

Conference Paper

Digital Financial Literacy and its Impact on the Financial Well-Being of Small and Medium-Sized Industries

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Abstract.

According to various studies, the sustainability and performance of small and medium-sized enterprises (SMEs) are directly related to Indonesia's financial well-being. Well-being, finance, and financial literacy are important indicators of SMEs' welfare. The study aimed to understand the level of knowledge of SME owners with regard to digital finance and how this knowledge relates to their financial well-being. The subjects of the study were 100 leaders and owners of small industrial businesses in the Sukabumi City and Regency Areas. Data was collected using a questionnaire. The results concluded that SME owners that understand and implement finance literacy take significant steps toward improving their financial well-being. This implies that strengthening regulation and increasing the literacy index and could improve the financial well-being of the public.

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1. Introduction

As sectors that have a vital role and are very important To use to support the Indonesian economy IKM is expected to survive and be sustainably facing a crisis economy and conditions of uncertainty. States in an era of uncertainty must be met with various adaptive strategies with condition contemporary. Facts some pandemic when ending cause hit hard continuity various small industrial sectors middle class in Indonesia, especially type businesses that rely on rotation finance from operational trade. From 2020 to 2021 with tens of millions of micro small and medium (MSME) enterprise, the Bank Indonesia survey results in March 2021 93.3% of MSMEs experienced a drop in turnover. This is also made worse by misunderstanding the perpetrator's effort to literacy Digital finance (1–3).

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Various studies show that understanding perpetrator efforts to literacy digital finance improves the ability management finance and access venture capital. The Covid-19 pandemic demands perpetrator effort must adapt to the new habit (New Normal) in operating their business. Only a few perpetrator businesses use digital services finance. Impact Pandemic pushes digital transformation for various activities, including service finances done online. So that SMEs are prosecuted for understanding literacy digital finance so that actors' effort impact access product service finance with fast and can be accessed anywhere so that becomes effective.

Understanding literacy absolute digital finance must be owned by the perpetrator effort. To succeed in innovative digital finance, Government through OJK launched a roadmap focusing on regulatory and supervisory strategies for climate effort. Service digital finance is a very effective way to allow using push indicator inclusion finance society. Literacy digital finance forms awareness perpetrator effort Micro in To does planning more finance good in management effort. The Organization for Economic Co-operation and Development (OECD) describes literacy finance understanding of concepts and risk. Skills in skeleton make the decision effective finance, improve well-being finance individuals and communities, and participate in field economy. Business actors who are better literate easily understand related things with industry service finance and have information for access to industry service necessary finance in various activity efforts. Growing Industry service finance is a Thing tree in a growth economy. The more a lot of product service finance as well as condition uncertainty economy globally increase problem-related complex with taking decision financial consequences community and actors SMEs are faced with challenges in the economic sector as well as finance. Well-being Finance and Literacy Finance is an essential indicator in determining quality welfare. Destination study this to give solutions and understanding about literacy digital finance so that will increase sustainability and sustainability industry small and medium in face condition the impact of market uncertainty will increase well-being finance (Welfare Finance).

2. Theory Study

2.1. Literacy Finance

Literacy finance is a Required skill when choosing what to do with your money. Literacy finance is useful for making people literate financially. Literacy finance means knowing methods to manage money, pay off debt, rate interest, insurance, savings day old, tax,

and product finance like credit and loans. With the benefit of literacy finance, society becomes more aware and will condition modern finance.

The literature exploring financial knowledge and education has contributed significantly to the recent interest in financial well-being growth. The relationship between objective financial knowledge and financial behavior is weak, and efforts to spread knowledge through financial education have minimal impact. The debate of whether objective financial behavior should be a desirable policy target outcome and whether financial literacy or other related psychological attributes might predict favorable results has arisen as a result (2). Thus, policymakers have called for research to take a more consumer-centered view in defining and examining the construct of financial well-being (4). Most studies examine financial well-being without offering a construction definition. Current measures confuse financial well-being with financial behavior (5) and assume the presence of financial knowledge, ownership of financial products, or participation in corporate financial plans (5–7). To fill in the gaps in our research, we looked to two key sources: the scholarly literature on the subject and the Center for Financial Services Innovation (8) and the Bureau of Consumer Financial Protection's results (8) demonstrate a public policy strategy for comprehending consumer financial well-being.

