Journal of Socioeconomics and Development. 2023. 6(2): 138-148

Journal of Socioeconomics and Development

https://publishing-widyagama.ac.id/ejournal-v2/index.php/jsed

Financial literacy on MSME export import decisions and the affecting individual and social factors

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ARTICLE INFO

► **Research Article**

Article History
Received 25 February 2023
Accepted 6 November 2023
Published 30 November 2023

Keywords
export import; financial literacy; individual ability; social factor

JEL Classification
F20; G53; L26

ABSTRACT

This study aims to analyze financial literacy affecting export and import decisions, and to analyze what individual and social factors affecting the said financial literacy. The design of this research was clausal associative, with quantitative approach. The sample of this research was MSME actors in Central Java province who were successful or oriented towards carrying out export and import activities. The data collection techniques were questionnaires and documentation. This study used structural equation modeling with Lisrel 8.80 software. The data were analyzed with Confirmatory Factor Analysis. The results showed that there was a significant effect between individual ability on financial literacy and financial literacy on export and import decisions, while between social variables and financial literacy, there was not a significant effect. MSMEs had cooperative characteristics in running their business to complement each other's limitations and gain specific competitive advantages to compete in the global environment, especially export and import activities, so that they could contribute to the national economy. Suggestions for further research, the government should act as an aggregator or facilitator for sharing knowledge regarding financial literacy between MSMEs, MSMEs and academics, MSMEs and related communities, and MSMEs and national private parties.

To cite this article: Farliana, N., Sakitri, W., Utami, S., Widhiastuti, R., & Rahmaningtyas, W. (2023). Financial literacy on MSME export import decisions and the affecting individual and social factors. Journal of Socioeconomics and Development, 6(2), 138-148. https://doi.org/10.31328/jsed.v6i2.4539

ISSN 2615-6075 online; ISSN 2615-6946 print

INTRODUCTION

One of the indicators of a growing business is its expansion to foreign countries or international markets (Oura et al., 2016). Indonesia's export and import activities show a fairly dynamic figure. This proves that international trade activities continue and will always be carried out. Siddiqui (2016) added that foreign trade is beneficial for the welfare of the community. The beneficiaries from import activities are producers, namely workers and entrepreneurs with middle income.

On the other hand, the contribution of micro, small and medium enterprises (MSMEs) in boosting the economy cannot be underestimated. Statistics Indonesia states that in accumulation, 61.41% of MSMEs contribute to Gross Domestic Product (GDP). According to Keynes in Case & Fair (2007), GDP (Y) can be obtained because of consumption expenditure (C), investment expenditure (I), government spending (G), and export and import (X-M). Thus, the existence of international trade is very important and strategic because it has a positive effect on GDP formation.

MSMEs dominate the absorption of nearly 97% of the total national workforce. In addition, MSME is a sector that has minimal dependence on imported components because they use locally obtained raw materials. MSMEs take part in increasing exports, with a volume reaching 14.06% of total exports. This has an impact on reducing the value of the country's foreign exchange balance. Thus, the need for the MSME sector to be independent is very big.

In general, MSMEs often experience delays in their development. This is due to various conventional problems that have not been resolved completely (closed loop problems), such as problems with human resource capacity, ownership, financing, marketing and many others related to business management, so that MSMEs find it difficult to compete with large companies (Harvie, 2019; Karman et al., 2022). Based on research conducted by Djuwita & Yusuf (2018), MSMEs in the creative industry tend to have a short-term orientation in decision making in their business. This can be seen from the absence of the concept of continuous innovation and inconsistent core business activities. In the end, the long-term performance development of MSMEs engaged in the creative industry tends to be stagnant and not well directed.

According to the LPPI Bank Indonesia (2015) in reality, MSMEs currently still face internal and external obstacles. Internally, problems often arise in business capital, human resources, understanding legality and accountability aspects. While externally, MSMEs are faced with intense business competition, infrastructure and business access. The limitation of the individual ability of MSMEs, especially in terms of financial management, can cause problems that affect the sustainability of MSME business processes. Thus, MSME actors are required to understand the financial risks that are often faced, including market risk, credit risk and liquidity risk. The level of financial literacy of MSME actors is then very important to be able to manage their business.

