



Article Type: Research Paper

Analysis of Financial Literation Levels of Micro Enterprises in Kulon Progo District, Special Region of Yogyakarta

Dadan Ramadan^{1*} and Lilies Setiartiti²

Abstract: This research is quantitative. The population of this research was all of Micro Enterprises in Kulon Progo Regency. The sample of this research were 156 micro-entrepreneurs in the Kulonprogo district. This research used a simple random sampling technique to get the data. The researcher used a questionnaire as the instrument, which tested both its validity and its reliability. The data analysis technique used in this research is the Chi-Square test. The result showed, the majority of respondents had knowledge (79,5%), and the ability of financial literacy (80,8%) was categorized in the high-level category. There was a no different level of financial literacy for the micro-entrepreneur in Kulon Progo Regency based on the gender.

Keywords: Financial Literacy; Micro-Enterprise; Yogyakarta



AFFILIATION:

^{1,2} Department of Economics,
Faculty of Economics and Business,
Universitas Muhammadiyah
Yogyakarta, Yogyakarta, Indonesia

***CORRESPONDENCE:**

ddnrmdhn21@gmail.com

THIS ARTICLE IS AVAILABLE IN:

<http://journal.umy.ac.id/index.php/jerss>

DOI: [10.18196/jerss.v4i2.10101](https://doi.org/10.18196/jerss.v4i2.10101)

CITATION:

Ramadan, D. & Setiartiti, L. (2020).
Analysis of Financial Literation
Levels of Micro Enterprises in
Kulon Progo District, Special
Region of Yogyakarta. *Journal of
Economics Research and Social
Sciences*, 4(2), 163-171.

Introduction

Financial literacy is a series of processes or activities to increase the broader community's knowledge, beliefs, and skills to manage finances well (www.ojk.go.id). The increasing understanding of financial literacy has resulted in more people who save and invest, increasing the potential for transactions is also high finance. It encourages growth economically the whole and can create an even distribution of income (Financial Services Authority, 2013).

OJK classifies that the levels of financial literacy are divided into four types of levels: Well-Literate. At this level, a person has knowledge and confidence about financial service institutions and financial products and services, including features, benefits and risks, rights and obligations related to financial products and services, and has skills in using financial products and services. Suff Literat, at this level, a person has knowledge and belief about financial service institutions and financial products and services, including features, benefits and risks, rights and obligations related to financial products and services. Less Literate, at this level, a person only knows financial service institutions, financial products, and services. Not Literate, at this level, a person does not have the knowledge and belief about financial service institutions and financial products and services and lack skills in using financial products and services.

The National Survey of Indonesian Financial Literacy, conducted in 2013 stated that the Indonesian people's financial literacy classified as well literate was only 21.8%, sufficient literate was 75.69%, less literate was 2.06%, and not literate was 0.41%.

Financial literacy is an understanding that is increasingly needed to create a qualified population and has sound financial intelligence. The people do not only understand the material or understanding, but also practice to follow the development of financial markets. Financial literacy is a basic need in the form of knowledge and the ability to manage personal finances to make the right decisions in finance to avoid financial problems.

In 2013, the Indonesian people's financial literacy was 21.84% at the well literate level, and in 2016 it tended to increase to 29.66% at the well literate level. This condition is considered acceptable because it has increased from 2013 to 2016 (Financial Services Authority, 2016). Through the Financial Services Authority, the government continues to strive to increase the level of financial literacy and education by establishing the Indonesian Financial Literacy National Strategy (SNLKI) program as a forum for financial education. According to Nababan and Saladia (2013), financial education is a long process that spurs individuals to have financial plans in the future to obtain welfare following the patterns and lifestyles they live.

Financial management within SMEs (Micro, Small, and Medium Enterprises) is one factor that will determine its sustainability. In the 2017 OJK press release, OJK made SMEs one of Indonesia's national financial literacy strategy program targets. Financial products and services to improve welfare (Financial Services Authority, 2017). Thus, the lack of knowledge of low literacy will be reduced by utilizing various financial sectors and managing finances properly as needed. Good financial literacy will make good management for SMEs too.

The number of SMEs in Special Region Yogyakarta is spread across five city districts, according to a survey conducted by the cooperative and SMEs office. The largest number of SMEs is in the Bantul district with 26%, followed by Gunungkidul Regency by 22%, Kulon Progo Regency by 20%, Sleman Regency 18%, and the last is the city of Yogyakarta at 14%. The number of SMEs deployments in special Region Yogyakarta is in Kulon Progo Regency, an exciting thing to examine in the SMEs sector in Kulon Progo Regency.

