

Original Research Article

Analysis of Financial Literacy's Impact on MSME Independence

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Abstract: The goal of this study is to comprehend how financial literacy is interpreted by MSME (Trenggalek Typical Food) players in relation to achieving business independence. As we all know, financial literacy is the capacity to comprehend and apply financial skills in an efficient manner with reference to knowledge of financial services, products, features, benefits, risks, expenses, and financial management, particularly with regard to MSMEs in Trenggalek specialty food managing their business. A prevalent phenomena in the field is the close relationship between the degree of financial literacy and numerous MSME development issues, which can be broadly related. The research focuses on how independent their enterprises are—that is, how they comprehend and apply financial literacy in their activities and behavior—so that they are not dependent on others to meet the goals that MSMEs aspire to. In order to examine the meaning of financial literacy towards the independence of their MSMEs, the author of this research adopts a qualitative, phenomenological approach to capture the reality found in typical Trenggalek food MSMEs. Methods of observation, interviews, and documentation were used in the data collection process. The findings of the study indicate that the level of financial literacy utilised is restricted to a basic comprehension of bookkeeping; however, they are also knowledgeable about savings, banking products, insurance, and deposits. In essence, they comprehend because other parties are involved in the realization of their company independence.

Keywords: Financial Literacy, Business Independence, MSMEs.

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INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) are a segment of the national economy with a strong potential for enhancing community welfare and an independent viewpoint. MSMEs contribute significantly to the economic expansion of the nation. According to data from the Ministry of Cooperatives and SMEs, there are 64.19 million MSMEs as of right now, contributing 61.97% of the GDP, or 8,573.89 trillion rupiah. MSMEs make up a significant portion of the Indonesian economy, accounting for up to 60.4% of total investment and 97% of the country's workers. Similarly, the Trenggalek district's economy is bolstered by the existence of MSMEs. According to a poll performed by the Financial Services Authority (OJK) in 2013 and 2016, which involved 9,680 respondents from 34 provinces encompassing 64 districts/cities, Indonesians had a 21.8% level of financial literacy in 2013 and a 29.7% level in 2016.

Culinary or food businesses are the most well-known MSME entrepreneurs; in fact, a lot of them are

opening up these days. Special cuisine from each region may be found in almost every part of the city. Trenggalek City is one of them; it offers excellent regional specialties that draw tourists to the city. Trenggalek City specialist food MSMEs have emerged, adding value to a product and facilitating its absorption, a trend bolstered by the city's growing tourism industry.

36,000 MSMEs with NIB permits in 2021—nearly half of them were food entrepreneurs—were the subject of an interview with the head of the Komindag office for the Trenggalek municipal region. In this instance, the Ministry of Trade and Industry has partnered with Indonesian Pioneer MSMEs to offer outreach, counseling, and training in addition to addressing MSMEs' grievances and offering solutions to help with financial management, marketing, and product processing.

Researchers at the Cooperatives and MSMEs service in the city of Trenggalek conducted first observations, specifically with regard to food MSMEs. Based on interviews, they learned that: "Sis, we have also

collected data and there are a lot of financial trainings for MSMEs. "However, it all boils down to each MSME actor's consciousness."

According to the district MSME development analysis journal, MSMEs face a number of challenges in their development, such as capital problems, marketing issues, raw material issues, technology issues, management issues, bureaucratic system issues, infrastructure availability, and partnership patterns Bengkalis (2018, Suyadi).

According to the results of the respondents' responses, financial inclusion and literacy play a significant part in achieving company independence (Dina, 2021). This indicates that MSMEs' financial independence will be influenced by the level of financial literacy among their stakeholders. It is evident that a person's level of financial literacy will affect MSME players in terms of cost posts, operational posts, debt posts, and so forth. For this reason, even rudimentary financial literacy is necessary and significant for MSME players, including MSME players who provide typical Trenggalek cuisine.

The issues raised above are essentially consistent with the issues facing MSMEs in the Trenggalek district, where preliminary observations and identification of the issues point to issues with capital and financing as well as the capacity of human resources to handle financial management in the enterprises they operate. The majority manage their businesses and finances in a traditional manner, giving the impression that they are operating constantly.

LITERATURE REVIEW

1. Theoretical review

a. Theory Planned Behavior (TPB)

A person's conduct can be ascertained by applying the Theory of Planned conduct (TPB). An expansion of the Theory of Reasoned Action (TRA) is the Theory of Planned Behavior (TPB). A person's behavior is the fulfillment of their intention or will to behave, according to Fishbein and Ajzen in the Theory of Reasoned Action. The theory of planned behavior holds that the earlier theory falls short in explaining behavior that is not solely under the control of the individual and is instead impacted by non-motivational factors, such as opportunities or resources required for

the activity to occur. Therefore, Ajzen includes behavioral control—that is, the judgment of how simple or complex a behavior is to carry out—as an additional determinant in his theory.

