246	0.0336
X3	0.238412	0.108483	2.197702	0.0305
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R-squared	0.354099	Mean dependent var		23.58333
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SE of regression	1.491302	Akaike info criterion		3.687854
Sum squared resid	202.3822	Schwarz criterion		3.821413
Log likelihood	-172.0170	Hannan-Quinn Criter.		3.741841
F-statistic	12.47214	Durbin-Watson stat		1.417852
Prob(F-statistic)	0.000000			

Source: Data processing results, 2022

Based on the regression results in the table above, it can be seen that the coefficient of determination test value for the multiple linear regression model between Basic Knowledge, Savings and Loans, Insurance and Investment on Financial Management is 0 32.57%. Financial Management is influenced by Basic Knowledge, Savings and Loans, Insurance and Investment. Meanwhile, 67.43% of Financial Management is explained by variables outside the variables of this research.

4.6. Partial Test (T)

The T test can be carried out to find out how much influence the independent variable has on the dependent variable partially. T test in this research. The results regarding the multiple linear regression output are presented in the table below as follows:

Table 16 Partial Test (T Test)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	7.739941	2.307221	3.354660	0.0012
X1	0.304361	0.137781	2.209015	0.0297
X2	0.308250	0.142891	2.157246	0.0336
X3	0.238412	0.108483	2.197702	0.0305
X4	0.311731	0.127460	2.445727	0.0164
R-squared	0.354099	Mean dependent var		23.58333
Adjusted R-squared	0.325708	SD dependent var		1.816107
SE of regression	1.491302	Akaike info criterion		3.687854
Sum squared resid	202.3822	Schwarz criterion		3.821413
Log likelihood	-172.0170	Hannan-Quinn Criter.		3.741841

F-statistic	12.47214	Durbin-Watson stat	1.417852
Prob(F-statistic)	0.000000		

a) Basic Knowledge (X1)

The basic knowledge variable shows a t_{count} of 2.209015 and a t_{table} of 1.98580 with a probability coefficient of 0.0297, meaning that the basic knowledge variable has a positive and significant effect on financial management, because the probability value is smaller than 0.05.

b) Savings and Savings (X2)

The savings and saving variables show a t_{count} of 2.157246 and t_{table} amounting to 1.98580 with a probability coefficient of 0.0336, meaning that the basic knowledge variable has a positive and significant effect on financial management, because the probability value is smaller than 0.05.

c) Insurance (X3)

It is showed that t_{count} of 2.197702 and a t_{table} of 1.98580 with a probability coefficient of 0.0305, meaning that the basic knowledge variable has a positive and significant effect on financial management, because the probability value is smaller than 0.05.

d) Investment (X4)

It is showed that t_{count} of 2.445727 and a t_{table} of 1.98580 with a probability coefficient of 0.0164, meaning that the basic knowledge variable has a positive and significant effect on financial management, because the probability value is smaller than 0.05.

4.7. Simultaneous test (F)

The F test is used to determine the effect of independent variables on dependent variables simultaneously. The test results table can be seen below:

Table 17 Simultaneous Test (F Test)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	7.739941	2.307221	3.354660	0.0012
X1	0.304361	0.137781	2.209015	0.0297
X2	0.308250	0.142891	2.157246	0.0336
X3	0.238412	0.108483	2.197702	0.0305
X4	0.311731	0.127460	2.445727	0.0164

R-squared	0.354099	Mean dependent var	23.58333
Adjusted R-squared	0.325708	SD dependent var	1.816107
SE of regression	1.491302	Akaike info criterion	3.687854
Sum squared resid	202.3822	Schwarz criterion	3.821413
Log likelihood	-172.0170	Hannan-Quinn Criter.	3.741841
F-statistic	12.47214	Durbin-Watson stat	1.417852

Prob(F-statistic)	0.000000

The results of the F test in this study are F_{count} of 12.47214 and F_{table} of 2.47 with a probability of 0.000000. This states that $F_{count} > F_{table}$ (12.47214 > 2.47) with a significance value below 0.05. These results can explain that the independent variables Basic Knowledge, Savings and Loans, Insurance and Investment simultaneously have an influence on Financial Management.

5. Conclusion and Suggestion

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

1. The financial literacy development of Coffee Shop enterprise is at a fairly good level. This is due to the large number of them already understand financial literacy.

2. The development of financial management for coffee shop enterprise is at a fairly good level. This is because some of them understand how to plan budgets, funding, etc. But quite a few of them experience poor development, this can be based on the many changes in Coffee Shop management every year.

3. There is a positive and significant influence of the basic financial knowledge variable on literacy on SME financial management. This means that the higher basic financial knowledge literacy, the financial management of SMEs will also improve.

4. There is a positive and significant influence of the savings and credit literacy variable on the financial management of SMEs.

5. There is a positive and significant influence of the insurance literacy variable on SME financial management.

6. There is a positive and significant influence of the investment literacy variable on SME financial management.

7. Based on the results of financial literacy calculations regarding basic finance, savings and credit, insurance, investment using simultaneous tests, it was found that financial literacy together has a significant effect on financial management.

Based on the conclusions above, suggestions can then be proposed which are expected to be useful for Coffee shop owners and further research relating to the factors that influence SME financial management;

1. For SME Coffee Shop owners in the Bandung City area, it would be better if they continued to increase their insight into finance and apply their financial knowledge to manage the finances of the business they are carrying out so that it is hoped that SMEs can run their business effectively and efficiently.

2. It is hoped that policy holders of Bandung city government, through the SME, Industry and Trade Department, will continue to make efforts to increase financial literacy for SME owners, especially for SME Coffee Shop operators in the Bandung City area by conducting seminars or training/workshops related to insight into finance and management. Good finances with the hope of increasing the financial skills and insight of SME owners.

3. Future researchers are advised to use more research objects and other supporting variables so that the results can be generalized. Then, in designing the questionnaire, it is recommended to use questions that are more adapted to the conditions of the MSMEs themselves so that it is hoped that the questions will be able to provide a more accurate picture.

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