Kulon Progo Regency is included in the superior area of Special Region Yogyakarta. Many economic potentials can increase economic growth in Special Region Yogyakarta from Kulon Progo district, from the tourism, agriculture, and trade to the creative industry sectors. Since 2016 the Kulon Progo economy has shown a positive trend, creating a more conducive business and trade climate. It has had an impact on the economy, which grew by 4.76% from the previous year. It has made the DIY government more focused on developing the potential for SMEs and industry in Kulon Progo Regency.

Table 1 SMEs Development Data in Kulon Progo Regency 2013 - 2017

Year	Micro Enterprises (UMi)	Small business (UK)	Medium Enterprises (UM)	total
2013	32,922	410	59	33,391
2014	33,132	558	64	33,754
2015	33,138	570	69	33,784
2016	33,340	613	76	34,029
2017	33,970	644	82	34,698

Source: Office of Cooperatives for Small and Medium Enterprises, Kulon Progo Regency 2019

From Table 1, it is confirmed that the number of SMEs in Kulon Progo Regency has increased every year. The type of Micro Business is the largest contributor to business units, and every year has increased even though the increase is not too significant. The number of Micro Enterprises in Kulon Progo continues to increase so that later it can become the spearhead of Kulon Progo's economy and how business management also affects the consistency and development of a business. Therefore, it requires knowledge of financial literacy because financial literacy has a positive effect on Micro Enterprises' development.

The criteria for micro-enterprises are described in Law no. 22 of 2008 concerning Micro, Small, and Medium Enterprises. Micro Enterprises are productive businesses owned by individuals or individual business entities that meet micro-enterprises' criteria as regulated in this law. The criteria for a Micro Business include having a net worth of not more than IDR 50,000,000 (fifty million rupiahs), excluding land and buildings for business, or having an annual sales proceeds of at most IDR 300,000,000 (three hundred million rupiahs).

In this study, the literacy rate will be calculated finance for Micro Business actors in Kulon Progo Regency, Yogyakarta Special Region. Based on micro-business actors' characteristics, such as age, education level, income, expenditure, and length of business, as factors that are thought to affect the level of financial literacy. Understanding financial literacy is vital for business actors, especially for Micro Business owners. Thus, the researcher wants to analyze financial literacy knowledge of Micro Business actors in Kulon Progo Regency, Yogyakarta Special Region.

Literature Review

Byrne's research (2007), the lack of knowledge about financial literacy will result in errors in preparing financial plans and lead to bias to achieve welfare at an unproductive age. If the number of people like this is large, it will affect national financial stability. Meanwhile, (Agusta, 2016) assesses that an increase in public understanding of financial literacy will impact high national development financing. It is based on a higher number of people saving or investing in financial products and services. It will increase liquidity for financial transactions and development financing. Which later will indirectly encourage economic growth and create economic equality. SMEs are an essential part

of the Indonesian economy. Research conducted by (Gunartin, 2017) shows that the development of SMEs is an integral part of development in Indonesia's economic sector. Therefore, the importance of its development is an essential pillar in the economy. SMEs also affect the economy of regions in Indonesia, one of which is the Special Region of Yogyakarta. According to BPS DIY, Mr. Priyono, in the Jogja stands, processing industry, agriculture, accommodation and food and beverage, construction, and trade are the most significant contributors to GDP (Gross Regional Domestic Product) DIY, the contribution reached 53.40%. The sustainability of SMEs is crucial for the economic sector.

Several demographic factors can influence the level of financial literacy. Demography is the science that studies the composition and processes of the population in an area. Demography is one of the tools for exploring population changes by using population data and mathematical calculations regarding changes in the number, distribution, and composition (Adioetomo & Samosir, 2013). According to (Keown, 2011), demographic factors include age, gender, family status, migration status, education level, type of work, place of residence, and region. According to (Murugiah, 2016), factors that influence financial literacy are age, gender, education level, type of work, and income. Meanwhile, according to (Mustapha & Jeyaram, 2015) states that gender, study program, ethnicity, or descent have a significant effect on financial literacy.

Research Method

The object of this research is related to the level of financial literacy in Kulon Progo Regency. Meanwhile, the subjects of this research are representatives of Micro Businesses in Kulon Progo Regency. The data used in this study are primary data and data collection techniques using a questionnaire. In this study, sampling using simple random sampling technique with a total of 156 respondents. This study uses score conversion guidelines using the category interval formula in Table 2.

