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# Descriptive Analysis of Financial Literacy SMEs in Bandung

Asni Harianti, Maya Malinda, Miki Tjandra, and Devas Kambuno

**Abstract**—One of the supporting factors for the success of MSME is determined by the intelligence of managing finances or known as financial literacy. Financial literacy is a basic requirement that must be possessed by MSME entrepreneurs which is closely related to the knowledge of personal and business financial management, as well as knowledge to gain access to capital through financial services or institutions. This descriptive study aims to see a picture of the level of financial literacy in SMEs in Bandung. The type of data used in this study are primary data and secondary data. Primary data obtained through surveys using a questionnaire to see the level of financial literacy (Financial Fitness Quis / FFQ) developed by O'Neil. The questionnaire consisting of 20 practical financial statements, covering 5 (five) dimensions of financial management, was distributed to 343 SMEs in the city of Bandung. Secondary data obtained through observation and study of literature relating to research problems. The results of the study show that MSMEs in the city of Bandung must take actions that need to be considered in the future to improve their finances to avoid financial difficulties. As a form of concern for MSMEs in the city of Bandung and as a form of support for the government, researchers are trying to alleviate the illiteracy of financial actors of MSMEs through appropriate financial management training and making of a simple financial application program SAKA (peSAK Abdi).

**Index Terms**—Small Medium Enterprises (SMEs), Bandung, financial literacy, financial apps pe-SAK Abdi.

## I. INTRODUCTION

Understanding Micro, Small and Medium Enterprises (MSMEs) according to Law No. 20 of 2008 is a productive business owned by individuals and / or individual business entities that meet the criteria as regulated in the Law. Based on this law, according to its development, MSMEs can be classified according to the scope of their business, namely 1) MSMEs in the culinary sector, whose businesses sell food, snacks, fried foods, open restaurants, open small restaurants or can also open cafe businesses. 2) MSMEs in the fashion sector, such as small scale clothing stores, distros that sell special clothing for young people, batik shops, Muslim clothes and so on. However, for someone who has limited capital, there is no need to be afraid to start a fashion business. There are now many fashion suppliers that offer sales with a reseller or dropshipping system. 3) MSMEs in

agriculture: MSMEs business engaged in agriculture has promising prospects. Indonesia has quite fertile land and about 70% of the majority of its people work as farmers. There are quite a lot of MSMEs in agriculture, such as rice, corn, vegetables, fruits, ornamental plants and so on.

MSMEs as the largest informal sector mover in Indonesia that is able to absorb the largest number of workers, has an important role in the national economic system (Aribawa, 2016) [1]. MSMEs have the opportunity to play a role in facing the global financial crisis that can threaten MSME's competitiveness and operations. Therefore financial literacy is a fixed price that must be understood by MSMEs so that decision making can be done wisely (Cahyono, 2012 in Ma'aruf and Desiyana, 2015) [2]. To be able to play a role, MSME actors need to have sufficient financial literacy knowledge. Kim (2000) in N.B. Ngeek (2016) observes that many entrepreneurs lack basic financial knowledge to determine effective financial choices [3]. Entrepreneurs who are blind to their personal financial knowledge, their business financial management will also be lacking, which will ultimately reduce the level of new business creation and is likely to increase the level of business failure among small and medium businesses (SMEs). [3] Drexler, Fischer, and Schoar (2014) in N.B. Ngeek (2016) describes individuals and entrepreneurs in general faced with difficult financial decisions in many aspects of life, both in their personal finances and as business owners. Thus, financial literacy becomes important in their business financing decisions and their subsequent performance (Oseifuah, 2010; Adomako and Danso, 2014 in NBNgeek, 2016) [3]. The level of individual / family financial literacy will have an impact on the ability to manage finances, having long-term savings that are used to own assets (such as houses, land), fulfillment of higher education, as well as pension funds. Lusardi and Mitchell (2006, 2007a) in J. Nunoo (2012) revealed that those who have low literacy skills tend to plan for retirement and also accumulate far less wealth. Bayer *et al.*, (1996) and Bernheim (2003) in J. Nunoo (2012) state that financial education initiatives in the workplace increase participation in savings plans [4]. Meanwhile, providing financial education in secondary schools significantly increases the tendency of adults to save. Financial literacy is a basic requirement that must be owned by everyone / family and is part of mental intelligence related to how to find solutions to financial problems. The level of financial literacy of an individual / family will have an impact on the ability to manage finances, have long-term savings that are used to own assets (such as houses, land), fulfillment of tertiary education, as well as pension funds. Financial literacy is defined as a set of knowledge and skills that enable a person to make effective decisions relating to their

