

The Role of Financial Literacy among MSMEs in the Revitalization of MSMEs in Indonesia

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Abstract: *The condition of the Covid-19 pandemic hitting the whole world in early 2020 has affected every aspect of life, including business activities. MSMEs must innovate and adapt quickly to respond to these changes, for examples, by implementing digital business models not only in the form of digital marketing and but also digital payments to support business processes and transactions. The purpose of this study is to determine the level of financial literacy of BUMN-assisted MSMEs in Indonesia through the implementation of digital payments in the MSME business, as well as, identifying the obstacles of implementing digital payments in the MSME business. This study employed qualitative methods through structured interviews with the respondents. The respondents were from MSME assisted by BUMN PT. Angkasa Pura I, operating in Java, Bali and outside Java, includes Kalimantan and Sulawesi. Most MSMEs-assisted by PT Angkasa Pura have used digital payments. However, the digital payments are mostly in the form of bank transfer. Limited internet access in several regions are the obstacle in using digital payment. Only a few MSMEs use QRIS as the digital payments is due to the lack of knowledge of it. More collaborations between universities, ministries, financial service providers and influencers can help the educate of MSMEs about financial literacy,*

Keywords: Financial literacy, digital payment, MSMEs

1. Introduction

The condition of the Covid-19 pandemic that hit the whole world in early 2020 has affected every aspect of life, including business activities. Various forms of sudden restrictions on socio-economic activities, due to the pandemic in Indonesia, initially caused public shock and unpreparedness which was later reflected in the low inflation rate, 1.68% in 2020. This was the lowest inflation rate in the last decade. At the same time, an economic recession with negative economic growth occurred in Indonesia from the second quarter of 2020 to the first quarter of 2021.

In this condition, people must adapt their social and economic activities. Likewise, MSMEs must innovate and adapt quickly in respond to these changes, for examples, by implementing digital business models not only in the form of digital marketing and but also digital payments to support business processes and transactions. The rapid increase in internet users in Indonesia is a great opportunity to implement digital marketing. MSMEs have to seize this opportunity to survive in the business world by establishing online stores to sell their products and offering their services through various marketplace platforms in Indonesia.

According to BPS (Central Bureau for Statistics), in 2021 the majority of e-commerce businesses (83.11%) in Indonesia still used the cash on delivery (COD) method. However, the restriction during the Covid-19 pandemic has directed people, especially millennials and generation Z, to use online payments to minimize direct contact. This has also forced business people, especially MSMEs, to adapt to digital payments that support digital marketing strategies. Accompanying this trend, the financial technology (fintech) industry is trying to optimally seize this opportunity by offering various forms of digital financial products easily accessible to its users, such as Gopay, Ovo, Dana and also other payment alternatives using QRIS (Quick Response Code Indonesian Standard).

This purpose of this study is to determine the level of financial literacy of BUMN-assisted MSMEs in Indonesia through the implementation of digital payments in the MSME business, as well as, identifying the obstacles of implementing digital payments in the MSME business. This MSME business, then, is expected to develop the right strategy to boost the use of digital payments in MSME businesses in Indonesia.

2. Literature Review

Financial Literation

The Financial Services Authority (OJK) defines financial literacy as the knowledge, the beliefs and the skills influencing attitudes and behavior to improve the quality of decision-making and financial management in order to achieve prosperity. According to the OJK (2016) the financial literacy of the Indonesian population is divided into four categories:

- a) Well literate (21.84%): having the knowledge and the confidence about financial service institutions and financial service products, including the features, the benefits and the risks, the rights and the obligations related to the financial products and services, as well as the ability to use them.
- b) Sufficiently literate (75.69%): having the knowledge and the confidence about financial service institutions and financial products and services, including the features, the benefits and the risks, the rights and the obligations related to the financial products and services.
- c) Less literate (2.06 %): having the knowledge only about financial service institutions, financial products and services.
- d) Not literate (0.41%): No knowledge and confidence in financial service institutions and financial products and services, and no skills in using financial products and services.