Table 2 Guidelines for Converting Scores into Three Levels of Financial Literacy

Score	Conversion Formulas	Category
1	$X > Mi + (SDi)$	High
2	$Mi - (SDi) \leq X \leq Mi + (SDi)$	Moderate
3	$X < Mi - (SDi)$	Low

Source: Azwar, Saifuddin (2012)

Information :

X = Total Score

SDi = Ideal Deviation Standard
 = $1/6$ (maximum score - minimum score)

Mi = Ideal Mean
 = $1/2$ (maximum score - minimum score)

Data analysis

Chi-square is used in this study to see the dependence between the dependent variable and the independent variable. Chi-Square analysis is a hypothesis testing about the comparison between the sampling frequency that occurs (in the future referred to as the observation frequency, denoted by fo) and the expected frequency based on the hypothesis in each case or data (in the future, the expected frequency, denoted by fe).

The Chi-Square formula can be seen in the formula:

$$X^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

Information:

X² = Chi-Square calculated

F_o = Observation Frequency

F_e = Frequency of Expectation (expectation)

Chi-Square is also used to see whether there are differences in variables towards the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region based on age and business length, level of education, and income.

Result and Discussion

Financial Literacy Test Results

Table 3 Knowledge of financial management on financial literacy

Category	Score Interval	Frequency	Percentage (%)
High	21–28	124	79.5
Moderate	14-20	32	20.5
Low	7–13	0	0
Total		156	100

Source: Data processing

Based on Table 3, most of the micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Province. Mostly have knowledge of financial management in the high category, namely as many as 124 people and 32 people in the medium category. There are no respondents who have financial management knowledge in the low category.

Table 4 Financial management capability on financial literacy

Category	Score Interval	Frequency	Percentage (%)
High	21–28	126	80.8
Moderate	14–20	30	19.2
Low	7–13	0	0
total		156	100

Source: Data processing

The table 4 shows that the perpetrator Micro business In Kulon Progo Regency, Yogyakarta Province mostly has financial management capabilities in the high category, namely 126 people, 30 people in the moderate category, and none of the respondents have financial management knowledge in the low category.

Chi-Square Test Results

Table 5 Knowledge of Financial Management by Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	0.144a	1	, 704
Likelihood Ratio	0.145	1	, 704
Linear-by-Linear Association	0.143	1	, 705
N of Valid Cases	156		

Source: Data Processing

Based on Table 5, the chi-square test indicates that the significance value or Asymp. Sig. (2-sided) of 0.704, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of financial knowledge management regarding financial literacy on businesspeople Micro business in Kulon Progo Regency, Yogyakarta Special Region based on gender.

Table 6 Financial Management Capability Based on Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	1,589a	1	, 207
Likelihood Ratio	1,621	1	, 203
Linear-by-Linear Association	1,579	1	, 209
N of Valid Cases	156		

Source: Data Processing

Table 6 shows that the significance value or Asymp. Sig. (2-sided) of 0.207, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of ability financial management owned by the perpetrator Micro business in Kulon Progo Regency, Yogyakarta Special Region by gender.

Table 7 Financial Management Knowledge by Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	4,323a	4	, 364
Likelihood Ratio	5,391	4	, 249
Linear-by-Linear Association	0,000	1	, 997

Table 7 shows that the significance value or Asymp. Sig. (2-sided) of 0.364 which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of financial knowledge management owned by the perpetrator Micro business in Kulon Progo district, Yogyakarta Special Region by age.

Table 8 Financial Management Ability Based on Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	6,087a	4	, 193
Likelihood Ratio	6,164	4	, 187
Linear-by-Linear Association	, 435	1	, 510
N of Valid Cases	156		

Table 9 Knowledge of Financial Management Based on Length of Business

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	3,026a	3	, 388
Likelihood Ratio	2,799	3	, 424
Linear-by-Linear Association	0.397	1	, 529
N of Valid Cases	156		

Table 8 and Table 9 shows that the significance value or Asymp. Sig. (2-sided) of 0.388, that is more the size of the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of financial knowledge management owned by the perpetrator Micro business in Kulon Progo Regency, Yogyakarta Special Region, based on length of business.

Table 10 Financial Management Capability Based on Length of Business

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	11,052a	3	0.11
Likelihood Ratio	9,397	3	, 024
Linear-by-Linear Association	0.011	1	, 017
N of Valid Cases	156		

Table 10 shows that the significance value or Asymp. Sig. (2-sided) 0.11, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of ability financial management owned by the perpetrator Micro business in Kulonprogo Regency, Yogyakarta Special Region, based on length of business.

