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### Financial Literacy of Batik Micro, Small and Medium Enterprises (MSMEs) Entrepreneurs in Bangkalan Regency

Nasrullah<sup>1</sup>, Anita Kristina<sup>2\*</sup>

<sup>1,2</sup> Economics Department, Universitas Trunojoyo Madura

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#### Abstract

*Keywords:*

*financial literacy, financial knowledge, financial attitudes; financial capabilities, financial behavior*

The aim of this research is to identify the financial literacy experiences of Batik MSME actors in Bangkalan Regency. This research uses a qualitative approach with phenomenological methods. Data was obtained through in-depth interviews with Batik MSME actors in Bangkalan Regency. The findings show that the financial literacy experience of the perpetrators is shaped by: (1) Aspects of the financial knowledge of the perpetrators show that there is a lack of understanding regarding financial products and in terms of making financial reports; (2) The attitude aspect shows that financial management is carried out based on limited rationality, not on long-term goals; (3). The capability aspect shows that the use of money obtained from business results is used in a planned manner; (4) The behavioral aspect shows that the perpetrators have an awareness of obeying tax payments.

#### Abstrak

Tujuan dari penelitian ini mengidentifikasi pengalaman literasi keuangan pelaku UMKM Batik di Kabupaten Bangkalan. Penelitian ini menggunakan pendekatan kualitatif dengan metode fenomenologi. Data diperoleh melalui wawancara mendalam dengan para pelaku UMKM Batik di Kabupaten Bangkalan. Hasil temuan menunjukkan bahwa pengalaman literasi keuangan para pelaku dibentuk oleh: (1) Aspek pengetahuan keuangan para pelaku menunjukkan bahwa pemahaman yang kurang terkait produk keuangan dan dalam hal membuat laporan keuangan; (2) Aspek sikap menunjukkan bahwa pengelolaan keuangan dilakukan berdasarkan rasionalitas yang terbatas, bukan pada tujuan jangka Panjang; (3). Aspek kemampuan menunjukkan bahwa penggunaan uang yang didapatkan dari hasil usaha digunakan secara terencana; (4) Aspek perilaku menunjukkan para pelaku memiliki kesadaran taat pada pembayaran pajak.

✉ Corresponden Author  
(\* ) Authors

*Email:*  
[200231100213@student.trunojoyo.ac.id](mailto:200231100213@student.trunojoyo.ac.id)<sup>1</sup>,  
[anita.kristina@trunojoyo.ac.id](mailto:anita.kristina@trunojoyo.ac.id)<sup>2\*</sup>

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## Introduction

Micro, Small and Medium Enterprises (MSMEs) have a very important role in the Indonesian economy. MSMEs are small-scale independent populist economic activities whose management is carried out by community groups, families, or individuals. (Purba, 2019). Every year the number of small and medium enterprises continues to grow. Likewise, Batik MSMEs in Bangkalan Regency are still surviving and producing to this day. One form of MSME that has potential is batik MSMEs. Micro, Small and Medium Enterprises (MSMEs) are the most resilient industrial group in facing Indonesia's economic crisis because they produce various kinds of goods that are used by the public on a daily basis. MSMEs survive not only to continue production, but also to be competitive. Batik MSMEs still survive as an initiative to maintain culture. Many MSMEs survive not only (Mahardika, 2020) based on production issues, but also on the purpose of social initiatives to maintain the business (Khasanah and Kristina, 2020). Readiness for technological adaptation is also a challenge for MSME actors (Faiza and Kristina, 2021) and (Kristina and Jumali, 2019) Another problem faced by batik MSMEs cannot be separated from the readiness of actors in technology and mastery of modern financial literacy.

Financial literacy refers to the ability of an individual or business to fully understand and manage certain aspects of their finances. It includes knowledge and skills related to financial planning, cash flow management, investing, understanding risk and making sound financial decisions. In the context of MSMEs, financial literacy is very important, because mistakes in financial management can have serious consequences, such as liquidity difficulties, excessive debt, or even bankruptcy of the company's products. Financial literacy is certainly a fundamental thing in financial management and must be understood and mastered by every individual, because this affects one's financial situation and also affects making good and appropriate financial decisions. (Anggraeni, 2016). Financial literacy is a factor that influences the development of MSME performance. (Septiani, 2020) .