Meanwhile, according to the Organization for Economic Cooperation and Development (OECD), financial literacy is defined as a combination of awareness, knowledge, abilities, attitudes and behaviors needed to make financial decisions and ultimately achieve individual financial wealth. Viana et al (2021) found that the younger generation in areas around the capital are well literate (by 61%) but this has no effect on their investment decisions.

Factors and Indicators of Financial Literacy

Many factors have found as the determinants affecting the financial literacy of, especially, MSME businesspeople. OJK states that gender, age, family status, education level, type of work, place of residence, and immigration status can affect a person's level of financial literacy. On the other hand, Organization for Economic Cooperation and Development (OECD, 2016) states that the financial literacy can be measured by the following three indicators: a) Financial knowledge, which is basic knowledge of finance, financial management, credit and debt, savings and investment, and risk, as well as insurance; b) Financial behavior, which is the

behavior in preparing the budgets, saving and controlling money, investing and paying obligations on time; c) Financial attitude, which is related to attitudes towards money, and planning for the future.

Chaidir et al (2020) states that the level of income is a factor that influences the level of financial literacy of MSMEs in the City of Mataram in terms of financial knowledge. On the other hand, education, age, gender and home distance do not affect knowledge, attitudes and financial behavior in MSME actors. Surani and Ramadhan (2017) did similar research on business people. They found that the financial-literacy level of business people is influenced by their education and income. Meanwhile, the gender and the age do not affect the level of financial literacy of MSMEs.

Digital Payment in MSMEs

According to Francisca and Sahayaselvi (2017), digital payment or e-payment is a payment method using a digital model where both parties (sellers and buyers) use online digital platforms to send and receive payments, without the involvement of cash. Digital payments can also be explained as online payment applications provided by several parties such as banking, telecommunications, transportation and digital startups allowing users to pay, check balances and transfer money instantly so that the transaction process can take place more quickly and easily (Iradianty dan Aditya, 2020).

Kusnandar (2019) states that electronic money transactions are conducted by a Payment Service Provider Company (PPJP) in accordance to Bank Indonesia regulations No.18/21/DKSP regarding the Implementation of electronic money (Electronic Money). PPJP combines the concept of a credit / debit card with cash in a smartphone to make electronic money transactions at special stores, using technology, such as, Short Message Service (SMS), mobile, web, subscriber identity module tool kit, and/or unstructured supplementary service data (Bank Indonesia, 2016). At the beginning of 2020, there were 10 (ten) registered PPJP to do transaction processing with QRIS (Quick Respond Code Indonesian Standard) (Indonesia, 2020), namely: ShopeePay, Gopay, Dana, LinkAja, Paytren, Ovo, Ottocash, Blupay Cash and Dokupay.

The application of this digital payment system in MSMEs can help business owners use a more diverse payment method. Previously the payment system only relied on the cash payment method. Now it can be conducted using various methods, including virtual accounts, credit cards or online payments with smartphones. Therefore, the existence of digital payments enable MSMEs to improve the quality of their business easily because customers now have various options to do the transactions (Handayani and Soeparan, 2022)

3. Research Method

Types of Research

This study employed qualitative methods through structured interviews with the respondents. The respondents were from MSMEs assisted by BUMN PT. Angkasa Pura I, operating in Java, Bali and outside Java, including Kalimantan and Sulawesi. The data validation process was carried out through the member checking method. In this method, the results of the interviews are rechecked with the respondents to expand the data results.

