

▪
The Influence of Loan Funds and Financial Literacy on the Business Sustainability of MSMEs in East Bogor District

Dian Widyantini¹, Adlinsyah Boer²

¹ Akuntansi, Universitas Langlangbuana, Bandung, Indonesia

² Manajemen, Universitas Horizon Indonesia, Karawang, Indonesia

Email: widyantini24@gmail.com

Entered : July 14, 2024
Accepted: August 20, 2024

Revised : July 19, 2024
Published : August 25, 2024

ABSTRACT

This research aims to analyze the influence of loan funds and financial literacy, as independent variables, on the business sustainability of MSMEs in East Bogor District. The sample size for this research was determined to be 100 respondents, who are MSME entrepreneurs in the region. The sampling method employed was non-probability sampling. Multiple linear regression analysis was used as the analysis method, which included instrument testing and classical assumption testing stages, utilizing SPSS version 25 for Windows. The results of the t-test indicate that both independent variables—loan funds (X1) and financial literacy (X2)—have a positive and significant impact on the business sustainability of MSMEs (Y) in East Bogor District. With a coefficient of determination, R Square (R^2), of 0.588, it can be concluded that the business sustainability of MSMEs is explained by these two independent variables by 58.8%, while the remaining 41.2% is explained by other factors not examined in this study.

Keywords: *Business Sustainability Of Msmes; Financial Literacy; Loan Fund*

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are an integral part of the Indonesian economic wheel movement. The large number of MSMEs reached 99% of the total business units in Indonesia, making the role of the MSMEs very important for the growth of the Indonesian economy. The growth of the number of MSMEs in Indonesia from 47 million in 2010 to 64.2 million in 2023, as well as the increase in their contribution to the gross domestic product (GDP) from an average of 57.55% (2010-2018) to 60.5% (2022) are positive indicators. (Suripto, 2023). Although the development of MSMEs is quite positive, MSMEs still has constraints in some areas. Research by the Ministry of State of MSMEs in collaboration with BPS (2003) found that some of the difficulties faced by MSMEs were the distribution of challenges faced by MSMEs in the region is as follows: financing constitutes the largest portion at 51.09 percent, followed by marketing at 34.72 percent. Raw materials account for 8.59 percent, while employment challenges are at 1.09 percent. Transport distribution issues represent 0.22 percent, and other factors contribute to 3.93 percent (Maulida, 2018).

It can be seen that the biggest obstacle faced by MSMEs is the financing about 51,09%. To overcome the obstacle, the government is trying to help MSMEs by implementing a policy of priority support, credit restructuring, capital credit, and social assistance. One of the programs offered by the government is the People's Enterprise Credit (KUR) which was launched in November 2007 on the basis of the Presidential Instruction Number 6 of 2007. The program aims to expand access to micro, small and



medium-sized enterprises (MSMEs) so that they can enjoy bank credit and increase production in the real sector in Indonesia.

In addition to the currency distribution program as an external financing incentive provided by the government to help MSMEs, there are also business loans from other such as private banks, people's credit banks (BPR), and other financing institutions. Private banks wishing to give credit to MSMEs are also regulated in Bank of Indonesia Regulation Number 14/22/PBI/2012 on Granting Credit or Financing by General Banks and Technical Assistance in the Development of Micro, Small and Medium Enterprises. The BPS noted that MSMEs credit disbursement in 2021 from the public bank reached Rp. 1,221,02 T, where this amount increased when compared to the 2020 credit deployment of Rp. 1,088,33 T. Of course this increase indicates the attention of the private sector to the development of MSMEs and thus is expected to further boost MSMEs performance with additional external capital owned.

Besides the external stimulus of supplementary capital allocation with corporate loans from both the government and private, of course the development of MSMEs will not be able to go well if not supported by other factors. According to Greenspan (Anggraeni, 2015), MSMEs perpetrators in Indonesia are still difficult in financial management and access to funding. Such financial management cannot be separated from the financial literacy of the MSMEs. Financial Services Authority of the Republic of Indonesia Regulation Number 3 of 2023 on Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and Society, states that financial literacy is knowledge, skills, and beliefs, which influences attitudes and behaviour to improve the quality of financial decision-making and management to financial well-being. The results of the National Financial Literacy and Inclusion Survey (SNLIK) in 2022 showed that the financial literacy index of the Indonesian population was 49.68 per cent, up from only 38.03 per cent in 2019. Milenia Ariyati et al. (2021) in his research mentioned that MSMEs with good financial literacy will be able to create a solvent and targeted strategy for the future development of MSMEs.

