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ANALYSIS OF FINANCIAL LITERACY IN MICRO BUSINESS IN PEKANBARU INDONESIA

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ABSTRACT

In the current economic conditions, the role of financial literacy is very important especially for businesses. The businesses must be financially literate if it is to achieve success and competitive, this study aims to determine the level of financial literacy the Micro, Small and Medium Enterprises (MSMEs) in the city of Pekanbaru and analyze whether differences in gender, age, education level, and income level significant effect on the level financial literacy businesses. The focus of this type of business in question was the trade, with a sample of 292 businesses. The method used is survey by obtaining data through questionnaires. As for seeing the effect of differences in gender, age, education level, and income level of the level of financial literacy businesses are using Chi Square analysis. The results showed that the level of financial literacy SMEs is moderate (57.9%). Variables that affect the level of financial literacy businesses are differences in education and income. While gender and age differences do not affect the level of financial literacy of the MSMEs.

Keywords : Finansial Literation, Gender, Age, Education, Income

A.   Problem Statement

In recent years, in various parts of the world regarding the issue of financial literacy is hot topic to discuss. Particular attention to financial literacy by comparing the desire of a nation to have qualified people and have a good financial acumen, so that will have an impact on the improvement of the country's economic wheel itself. Financial Literacy can be interpreted as financial knowledge in order to achieve prosperity (Lusardi and Mitchell, 2007). Financial literacy is related to one's ability in managing and planning to finance. According to the Financial Services Authority (FSA) financial planning is about how to live a simple life these days in accordance with the financial capacity and meanwhile prepare for a prosperous future. Incomprehension of the importance of financial literacy can lead to lack of access to financial institutions so easily influenced by the seller of financial products, it can certainly hinder the country's economic development.

The reality in everyday life, not everyone has enough financial knowledge or said well literate (Yuliana, 2013). Several studies have found that the level of financial literacy in the general public is still low (Lusardi and Mitchell, 2011). Based on recent research conducted by MasterCard (www.mastercard.com), Indonesia's financial literacy index is still low. Based on the results of research conducted by MasterCard (2013), Indonesia was ranked 14th and lagging far behind Malaysia which ranked 6th. Indonesia itself conduct research to determine the level of financial literacy among people through the FSA. The national survey of financial literacy FSA conducted in 2013 showed that only 21.84% or one-fifth of the population of Indonesia is the kategori well literate.

This research subject is the micro, small and medium enterprises (MSMEs), especially the MSMEs in the city of Pekanbaru - Riau. SMEs have been selected for the majority of businesses in Indonesia are SMEs. Unfortunately the financial developments of SMEs is relatively slow, but their success will have an impact not only for the progress of their efforts itself but also to reduce unemployment and increase local revenue and national income. This is because based on several studies of businesses still found low levels of financial literacy among the businessmen. Lack of financial literacy will cause a person more likely to have problems with debt, is involved with a higher credit costs and are less likely to plan for the future (Lusardi, 2010)

Research conducted by (Hawati Janor, 2014) concludes that the demographic, economic, social and factors phsikologis are the main factors of a financial literacy related to decision businesses to invest. Meanwhile, the results of research Risky Amaliyah and Rini Setyo Witiastuti (2015) about the factors affecting the level of financial literacy among businessmen keil and medium-sized enterprises (SMEs) in Tegal "found that the level of financial literacy of the MSMEs in Tegal is still low, with factors affecting literacy financial consisted of gender, education level and income level businesses. Tasya Desiyana (2015) in his research about the level of financial literacy in the micro small and medium enterprises (SMEs) in the privileged area Yokyakarta found that the level of financial literacy SMEs spesial city Yokyakarta middle category. Results of the study also concluded that there are differences in financial literacy knowledge of the perpetrators of SMEs based on gender differences. This study wanted to see how the level of financial literacy of SMEs and whether the differences in gender, age, education level, and income level affect the financial literacy of the SMEs in the city of Pekanbaru.

B.   Literature Review
1.   Financial Literacy

According Jump Star Coalition (in Huston, 2010) "Financial Literacy is the ablitiy to use knowloedge and skills to manage financial resources Effectively for lifetime financial security." Study assesses the financial literacy of the individual UAE investors who invest in the local financial markets. It also examines the effect of demographic factors on financial literacy specially age, gender, education, and monthly income. According to Chen and Volpe (1996) of the results of research on 13 campuses in the USA with 924 samples showed that the level of financial literacy with regard to gender, age, nationality, race, income, work experience, academic discipline, and class rank.