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financial resources (Manurung, 2009 in Ichwan, 2016). Xiao (2008) in NB.Ngek (2016) defines financial literacy as knowledge about relevant financial management and behavior including knowledge of revenue management, money management, savings management, investment management, expenditure management, and credit management. [3] Adomako, Danso, and Damoah, 2016; Reich and Berma, 2015 in N.B. Ngek (2016) defines financial literacy as most of the knowledge and cognitive abilities needed to manage and make effective decisions regarding financial management such as budgeting, accounting, payment of bills and utilities, obtaining loans, and payments and other financial decisions. [3] The results of the study (Aribawa, 2016) state that there is an influence of financial literacy on the performance and sustainability of MSMEs [1]. The implication is that with good knowledge of financial literacy, it is expected that MSMEs can make appropriate financial and management decisions to improve business performance and sustainability. There is a positive influence between financial knowledge on the behavior of financial management in SMEs (Humaira, 2018) [5]. The results of the study (Byrne, 2007) stated that low financial knowledge would lead to the making of a wrong financial plan and cause a bias in achieving welfare at the age when it was no longer productive. For MSMEs with limited amount of human resources and abilities, making the right financial reports will be a problem [6]. The tendency of MSMEs not to make good transactions, often makes MSMEs do not know whether what they have been doing is profitable or not.

The South African Banking Association (2014) in Fatoki (2014) defines SMEs who are financially literate as one that 1) has an adequate level of personal entrepreneurial competence, personal financial skills, business management skills, has an appropriate level of understanding of functional financial management systems; 2) have an appropriate level of understanding of SME life cycle funding and other financial service needs and options and know where and how to seek and negotiate these funding and service requirements; 3) understand and can manage financial risks or seek relevant advice to manage those risks; 4) understand legal, regulatory and tax issues related to financial matters; 5) understand the range of legal resources that can be taken if necessary, and that is in the case of bankruptcy or other situations of financial difficulties [7]. Fatoki (2014) added that the main building of financial literacy of small and medium enterprises includes basic entrepreneurship competencies and SME management, understanding of consumer / personal finance, understanding of modern accounting and financial management systems, understanding of financial service options, types of funding options available for SMEs and access to financial requirements for SMEs and awareness of an understanding of financial regulations, legal and tax issues, and related legal resources that can be used by SMEs in situations of financial difficulties [7].

According to Bosma and Harding (2006) in Eniola, A.A and Entebang, H. (2016), many small and medium-sized businesses fail because they lack financial literacy (poor financial literacy) and inadequate business acumen can damage their business activities [8]. Decision making

activities related to procurement, allocation and utilization of resources almost always have financial consequences (Oseifuah, 2010 in Eniola, A.A and Entebang, H., 2016) [8]. Fatoki (2014) explains that there is a low level of financial literacy in micro business operators [7]. Entrepreneurial activities of a business will be threatened when entrepreneurs do not have the relevant skills needed to manage their finances effectively (Adomako and Danso (2014 in N.B.Ngek, 2016) [3]. Therefore, the need for financial literacy is a part of every business culture of business actors (Vacher, 2014 in NB. Ngek, 2016)[3]. Its financial literacy is expected to provide knowledge about proper financial management and planning, which is able to support the growth of MSMEs that have good financial quality. The description of the financial literacy level of MSMEs in Bandung needs to be known so that the problem of financial intelligence can be immediately resolved and find financial solutions.

## II. SMES AND FINANCIAL LITERACY

This research is an empirical study with a descriptive approach to SMEs in the city of Bandung. The type of data used in this study are primary and secondary data. Primary data were obtained directly from a survey of 343 respondents of MSMEs using a financial fitness questionnaire / quiz developed by O'Neil. Meanwhile, secondary data is obtained from literature studies in the form of information or facts from books, journals and articles relating to the problem under study.