Darmawan & Fatiharani (2019) showed in their research that financial literacy, employment and access to funding have a positive and significant influence on the decision to take credit for enterprises with sample taking of informal sector enterprises in West Purwokerto district. The bound variable studied is the credit decision, which is one of the efforts to maintain the sustainability of the business. Further in the research Febrian & Kristianti (2020) showed the results of the positive influence of testing of capital aspects for the development of MSMEs in Magelang. Research to see how capital affects MSMEs is also carried out by Malini & Herawati (2021), where the results show that the effectiveness of the use of BPUM funds has a positive impact on the performance of micro enterprises.

Research on the influence of financial literacy conducted by Maulana & Suyono (2023). The results of this study show that financial literature and digital literacy have a positive influence on the sustainability of MSMEs based shariah business in the Jambi. Other research conducted by Putri et al. (2023) showed that financial literacy variables such as basic knowledge of finance, savings and credit, capital raising, as well as insurance simultaneously have a significant influence on the financial management of MSMEs in Purwasari district, Karawang.

Bogor, located south of Jakarta City, has a strategic role in the economic activity of the Indonesian capital. No wonder Bogor has become a tourist destination in Indonesia. According to BPS data for 2022, the number of tourists visiting Bogor reached a total of 3,378,629 people with almost 97% of them being domestic tourists. This, of course, has an impact on the local economic development of Bogor, which also increases the number

of MSMEs contributing to the Bogor economy. East Bogor is one of the villages in the city of Bogor. In 2022, from the data of the Department of Cooperation, Small and Medium Enterprises, Trade and Industry of Bogor City, recorded as many as 5,748 MSMEs are in the area of the district of East Bogor. There is no research on the relationship between loan funds and financial literacy on business sustainability of MSMEs in East Bogor where Bogor has become one of the tourist destinations of the people of Jakarta and of course is expected to be able to increase the income of the region through the activities of MSMEs, making it interesting to study further.

METHODS

This research uses a quantitative approach with primary data sources. Primary data is the direct source of information on the results of questionnaires, observations, as well as interviews with varied samples of respondents selected to reflect the population as a whole (Sugiyono, 2019). The data used in this study is collected using the survey method via a questionnaire in a google form format that is shared to the MSMEs respondents selected. Based on the results of the questionnaires the respondents will then be encoded using a Likert scale between 1 – 5 and then answered.

Population determination and samples are tailored to research needs. The population of this study is the MSMEs that was estimated in the East Bogor district by 2022, which is 5,748 units. Subsequently, the sample is using the non probability sampling method. From the calculation of Slovin's formula using a margin of error of 10% or 0.1, the number of samples of 99 samples is obtained rounded to 100 samples.

Subsequently the data obtained is analyzed through several stages to be able to meet the objectives of the research. The stages include instrumental validity and reliability tests, classical assumption tests through data normality tests, multicollinearity tests, and heteroscedasticity tests. Finally, the data will be analyzed with the double linear regression model. Statistical testing is done using SPSS version 25 for Windows.

RESULTS AND DISCUSSION

Instrument Tests

1. Validity test, with Pearson Correlation. Using $r_{count} > r_{table}$ (with sig. 0,05) where r_{table} is 0.195, then the query element is declared valid.

Table 1. Validity test results

Variables	Instruments	r count value
Loan funds (X ₁)	1	.741
	2	.602
	3	.683
	4	.703
	5	.646
	6	.691
	7	.620
	8	.660
Financial literacy (X ₂)	9	.765
	1	.683
	2	.603
	3	.620
	4	.624

	5	.465
	6	.566
	7	.528
	8	.596
	9	.504
	10	.547
Business	1	.588
sustainability	2	.477
(Y)	3	.633
	4	.624
	5	.701
	6	.662
	7	.616
	8	.631

Source: data processed from SPSS (2023)

From table 1 it can be seen that all questionnaire items value $r_{count} > r_{table}$, (0,195) for which all questions are valid.

2. Reliability test, using the Cronbach's Alpha value. If the Alpha value is > 0.60 then the questionnaire element is declared reliable. The value obtained indicates a number above 0.60 which means reliable.

Table 2. Reliability test results

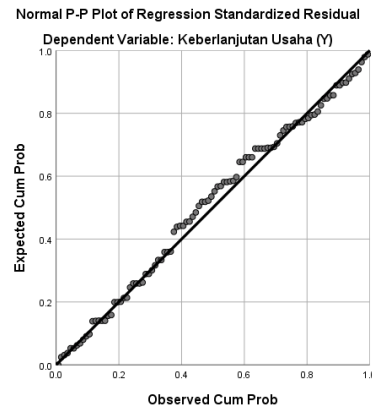
Variable	Cronbach's Alpha value
Loan funds	.853
(X ₁)	
Financial literacy	.809
(X ₂)	
Business sustainability	.768
(Y)	

Source: data processed from SPSS (2023)

It can be seen from table 2 that the Cronbach's Alpha value obtained indicates a number > 0.60 which means all reliable variables.