Organisation for Economic Co-operation and Development, 2005 (OECD) is that, it is a combination of awareness, knowledge, attitudes and behavior Necessary to Make sound financial decisions and individual Ultimately Achieve financial wellbeing. Beside focusing on Financial Literacy level, studies in the area Also examine the factors that influence the level. For instance, using US data, the Hogarth (2002) explores the Financial Literacy of adults on topics related to personal finance. The study shows that, in general, less financially knowledgeable respondents are more Likely to be single, are relatively uneducated, low income, minority, and either young or old (not middle aged). Study using Australian data and Delpachitra Beal (2002) Financial Literacy measure of Australian students and find that university students are Neither skilled nor knowledgeable in financial matters. Beyond this level, they find that students with higher scores are more Likely to be male, have greater work experience and have a higher income. Study by Worthington (2006) on Australia Also, uses logit regression models to Predict FL of Australian adults. Results of the study suggest that FL is found to be highest for persons aged between 50 and 60 years, professionals, business and farm owners. FL is the cancel for unemployed, females and Reviews those from non-English speaking background.

Focusing on level FL Among investors, Al-Tamimi and Al Anood (2009) assess financial literacy for UAE investors and share the common findings that FL is far from the needed level. FL is found to be affected by income level, education level and workplace activity. In contrast, for Indian investors of Hyderabad city, Agarwal et al. (2010) Evaluate FL online and the findings suggest that Reviews These Generally investors are financially literate. They Also Observe that there are variations in FL levels across demographic and socio-economic groups. Differences in terms of demographic and socio-economic groups HAS ALSO been observed by Volpe et al. (2002) who examine investment literacy of 530 online investors for Australia. They find that the level of investment literacy varies with people's education, experience, age, income and gender. Specifically, women literacy has much lower investment than men and older of participants perform better than young of participants. Another factor that could have influence on the FL is gender. Chen and Volpe (2002) for instance has raised the suggestion that gender is a significant variable impacting the level of FL. Their findings suggest that women, in comparison to men, are more risk-averse when making financial decisions, and are consequently less financially literate.

Lusardi and Mitchell (2009) photographed this phenomenon in his research on the complexity of economic decision making that focuses on the ownership of financial knowledge will drive business success and readiness for retirement. Furthermore, he also split the ownership variable financial knowledge hereinafter called financial literacy into two phases, namely the basic stage and advanced stage. Indicators of financial literacy includes knowledge about the basic stages of mathematical calculations, interest rates, inflation, the time value of money and deception value for money. While financial literacy advanced stage includes knowledge neighbor stock market and the function, mutual funds, the benchmark interest rate and coherence of the bonds, a financial management company, knowledge of the risks of financial are investing money in various investment options of shares or bonds, the return on long-term money fluctuations or high uncertainty and risk diversification.

According Oseifuah (2010), there are three indicators of Financial Literacy, among others:

a) Financial Knowledge: having knowledge of financial terminology.

b) Financial Attitudes: interest or an interest in improving financial literacy.

c) Financial Behaviour: oriented for spending and saving.

According to the Financial Services Authority FSA circulars in 2014 stating that financial literacy is a series of processes or activities to improve the knowledge, confidence, and skills of consumers and the public at large so that they are able to manage their finances better. Their financial literacy aims to abolish all forms of barriers are price and non-price, to access the public in using financial services. FSA has a program to improve the financial literacy index in Indonesia in the form of the National Strategy for Financial Literacy Indonesia (SNLKI). SLNKI basic Framework consists of three pillars: (1) Education and Financial Literacy National Campaign, (2) Strengthening Infrastructure Financial Literacy, and (3) Product Development and Financial Services.

2. Factors Effect to Financial Literacy

Financial literacy levels for each individual course vary. It is caused by differences in factors that influence it so that there was significant difference between one individual with another individual.

a) Behavioural Finance (Financial Behavior)

Financial Behavior associated with a person's financial responsibilities related to financial management. According Hilgert, Holgart and Baverly 2003 (in research Peter Garlans Sina) mention that the financial behavior of a person will look on how well a person manages cash, managing debt, saving and other expenses.

b) Demographic Factors

In this case it is said that women and ethnic minorities have low financial knowledge, while according to Bernheim in Monticone (2010) stated that the men had knowledge of the financial and macro-economic good.

c) Education

Variable education as human capital is one of the variables that are expected to give effect to the well-being of a person. Education variable effect on the productivity and efficiency of someone who would then affect real income or household induvidu (Rahmatia, 2004).

d) Background Family

In addition to demographic and cognitive skills, financial literacy is also motivated by families such as the education of parents, especially mothers. So education obtained from parents or family can affect a person's financial knowledge (Tasya Desiyana, 2015).

e) Gender

Chen and Volpe (1998) found that in terms of financial literacy in the general level of women is lower than for men. This matter. Lalonde and Schmidt (2010) reinforce the finding that the shape of financial literacy general knowledge in males is higher than for women.