Research Data

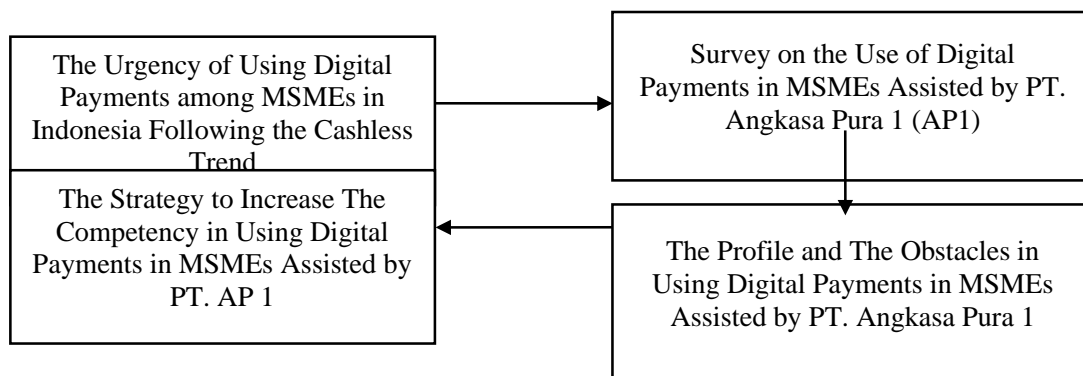
The data used in this research is primary data obtained through interviews. In addition, secondary data is also used in this study as reference material and background of this study.

Sampling Technique

The sampling technique used in this study was purposive sampling where the respondents for this study were selected based on certain criteria, such as, the respondents were from MSME assisted by BUMN PT. Angkasa Pura I, they have been running their business since before the pandemic and their locations are in the Java, Bali and outside Java and Bali.

Framework

People's lifestyles may change due to many things. Recently, one factor of those changes is the Covid-19 pandemic. During Covid-10 pandemics, Indonesian government imposed several activity restrictions affecting people's shopping habits and leading to online shopping and online / digital payments (non-cash). This trend forced business people to adapt. The interviews conducted on the respondents from MSMEs assisted by BUMN PT. Angkasa Pura I show the profile of MSMEs in Indonesia who has implemented the digital payments. From these interviews, some strategies can be obtained to boost the use of digital payments by MSMEs in Indonesia, which in turn can increase sales and the sustainability of MSME businesses in Indonesia.



Picture 1: Framework

Research Finding

This research was conducted on 16 (sixteen) MSMEs assisted by PT. Angkasa Pura I located in various regions of Indonesia (Table 1). The respondents residing in Greater Jakarta is 25%. The respondents from the Special Region of Yogyakarta (DIY), Central Java (Solo, Semarang), East Java (Surabaya) and Bali each account for 6.25%. So, the total number of respondents in the area of Java Island is 56.25%. Meanwhile, 43.75% of respondents are from outside Java (Makasar, Manado, Kupang, Ambon, Lombok and Banjarmasin).

Table 1: The Respondents Based on The Residence

No	Business Names	Business Residence
1	Wahana Jaya Handicraft	Jakarta
2	Galeri Busana Anggraini	Jakarta
3	Sanggar Kaligrafi dan Wayang	Jakarta
4	Sinar Mas Jaya Permata	Bali
5	Arti Collection	Surabaya
6	Mutiara Upiq	Makasar

7	Shalfa Silk	Makasar
8	Daffa Silver	Yogyakarta
9	Toko Pelangi Batik	Manado
10	Kios Mbak Zan	Solo
11	Kios Agustina	Kupang
12	R3 Art Accessories	Ambon
13	UD Nirwana Brass	Semarang
14	Yanti Boutique	Lombok
15	CV. Adhy's Putra	Jakarta
16	Permata Antara	Banjarmasin

Source: Processed Data, 2022.

Table 2 shows that MSMEs assisted by PT. Angkasa Pura in this research have several types of business fields. Out of 16 (sixteen) MSME respondents, 81.25% of MSMEs run businesses in the handicraft, jewelry and fashion sectors. On the other hand, MSMEs business in the food and beverage sector are 6.25%, and other business fields are 12.5%.

