

Determinants Creative MSMEs Financial Literacy In The Special Region Of Yogyakarta And Effect Of Competitive Advantage

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ABSTRACT

Financial Literacy is knowledge about financial management that is owned in order to develop for a more prosperous life in the future. The urgency of financial literacy is to make education efforts in the financial sector to the people of Indonesia in order to be able to manage finances intelligently. Good financial literacy can produce good financial reports so that financial information can be accessed quickly and easily. Furthermore, it can be used for more accurate decision making and as a basis for winning competition. The good and poor level of financial understanding is influenced by recent education and gender.

The phenomenon that occurs in Creative MSMEs throughout the Special Region of Yogyakarta shows increasingly competitive market conditions and increasingly limited natural resources so that new breakthroughs are needed to create creative and innovative products. Creative MSMEs often experience delays in their development due to various conventional problems that have not been resolved completely. Strategic efforts are needed to improve the performance and sustainability of Creative MSMEs, including increasing financial literacy so as to increase competitive advantage.

This study took samples of Creative MSMEs throughout the Special Region of Yogyakarta, totaling 269 MSMEs throughout the Special Region of Yogyakarta. Data analysis using the Structural Equation Modeling (SEM) model shows that financial literacy is influenced by the latest education of MSME actors, the latest education also influences the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta. But gender does not affect financial literacy and the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta. While financial literacy has an influence on the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta.

Keywords: Financial Literacy, Education Level, Gender, Competitive Advantage, MSMEs

INTRODUCTION

In recent years, Micro, Small and Medium Enterprises (MSMEs) have experienced rapid growth with various types of products offered. In addition to contributing to increasing Gross Domestic Product, the increase in the number of MSMEs is also able to provide employment for the surrounding community. However, there are still many obstacles in an effort to increase the competitiveness of the products produced (Sulistyawati and Indarto, 2018). In line with the increasingly rapid development, various businesses that provide products both in the form of goods and services have also increased sharply. One businessman who is strong enough in the face of intense competition is the Micro, Small and Medium Enterprises (MSMEs) actors.

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Several studies found positive result about financial literacy and its importance on MSMEs. MSMEs that have an understanding of finance and taxation both generate business growth (Clark, 2014) and competitive advantage (San & Bayrakdaroğlua, 2014) recommends the importance of financial literacy in MSME managers with financial training. Managers with a higher level of financial literacy show greater participation in financial markets (Kotzé & Smit, 2008). Agyei (2018) described financial literacy as the main untapped organizational resource that could improve the performance of MSMEs through sustainable competitive advantage.

Financial literacy is related to one's competence to manage finances. The definition of financial literacy according to Huston (2010), personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial condition that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy. Based on the phenomenon and the results of the study, research will be conducted on the factors that influence competitive advantage for Creative MSMEs in DIY

LITERATURE REVIEW AND HYPOTHESIS

Financial Literacy and Education Level

Aribawa (2016) found that financial literacy has an effect on the performance and sustainability of creative MSME businesses. Lusimbo (2016) explained that managers with low financial literacy recorded lower and even lower business growth. Drexler et al. (2010) revealed that simpler training and practical rules can produce improvements that are economically meaningful to SMEs. Training that is in accordance with basic financial needs is more appropriate and efficient for economic development and business growth for MSMEs (Adomako, et al, 2016). Financial literacy is influenced by several factors. Factors related to financial literacy levels are based on age, family size, family life, gender, income, employment, education, religion, race generation, nationality, and social class (Kotler & Keller, 2009). Margaretha and Sari (2015) presented factors that influence the level of financial literacy, namely education level, education department, parents economic status, age, marital status, income, and gender.

H₁ Education Level has an influence on Financial Literacy

Financial Literacy and Gender of MSME Business Actors

Gender is one of the factors that influence one's financial literacy. Margaretha and Sari (2015) explained that women have lower financial literacy compared to men. According to Laily (2016) revealed that men are smarter in managing finances compared to women. Women tend to be less able to control financial problems compared to men. According to Maulani (2016) explaining financial literacy is a series of financial knowledge that is useful for improving one's skills in managing finances so they can avoid financial problems. Then it can be said that financial literacy is a basic knowledge that every human being must have in order to avoid financial problems.

Research by Potrich, et al. (2015) found that the proportion of men was higher in adopting the level of financial literacy than women. Efforts to understand financial literacy are aimed more at women, especially those who are single and have lower levels of education and income. Low financial literacy levels can reduce the ability to accumulate and manage assets and ultimately to ensure a promising financial future (Potrich, et al, 2015; Mottola, 2013). In United States, Lusardi (2011) found that women were significantly less likely to answer financial questions correctly, and were more likely to say they did not know the answer. Another finding is that women assess their own level of financial literacy as more conservative in both developed and developing countries.