The character of MSMEs is inherent in the behavior of entrepreneurs in running their business (Ministry of Cooperatives and SMEs, 2013). Literacy can be defined as an individual's ability to obtain and evaluate the relevance of information in decision making and to understand every risk that may arise. The level of financial literacy affects the views of MSME actors in making strategic decisions on their business conditions (Amaliyah & Witiastuti, 2015; Puspitaningtyas, 2017). Susan (2020) showed that the level of financial literacy affects the ability to manage finances. Low financial literacy results in inefficiencies in business processes that affect the welfare of the parties involved in MSMEs (Calcagno & Monticone, 2015; Srikalimah, et al, 2020) whereas in today's business development, MSMEs are expected to have unique added value in their products and services (Aribawa, 2016).

Based on the results of a World Bank survey, Indonesia's financial literacy rate is only 20%. This is lower than ASEAN countries such as the Philippines 27%, Malaysia 66%, Thailand 73% and Singapore 98%. Many countries have conducted research on literacy levels related to national policies (Susan, 2020). Therefore, strategic efforts are needed to improve the performance and sustainability of MSMEs. One of the ways that can be done is by enriching the knowledge of MSME actors on financial knowledge so that management and accountability can be accounted better as befits a large company. Fatoki (2014) employed financial literacy assessment parameters, including variables such as financial management skills, investment knowledge, and financial planning, to determine the level of financial management skills in terms of budgeting, savings, and responsibility for credit usage. Individuals with low financial literacy are potentially vulnerable to financial crimes. They can be deceived by various investment models with promises of high returns. Those with low financial literacy will also find it challenging to improve their quality of life, as modern society is heavily intertwined with financial services, especially in the current global economy.

Micro, Small, and Medium Enterprises (MSMEs), as the largest informal sector driver in Indonesia with the highest employment absorption, play a crucial role in the economic system. According to Akpan et al., (2022), the quickest way to stimulate the economy in emerging markets is by focusing on developing the informal sector (MSMEs), which will result in an increase in middle-class income levels. Financial literacy from an individual or family perspective can have an impact on the ability to have long-term savings used for acquiring assets (such as land or a house), pursuing higher education, and building a retirement fund. Ineffective money management can lead to family financial crises (Pal et al., 2014). These findings can also be adapted to businesses. In this context, MSMEs with good financial literacy will be able to achieve their business goals, have a business development orientation, and be able to survive in challenging economic conditions.

In the literature of business and entrepreneurship, the lack of knowledge and access to financial resources has been linked to a company's inability to achieve its goals (Doherty et al., 2014; Tamvada et al., 2022) and the managers' inability to take strategic actions (Baumgartner & Rauter, 2017). Other literature also asserts that financial literacy and inclusion can enhance company growth (Eniola & Entebang, 2016; Grohmann et al., 2018).

Much literature has confirmed that a company's ability to recognize and access financial resources will have an impact on the company's growth rate (Adomoko, Danso & Damoah, 2016). In facing the industrial revolution 4.0, MSMEs that are mature in management and strong in financial management are expected to be the main key for Indonesia in competing in the global market. Financial literacy will help business actors related to business management starting from the budget, planning for saving business funds, as well as basic knowledge of finances to achieve business financial goals.

The purpose of this research is to analyze the financial literacy of MSME actors in Central Java province, analyze the financial literacy of MSME actors in affecting export and import decisions, analyze what individual factors could affect the financial literacy of MSME actors, and analyze what social factors could affect the financial literacy of MSME actors.

RESEARCH METHOD

The research design used by the author was clausal associative design, using a quantitative approach. The location of this research was the province of Central Java, Indonesia. The population of this research was all MSME actors in the province of Central Java, Indonesia. The research sample was MSME actors who had carried out export and import activities or those who were oriented towards carrying out export and import activities, totaling up to 110 respondents. The sampling method in this study used a proportional cluster random sampling.

The characteristics of the respondents were (i) having fewer than 50 employees, (ii) generating a minimum monthly revenue of IDR5,000,000.00, (iii) collaborating with financial institutions to support capital sufficiency, (iv) operating at the local or regional level and having a national or international market, (v) businesses with conventional business models, such as retail stores, restaurants, or local service providers, art, handicrafts, and creative product businesses, agriculture, horticulture, or animal husbandry, or local food producers, (vi) businesses selling products or services through online platforms, such as online stores or sellers in the online marketplace, and (vii) businesses operating under specific franchise brands and adhering to established business models.