b. Business Independence

Stronger financing institutions and strategic strategies are independent economic drivers that contribute to the development of small enterprises in the sector (Wahyudiono, 2013). In order to achieve independence to conduct business, the community and the government must work together well before moving forward with community empowerment. According to Dwi Pratiwi Kurniawati *et al.*, (2013), empowerment has the potential to boost economic independence, particularly in terms of the productivity and income of individuals receiving aid. company independence is the result of strategic policy in developing small sector businesses to promote economic growth and good government-community cooperation in fostering company independence.

c. Financial Literacy

Usually, financial literacy is measured on an individual basis before being fostered in groups, such MSME entrepreneurs who explain macroeconomics. According to OJK, the goal of financial literacy is to raise the degree of financial literacy in Indonesian society so that individuals may select and make use of financial services and products to enhance their well-being. The goal of financial literacy is to increase access to information and the use of financial products and services by building infrastructure that supports financial literacy. It also aims to educate Indonesians in the financial sector so they can manage their money wisely.

2. Literature Review

The current research draws on a number of earlier research findings as references. Prior studies were consulted in part by academics looking for variety in financial literacy. Researchers discovered that most earlier studies employed quantitative techniques for computing numbers. In the meantime, the current study is qualitative in character and employs a phenomenological method, which adds new insights and perspectives to the analysis of issues pertaining to financial literacy. Numerous pertinent earlier studies that are connected to the research this study will conduct. Previous research that is relevant to the study that will be conducted is as follows:

No	Name and Year of Research Title	Topic and Focus	Context/setting/sample	Results
1	Anugerah, Boy (2021)	The Role of MSMEs in Increasing the Nation's Economic Independence	Case Study on the role of MSMEs in the economy in Indonesia	shows that MSMEs are increasingly playing a significant role in supporting national economic independence. This is evidenced by the number of MSMEs which continues to increase from

No	Name and Year of Research Title	Topic and Focus	Context/setting/sample	Results
				year to year, as well as the contribution or contribution to GDP which is getting bigger.
2	Arnanda <i>et al.</i> , (2021)	Development of Community Independence based on MSME Development (case study of Omah Peyek MSMEs, Magelang City)	Case Study of UMKM Omah Peyek Magelang	MSME development towards independence can be done through creating a brand to give a distinctive product characteristic, diversifying products to increase the variety of products produced, innovating product packaging to make it more attractive to consumers, developing product marketing to expand the sales network, and finally arranging business locations by providing boards. the name is to make it easier for consumers to find production houses and utilize existing empty space in the form of installing vertical gardens to add public value to these MSME production houses.
3	Kusuma, <i>et al.</i> , (2021)	Financial Inclusion and Financial Literacy Against Performance and Sustainability of MSMEs in Solo Raya	Data analysis techniques which is carried out using Partial Least Square (PLS). 66 MSMEs in Solo Raya. With purposive sampling technique	shows that financial inclusion influences business sustainability and financial performance of MSMEs, and financial literacy influences the financial performance of MSMEs in Solo Raya. Meanwhile, the financial literacy variable has no effect on business sustainability for MSMEs in Solo Raya.
4	Noble and Sembel (2021)	Increasing the Business Independence of MSME Actors Through Entrepreneurial Behavior	200 entrepreneurs in Semarang were sampled using SEM analysis	shows that the entrepreneurial spirit and entrepreneurial values influence business independence both directly and through entrepreneurial behavior. Entrepreneurial behavior has a positive effect on business independence.
5	Rahman, Fathur	Business Enterprise Development in increasing the Independence of Islamic Boarding Schools.	As'adiyah Islamic Boarding School research type qualitative through a sharia economics approach, a microeconomics approach, and an approach business management	The research results show that, firstly, the business development strategy in the As'adiyah Islamic Boarding School business unit is; namely Canteen Putera Campus II, Cooperative, Bait al-māl Wa at-Tamwil (BMT), Air Berkah, Plastic Waste Recycling Factory, Palm Oil Plantation, and waqf land business that has a good strategy in developing its business which cannot be separated from the concept sharia business management.

RESEARCH METHODS

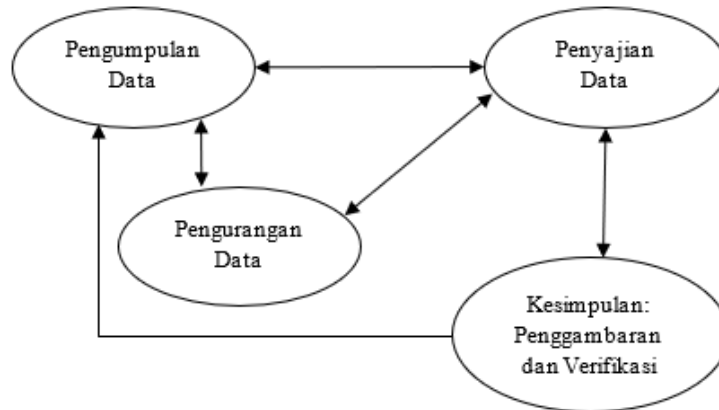
The research methodology used in this study is qualitative. Researchers employed an interpretive paradigm in this study. According to Sopanah (2010), the interpretative paradigm gives more weight to an individual's interpretation or meaning of a symbol. Phenomenology is employed as the research methodology. The method seeks to comprehend both the reactions to the existence of humans and society and the experiences that are comprehended through contact. A phenomenological description is the final product of the method's steps of intuition, analysis, and description in the phenomenological approach.