MSMEs are often started by entrepreneurs who have specialized knowledge of the products or services they offer but often lack adequate financial management knowledge. Entrepreneurs must clearly consider the situation when making decisions about the future status of their business. (Foster, B. P., & Shastri, T, 2016). One of them is to expand the knowledge of MSME entrepreneurs in terms of financial literacy so that business financial management can develop properly. (Aribawa, 2016). Lack of financial literacy can hinder the growth of MSMEs and make them more vulnerable to unexpected financial risks. The aspects included in financial literacy are certainly useful in measuring a person's financial knowledge such as exchange rates, financial service functions, financial records, and how to use money. When measuring one's financial literacy, there are several things to consider:

The dimensions of financial literacy include various elements that reflect the understanding and skills of individuals or companies in financial management, namely related to understanding the basic concepts of finance, financial planning, use of credit and debt, investment in financial assets, as well as risk management of financial management (Widayat, 2008). This financial literacy will have an impact on the decision-making of actors related to financial decisions. The willingness of actors to learn from what they encounter and improve financial literacy through training and financial education. Training is needed to foster innovative MSME actors (Kristina, 2017). At least the financial performance of these MSME actors will improve in line with the quality of understanding of MSME actors in the training they attended. Especially after the covid 19 pandemic, MSME entrepreneurs made many

adaptations (Yola Amalia & Kristina, 2021).. This adaptability will also help MSME actors in better financial management. The existence of knowledge about financial literacy will help individuals in processing finances, in order to maximize the value of time in the use of money and obtain greater benefits that will help improve living standards. (Lusardi, 2019).

Meanwhile, Bangkalan district is one of the areas where local batik shops are concentrated. The variety of batik ornamental motifs from each region has a deep philosophy of life, and Bangkalan batik motifs are also rich in history and meaning. Currently, there are around 90 MSMEs in the field of batik crafters centered in the Bangkalan area, which is considered the home of Bangkalan batik. The problems that are almost encountered by the Bangkalan Batik MSME entrepreneurs are also indicated in the problem of understanding the experience related to financial literacy.

## **RESEARCH METHODS**

### **Research Design and Data Analysis Technique**

This research uses a qualitative approach, which is a research approach that aims to understand social phenomena in a deeper and broader context. (Moleong, 2020) So that this research understands the phenomenon of understanding the financial literacy of MSME batik entrepreneurs in Bangkalan district. The context of this research is studied using the phenomenological method, which is to understand the problem from the point of view of the awareness and experience of the research subject. (Kristina, 2020). The data collected is in-depth interview data. Data analysis used to identify the meaning of the stories and experiences of batik MSME entrepreneurs using the phenomenological method. The focus of the research is the experience of financial literacy from aspects:

1. Financial knowledge aspect.
2. Financial attitude aspect.
3. Behavioral aspects of finance
- 4 Aspects of ability to understand financial performance.

### **Data Collection and Informants**

Data were collected through interviews with 5 informants, namely Batik MSME entrepreneurs in Tanjung Bumi village, Bangkalan. They were selected based on the recommendation of the Tanjung Bumi village, so the technique of selecting informants used a purposive technique. The data collected focused on the problems or issues related to the financial inclusion of the Batik MSME entrepreneurs that they have mastered so far, and also on the benefits of the financial inclusion for their business development.

## **RESULT AND DISCUSSION**

Financial literacy can be defined as the understanding, knowledge, and skills that enable individuals to manage their finances and understand and select financial products and services. The results of the study found that almost all Batik Bangkalan MSME owners do not have the ability related to this financial literacy. They think that the business or business they do is only a simple business, so they have not done professional financial recording and management. The recording they do is not accurate and the management of income and expenditure flows is still mixed with personal or family money. The way individuals handle, manage, and use their financial resources is called financial behavior. (Suryanto, 2017). A person's financial behavior will appear from how well a person manages savings and other expenses for matters of business interest (Djuwita, 2018). Thus, it can be interpreted that in

managing business finances, these batik MSME entrepreneurs have not been appropriate in using the financial resources they have. Meanwhile, these MSME entrepreneurs should ideally be responsible for their financial behavior. They use their resources efficiently by following a budget, investing, and paying off debts on time. In terms of individual economic behavior, batik MSMEs in Bangkalan have low income, resulting in low tax obligations. On the other hand, they must set aside funds for unexpected needs and keep them as savings.