The data of this research were primary data obtained in distributing research questionnaires to respondents consisting of MSME actors in Central Java, Indonesia. Sources of data in this study were MSME actors who had carried out export and import or who planned to conduct international trade. The research variables measured in this study were the variables of general banking knowledge, basic financial literacy, basic financial attitudes related to accounting and budget records, and the skills of the owner in managing finances. The indicators for each variable are shown in Table 1, and how model works among variables shown in Figure 1.

Table 1. Variable and Indicator in SEM Path Analysis

Variables	Indicators
Individual (X_1)	Prior Knowledge (X1) Cultural Experience (X2) Motivation (X3)
Social (X_2)	Parental Support (X4) Allocated Money to Purchase Books (X5) Attitude Towards Reading (X6) Supporting Work Environment (X7) Economic Status (X8)
Literacy (Y_1)	Having General Knowledge of Banking (Y1) Basic Financial Literacy (Y2) Basic Financial Attitudes Regarding Accounting and Budget Recording (Y3) Owner Skills in Managing Finances (Y4)
Export and Import (E-I) (Y_2)	Attitude in Decision Making (Y5) Export and Import Destinations (Y6) Export and Import Planning (Y7) Action in Export and Import (Y8)

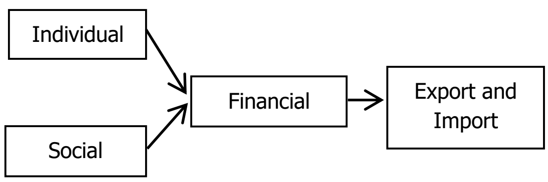

Figure 1. Thinking framework model

Structural Equation Modeling (SEM) analysis was performed by using software of Lisrel version 8.80.

Data analysis in this study was carried out by doing analysis of validity and reliability first, that is to determine the level of validity and consistency of an instrument using Lisrel version 8.80, an instrument can be said to be valid if the convergent validity value of the loading factor of CFA (Confirmatory Factor Analysis) was above 0.6, and the discriminant validity of AVE (Average Variance Extracted) was above 0.5 whereas for reliability testing, it used composite reliability values above 0.7. Secondly, inferential statistical analysis method was conducted using Partial Least Square Structural Equation Modeling technique.

RESULT AND DISCUSSION

Characteristics of Respondents

The research respondents consist of 110 MSMEs, whose characteristics can be seen in Table 2. These results provide an overview of the characteristics and distribution of the 110 surveyed MSMEs in terms of employees, income, collaboration with financial institutions, the scope of their operation, types of businesses, marketing methods, and whether they operate as franchise businesses or not. This information is valuable for understanding the diverse nature of these businesses and their strategies. The distribution of the existing characteristics indicates that MSMEs in Central Java still have a significant number of employees below 25, and the majority of them have a maximum monthly income of IDR25,000,000. Their level of operation has reached the national and international levels, supported by adequate digital-based marketing. Their businesses also originate from their own start-up initiatives.

Validity and Reliability

The validity measurement used the factor loading for the reflective indicator model or the component loading for the formative indicator model, if the factor loading was ≥0.30 or the factor loading and component loading of the indicator component were significant, so the relevant indicator fulfilled the validity. After testing the validity three times, the validity was obtained as shown in Table 3. The reliability analysis used was the internal consistency reliability by checking the Cronbach Alpha coefficient. If the value showed α≥0.50, it indicates that the questionnaire was reliable (Malhotra, 2004). The SEM construction results (Table 3) show that of the 16 indicators there were 14 valid indicators and 2 invalid indicators, namely indicator X6 and X8. Of the four variables formed by the indicators, there were 3 valid variable constructs and 1 unreliable construct, namely the indicator construct forming social variable. This was indicated by the value of construct reliability (CR) which showed the internal consistency of the indicator with a value of >0.70.

Table 2. Characteristics of Respondents

Characteristic/Criteria	MSME unit
Total of employees	
1-25 people	70
26-50 people	40
Income	
IDR5.000.000 – 25.000.000,	85
More than IDR 25,000,000,	25
Collaborate with financial institutions	110
MSME operation area	
at national level	48
At national and international levels	72
Bussiness type	
Crafts or creative products	42
Local food	36
Retail	32
Marketing by online	110
Franchise operation	
Franchise business	14
Non-franchise businesses	96

Goodness of Fit

Structural Equation Modeling tested the research hypothesis by evaluating the t-value on the structural model, which was ≥1.96 (95% confidence level). After the model was evaluated for its indicators and constructs, it was then evaluated as a whole through the Goodness-of-Fit analysis shown in Table 4. The validity of SEM was tested through the Goodness-of-Fit Index which consisted of 18 parameters (Table 4). In addition, external factors were measured to determine whether there was an effect and a relationship to each variable.