H₂ Gender has an influence on Financial Literacy

Competitive Advantage and Education Level

Today it is increasingly believed that the main key in winning competition is to provide value and satisfaction to customers through the delivery of quality products and services at competitive prices (Tjiptono, 2008). To design market offerings that deliver more value than competitors who try to win the same market, companies must understand customers and develop strong relationships with customers. The offer is also called competitive advantage (Kotler and Keller, 2009), where companies have an edge over competitors that are obtained by offering greater value to consumers than competitors offer. Companies need to understand competitors as well as customers through analysis to achieve these competitive advantages. According to Sucuahi (2013), competitive advantage is the advantage gained through the application of competitive strategies that aim to establish a favorable and sustainable position towards market forces that determine industrial competition. Based on the RBV theory, Potrich, et al (2015) developed the VRIN Framework that defines the characteristics of resources that must be owned to enable the achievement of competitive advantages, including: valuable (valuable), rare competencies among existing companies and potential competitors (rare), no easy to imitate (inimitability), and not easily replaced (non-substitutability).

A good level of education will produce good thinking in developing a business. Managers with higher levels of education are able to innovate that fosters competitive advantage. In the business era with intense competition and advances in information technology, the ability of human resources becomes the main factor in achieving the highest performance to win the competition (Moerdiyono, 2011). Increased competence (educational level) of MSMEs will have a positive influence on competitive advantage. Dahlia et al., (2015) explained that businesses handled by competent parties will be better and have a higher competitive advantage compared to businesses handled by incompetent parties. Gerardo (2014) found a strong influence between the competencies of entrepreneurs in competitive advantage.

H₃ Education Level has an influence on Competitive Advantage

Competitive Advantages and Gender of MSME Business Actors

Other factors that are also important in building SME's competitive advantage include support from the government and the private sector in providing various types of facilities for SMEs. According to Kettunen (2002), governments and industry associations, training centers, financial institutions, educational institutions and training play an important role in facilitating MSMEs in improving their competitive advantage.

Picker (2015) explained that gender equality not only applies in politics but also in business activities. Women leaders can create competitive advantage in companies that make consumer goods. Women make decisions on purchases in their households. Research conducted by Lefur (2018) found that at the national level (Vietnam), greater gender equality in the workforce provides enormous macroeconomic opportunities. Women in leadership at companies drive profits and give businesses a competitive advantage. If women participate equally in the global economy, they can increase gross domestic product.

H₄ Gender has an influence on Competitive Advantage

Financial Literacy has an influence on Competitive Advantage

Entrepreneurs involved in various decision making require financial literacy to be more efficient and effective (Oseifuah, 2010). One of the factors influencing entrepreneur's success is related to knowledge and skills in financial literacy. Hoegl et al. (2003) found that

knowledge is the key to success in an organization that has an ongoing competitive advantage for success. Aribawa (2016) found that financial literacy has an effect on performance and business sustainability. MSMEs have a number of limitations including financial literacy. With these limitations, MSMEs utilize cooperative and complementary characteristics to obtain specific competitive advantages to compete in a global environment.

H₅ Financial Literacy has an influence on Competitive Advantage

METHOD

This study uses primary data through a questionnaire to strengthen the results of the study. Population is Creative MSME players in DIY. Creative MSMEs in Yogyakarta are chosen because Yogyakarta is a region that is rich in traditional culture and diverse character of its population, thus encouraging the development of the potential of Creative MSMEs. Research uses primary data sources on Creative MSMEs in Yogyakarta. Determination of the sample is done by proportional simple random sampling technique. The method is to take a sample of 20% of the total Creative MSMEs in each district/city. DIY has four districts, namely Sleman Regency, Kulonprogo Regency, Gunungkidul Regency, Bantul Regency and one city namely Yogyakarta City. However, the eligible samples used as respondents in this study were 269 samples of Creative MSMEs in DIY. The statistical technique for analyzing data is the Structural Equation Modeling AMOS.

RESULTS AND DISCUSSION

The results of the validity test based on calculations can be seen in the following Table 1

Table 1. Validity and Reliability Test Results

Variable	Indicator	Pearson Correlation	Significance	Conclusion	Cronbach's Alpha
Financial Literacy	Item 1	0.574	0.000	Valid	0.758
	Item 2	0.610	0.000	Valid	
	Item 3	0.556	0.000	Valid	
	Item 4	0.493	0.000	Valid	
	Item 5	0.542	0.020	Valid	
	Item 6	0.750	0.000	Valid	
Competitive Advantage	Item 1	0.446	0.000	Valid	0.793
	Item 2	0.782	0.000	Valid	
	Item 3	0.812	0.000	Valid	
	Item 4	0.840	0.000	Valid	
	Item 5	0.823	0.000	Valid	
	Item 6	0.823	0.000	Valid	
	Item 7	0.703	0.000	Valid	

*Significance at 5% level

Based on the table above, the calculated value of all questionnaire items including the research variables namely financial literacy and competitive advantage shows probability values (sig) <0.05. So the questionnaire of the research variables are all valid, and the value of Cronbach Alpha is obtained from all results including the research variables which show greater than the value of 0.6. and that means reliable.

Table 2. Descriptive Statistic

NO	VARIABLE	MEAN	CATEGORY
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1	Financial Literacy	4.04	Good
2	Competitive Advantage	4.14	Good

Based on descriptive statistics table shows that the variables of financial literacy and competitive advantage have scores in the range of 3.41 to 4.20. This shows good financial understanding and the competitive advantage level of Creative MSMEs in Yogyakarta. Furthermore, the identity of the respondent based on the sex and education of the last MSME business actor can be seen in the following Table 3.