This study was conducted in Trenggalek district, more precisely in Trenggalek sub-district, which will serve as a location for typical food MSMEs in the district for four months following the issuance of research permissions by the university or other relevant organizations. In addition to using researchers as primary instruments, this study included informants from the Trenggalek district sub-department, credit financial institutions, and MSME coaches.

In-depth interviews, observation, and documentation studies are the three methods used in this research's data gathering strategy to gather primary and secondary data. In this study, documentation, observation, and interviews are the methods used to collect data.

The most important aspect of research is data analysis because, with proper and accurate data analysis, researchers can present their findings in a scientific

report that may be used to further their cause. We will apply the Miles and Huberman theory, a qualitative data analysis approach, in this study Huberman and Miles.



Bagan 3.1 Model Penelitian Miles and Huberman

RESULTS AND DISCUSSION

In order to realize the independence of business actors, this discussion explains what financial literacy means for food MSMEs in the city of Trenggalek and guides them toward business independence through several stages: 1) understanding bookkeeping literacy, 2) understanding savings literacy, and 3) understanding risk literacy by responding to financial literacy education that comes from external parties, such as banking, the Ministry of Trade and Industry, and UPRINTIS Indonesia.

What Bookkeeping Literacy Means

Looking at the outcomes, we can see that these three MSME managers' proficiency with bookkeeping has addressed the independence exhibited by MSMEs, including their comprehension of the concept of bookkeeping in even the most basic sense. Have independently recorded every MSME's expenditures on raw materials, sales, the quantity of items distributed, and transaction notes by organizing data in this manner. This demonstrates the MSMEs' capacity for independence.

What Savings Literacy Means

Knowing about savings undoubtedly boosts knowledge, confidence, and independent policies adopted by MSME players to satisfy their own needs. Taking bold decisions when managing finances and acting bravely in sorting out finances is another thing that can be done. Saving money by depositing it in multiple banks. achieving financial freedom.

Aside from regular savings accounts, MSME participants also comprehend deposits, insurance, loans, and other financial investments. They view savings as distinct from deposits and insurance; while they view deposits and savings as significant, they also view insurance as having a potentially problematic

connotation. Depending on their needs, even though people react differently to having their assets—in this example, their savings—fulfilled. When it comes to choosing which financial products to use for their business, they are bold and self-sufficient.

In response to the savings that MSME actors own, it goes without saying that they are aware of the advantages that third parties bring to each savings product they own. The results even mentioned that MSME actors have multiple savings products, if not more than one kind of savings product. This demonstrates the satisfaction of achieving business independence as well.

There's debt in addition to savings products and other perks. The study's findings demonstrate how different MSME actors behave and react when deciding how much debt to take on. Two MSME players opt to have bank debt, while the other decides not to have bank debt—specifically, family debt. Individuals that opt to incur bank debt demonstrate courage in making significant financial choices that will enhance and sustain their firm. MSMEs that opt for family debt, on the other hand, would rather not owe the bank since they are afraid to take chances in the event that bank debts are not paid on time. When making debt decisions, MSMEs must have the guts to become independent businesses.

What Risk Literacy Means

Based on many findings, it was determined that two MSMEs opted for bank loans, whilst one MSME declined a loan due to concerns about incurring expenses in the event of late or non-payment of bills. These choices are all a result of their company's independence. Actors who opt to take out loans run the danger of not only paying back the money they borrow, but also of losing out on business rewards that might boost their capital and sales revenue from the loan. Starting with growing the company, making use of promotions, and

boosting output would help the MSME players' financial management process become more independent.

CONCLUSION

Three Trenggalek specialized food MSMEs performed study, and the findings indicate that bookkeeping literacy is the foundation of financial literacy. They comprehend that bookkeeping is a routine task that involves keeping simple records to manage their funds. Initially, keep track of your spending, sales figures, and debt payments.

When it comes to managing their financial budgets, the MSME players in this study are also aware of and adept at using financial literacy. They always prepare or budget before making purchases or creating their goods to ensure that all factors are considered beforehand.

Even though their knowledge of finance is restricted to basic bookkeeping, they are nevertheless able to comprehend deposits, insurance, savings, and other banking products. In essence, they comprehend this because other parties play a function in their commercial independence realization.

Comprehension of credit risk. It is impliedly disclosed that MSME actors perceive their role to be conveyed through data to guide a business endeavor. In essence, the information is a compilation of facts or data that are meaningful to the recipient. It could be knowing credit risk, saving money, or bookkeeping literacy. It is everyone's duty to make a financial decision that will lead to independence in terms of having the guts to make a choice, independence in developing and inventing products, and independence in selecting goods from outside sources in terms of accepting loans, making investments, and saving money.

The three MSME participants were able to apply financial literacy to their operations, which helped them advance their skills, efforts, creativity, and self-improvement in the direction of company independence. Backed by outside organizations that promote financial literacy through outreach and training in an effort to boost MSME players' independence.

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