It can be seen from Table 4 that the goodness of fit model has good results to explain the relationship between latent variables and their assumptions. Based on the combination analysis of the goodness of fit statistical parameters, 15 of the 18 parameters state that the causative model in this research model is generally considered good. This indicates that the individual, social, literacy, and export variables have a causative relationship with the indicators that composed these variables in the MSME population in Central Java.

Factors Affecting Financial Literacy

The SEM modeling (Figure 2) indicates the causal relationships between individual variables and indicators of prior knowledge, motivation, and culture; social variables and indicators of money allocated for book purchases, attitudes toward reading, a supportive work environment, and economic status; literacy variables and indicators of general banking knowledge, basic financial literacy, basic financial attitudes related to accounting and budgeting; export variables and indicators of decision-making attitudes, export-import objectives, export-import planning, and actions in export-import.

Table 3. Validity and Reliability Analysis of Variability

Variables	Indicator	Coeffi-cient	Error Var	R2 (%)	Std. Loading	CR	VE	Validity	Reliability
Individual	X1	0,64	0,23	65	0,80	0,878	0,717	Valid	Reliable
	X2	0,79	0,15	81	0,90			Valid	
	X3	0,31	0,29	25	0,50			Valid	
Social	X4	0,39	0,20	44	0,66	0,788	0,433	Valid	Not Reliable
	X5	0,35	0,36	25	0,50			Valid	
	X6	0,30	0,44	17	0,41			Invalid	
	X7	0,54	0,55	35	0,59			Valid	
	X8	0,28	0,30	21	0,46			Invalid	
Literacy	Y1	0,39	0,18	46	0,68	0,932	0,776	Valid	Reliable
	Y2	0,49	0,083	75	0,86			Valid	
	Y3	0,46	0,26	45	0,67			Valid	
	Y4	0,50	0,14	64	0,80			Valid	
Export	Y5	0,55	0,49	38	0,62	0,907	0,714	Valid	Reliable
	Y6	0,94	0,15	85	0,92			Valid	
	Y7	0,80	0,16	80	0,90			Valid	
	Y8	0,67	0,27	62	0,79			Valid	

Table 4. Goodness of Fit Analysis

Parameter	Acceptable Level of Equation	Model Index	Information
Chi-Square	The lower, the better	110.40	Good Fit
P-Value	p≥0.05	0,093	Good Fit
NCP	The lower, the better	18.40	Good Fit
GFI	GFI≥0,9 (good fit), 0,8≤GFI<0,9 (marginal fit)	0.89	Good Fit
RMR	RMR≤0,05	0.032	Good Fit
RMSEA	0,05<RMSEA≤0,08 (good fit), 0,08<RMSEA≤1 (marginal fit)	0.043	Good Fit
ECVI	The closer to value of saturated ECVI, the better	(1.82;2.50)	Good Fit
NNFI	NNFI≥0,9 (good fit), 0,8≤NNFI<0,9 (marginal fit)	0.98	Good Fit
NFI	NFI≥0,9 (good fit), 0,8≤NFI<0,9 (marginal fit)	0.94	Good Fit
AGFI	$AGFI \geq 0{,}9$ (good fit), 0,8≤AGFI<0,9 (marginal fit)	0.83	Marginal Fit
RFI	$RFI \geq 0{,}9$ (good fit), $0{,}8 \leq RFI < 0{,}9$ (marginal fit)	0.92	Good Fit
IFI	$IFI \geq 0{,}9$ (good fit), $0{,}8 \leq IFI < 0{,}9$ (marginal fit)	0.99	Good Fit
CFI	$CFI \geq 0{,}9$ (good fit), $0{,}8 \leq CFI < 0{,}9$ (marginal fit)	0.99	Good Fit
PGFI	The higher, the better	0.60	Marginal Fit
PNFI	The higher, the better	0.72	Marginal Fit
AIC	The closer to value of saturated AIC, The better	(198.40;272)	Poor Fit
CAIC	The closer to value of saturated CAIC, the better	(361.22;775.27)	Poor Fit
CN	$CN \geq 200$	121.02	Poor fit

