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Financial Access and Financial Risk Attitudes towards Improving Microenterprise Performance



Abstract: - Microenterprise sector plays a pivotal role in driving economic growth in developing nations. This research aims to devise a financial literacy strategy that augments the performance of microenterprise customers of Indonesia's Shariah Microbank in DKI Jakarta. Improving the performance of micro businesses is not only the responsibility of Bank Syariah Indonesia but also the responsibility of many parties, namely the role of the government through the establishment of KNEKS and KDEKS which aim to increase sharia financial literacy and need to be supported by associations both the Sharia Economic Society (MES) and universities who are concerned with increasing sharia financial literacy which leads to improving the performance of micro businesses. This is achieved by investigating the determinants of microenterprise performance, focusing on the financial literacy of the customers availing microfinance services from the said bank. This study adopts a quantitative approach and employs Structural Equation Modeling (SEM) to analyze data, with financial access as mediating variables. The results are further evaluated through Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis—a robust research technique for identifying obstacles and refining effective strategies. The study comprises a sample of 500 microenterprise operators who are clients of the Shariah Microbank in DKI Jakarta. The analysis reveals the following insights: (1) Financial literacy exhibits a positive and moderate influence on the microenterprise performance of Shariah Microbank customers in DKI Jakarta. (2) Financial access demonstrates a positive and moderate impact on microenterprise performance. (3) Financial literacy exhibits a positive and moderate effect on financial access. (4) financial literacy has a positive and moderate effect on financial risk attitudes, (5) financial risk attitudes have positive an insignificant effect on micro business performance, (6) financial literacy through financial access as a mediating variable has a positive and moderate effect on micro business performance, (7) financial literacy through financial risk attitudes variables have positive an insignificant affect the performance of micro business enterprises. This encompasses strategic programs including: (1) Financial proficiency through collaborative Shariah microfinance training within the Islamic Ecosystem and expansion and optimization of the BSI Microentrepreneur Center; (2) Financial attitude and behavior enhancement via workshops on Shariah microfinancial planning and mentorship by BSI personnel for microenterprise operators; (3) Financial access enhancement through intensified digitalization of Shariah microfinancial services and integration of bundled products and services (e.g., incorporating licensing and halal standardization).

Keywords: Microenterprise Performance, Financial Literacy Strategy, Shariah Microbank, Financial Access, Economic Growth

1. INTRODUCTION

Micro business owners have poor attitudes about finance. This can be seen in their lack of motivation to improve their ability to manage micro business finances. Motivation should be very important to continuously improve financial management skills. The poor financial attitudes of micro business owners are also characterized by their complacency with their existing performance. They have not thought about improving their financial management skills because they feel that their performance is good enough and their business continues to run without problems even though micro business owners do not make budget plans and control finances. This attitude, if ignored, can lead to declining microbusiness performance and inability to compete competitively in the market (Humaira & Sagoro, 2018). Access to finance has been identified as one of the key constraints to microenterprise sustainability (Khan et al., 2019). The aspect of education and understanding of financial management to micro business actors is needed (Pramono, 2017).

Financial literacy has been maximized but the community has not yet transformed from conventional banks to Islamic banks, namely the community generally conducts transactions in conventional banks because they are more aware of the existence of conventional banks than Islamic banks and the existence of conventional branches close to home. Several factors influence customers to still choose conventional banks over Islamic banks, including Islamic banks are considered complicated in procedures, unfamiliar product terms, uncertainty

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and fear of financing in Islamic banks (Adzhani & Rini, 2017). This is the impact of not having good Islamic financial literacy, which has a negative impact on the development of Islamic banks.

The problem faced by micro businesses is the source of capital that will be used to open or develop their business, where most people are not familiar with Islamic banks and equate profit sharing and usury. To take capital and they tend to take capital from conventional banks that still use an interest system which is *riba* due to the lack of public knowledge about the existence of Islamic banks and they think that dealing with Islamic banks is very difficult because there are many contracts (Fitria, 2021). The issue of not knowing Islamic banks and equating Islamic bank products with conventional banks is homework that can be resolved, one of which is Islamic financial literacy. The presence of Islamic banks should have a good and extraordinary impact on the growth of the real sector, especially micro businesses. This is because the *mudharabah* and *musyarakah* patterns are direct investment patterns in the real sector and returns in the financial sector (profit sharing). Thus, the existence of Islamic banks must be able to contribute to increasing real sector growth (Adzhani & Rini, 2017).

Micro enterprises play an important role in Indonesia's economy as they contribute significantly to gross domestic product and employment. Micro enterprises are also believed to have high economic resilience so that they can support the stability of the financial system and the economy. However, the development of micro enterprises still faces various obstacles, one of which is access to finance (Bank Indonesia, 2021). This is due to the limited ability of micro enterprises to produce financial statements, which are the main tool for financial institutions to assess credit/financing eligibility.