Literacy finance is an aspect important in understanding draft finance good period short long and long term medium which includes awareness and applied knowledge _ good in context business nor life daily. Understanding literacy finance means user service finance has skills and adequate knowledge carried out in implementation activity business, finance, and doing various activity finance with good management. Literacy in finance plays a role in increasing management finance ability because, without literacy, sufficient finance will be risky to abuse investment and various risk planning finance other. Index literacy finance shows that only 30% of the people are included in the well-literate category

2.2. Financial Well Being

Barclays explains that Well-being Finance is the conditions and feelings of someone who feels safe and healthy by finance for the moment as well as the future (9). Well-being Finance is a state where somebody has capable Fulfill obligations in the finance moment as well as in the end come. Preparation for fulfillment needs a financial lot and determining possible choices _ to enjoy in his life (CFPB, 2015). Joo defines personal financial wellness as health status desired financial and as a comprehensive and multidimensional concept, which includes Satisfaction finance, goals condition

finance, attitude and behavior finance, as well as behavior that is not could rate from one measurement course.

3. Method

The approach taken in the study uses a design study purposeful exploratory for understanding various dimensions of Well-being Finance and literacy continued digital finance with an approach conclusive where method this aim for parse and clarify statement formulated predictive. Method-sourced data collection from the primary data source using a questionnaire instrument open. Analysis of formula problem conducted with several stages with use analysis Path analysis (10), conditions assumption enforced with tight to produce the best analysis. Various calculation analyses using the Amos software.

The population study is the perpetrators SMEs in the Sukabumi area, the method used in Sampling refers to the method sampling probability as well as sample size used using the calculation from Cohran with results as follows:

$$\begin{aligned}
 n &= z^2 pq / e^2 = (1,96)^2 (0,5) (0,5) / (0,1)^2 \\
 &= (3,8416) (0,25) / (0,01) \\
 &= 0,9604 / 0,01 \\
 &= 96,04 \\
 &= 100 \quad |
 \end{aligned}$$

Total result sample Industry small medium made respondent study totaling 100 people with assumption Fulfill condition Path analysis that amount the already representing small and medium industries in the Sukabumi region.

The hypothesis could be spelled out:

H1: Knowledge and understanding Literacy takes effect on SME business sustainability

H2: Knowledge and understanding of literacy finance take effect on Well-being Finance

4. Research Results

Literacy Digital finance, sustainability Business, and Welfare Finance have measured dimensions using indicators based on references and literature review. Research data were analyzed using path analysis.

Normality

Test prerequisite path analysis with the use method maximum likelihood estimation, the first must be conducted is to check does the data meet the assumption, with output as follows:

TABLE 1: Assessment of normality (Group number 1).

Variable	min	max	skew	cr	kurtosis	cr
X	14,000	33,000	-,586	-2,391	,596	1,217
Z	20,000	30,000	-,809	-3,304	,239	,488
Y	17,000	25,000	-1,000	-4,082	,753	1,536
Multivariate					-,051	-,046

After instrument measurement was declared reliable so next conducted testing assumptions were. Test assumptions key in path analysis is preliminary evaluation criteria stage (11) where assumption the most crucial key if technique The maximum likelihood (ML) estimate used is the normality of data at level multivariate (multivariate normality) because violation assumption of multivariate normality cause bias in the estimated parameters in the model so that results analysis, not enough can be trusted.

Based on the output, the univariate skewness value of each variable is not bigger than 2.58, and conclude that the data were normal univariately. Multivariate the value is 0.051 in kurtosis with the critical value of the ratio being 0.046, the value is below 2.58 so could conclude that the normal data are multivariate.

5. Outliers

Mahalanobis distance measure is that there are outliers in distant data different from the centroid score. Mahalanobis d-squared is used to measure the distance farthest from the centroid, Exodus shows the result :

The output above on value Mahalanobis d-squared 17,280 shows that no there are outlier data so that assumption advanced could be conducted.

Multicollinearity

TABLE 2: Observations farthest from the centroid (Mahalanobis distance) (Group number 1).