Table 2: The Respondents Based on The Business Types

No	Business Names	Business Types
1	Wahana Jaya Handicraft	Handicraft
2	Galeri Busana Anggraini	Fashion
3	Sanggar Kaligrafi dan Wayang	Handicraft
4	Sinar Mas Jaya Permata	Jewelry
5	Arti Collection	Handicraft
6	Mutiara Upiq	Food
7	Shalfa Silk	Woven Fabric
8	Daffa Silver	Silver Crafts
9	Toko Pelangi Batik	Batik
10	Kios Mbak Zan	Fashion
11	Kios Agustina	Groceries
12	R3 Art Accessories	Handicraft
13	UD Nirwana Brass	Door Handle
14	Yanti Boutique	Fashion
15	CV. Adhy's Putra	Reptile-Skin Bag
16	Permata Antara	Gem Jewelry

Source: Processed Data, 2022.

Chart 3 shows that almost all MSME-assisted-by PT. Angkasa Pura I (93.75) have implemented digital or non-cash payments in the business they run.

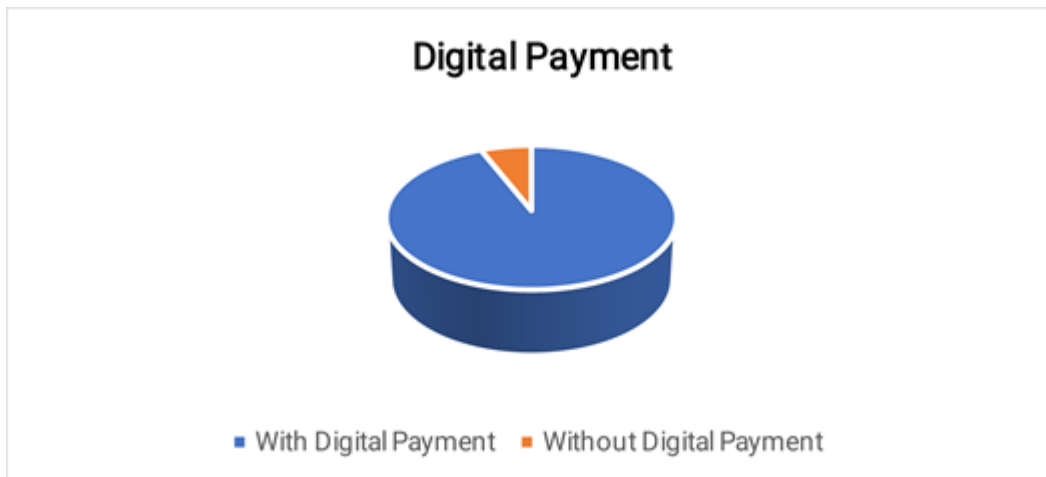


Chart 3: The Use of Digital Payments in MSMEs
 Source: Processed Data, 2022.

Table 4 shows the types of digital or non-cash payments implemented by MSME-assisted-by PT. Angkasa Pura I. It turns out that payment via bank transfer is the most used payment (93.75%). There are 2 MSMEs that provide payment options using QRIS (12.5%), while only 1 MSME (6.25%) provides payment options using Gopay.

Table 4: Types of Digital Payments Used in MSME Business

No	Business Names	Digital Payment Application (Non Cash)
1	Wahana Jaya Handicraft	Bank transfer
2	Galeri Busana Anggraini	Bank transfer
3	Sanggar Kaligrafi dan Wayang	Bank transfer
4	Sinar Mas Jaya Permata	Bank transfer
5	Arti Collection	Gopay, Transfer Bank
6	Mutiara Upiq	Bank transfer
7	Shalfa Silk	Bank transfer
8	Daffa Silver	QRIS, Transfer Bank
9	Toko Pelangi Batik	Bank transfer
10	Kios Mbak Zan	Bank transfer
11	Kios Agustina	Bank transfer
12	R3 Art Accessories	QRIS
13	UD Nirwana Brass	Bank transfer
14	Yanti Boutique	Bank transfer
15	CV. Adhy's Putra	Bank transfer
16	Permata Antara	Bank transfer

Source: Processed Data, 2022.