3. Micro, Small, Medium Enterprise (MSMEs)

a. Definition of SMEs

Micro, Small and Medium Enterprises (SMEs) in Indonesia is one of the economies of the people are resilient and able to show its presence in the business world. According to Law No.20 of 2008 which referred to Micro, Small and Medium Enterprises (SMEs):

- Micro is a productive enterprise belonging to individuals and / or entities that meet the criteria of individual businesses Micro as stipulated in this Law.
- Small Business is an economic enterprise productive stand-alone, conducted by an individual or business entity that is not a subsidiary or not branches of companies owned, controlled or become part either directly or indirectly from medium or large businesses that meet the criteria of Business small as defined in this Act.
- Medium Enterprises is a productive economic activities that stand alone, carried out by an individual or business entity that is not subsidiaries or branches of companies owned, controlled, or be a part either directly or indirectly by the Small Business or large enterprise with total net assets or annual sales revenue as stipulated in this Law.

b. Criteria for Micro, Small and Medium Enterprises (SMEs)

According Rahmana (2008) in the perspective of the development of Small and Medium Enterprises criteria are divided into four groups, namely:

- Livelihood Activities, is an SME that is used as a job opportunity to earn a living, which is more commonly known as the informal economy. Examples are street vendors.
- Micro Enterprise, an SME that has properties craftsmen but do not yet have an entrepreneurial nature.
- Dynamic Small Enterprise, an SME that already have an entrepreneurial spirit and able to accept work subcontracted and export.
- Fast Moving Enterprise, merupakam SMEs that already have an entrepreneurial spirit and the will to transform into Big Business (UB)

C. Research Methodology

The method used in this research is survey method using a questionnaire that has been tested validity. Then performed a descriptive analysis to describe the level of financial literacy SMEs which can be categorized in level of understanding of high, medium, or low. Meanwhile, to see if differences in gender, age, education level, and income level affect the level of literacy keaungan SMEs used Chi Square analysis. Total population in this study is as much as 6563 SMEs. The determination of the sample is by using the formula slovin at $\alpha = 5\%$ and obtained a total sample of 377 of those who meet the requirements to be analyzed is 292 SMEs.

D. Results and Discussion

This research was conducted in the city of Pekanbaru with the object of research is the trade sector SMEs as many as 292 samples. In this study, the authors took four variables to measure the level of financial literacy of the SMEs in the city of Pekanbaru, namely gender, age, education level, and income is. Here is the frequency of the data from all four variables that can be seen in Table 4.1.

Tabel 4.1 Respondent Identity Recapitulation

No.	Category	Male		Female			
		Total	%	Total	%		
1.	Gender	122	41,8	170	58,2		
		20 – 35 tahun		36 – 50 tahun		>50 tahun	
		Total	%	Total	%	Total	%
2.	Age	139	47,6	128	43,8	25	8,6
		SMP/Sederajat		SMA/Sederajat		Sarjana	
		Total	%	Total	%	Total	%
3.	Education	81	27,7	178	61,0	33	11,3
		1 – 10 juta		11 – 20 juta		>20 juta	
		Total	%	Total	%	Total	%
4.	Income	193	66,1	52	17,8	47	16,1

Data studied were grouped into three categories, namely the level of financial literacy of high, medium and low, by compiling data interval according Mangkuatmodjo (1997; in pesudo, 2013: 9) as follows:

- High = 5 x 23 = 115
- Low = 1 x 23 = 23

$$Interval = \frac{High\ Value - Low\ Value}{Number\ of\ Class}$$

$$Interval = \frac{115 - 23}{3} = 31$$

Thus, obtained interval data as:

Tabel 4.2 Interval Data

Interval	Category
115 – 84	High
83 – 52	Medium
51 – 20	Low

According to the 292 samples are grouped into three groups or categories based on the scores level literacy received, a group of business owners who obtained scores literacy levels are high, medium and low, looking for used crosstabulation between the level of financial literacy with the factors that influence the (gender, age, education level, income level, place of business). Can be seen in the tables below.

Tabel 4.3 Financial Literacy Level * Gender Crosstabulation

		Gender		
		Female	Male	Total
Financial Literacy Level	Low	18	11	29
	Medium	92	77	169
	High	60	34	94
Total		170	122	292

Based on the above table, if shows from a gender, the level of financial literacy in Pekanbaru micro businesses included in the category of being with women at 92 and men 77.

Tabel 4.4 Financial Literacy Level * Age Crosstabulation

		Age			
		20-35	36-50	>50	Total
Financial Literacy Level	Low	16	12	1	29
	Medium	80	74	15	169
	High	43	42	9	94
Total		139	128	25	292

Based on the above table, if viewed from the age, the level of financial literacy in Pekanbaru micro businesses included in the medium category with 20-35 years of age at 80, the age of 36-50 years was 74, and age> 50 years at 15.