Classical Assumption

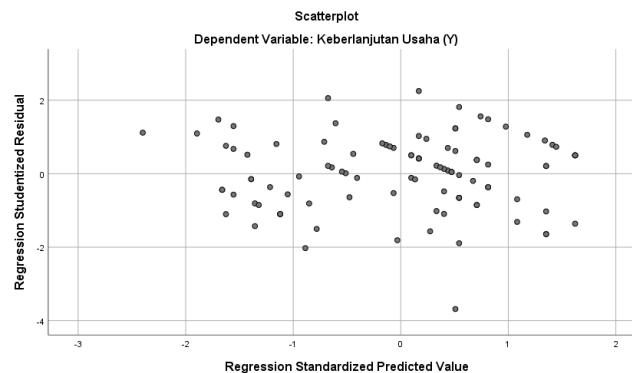
1. Normality test. Used to test residual values, whether distributed normally or not. This study uses Normal P-P Plot Regression Standardized Residual to test the normality of the data.



Source: data processed from SPSS (2023)

Picture 1. Normality test result

2. Multicollinearity test, is to test whether in a double linear regression model there is a correlation between variables. The values used to indicate the presence of multicollinearity are Tolerance < 0.1 and Variance Inflation Factor (VIF) > 10 . The value obtained from the results of the multicollinearity test is 0.485 (> 0.10) and VIF 2.062 (< 10). This means that the model meets the assumption.
3. Heterocadastisity test, using scatterplot graphics. Used to determine whether there is no variance of the residual between one observation and the other.



Source: data processed from SPSS (2023)

Picture 2. Heterocadastisity test result

After performing the instrument and the classical assumption tests, and the both are meeting all the criteria, then the next step is the linear double regression test. Here's a table of results using SPSS version 25 for Windows.

Table 3. The linear double regression result

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
Constant	5.245	1.935	
Loan funds	.069	.075	.086
Financial literacy	.533	.070	.708

Source: data processed from SPSS (2023)

Resulting the double linear regression model: $Y' = 5,245 + 0,069X_1 + 0,533X_2$

The model shows a positive value coefficient that has a meaning:

1. $b_0 = 5.245$. The constant value is 5,245, this indicates that if there is no change in the capital variable loan funds (X_1) and financial literacy (X_2) then the business sustainability of the MSMEs is 5,245 units.
2. $b_1 = 0,069$. The value of the regression coefficient b_1 of 0.069 shows that if each the loan funds (X_1) increases one unit then it will increase business sustainability (Y) by 0.069 assuming other free variables are considered fixed or equal to zero.
3. $b_2 = 0.533$ The regression factor value of b_2 of 0.533 indicates if each the financial literacy (X_2) increases by one unit it will also increase durability the business sustainability (Y) of 0,533 assuming another free variable is considered equal or stable with zero.

Table 4. Correlation and determination coefficients

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772	.596	.588	1.644

Source: data processed from SPSS (2023)

Table 4 above shows the correlation coefficient, value r of 0.772 which means there is a strong relationship between the variables. Whereas the determinant coefficient (R^2) is obtained of 0.588, which indicates that the bound variable is the business sustainability of MSMEs that can be explained by independent variables of loan funds and financial literacy in this model is 58.8% and the remaining 41.2% is due to other factors not studied.

Table 5. f test results

Coefficients ^a			
	Model	t	Sig.
1			
	Loan funds	7.312	.000
	Financial literacy	11.835	.000

Source: data processed from SPSS (2023)

Hypothesis 1: Loan funds affects the business sustainability of MSMEs

Based on table 5 obtained t value of 7,312 > t table with $df = n-k-1$ ($100 - 2 - 1 = 97$) of 1,98472 or a level of significance $0,000 < 0,05$, then H_0 is rejected, which means loan funds has a positive and significant influence on the business sustainability of MSMEs operations in the East Bogor. This means that MSMEs still needs additional capital injections from external parties such as the government and other banking institutions for the business sustainability of MSMEs.

The results obtained are in line with the conclusion produced in the study Febrian & Kristianti (2020) which shows that capital has an influence on the development of MSMEs, as well as Malini & Herawati (2021), which showed that the effectiveness of the use of BPUM capital which is the loan capital from the government has a positive impact on MSMEs performance.

Hypothesis 2: Financial literacy affects the business sustainability of MSMEs

Based on table 5 obtained t value of 11,835 > t table with df = n-k-1 (100 - 2-1= 97) of 1,98472 or a level of significance of 0,000 < 0,05, then H_0 is rejected, which means financial literacy has a positive and significant influence on the business sustainability of MSMEs in East Bogor district. Thus, better financial literacy will give increased impact for MSMEs. To have a good financial literacy, then MSMEs should want to add knowledge and insights about finance. This can be done by attending training programmes organized by both local government and private company.