Chart 4 reveals the role of digital or non-cash payments implementation in the MSME business. Most (93.75%) of MSMEs assisted by PT Angkasa Pura I states the use of digital or non-cash payment. That kind of payment facilitates a smooth payment process for business transactions with. Only one MSME (6.25%) states that the implementation of digital payment had no effect on the payment transaction process for their business.

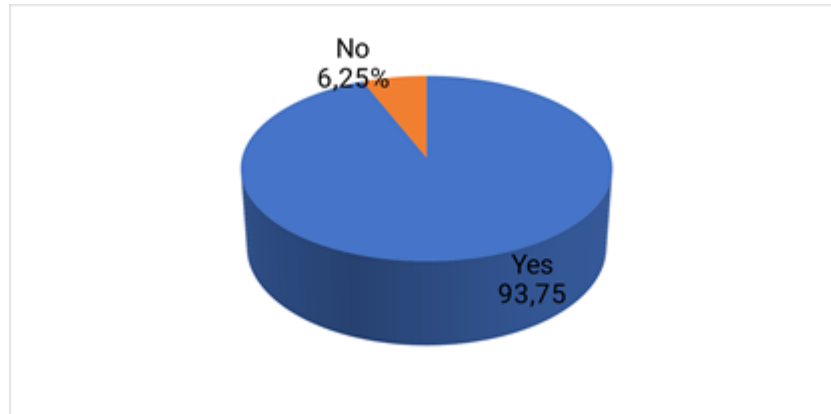


Chart 4: Digital Payment in Expediting The MSMEs business
 Source: Processed Data, 2022.

The interviews conducted with all respondents in this study shows that the use of digital or non-cash payments in the business of MSMEs still has several obstacles, such as, internet network and signal problems in certain areas. These obstacles affect the distribution and the smooth use of bank EDC machines in the shops of MSMEs, as well as, the delays in receiving payments. These delays have negative effects on the cash flow, the production process, and the purchase of raw materials. Moreover, the costs MSMEs have to bear in the non-cash payment process are still considered quite burdensome for MSMEs.

This research also found that MSMEs so far only use digital payments via bank transfer for their business transactions. They are not familiar with Quick Response Code Indonesian Standard (QRIS) yet as a digital payment method in business transactions, although QRIS is easier to use for consumers. Through QRIS, the consumers can make payments via various payment applications (debit cards, credit cards) or digital wallets (Ovo, Gopay, Dana, ShopeePay, LinkAja and other platforms).

5. Conclusions and suggestions

The changes in economic, social and business activities as a result of the Covid-19 pandemic have compelled the MSMEs to adapt their business processes. The merchandise produced by MSMEs, initially only marketed offline, now have to be sold online due to the limitations of offline methods. The online marketing of MSME products, as well as, the convenience of digital payment encourages online shopping behavior of the target market. In this research, it can be seen that the MSMEs assisted by PT. Angkasa Pura I have used digital payments in their business transactions, although the majority of the MSMEs only use bank transfer methods. They haven't made use of other digital payment methods such as credit cards or digital wallets (Ovo, Gopay, Dana, ShopeePay, LinkAja and other platforms) to support their business transactions. In fact, only three MSMEs use digital wallet applications in their business transactions. This is due to the limited financial literacy of Angkasa Pura-assisted MSMEs who are not yet familiar with various kinds digital payments. Moreover, limited internet access in several regions in Indonesia is also the cause of constrained use of digital payments in MSMEs businesses in Indonesia.

For these reasons, several effective strategies must be implemented to increase financial literacy among MSMEs in Indonesia. One of which is the role of universities to increase financial literacy through community service activities and mentoring for MSMEs throughout Indonesia. Another strategy is through collaboration between concerned parties such as

authorized ministries and financial service providers, as well as, influencers. Together they provide public education to increase financial literacy to support the progress of the business world in Indonesia, especially MSMEs.

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