There are several financial literacy measurement instruments that have been implemented, including Maruf and Destiana (2015) using questionnaires and tests, in which the questionnaire / questionnaire is distributed to respondents of SMEs in the Special Region of Yogyakarta [2]. The list of questions posed is a method for collecting data on financial literacy knowledge variables. Rutgers uses the Financial Fitness Quiz (FFQ) developed by Cooperative Extension consisting of 20 practical financial statements covering 5 (five) dimensions including: Financial Management (describing how financial management is carried out, there are 8 statement items), Saving & Investing (describing financial behavior in saving and investing, consisting of 6 statement items, Insurance & Estate Planning (describing financial behavior in insurance and long-term planning, consisting of 2 statement items), Credit (describing financial behavior in debt management, consisting of 2 statement items), and Shopping (describing financial behavior in spending money, consisting of 2 items statement).

Here is a questionnaire to see the level of financial literacy based on O'Neil Rutgers: Want to improve your personal finances? Start by taking this quiz to get an idea of how well you have managed your money so far. Choose the score that best suits your current financial management practices:

- 5 = always
- 4 = usually
- 3 = sometimes
- 2 = rare
- 1 = never

When finished, add your grades for each of the 20 questions below. The summary at the end of the quiz tells how your financial situation is.

TABLE I: FINANCIAL FITNESS QUIZ

No	Financial Management	Score
1	I have a bank (or savings) checking account to pay bills (write "5" for "yes" and "1" for "no" for this question).	
2	I have enough money every month to pay rent / mortgages and other household expenses.	
3	I have enough money to pay for emergencies	
4	I have written financial goals with date and dollar costs (e.g. IDR 10,000,000 for a car in 2017).	
5	I have a written (budget) plan for spending and /or saving my money.	
6	I keep organized financial records and can easily find important documents.	
7	I know my tax rules (e.g., 15%).	
8	I calculate my net worth (assets minus debt) every year	
<b>Savings &amp; Investment</b>		
9	I save regularly for long-term financial goals, such as education for my children, home, or retirement.	
10	I have a fee of at least three months that is set aside in an easily accessible account (e.g., Money, Market mutual funds).	
11	I increase my savings when I receive a raise	
12	I have a personal investment account for DPLK pensions, BPJS besides pensions funded by my employer (write "5" for "yes" and "1" for "no" for this question).	
13	I have money spread across more than one type of investment (for example, stocks, bonds, mutual funds, deposits)	
14	The average after-tax return from my savings and investment in the long run is greater than the inflation rate	
<b>Insurance &amp; Housing Planning</b>		
15	I have sufficient insurance to cover unexpected "large" costs, such as hospital bills, disability, or compensation obligations to others.	
16	I have a will right now (write "5" for "yes" and "1" for "no" for this question).	
<b>Credit</b>		
17	Less than half of one week's salary is given on my credit card, student loans and car payments	
18	I pay credit card bills in full to avoid interest fees	
<b>Shopping</b>		
19	I compare and inspect at least 3 stores for large purchases	
20	I avoid impulse purchases and do not use shopping as a form of recreation	

The assessment of the level of financial literacy that determines the financial behavior of respondents can be measured from the total score of 5 (five) financial dimensions adopted from the O'Neil (2003) study, as presented in the table below:

TABLE II: SCORE FOR THE FINANCIAL FITNESS QUIZ

Scores for the Financial Fitness Quiz are as follows:	
0-20 points	You need a lot of help, but don't despair. It's never too late to take action to improve your finances.
21 - 40 points	You are headed for financial difficulties. Now is the time to take action to reverse the trend.
41 - 60 points	You do a fair job in managing your finances and have taken several steps in the right direction.
61 - 80 points	You do a good job and are above average in managing your finances.

MSMEs in the city of Bandung can fill and choose the response that is closest to their current financial management practices, and the results determine their

financial knowledge.

### III. DATA AND METHODOLOGY

To collect primary data, researchers used a financial fitness instrument (questionnaire) consisting of 20 questions distributed to respondents, namely SMEs in the city of Bandung. This structured questionnaire was developed based on a previous study by O'Neil Rutgers on financial literacy. To measure the opinions, perceptions and attitudes of respondents towards financial literacy, a Likert scale consists of 5 answer choices, i.e. 5 (always there), 4 (usually), 3 (sometimes), 2 (rarely), 1 (never) [9].