Financial attitudes refer to how individuals or groups perceive, feel and respond to financial matters. It includes beliefs, values, perceptions and behaviors regarding money, money management, investments and financial decision-making. Financial attitudes shape the way in which businesses spend, save, hoard and waste money. (Djou, 2019). Financial attitudes can have a significant impact on how a person handles money and assets and makes financial decisions. The financial attitude of an MSME entity is its financial attitude, opinion and judgment. Financial attitudes are important in determining financial management actions. A good financial attitude can also be understood as a mental state, opinion, and personal financial judgment that is applied to the attitude (Prihartono, Asandimitra, 2018). A good financial management attitude starts from the application of the personal attitudes of economic actors. Financial literacy can also be said to be the ability to make informed judgments and make effective decisions and about the use and management of money. (Bhushan, P., & Medury, 2013).. Batik MSMEs in Bangkalan are considered capable of managing all aspects of their finances. For example, they can set economic priorities, spend their money appropriately, and record all daily expenses, although some only record income and expenses.

According to (Bodie, Z.Kane, A.Marcus, 2014) Financial behavior is behavior about how to make a decision and make a difference. The level of financial capability of batik MSME entrepreneurs in Bangkalan shows that financial literacy has an influence on the management of the income they get. Financial capability is the ability to measure, manage and optimize assets and liabilities. This is to achieve the desired financial goals. Income management will run smoothly and balance the income earned if these actors have the skills. Batik Bangkalan MSMEs have a plan and vision of where and how to spend their money, but without being able to record income and expenses, most of the city's savings balance is not invested and not insured.

Findings from the experience and understanding of financial literacy can be seen from aspects:

#### **1. Financial Knowledge Aspect**

For MSME busines to be able to manage their capital effectively, financial knowledge is essential. Financial knowledge is a person's knowledge of his own financial situation, not basic financial concepts, and treats it as a consideration for making financial decisions effectively. (Pamela Herd, 2012). If everyone has strong financial knowledge, the value added to the economy will be favorable. Carrying out the mission to conduct financial education so that all Indonesians can be said to be financially literate and not easily fooled by fraudulent investment products is in line with the current objectives of the Financial Services Authority.

It was found that these batik MSMEs do not have in-depth knowledge, they do not really understand the importance of investment for long-term income. The income of batik traders is only enough to buy tools, raw materials, and pay daily workers. Batik MSMEs have also not been able to prepare budgets, prepare financial reports, and compile a list of monthly income and expenses.

#### **2. Financial Attitude Aspect**

The findings from this aspect are that batik MSME entrepreneurs have financial attitudes that are associated with the way they react to the circumstances

of certain financial situations. The finding in this case is that they do not have mature financial planning. Their financial security condition is said to be safe if they can produce, not yet on long-term attitude planning. There is no insurance participation and other efforts. Although they are very careful in spending, they only focus on the production process, not on long-term investment and others.

### **3. Aspects of Financial Behavior**

This aspect is related to the ability of batik MSMEs to manage cash flow, debt, savings and other expenses, showing their financial behavior. The findings from the interviews found that batik MSME entrepreneurs only pay attention to the savings and loan side, and are more careful in managing their finances. However, they have not been able to manage other expenses. Their financial behavior is still mixed with personal finances. There is no recording for sudden expenses.

### **4. Financial Performance (Capability) Aspects**

This aspect shows that the financial literacy of batik MSME entrepreneurs is only limited to managing income from production, not to broader financial management. They do not have a mature financial plan, they only make money from batik sales. Their financial management is not yet at the level of a financial vision and mission in the future, they are only able to manage within short-term limits related to purchases and categories of production interests (input spending). They have not thought about financial management strategies.

## **CONCLUSION**

Based on the research results, batik MSME entrepreneurs have experiences related to financial literacy including:

1. In the knowledge aspect, it was found that they do not have in-depth knowledge, they do not really understand the importance of investment for long-term income.
2. In the aspect of financial attitudes, it is shown that these batik MSME entrepreneurs do not yet have certain reactions if certain situations are encountered. They only focus on the current situation.
3. In the aspect of financial behavior, it was found that batik MSME entrepreneurs only pay attention to the savings and loan side, and are more careful in managing their finances.
4. In the aspect of financial behavior, the results show that the financial literacy of batik MSME entrepreneurs is only limited to managing income from production, not to broader financial management.

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