This is in line with the results of Maulana & Suyono (2023), that financial literacy has a positive influence on the development of MSMEs in Jambi city. Similarly with the research carried out by Putri et al. (2023) which shows that financial literacy influences on the management of the MSMEs finance, which is a major factor in the sustainability of the enterprise MSMEs.

CONCLUSIONS

Based on the results of the research, it can be concluded that loan funds and financial literacy influence the business sustainability of MSMEs in East Bogor District. Each of these variables has a positive impact, which indicates that increased loan funds from external parties such as the government and the private sector will increase the prospects for the business sustainability of MSMEs. Similarly with variable financial literacy, increasing financial literacy has will increase the opportunities for MSMEs to continue to develop its efforts for the business sustainability of MSMEs. It is therefore advisable for MSMEs to constantly improve their financial literacy by adding knowledge through training organized by the government and the private sector.

REFERENCE

- Anggraeni, B. D. (2015). Pengaruh Tingkat Literasi Keuangan Pemilik Usaha Terhadap Pengelolaan Keuangan. Studi Kasus: UMKM Depok. *Jurnal Vokasi Indonesia*, 3(1), 21–30. <https://doi.org/10.7454/jvi.v3i1.1066>
- Darmawan, A., & Fatiharani, D. (2019). Literasi Keuangan, Faktor Demografi dan Akses Permodalan Pengaruhnya Terhadap Keputusan Pengambilan Kredit Usaha Sektor Informal. *Jurnal Manajemen Bisnis*, 10(1), 73-89. <https://doi.org/10.18196/mb.10169>
- Febrian, L. D., & Kristianti, I. (2020). Identifikasi Faktor Eksternal dan Internal yang Mempengaruhi Perkembangan UMKM (Studi Kasus Pada UMKM di Kabupaten Magelang). *Journal of Economic, Management, Accounting and Technology*, 3(1), 23–35. <https://doi.org/10.32500/jematech.v3i1.799>
- Hudson, M., Smart, A., & Bourne, M. (2001). Theory and Practice In SME Performance Measurement Systems. *International Journal of Operations & Production Management*, 21(8), 1096–1115. <https://doi.org/10.1108/EUM0000000005587>
- Ibrahim, H., Amanah, S., S. Asngari, Pang., & Purnaningsih, N. (2013). The Determinant Factors of Creative Economy Craftsmen Sustainability in South Sulawesi Province. *International Journal of Science and Engineering*, 5(2), 18-24. <https://doi.org/10.12777/ijse.5.2.18-24>
- Malini, K. T. W., & Herawati, N. T. (2021). Pengaruh Efektivitas Penggunaan Dana BPUM, Penggunaan Software Akuntansi, dan Human Capital Terhadap Kinerja Usaha Mikro

- (Studi Pada Usaha Mikro Penerima Dana BPUM di Kecamatan Buleleng). *Jurnal Akuntansi Profesi*, 12(1), 97-109. <https://doi.org/10.23887/jap.v12i1.34606>
- Maulana, M. I., & Suyono, E. (2023). Pengaruh Literasi Keuangan dan Literasi Digital Terhadap Keberlanjutan Bisnis Pelaku UMKM Berbasis Syariah. *Jurnal Ilmiah Ekonomi Islam*, 9(3), 4256-4271. <https://doi.org/10.29040/jiei.v9i3.10856>
- Maulida, S. (2018). Peluang dan Tantangan Pengembangan Usaha Mikro Kecil Menengah (UMKM). <https://www.researchgate.net/publication/322538819>
- Milenia Ariyati, I., Agustina, F., & Miliani, G. T. (2021). Systematic Literature Review: Pengaruh Literasi Keuangan Terhadap Kinerja UMKM Di Indonesia. *Jurnal Ekonomika (Manajemen, Akuntansi, dan Perbankan Syari'ah)*. 10(1), 104-118.
- Putri, T. A., Hidayaty, D. E., & Rosmawati, E. (2023). Pengaruh Literasi Keuangan Terhadap Pengelolaan Keuangan Pada Pelaku UMKM. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 5(9), 3495-3502. <https://journal.ikopin.ac.id/index.php/fairvalue>
- Remund, D. (2010). Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy. *The Journal of Consumer Affairs*, 44(2), 276-295.
- Sugiyono. (2019). *Metode Penelitian: Kuantitatif, Kualitatif, dan R&D*. Alfabeta.
- Suripto. (2023). UMKM Indonesia, Pertumbuhan dan Tantangan . <https://MediaIndonesia.Com/Opini/631264/Ukm-Indonesia-Pertumbuhan-Dan-Tantangan>.
- Suryani, & Hendryadi. (2018). *Metode Riset Kuantitatif* (3rd ed.). Prenadamedia Group.