To state the rank among the levels, the financial fitness questionnaire uses an ordinal measurement scale (Suliyanto, 2006) [10]. Then the financial fitness questionnaire distributed to respondents used an ordinal scale, then to determine the results of the score of the financial literacy level of MSMEs in Bandung the median descriptive statistics would be used for a single data. Median is a value that divides data into two equal sizes, 50 percent is below the median and 50 percent is above the median. If n is an odd number, the median is the single (unique) middle value. If n is an even number, the median is the average of the two middle values (Johnson & Bhattacharyya, 1992) [11]. This median can be formulated as:

$$\begin{aligned} \text{Location of Me} &= 1/2 (n + 1) \\ \text{Me} &= \text{data } 1/2 (n + 1) \end{aligned} \tag{1}$$

where:

- Me = median
- N = amount of data

Range (range) is the simplest measurement of spread, namely the difference between the largest and smallest values contained in a group of data (Suharyadi and Purwanto, 2003 in Harianti, *et al.*, 2013) [12].

$$\text{Range} = X_{\text{max}} - X_{\text{min}} \tag{2}$$

where:

- X\_max = the largest data
- X\_min = smallest

In this cross-sectional study, researchers conducted a survey of 343 SMEs in Bandung who attended the focus group discussion on financial literacy counseling. The researcher applies a descriptive analysis to find a picture of financial literacy which includes 5 (five) dimensions of financial management consisting of financial management, savings and investment, insurance and housing planning, credit, and shopping. The instrument (questionnaire) used to collect primary data (respondent responses) consisted of 20 questions divided into 8 items of financial management dimensions, 6 questions of savings and investment dimensions, 2 questions of insurance and housing planning dimensions, 2 dimensions of questions credit, and 2 item shopping dimension questions. Primary data processing uses the SPSS computer program version 21.0, which is presented in tabular form, which consists of descriptive measures of mean, median, standard deviation, variance, range. In the discussion of the research used is the median and range (range), because the score is considered the most representative of the opinions / attitudes of respondents. In

addition to primary data, researchers use secondary data obtained from literature studies in the form of information or facts derived from books, journals or articles that are relevant to the problem under study.

IV. RESULT AND ANALYSIS

According to Wachira and Kihui (2012) in Nkundabanyanga (2014), financial literacy remains an interesting problem in both developed and developing countries [13]. There is plenty of evidence to suggest that people who are less financially literate tend to face more challenges related to debt, savings and credit management, and are less likely to plan for the future. In addition, lack of financial literacy is also often associated with lack of access to financial products including credit, and even failure to use them. Lusardi and Tufano (2008) and Stango and Zinman (2009) in Nkundabanyanga (2014), stated that households with low financial literacy levels tend to borrow money at higher interest rates and have less participation in the formal financial system compared to those who are more financially literate. [13] Cole, Sampson and Zia (2009) in Nkundabanyanga (2014) found that higher financial literacy was significantly associated with greater use of bank services. This shows that financial literacy greatly influences banking behavior [13].

Groups that have higher financial knowledge tend to regulate their spending patterns and decisions by keeping detailed financial records (Chen and Volpe, 1998 in Nkundabanyanga, 2014) [13]. Banks usually need financial reports to make decisions about loan applications. Individuals who do not have sufficient financial education or knowledge cannot make effective financial choices, and this condition will limit their access to credit. Educational efforts to improve financial literacy correlate with self-beneficial financial behaviors (Hilgert *et al.*, 2003 in Nkundabanyanga, 2014) [13].

TABLE III: DESCRIPTIVE RESULTS OF THE EIGHT DIMENSIONS OF FINANCIAL MANAGEMENT QUESTIONS

Descriptive Statistics										
	F	M	I	FM2	FM3	FM4	FM5	FM6	FM7	FM8
N	343	343	343	343	343	343	343	343	343	343
Mean	3.31	3.95	3.42	2.68	3.42	3.28	3.15	2.73		
Median	3.00	5.00	4.00	1.00	5.00	5.00	5.00	1.00		
Std. Deviation	1.56	1.33	1.53	1.93	1.94	1.97	1.98	1.96		
Variance	2.45	1.76	2.35	3.74	3.76	3.87	3.93	3.86		
Range	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00		
Minimum	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		
Maximum	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00		