Observation number	Mahalanobis d-squared	p1	p2
100	13,891	,003	,264
99	9,911	0.019	,578
91	9.515	,023	,409
6	9,041	0.029	,324
98	7,918	0.048	,522
88	7,405	0.060	,560
11	7,253	,064	,464
95	6,830	,078	,516
97	6,793	0.079	,390
96	6,425	,093	,450
93	6,360	,095	,356
94	6,351	,096	,248
24	6,114	,106	,262
28	5,460	,141	,556
16	5,008	,171	,752
1	4,985	,173	,674
19	4,985	,173	,572
42	4,729	,193	,666
84	4,440	,218	,783
92	4,258	,235	,827
14	4,223	,238	,781
53	3,905	,272	,902
9	3,899	,273	,858
36	3,797	,284	,864
69	3,717	,294	,858
89	3,717	,294	,801
5	3,648	,302	,789
40	3,624	,305	,740
10	3,489	,322	,786
12	3,364	,339	,822
49	3,245	,355	,854
59	3,186	,364	,845
7	3.142	,370	,825
39	3,141	,370	,767
2	3,141	,370	,698
38	3.076	,380	,695
21	3.067	,381	,630
74	3.052	,384	,568

TABLE 2: (Continued).

Observation number	Mahalanobis d-squared	p1	p2
43	2,927	,403	,641
8	2,922	,404	,568
23	2,909	,406	,504
63	2,882	,410	,458
61	2,849	,416	,422
26	2,640	,451	,622
47	2,628	,453	,560
3	2,555	,465	,582
62	2,509	,474	,569
90	2,507	,474	,491
25	2,463	,482	,476
87	2,450	,484	,415
82	2,430	,488	,367
51	2,300	,513	,481
78	2,300	,513	,402
18	2,284	,516	,349
44	2,247	,523	,329
66	2,113	,549	,455
22	1,986	,575	,585
31	1,986	,575	,505
57	1,958	,581	,471
68	1,958	,581	,391
85	1,958	,581	,316
67	1,925	,588	,294
70	1,925	,588	,227
60	1,822	,610	,308
35	1,619	,655	,588
34	1,594	,661	,553
52	1,594	,661	,469
37	1,591	,662	,392
41	1,591	,662	,313
33	1,506	,681	,386
4	1,442	,696	,426
27	1,442	,696	,342
15	1,407	,704	,326
20	1,367	,713	,321
77	1,343	,719	,285
75	1,330	,722	,233
79	1,330	,722	,168

TABLE 2: (Continued).

Observation number	Mahalanobis d-squared	p1	p2
46	1.315	,726	,133
64	1.315	,726	,089
83	1,290	,731	,073
72	1,237	,744	0.079
86	1,179	,758	,089
17	1,113	,774	,108
30	1.060	,787	,117
81	1.033	,793	,098
73	,963	,810	,124
54	,936	,817	,102
56	,936	,817	,061
65	,936	,817	,033
71	,904	,824	,026
29	,811	,847	0.047
50	,808	,847	,024
80	,768	,857	0.019
58	,750	,861	0.011
45	,628	,890	0.030
55	,396	,941	,292
32	,380	,944	,187
48	,278	,964	,299
13	,150	,985	,565
76	,121	,989	,340

Multicollinearity could see through the determinant matrix covariance. Small covariance matrix determinant value showing existence problem multicollinearity or singularity, result in the output is as follows:

TABLE 3: Sample Covariances (Group number 1).

	X	Z	Y
X	14,185		
Z	2,840	4,802	
Y	3,721	2,745	3,302

Condition number = 15,667

Eigenvalues

16,425 4,815 1,048

Determinant of sample covariance matrix = 82,918

Determinant value of the sample covariance matrix = 82,918. This value is far from number zero so one could conclude no occur a problem with multicollinearity and singularity.