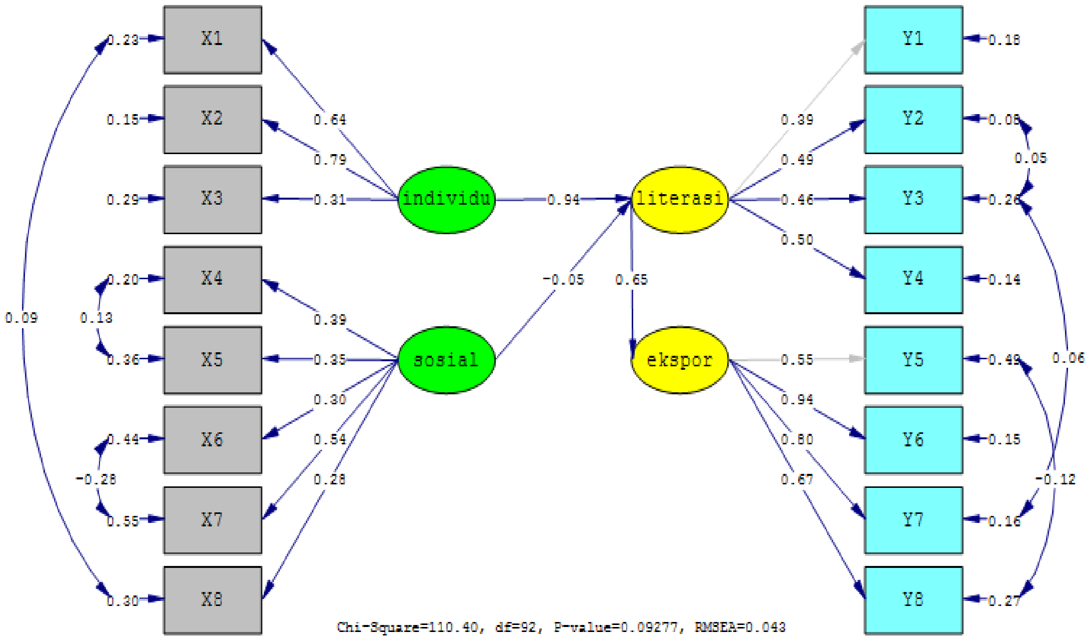

Figure 2. SEM analysis of the hybrid model

The calculation results (Figure 2) show that in the 1st order CFA, the standardized factor loadings for each indicator of individual, literacy, and export variables were greater than the critical value of 0.50. However, for the indicators of social variables, specifically X6 and X8, they were less than 0.5. The causal relationships between the indicators and their respective variables were also explained by R2, and the average R2 obtained from the 16 indicators was more than 20%. The most significant causal relationship was reflected by the Y6 indicator at 81% in forming the construct of the export variable. Based on this, there was a high causal effect among variables and their indicators.

Conclusion of a significant relationship, the t-value must be greater than the t-table. A significant relationship would be indicated by a black t-value on the path diagram with a value of 1.96. The results of the calculation show that the CFA 1st order standardized factor loading on each variable indicator of individual, literacy, and export was more than the critical value of 0.50 while the indicator on social variables, namely X6 and X8, were less than 0.5. The causative relationship between the indicator and the variable was also explained by R2, the average R2 obtained from the 16 indicators was more than 20%. The largest causative relationship was reflected in the indicator Y6 at 81% in forming the construct of the export variable. Based on this result, the variables and their indicators had a high causative effect.

Table 5. Test of the significance of t-count and the Coefficient of Structural Equation

Path	Coefficient	t-value
Individual factors to financial literacy	0,94	5,72*
Social factors to financial literacy	-0,05	-0,39
Financial literacy to export and import decisions	0,65	4,74*

On Table 5, it can be seen that there was a significant causal relationship between individuals and financial literacy and between financial literacy and exports, while social variables and financial literacy were insignificant. Referring to Table 4, it states that there is a positive and significant effect of individual variables on export and import decisions mediated by financial literacy. Seen in the path diagram above, the results of the model test show a t-value of 5.72 (95% confidence level), which means that the t-value was >1.96. This indicates that the causal relationship was significant. The path diagram of the results of the causal relationship states that there was a positive and significant effect of social factors on export and import decisions mediated by financial literacy, show that the t-value was -0.39 (95% confidence level), which means the t-value <1.96.