Tabel 4.5 Financial Literacy Level * Education level rosstabulation

		Education			Total
		Primary School	High School	Degree	
Financial Literacy Level	Low	2	24	3	29
	Medium	52	95	22	169
	High	27	59	8	94
Total		81	178	33	292

Based on the above table if the educational level, the level of financial literacy in Pekanbaru micro businesses included in the medium category with a level of secondary education / equivalent is 52, a high school education level / equivalent at 95, and the level of undergraduate education at 22.

Tabel 4.6 Financial Literacy Level * Income level Crosstabulation

		Income			
		1-10jt	11-20jt	>20jt	Total
Financial Literacy Level	Low	26	1	2	29
	Medium	113	29	27	169
	High	54	22	18	94
Total		193	52	47	292

Based on the above table when viewed from the level of income, the level of financial literacy in Pekanbaru micro businesses included in the category of medium-income 1-10 million by 113, the level of income of 11-20 million by 29, and the income level of> 20 million by 27.

A. Hypothesis Test (Chi-Square)

To analyze whether differences in gender, age, education level, and income level will affect the level of financial literacy the micro business conducted testing using analysis Chi-Square, before conducting analysis with Chi-Square must first

conduct an analysis using cross tabulation (crosstab) as that has been done before in section Descriptive Variables Research. From the result of cross tabulation (crosstab), then generally it can be concluded that the level of financial literacy micro businesses in this study are included in the medium category (medium).

Tabel 4.7 Chi-Square Tests Financial Literacy Based on Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2,387[a]	2	,303
Likelihood Ratio	2,399	2	,301
Linear-by-Linear Association	,653	1	,419
N of Valid Cases	292		

The test results of independent variables gender with the level of financial literacy among micro businesses in the city of Pekanbaru significance value 0,303. The significance value greater than ($\alpha = 0.05$ and $\alpha = 0.1$) so it can be concluded that gender does not affect the level of financial literacy among micro businesses in the city of Pekanbaru, then the hypothesis is rejected. The results of this study contradicts the studies Chen and Volpe (2002) which states that gender is a significant effect on the level of financial literacy.

Tabel 4.8 Chi-Square Tests Financial Literacy Based on Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1,493[a]	4	,828
Likelihood Ratio	1,734	4	,785
Linear-by-Linear Association	,912	1	,339
N of Valid Cases	292		

The test results of the effect of age differences in the level of financial literacy among micro businesses in the city of Pekanbaru significance value 0.828. The significance value greater than ($\alpha = 0.05$ and $\alpha = 0.1$) so it can be concluded that the age difference does not significantly influence the level of financial literacy among micro businesses in Pekanbaru city,. These results conflict with Al-Tamimi study (2009) showed that age affects the level of individual financial literacy.

Tabel 4.9 Chi-Square Tests Financial Literacy Based on Education Level

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9,181[a]	4	,057
Likelihood Ratio	10,969	4	,027
Linear-by-Linear Association	2,193	1	,139
N of Valid Cases	292		

The test results of the independent variable level of education and the level of financial literacy among micro businesses in the city of Pekanbaru significance value 0.057. The significance value smaller than ($\alpha = 0.1$) so it can be concluded that the differences in education level affect the level of financial literacy among SMEs in the city of Pekanbaru. The results are consistent with research Jhonson and Margaret (2007) which states that education is having an extremely important role on the level of individual financial literacy. Likewise, according to the Gutter (2008) which states that education significant positive effect on financial knowledge. Individuals who have received a good financial education of the parents and the institution where he was educated will have a better financial knowledge.

Tabel 4.10 Chi-Square Tests Financial Literacy Based on Income Level

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10,636ᵃ	4	,031
Likelihood Ratio	12,365	4	,015
Linear-by-Linear Association	6,747	1	,009
N of Valid Cases	292		

The test results of the independent variable level of income with the level of financial literacy among micro businesses in the city of Pekanbaru significance value of 0.031. The significance value smaller than ($\alpha = 0.05$ and $\alpha = 0.1$), so it can be concluded that the differences in income levels affect the level of financial literacy among micro businesses in the city of Pekanbaru, the hypothesis is accepted. The results of this study support the research that has been done by Lusardi and Mitchell (2011), Chen and Volpe (1998), and Tamimi (2009). However, contrary to the results of research and Retno Setyowati Rizky Amalia (2015).

Conclusion

The conclusion of this study is to show the level of financial literacy SMEs are in the medium category, and the influence of the difference of the four variables tested showed that the level of education and income significantly influence the level of financial literacy, whereas gender and age did not affect the level of financial literacy SMEs. Recommended for those who want to do further research in order to add variabe research, expanding the subject and object of research and hoped for the government is to improve the socialization of SMEs.

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