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THE FINANCIAL LITERACY OF WOMAN MANAGER OF SMALL-MEDIUM SIZE ENTERPRISE

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Abstract

This research would be important for Indonesia government as well as developing countries in examining the competency of female to put more role proportion in SME's development. ³⁰ This study will examine the financial literacy level of the women manager who lead the small medium sized enterprises. The respondent who ²⁹ join in this research was 48 managers. The instrument used in this research was adopted form Chen and Volpe (1998). The findings show that the manager have some basic knowledge and skills in financial literacy. However, it is noted that the manager have to develop the literacy in financing matters. So, the implication of the findings, perhaps the government need to provide the program to enhance the financing skills for the manager to make the SMEs more efficien to obtain the funding that is important to grows up the firms.

Keywords: financial literacy, Women Manager, Small and medium size enterprise

INTRODUCTION

Small Medium Enterprise (SMEs) in Indonesia play a vital role in economic support. SMEs are the main driver of the economy, with the main function of SMEs being able to employ millions of people absorbed in the formal and informal sectors (Tambunan & Xiangfeng, 2008). ¹¹ SMEs have contributed to the formation of the Gross Domestic Product (GDP) and the SME sector as a source of foreign exchange through the export of various types of products from SMEs. Small and medium enterprises (SME) as part of entrepreneurship is a business unit that has a contribution to the national economy that exceeds half of gross domestic product (GDP). Data from Badan Pusat Statistik (BPS-Statistics Indonesia) in 2009 showed that the composition of the national GDP was composed of SMEs by 53.32%, then large businesses 41% and the government sector 5.68%. In comparison, a 2010 survey conducted by Citibank showed that the number of SME's sector contribution to GDP in 2009 was 55.56%. Citibank's research during the period 2005-2008 also showed the number of SME units had experienced an average growth of 8.16% per year. Recently, the number of business unit comes

from SME's are 62,992,617 unit (99% of total business unit in Indonesia)²²(Kementrian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2017)

The subject of this research are female managers in SME's of creative industry. It is important to examine the performance of company on the gender perspective as it is noted that the women have better performance and more risk averse than the men (Kabir, Ibrahim, & Shah, 2017; Liu, Wei, & Xie, 2014; Nguyen, Locke, & Reddy, 2015; Perryman, Fernando, & Tripathy, 2015). Furthermore, It is also mentioned that the gender research could develop the equality of both men and women in developing countries to hold many important position (Khalife & Chalouhi, 2013). Thus, this research would be important for Indonesia goverment as well as developing countries in examining the competency of female to put more role proportion in SME's development.

LITERATURE REVIEW

One skill that is important for the manager of the company is financial literacy. However, The financial literacy level of Indonesia people is still not good enough, including people of SMEs in Indonesia. In the third National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2017, the financial literacy index reached 38.03%, and the financial inclusion index 76.19%.⁹ Based on the regional strata, for urban areas, the financial literacy index reached 41.41%, and the financial inclusion for urban communities was 83.60%. In comparison, the literacy index and financial inclusion for rural communities were 34.53% and 68.49% (Finance, 2017).²

Low financial literacy level makes it difficult for SMEs to access funding because they are unable to produce financial reports properly and inaccurate financial management. According to data from Bank Indonesia and the Financial Services Authority (OJK), it is stated that as many as 70% of the total of nearly 60 million Small and Medium Enterprises (SMEs) units in Indonesia have not had access to financing from banks. SMEs occupy an important position in the country's economy. OJK noted that the minimal distribution of funding to SMEs was due to administrative constraints, as well as financial and business management, which is generally still managed manually (detikfinance, 2019).

According to Remund (2010), financial literacy is knowledge of all the basics of finance, understanding financial concepts, and is used as an individual or individual or company decision-making. Meanwhile, Aribawa (2016) explains that financial literacy is knowledge of financial concepts, abilities, and skills related to financial concepts, skills in business management, the ability to make strategic business decisions, relatively precise and fast in certain situations.²⁵ This study will utilise the aspects of financial literacy according to²⁷

Chen & Volpe (1998) are divided into 4 including: (1) Basic understanding of personal finance, (2) Understanding of credit management, (3) Understanding of savings and investment, (4) Risk management.