Table 3. Identity of Respondents

NO	Identity	Total
1	Sex	
	Male	83
	Female	186
2	Education Level	
	SMA/SMK	87
	S1	165
	S2	6
	Other	11

Furthermore, the models that have been presented are then expressed in structural equations and equations which state the measurement model specifications. Model testing in the Structural Equation Model was carried out with two tests, namely the model suitability test and the causality test through the regression coefficient test. Testing fit models using various criteria, namely Chi-Square/degree of freedom (CMIN/DF), Adjusted Goodness-of-Fit Index (AGFI), Goodness-Of-Fit Index (GFI), Comparative Fit Index (CFI), Tucker Lewis Index (TLI) and Root Mean Square Error Approximation (RMSEA).

Table 4. Testing Fit Models

Criteria	Cut of Value	Result	Information
Chi-Square	37.65	298.294	Fit
Probability	≥ 0.05	0.557	Fit
CMIN/DF	≤ 2.00	1.550	Fit
GFI	≥ 0.90	0.991	Fit
AGFI	≥ 0.90	0.956	Fit
TLI	≥ 0.95	0.999	Fit
CFI	≥ 0.95	0.998	Fit
RMSEA	≤ 0.08	0.045	Fit

The results of the feasibility testing of the research model indicate that all goodness of fit criteria are acceptable. It also illustrates that the overall instructions in the model have met the recommended value. Thus, the final model developed is fit with the data. Overall the model is acceptable. The results of the Structural Equation Model (SEM) in structural equations are shown in Figure 1 and Table 5

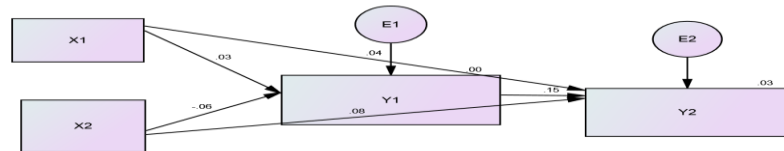


Figure 1. Results of the Structural Equation Model Test

Table 5. Hypothesis Testing Results

		Standardized direct effect	C.R.	p-value
$ZY_1 = \gamma_{1.1}X_1 + \gamma_{1.2}X_2 + \varepsilon_1$				
Education Level	Financial Literacy	.026	2.428	.009
Gender	Financial Literacy	-.057	-.941	.347
$ZY_2 = \gamma_{2.1}Y_1 + \gamma_{2.2}X_1 + \gamma_{2.3}X_2 + \varepsilon_2$				
Education Level	Competitive Advantage	.040	2.264	.015
Gender	Competitive Advantage	.078	1.286	.199
Financial Literacy	Competitive Advantage	.150	2.488	.013

*Significance at 5% level

The results showed that the last education had an effect on financial literacy with a significance level of 0.009. The results also show that recent education has a significant influence on competitive advantage with a significance level of 0.015. Aribawa (2016) found that financial literacy has an effect on the performance and sustainability of creative MSME businesses. Lusimbo (2016) found that managers with low financial literacy recorded lower and even lower business growth. Drexler et al. (2010) revealed that simpler training and practical practical rules can produce improvements that are economically meaningful to SMEs.

The results showed that gender had no effect on financial literacy with a significance of 0.347 and had no effect on competitive advantage with a significance of 0.199. Gender is one of the factors that influence one's financial literacy. Margaretha and Sari (2015) explained that women have lower financial literacy compared to men. According to Laily (2016) revealed that men are smarter in managing finances compared to women. Women tend to be less able to control financial problems compared to men.

While financial literacy has a significant effect on competitive advantage with a significance level of 0.013. Other factors that are also important in building SME's competitive advantage include support from the government and the private sector in providing various types of facilities for SMEs. According to Kettunen (2002), governments and industry associations, training centers, financial institutions, educational institutions and training play an important role in facilitating MSMEs in improving their competitive advantage.

CONCLUSION

This study took samples of Creative MSMEs throughout the Special Region of Yogyakarta, totaling 269 MSMEs throughout the Special Region of Yogyakarta. Data analysis using the Structural Equation Modeling (SEM) model shows that financial literacy is influenced

by the latest education of MSME actors, the latest education also influences the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta. But gender does not affect financial literacy and the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta. While financial literacy has an influence on the competitive advantage of Creative MSMEs in the Special Region of Yogyakarta.

Creating a competitive advantage of the company is important for the success of the company, especially realizing superior financial goals. Not only large companies that need this competitive advantage, small and medium enterprises (MSMEs) are also important to create sustainable competitive advantages at least in maintaining their survival. Various studies have been conducted to examine efforts to build sustainable competitive advantages. Various perspectives of the company's strategic resources such as market positioning, resource based view (RBV) and social capital are believed to be able to provide competitive advantages for companies including small and medium enterprises (MSMEs). Continuous competitive advantage can also be obtained from the support of the government and various institutions to companies, clustering, branding, and from the utilization of company information technology (internet site).

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