6. Results Analysis

Analysis of the data used in a study is analysis track or path analysis Analysis track was chosen because the research model uses variable mediation Continuity mediating business Literacy digital finance and well-being Finance. Output table following showing results analysis :

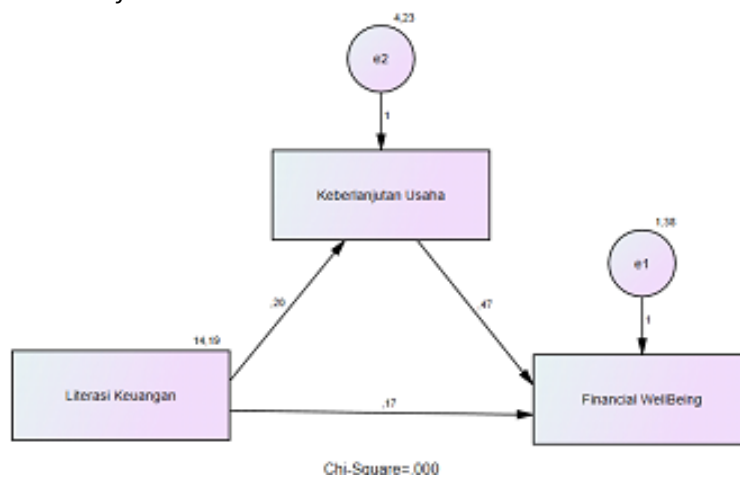


TABLE 4: Regression Weights: (Group number 1 - Default model).

			Estimate	SE	CR	P	Label
Z	<—	X	,200	0.055	3,646	***	par_1
Y	<—	Z	,472	0.057	8,230	***	par_2
Y	<—	X	,168	,033	5,023	***	par_3

Output estimation Path coefficient shows understanding Literacy digital finance is influential straight to sustainability business IKM of 0.200 with p value 0.000 so that statement the hypothesized predictive H3 expressed significantly

Output estimation coefficient track influence direct second H2 sustainability effort to well-being finance have a value estimate 0.472 with p value 0.000 with CR value of 8.230 indicates statement predictive already formulate received that sustainability effort significantly affect well-being finance.

Output table estimate 0.168 liters finance to well-being finance shows a significant p of 0.000, with a score cr 5,023, so that statement H3 predictive significant

R - square

Squared multiple correlations (R^2) explain the variability of endogenous variables that can be explained by variations __ of exogenous variables. Results Square multiple correlations (R^2) with obtained output as follows:

TABLE 5: Squared Multiple Correlations: (Group number 1 - Default model).

	Estimate
Z	,118
Y	,582

The R-Square value of 0.118 is the proportion variance of the sustainability variable effort which can be explained by the exogenous variable literacy digital finance, which means the proportion of sustainability variables effort could be explained by the Literacy variable Digital finance of 11.8%. While the Welfare R-Square Finance 0.582 means Well-being Finance could be explained by variability construct Literacy Digital Finance by 58.2%.

7. Discussion

The door first for perpetrator business Industry small medium for understanding and literacy finance is knowledge about industry service finance. Perpetrator businesses need to know institutional industry service finance before knowing the products and services service finance provided. Importance of knowing institutional industry service finance related to how the Public could access or utilize products and services service finance. Besides, society expected to differentiate types of institutional service formal and informal finance, and at a time, identify institutional service officials and not financial officials. Financial well-being depends on the financial behavior and income streams of the assets owned (5,12–14). Thus, the ability to develop assets becomes essential to improve financial well-being. From this research, it can be concluded that for someone to become financially prosperous, management skills are needed in finance and analysis investment and financial resilience.

Continuity effort based on research will impact well-being and understanding literacy finance will increase well-being finance. A study shows that understanding finance, specifically digital literacy, will increase continuity efforts. Understanding literacy finance, especially digital is problem complex in increasing continuity effort, in the end, will increase well-being finance for perpetrator business. Study this supporting study.

Perpetrator business already knows institution service finance nor products and services service finance need to know to characteristics of products and services service

finance (1,3,9,15–17). That thing is necessary for the perpetrator business to choose and use products and services that appropriately finance with needs and abilities. Likewise, if a perpetrator business wants to have instrument finance that provides payback results tall and capable take into account risk,s naturally choose the right investment so that could minimize risk effort.

8. Conclusion

Literacy finance is knowledge, skills, and beliefs that influence attitude and behavior to increase quality decisions and management finance in skeleton reach well-being Finance. Push understanding literacy is very important for perpetrator business small and medium enterprises to survive and be sustainable in the end impact on well-being finance. Urgency importance literacy finance, specifically digital literacy, is also illustrated by results of research related to the Financial Fitness Index, which shows that the score index health finance Indonesian people still belong to low only amounted to 37.72 of score maximum of 100. However, if seen from the financial safety area, it is still very low with indicator cover ability to Fulfill the needs of the financial family.

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