RESEARCH METHODS

The population in this study were all women managers in SMEs that are active in the Guyub Rukun Saklawase Forum. Guyub Rukun Saklawase Forum is an SME forum to improve performance and business development in Brebes Regency, Central Java Province, Indonesia. Based on a survey of approximately 120 women managers. The sample was taken using total sampling technique, according to the respondents who sent back the complete questionnaire were 48 women who manage the SMEs.

The questionnaire consisted of structured research questions with a modified Likert-type with a scale of 5 (1 = strongly disagree, 2-disagree, 3 = neutral, 4- agree, and 5 = strongly agree). In general, the constructs and indicators used are presented in Table 1.

The data will be analysed using the descriptive statistic to find out the condition of the financial literacy of the women manager of the SMEs.

Table 1. Research constructs and indicators

Construct	Indicator
Financial Literacy Chen and Volpe (1998)	1 We can prepare monthly income reports
	2 We have received training on bookkeeping
	3 We know the documents required to get a loan from a bank
	4 We are knowledgeable and can prepare basic accounting bookkeeping
	5 We can calculate the cost of borrowing capital
	6 I know the costs and benefits of accessing credit
	7 We have a business savings account
	8 I can calculate interest rates and loan payments correctly
	9 We have the skills to minimize losses by minimizing bad credit
	10 We can regularly analyze our finances
	11 We have the skills needed to assess a company's prospects

Source: Data processed by researchers (2020)

RESEARCH RESULTS AND DISCUSSION

Respondent Characteristics

Table 2 Characteristics of Respondents based on Age, Gender, and Education

Age	Frequency	Percentage
>50	13	27
40-49	30	62.5
30-39	4	8.3
20-29	1	0.2
Total	48	100%
Educational Background	Frequency	Percentage
Do not go to the university	30	62.5
Bachelor to Master degree	18	38.5
Total	48	100%

Source: Data processed by researchers (2020)

Based on the table 2, it shows that not so many young generation pursue the career in SMEs. The majority of the respondent are older than 40 years old. It is also noted that the respondent do not go to the university. There are only 38.5% of the respondent pursuing degree in the university.

Data Analysis and Discussion

The validity test and reliability test of the questionnaire shows that all of the instrument items are valid and reliable. The result of each items are show on the table 3

Table 3. The data of financial literacy questionnaire

Item	Neutral or less	Agree	Strongly Agree
FL1	We can prepare monthly income reports		
	10%	63%	27%
FL2	We have received training on bookkeeping		
	27%	54%	19%
FL3	We know the documents required to get a loan from a bank		
	33%	40%	27%
FL4	We are knowledgeable and can prepare basic accounting bookkeeping		
	17%	54%	29%
FL5	We can calculate the cost of borrowing capital		
	21%	56%	23%
FL6	I know the costs and benefits of accessing credit		
	33%	48%	19%
FL7	We have a business savings account		
	23%	46%	31%
FL8	I can calculate interest rates and loan payments correctly		
	40%	40%	20%
FL9	We have the skills to minimize losses by minimizing bad credit		
	35%	42%	23%
FL10	We can regularly analyze our finances		
	17%	54%	29%
FL11	We have the skills needed to assess a company's prospects		
	13%	60%	27%

It seems that the women manager of the SMEs have some basic knowledge in financial literacy. This can be seen from the percentage of answers to the questions agree and strongly agree with each indicator if the percentage is above 50% and the rest is neutral or less. However, the managers have some weakness of the skill and knowledge regarding the financing matters, such as bookkeeping, credit, and finance analyses. Then, these finding will indicate the SMEs that managed by the women will have poor access to finance as it mentioned by Auken & Carraher (2013), Lusardi & Mitchell (2011), and Mashizha & Sibanda (2017). As the result, it will make the performance of the SMEs will be underpermaned (Giang et al ,2019; Claessens ,2006).

24 CONCLUSIONS

This study examine the level of financial literacy among the women manager of SMEs. The findings indicate the managers already have some basic skills and knowledge on the literacy. Yet, it found that the skill on bookkeeping matters as well as the financing literacy need to be enhanced. It will be useful for the SMEs to develop the capacity and the capability of the company. The government could use these findings to make the policy to improve the capability of the women manager in SMEs industry.

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