2. METHODOLOGY

There are several techniques used for the data collection process in this study. These techniques are questionnaire distribution, observation, documentation and FGD. This research uses data analysis and interpretation to answer research questions or research hypotheses and to reveal certain phenomena. So the data analysis process is the process of simplifying data into a form that is easier to read and interpret. The data that has been obtained is then analyzed using descriptive statistical analysis techniques and model analysis using Structural Equation Modeling (SEM). Using Structural Equation Modeling (SEM) allows for the analysis of a series of relationships simultaneously so as to provide statistical efficiency. In this SEM analysis technique, the data analysis process uses the help of SMARTPLS 4 to analyze and confirm the suitability of the data to be entered into SEM. Furthermore, the measurement model is tested to ensure the validity of the variables which ultimately tests the hypothesis using a structural model (Hayes, 2013).

The structural model is a hypothesized answer to the proposed research problem, namely predictions about the causal relationship (asymmetrical relationship) between latent variables. To test the research hypothesis using multivariate analysis statistical techniques with the Structural Equation Modeling (SEM) method. SEM is one type of multivariate analysis that is commonly known in science. SEM or structural equation modeling is a powerful multivariate analysis technique for scientific investigations, especially in testing or evaluating the causal relationships of many variables (Rencher, 2002). In general, there are three types of SEM that have been known until now, namely Covariance-based SEM (CB SEM), Partial Least Square Path (PLS-SEM) and Generalized Structured Component Analysis (GSCA) (Joreskog & Sorbom, 1993). As for this study using Partial Least Square Path (PLS-SEM) analysis.

3. RESULTS AND DISCUSSION

To formulate a financial literacy strategy to improve microenterprise performance, several steps were taken. The first stage was to conduct a Focus Group Discussion (FGD) with regulators, operators, associations, market managers and microfinance users. The second stage was to conduct a SWOT analysis, internal (IFAS) and external (EFAS) environmental analysis of Bank Syariah Indonesia as a distributor of microfinance. The third stage is to present the results of the financial literacy strategy to improve the performance of BSI microfinance customers in DKI Jakarta. Based on the data processed, internal factors can be identified, the strengths are 3.18. The weakness is 3.01. Identification of external factors, the opportunities that exist are 2.77. Meanwhile, the threats faced are 2.75.

Based on the results of the analysis, IFAS obtained a value of 0.17 (total strength score 3.18 minus total weakness score 3.01). EFAS obtained a value of 0.02 (total opportunity score 2.77 minus total threat score 2.75). The results of the SWOT analysis show that the position of financial literacy of BSI micro customers in DKI Jakarta is in quadrant one. This shows that the condition of financial literacy has a fairly good strength and externally in the position of 0.02, this quadrant one position also shows the condition of financial literacy is in a grow and build position. To be able to optimize financial literacy in micro business actors as well as Bank Syariah Indonesia customers, it is necessary to formulate a good, appropriate financial literacy strategy that can have a significant impact on improving the performance of micro businesses in Bank Syariah Indonesia.

4. CONCLUSION

Based on the research results, both which have been analyzed quantitatively and qualitatively, the conclusion of this study is that there is a positive and significant effect of financial literacy on improving micro business performance. However, the existence of financial literacy in improving micro business performance has a moderate influence. The need to improve financial literacy is considered very important where when there is an increase in financial literacy, the performance of micro businesses will increase by 0.213. There is a positive and significant influence of financial access on improving micro business performance. However, the existence of financial access in improving micro business performance has a moderate/moderate influence. The need for increased access to finance is considered very important where when there is increased access to finance, the performance of micro businesses will increase by 0.544. There is a positive and significant influence of financial literacy on financial access. However, the presence of financial literacy in improving financial access has a low influence. The need to increase financial literacy is considered very important where when there is an increase in financial literacy, financial access will increase by 0.383. There is a positive and significant effect of financial literacy on financial risk attitudes. However, the existence of financial literacy in improving financial risk attitudes has a low influence. The need to increase financial literacy is considered very important where when there is an increase in financial literacy, financial risk attitudes will increase by 0.423. There is a positive and insignificant effect of financial risk attitudes on micro business performance. And the existence of financial risk attitudes in improving access to finance has a low influence. An increase in financial risk attitude is considered less important where when there is an increase in financial risk attitude, micro business performance will increase by only 0.075.

Access to finance plays a role in mediating the positive and significant influence of financial literacy on micro business performance. However, at the structural level, the mediating role of financial access is still classified as a low influence of financial access. By increasing the improvement of financial access, this mediating role will increase to 0.196. Financial risk attitude as mediation of financial literacy has a positive and insignificant effect on micro business performance. However, at the structural level, the mediating role of financial access is still classified as a low financial risk attitude effect. By increasing the improvement of financial risk attitude, this mediating role will only increase to 0.026. This data shows that knowledge of risk and literacy in Islamic finance is not the main and important thing for business actors to improve their business performance, many business actors are more focused on other aspects outside of understanding risk and literacy on finance which is the basis for improving their business. This phenomenon in the field occurs when many business actors use the facilities of financial institutions that are illegal and charge very large returns, but because of their needs and needs, these products and services are still used by micro-business actors.

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