Table 11 Financial Management Knowledge Based on Last Education Level

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	2,662a	3	, 447
Likelihood Ratio	2,910	3	, 406
Linear-by-Linear Association	, 026	1	, 871

Table 11 shows that the significance value or Asymp. Sig. (2-sided) of 0.447, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of financial knowledge management owned by the perpetrator Micro business in Kulon Progo Regency, Yogyakarta Special Region, based on the latest education level.

Table 12 Financial Management Ability Based on Education Level

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-square	3,317a	3	, 345
Likelihood Ratio	4,151	3	, 246
Linear-by-Linear Association	2,569	1	, 109
N of Valid Cases	156		

Table 12 shows that the significance value or Asymp. Sig. (2-sided) of 0.345, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of ability financial management owned by the perpetrator Micro business in Kulon Progo Regency, Yogyakarta Special Region, based on the latest education level.

Table 13 Income-Based Financial Management Knowledge

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	5,252a	3	, 154
Likelihood Ratio	4,993	3	, 172
Linear-by-Linear Association	0.16	1	, 900
N of Valid Cases	156		

Table 13 shows that the significance value or Asymp. Sig. (2-sided) 0.154, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of financial knowledge management owned by the perpetrator Micro business in Kulon Progo Regency, Yogyakarta Special Region, based on income.

Table 14 Income-Based Financial Management Capability

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	1,917a	3	, 590
Likelihood Ratio	1,684	3	, 640
Linear-by-Linear Association	, 361	1	, 548
N of Valid Cases	156		

Table 14 shows that the significance value or Asymp. Sig. (2-sided) of 0.590, which is greater than the significance level (α) = 0.05. It can be concluded that there is no difference in financial literacy in terms of the financial management capabilities of micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on income.

Conclusion

Based on a series of analyzes that have been carried out, it can be concluded as follows: (1) The financial literacy of micro business actors in the Kulon Progo Regency, which is the response in this study in terms of knowledge and financial management ability, is in the high category. (2) There is no difference in the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on gender, so this study's first hypothesis is rejected. (3) There is no difference in the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on age, so the second hypothesis in this study is rejected. (4) There is no difference in the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on business length, so the third hypothesis in this study is rejected. (5) There is no difference in the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on the latest education, so the fourth hypothesis in this study is rejected. (6) There is no difference in the level of financial literacy among micro-entrepreneurs in Kulon Progo Regency, Yogyakarta Special Region, based on income, so the first hypothesis in this study is rejected.

References

- Adioetomo, S.M. & Samosir, A. (2013). *Dasar-dasar demografi*. Jakarta: Salemba Empat.
- Agusta, A., (2016). Analisis deskriptif tingkat literasi keuangan pada SMEs di pasar koga Bandar Lampung. *Skripsi*. Universitas Negeri Lampung.
- Byrne, A. (2007). Employee saving and investment decisions in defined contribution pension plans: Survey evidence from the UK. *Financial Services Review*, 16(1), 19-40. Retrieved from http://www2.stetson.edu/fsr/abstracts/vol_16_num1_p19.pdf
- Financial Services Authority, 2013. Indonesian National Strategy for Financial Literacy. [Online] Available at: www.ojk.go.id [Accessed 9 March 2019].
- Financial Services Authority, 2016. National Survey of Financial Literacy and Inclusion. [Online] Available at: www.ojk.go.id [Accessed 9 March 2019].
- Financial Services Authority, 2017. National Strategy for Indonesian Financial Literacy. [Online] Available at: www.ojk.go.id [Accessed March 10, 2019].
- Gunartin. (2017). Strengthening SMEs as a pillar to build the nation's economy. *Journal of Education, Law and Business*, 1(1), 59–74.
- Keown, L. A. (2011). The financial knowledge of Canadians. *Canadian Social Trends*, 91, 30-39.
- Murugiah, L. (2016). The level of understanding and strategies to enhance financial literacy among Malaysian. *International Journal of Economics and Financial Issues*, 6(3), 130-139. Retrieved from <https://www.econjournals.com/index.php/ijefi/article/view/2621>
- Mustapha, M., & Jeyaram, S. (2015). Financial literacy and demographic factors. *Journal of Technology Management and Business*, 2(1). Retrieved from <https://publisher.uthm.edu.my/ojs/index.php/jtmb/article/view/1091>
- Nababan, D. & Sadalia, I. (2013). Analisis personal financial literacy dan financial behavior mahasiswa strata I Fakultas Ekonomi Universitas Sumatera Utara. *Media Informasi Manajemen*, 1(1), 1-20. Retrieved from <https://jurnal.usu.ac.id/index.php/jmim/issue/view/107>