The result states that there is a positive and significant effect of financial literacy on export and import decisions, the t-value was 4.74 (95% confidence level), which means that the t-value was >1.96. This indicates that there was a significant and positive or associative relationship between financial literacy and the export and import decisions of MSME actors in Central Java. Individual factor variables had a positive effect on financial literacy, while social factor variables had a negative effect on financial literacy by 0.83 or 83%. Financial literacy had a positive effect on export and import by 0.42 or 42%.

The test proves to be accepted because the t-value is 5.72 (95% confidence level) >1.96, which means that there is a significant effect between the individual ability variables on export and import decisions mediated by financial literacy, as supported by research by (Bilal, et al, 2021) which stated that the parameters of the assessment of financial literacy with the variables of financial management skills, investment knowledge and financial planning are used to determine the level of financial management skills in terms of budget, savings and responsibility for using credit. In addition, it is confirmed by the results of research by Jain et al. (2014) which stated that good financial literacy allows indiviuals to have skills and knowledge, so that they are able to make appropriate and effective decisions.

Researchers analyze that the ability variables possessed by individuals affect MSME actors to make decisions in export and import activities, which of course were guaranteed to have good financial literacy. MSME actors with the ability to manage their potential, knowledge of MSME management and high business motivation are sure to have a long-term vision and mission; one of which was business expansion in the form of exports and imports. The decision to export and import certainly cannot be separated from how much potential and skills individuals have but also the extent of their financial literacy, because every business activity is related to finance.

Furthermore, the t-value is 5.72 (95% confidence level) >1.96, which means that there is no positive and significant effect of social factors on export and import decisions mediated by financial literacy. The coefficient value is -0.05, this condition means that the small coefficient value does not encourage a significant and strong relationship between social factors, financial literacy and export and import decisions. This is presumably due to the absence of support from parents, budget allocation to support entrepreneurial potential, work environment and parents' socioeconomic status.

The results obtained apparently do not support research from The Association of Chartered Certified Accountants (2014) which formulated that the concept of financial literacy includes knowledge of financial concepts, the ability to understand communication about financial concepts, the ability to manage personal or company finances and the ability to make financial decisions in certain situations. Based on the formulation of the concept of financial literacy, social factors play a role in understanding communication regarding financial concepts, which leads to the ability to make decisions, both financial and business, which in this study were decisions to carry out export and import activities.

The results of testing obtained a t-value of 4.74 (95% confidence level) where the t-value >1.96, which means that there is a significant and positive effect of financial literacy on export and import decisions. This is supported by previous research conducted by Puspitaningtyas (2017) which stated that the level of financial literacy affects the views of MSME actors in making strategic decisions on business conditions, one of which is the decision to export for business expansion or import product raw materials. The results reject the results of Djuwita & Yusuf (2018) research which revealed that MSMEs in the creative industry tend to have a short-term orientation in decision making in their business, due to the absence of a concept of sustainable innovation and inconsistent core business activities.

Entrepreneurs with good financial literacy are able to use their financial skills in making decisions that are right for their business (Nguyen & Nguyen, 2020). MSME owners/managers are closely related to making complex and strategic financial decisions related to the success of achieving goals and business sustainability (Aboelmaged, 2018; Draxler, Fischer & Schoar, 2014; Kerr, Lerner & Schoar, 2014). The overall results of this study confirm previous research conducted by Adomoko, Danso & Damoah (2016); Dahmen & Rodríguez (2014); Fatoki (2014); and Wise (2013). In general, their research stated that if entrepreneurs in the MSME sector have adequate financial literacy skills, the business and financial decisions that will be made will lead to improved development over time, increase the ability of businesses to survive the crisis and ultimately make the business have long-term sustainability.

MSMEs have unique characteristics to face changes in the business environment and stakeholders (Rekarti et al., 2018). MSMEs have cooperative characteristics in running their businesses to complement their limitations and gaining a competitive advantage. In global competition, MSMEs are expected to be able to provide value added to the goods and services offered both in quality and efficiency than competitors. MSMEs with good financial literacy will be able to achieve their company goals, have a business development orientation so that they are able to compete with MSMEs from various countries, and able to survive in difficult economic conditions.

Research Implication

Research findings can inform policymakers about the significance of financial literacy for MSMEs engaged in export-import activities. This may lead to the development of targeted policies and programs to enhance financial education and support for these businesses (Birochi & Pozzebon, 2016). This leads to the following implications:

Informing Policymakers. This part suggests that the research results can serve as valuable information for government policymakers. Policymakers are individuals or groups responsible for creating and implementing laws, regulations, and policies related to various aspects of the economy, including support for businesses.

Significance of Financial Literacy. The research findings highlight the importance of financial literacy for MSMEs involved in export-import activities. Financial literacy refers to the understanding and knowledge of financial concepts, including budgeting, financial planning, investment, and managing financial resources. In this context, it pertains to the ability of MSMEs to make informed financial decisions regarding their international trade operations.

Development of Targeted Policies. Based on the research findings, policymakers may recognize the need to develop specific policies and initiatives. These policies would be designed to address the financial literacy needs of MSMEs participating in export-import activities. Instead of a one-size-fits-all approach, these policies would be tailored to the unique challenges and opportunities faced by MSMEs in international trade.

Financial Education and Support. The ultimate goal of these policies is to enhance financial education and support for MSMEs. This can take various forms, such as offering financial literacy training programs, creating educational materials or resources, providing access to financial advisors or mentors, promoting collaboration between financial institutions and MSMEs.

Benefits for MSMEs. The intended outcome of these policies is to equip MSMEs with the necessary knowledge and skills to make well-informed financial decisions when engaging in export-import activities. This, in turn, can lead to improved financial management, risk mitigation, and overall success in international trade endeavors.

For access to financial services, improved financial literacy can lead to increased access to financial services for MSMEs. Policymakers and financial institutions may consider initiatives to provide more accessible financial services for these businesses. Policymakers and financial institutions are encouraged to take action by implementing initiatives to ensure that these services are readily available and cater to the unique needs of MSMEs. This, in turn, can stimulate the growth and success of these businesses and contribute to the broader economic well-being of the region or country.

The research emphasizes the importance of financial inclusion for MSMEs. Efforts to promote financial inclusion can contribute to better financial decision-making within the sector. By promoting financial inclusion, policymakers, financial institutions, and organizations can help MSMEs make better financial decisions, ultimately contributing to their success and the overall economic development of the region or country.

Governments and organizations can provide additional support to MSMEs involved in international trade by offering financial literacy programs and facilitating access to global markets. Various ways in which governments and organizations can provide crucial support to MSMEs engaged in international trade. This support can include financial literacy programs, access to global markets, training, resources, networking, and other initiatives aimed at helping these businesses thrive in the global arena. Collaboration between financial institutions and MSMEs may be enhanced, focusing on providing financial literacy resources and products tailored to the unique needs of this sector.

In term of training and education programs, the research highlights the need for training and educational programs to improve the financial literacy of individuals involved in MSMEs. These programs can be designed to cater to specific needs identified in the study.

The findings may also prompt discussions on adapting international trade policies to accommodate the specific challenges and opportunities faced by financially literate MSMEs involved in export-import activities. Research findings may initiate conversations about adapting international trade policies to better accommodate financially literate MSMEs engaged in export-import activities. These discussions can lead to the development of policies that recognize the unique needs and potential contributions of these businesses to international trade. These research implications offer a roadmap for addressing the financial literacy challenges faced by MSMEs in their export-import decisions and exploring the broader economic and social benefits of improving their financial capabilities.

The managerial implication of this research is that there are big challenges for MSME actors to increase financial literacy, so that entrepreneurs are able to make appropriate management and financial decisions for business success and sustainability, and had the advantage of competing with MSMEs, both nationally and internationally. This research also provided insights for stakeholders who had a role in increasing the level of financial literacy in Indonesia, in this case the Government (BI, OJK and related Ministries) should act as an aggregator or facilitator to share knowledge regarding financial literacy between MSMEs, MSMEs with academics, and MSMEs with related communities as well as MSMEs with the national private sector (financial or non-financial service sector).

CONCLUSION AND SUGGESTION

The conclusion of this study is that there is a significant effect between individual ability and financial literacy and between financial literacy and export and import decisions, while between social variables and financial literacy, there is no significant effect. MSMEs have cooperative characteristics in running their businesses to complement each other's limitations and gain specific competitive advantages to compete in the global environment, especially export and import activities, so that they can contribute to the national economy.

The suggestion that the researchers put forward in this research is that in the future, it is hoped that there will be many researches with a more applicable perspective for the development of MSMEs in Indonesia. Improvements to this research can be done, among others, by expanding the sample coverage to be wider, modifying the model to be more complex, or by expanding the range of measuring indicators.

ACKNOWLEDGMENT

This research was financially supported by Universitas Negeri Semarang, Indonesia.

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