Sources: 343 MSME in Bandung

To determine the level of financial literacy of MSMEs in Bandung, descriptive statistical analysis will be used with the median approach using the SPSS computer program version 21.1. The results will be presented in tabular form covering 5 dimensions of financial management from 20 questions. Table III presents descriptive results of the

dimensions of financial management consisting of 8 questions, Table IV presents descriptive results of the dimensions of Savings and Investment consisting of 6 questions, and Table V presents descriptive results of 6 questions in which each dimension of Insurance and Housing Planning consists of 2 questions, the Credit dimension consists of 2 questions, and Shopping dimension consists of 2 questions. Next, Table VI presents descriptive results for all (five) dimensions: Financial Management (FM), Savings and Investment (SI), Insurance and Housing Planning (IH), Credit (C) and Shopping (S). The tables will be presented below:

TABLE IV: DESCRIPTIVE RESULTS OF THE SIX DIMENSIONS OF SAVINGS AND INVESTMENT DIMENSIONS

Descriptive Statistics						
	SI1	SI2	SI3	SI4	SI5	SI6
N	343	343	343	343	343	343
Mean	3.46	3.17	3.46	2.93	1.71	2.35
Median	5.00	5.00	5.00	1.00	1.00	2.00
Std. Deviation	1.93	1.98	1.93	1.98	1.27	1.45
Variance	3.71	3.91	3.74	3.93	1.61	2.12
Range	4.00	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00

Sources: 343 MSME in Bandung

TABLE V: DESCRIPTIVE RESULTS OF THE SIX QUESTIONS DIMENSIONS OF INSURANCE AND HOUSING PLANNING, CREDIT, AND SHOPPING

Descriptive Statistics						
	IH1	IH2	C1	C2	S1	S2
N	343	343	343	343	343	343
Mean	2.51	1.63	2.08	2.50	3.57	3.61
Median	1.00	1.00	1.00	1.00	5.00	5.00
Std. Deviation	1.92	1.45	1.76	1.93	1.90	1.89
Variance	3.69	2.10	3.10	3.72	3.61	3.57
Range	4.00	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00

Sources: 343 MSME in Bandung

TABLE VI: FIVE DIMENSIONS OF FINANCIAL MANAGEMENT DESCRIPTIVE RESULTS

Descriptive Statistics					
	FM	SI	IH	C	S
N	343	343	343	343	343
Mean	25.93	17.08	4.14	4.58	7.18
Median	26.00	18.00	2.00	2.00	6.00
Std. Deviation	8.86	6.62	2.54	3.11	3.01
Variance	78.52	43.83	6.46	9.66	9.06
Range	32.00	24.00	8.00	8.00	8.00
Minimum	8.00	6.00	2.00	2.00	2.00
Maximum	40.00	30.00	10.00	10.00	10.00

Sources: 343 MSME in Bandung

To describe MSME behavior and actions that must be considered in the future to improve its finances, will be determined based on the results of a total score of five dimensions. The results will be presented in the Table VII below:



TABLE VII: DESCRIPTIVE RESULTS OF FIVE DIMENSIONS OF TOTAL FINANCIAL MANAGEMENT SCORES

Statistic	
Total_Skor	
N	343
Mean	58.9184
Median	60.0000
Std. Deviation	17.79297
Variance	316.590
Range	78.00
Minimum	20.00
Maximum	98.00

Sources: 343 MSME in Bandung

Financial literacy is a basic requirement needed by MSMEs to support the success of their business. Financial literacy can be interpreted as financial knowledge and use skills in making financial decisions. Esiebugie, Richard, and Emmanuel (2018) define financial literacy according to (Potrich, Kelmara and Weley, 2016) as the main capital needed in life through the ability to manage income, expenses and savings in a safe way. Financial knowledge is wisdom obtained by studying the ability to manage income, expenses, and savings in a safe way (Lusardi and Mitchell, 2008 in Esiebugie, Richard, and Emmanuel, 2018)). Financial knowledge is associated with a number of best financial use behaviors (practices), including managing adequate emergency funds, monitoring credit reports, avoiding overdraft bank accounts, avoiding rolling debts, having a special reSIrement account, and having insurance protection (Robb, 2014 in Esiebugie, Richard, and Emmanuel, 2018).

The need for financial literacy for MSMEs has been emphasized by various groups. Ndkundabanyanga and Kasozi (2014) in Esiebugie, Richard, and Emmanuel (2018) explain financial literacy as mastery of a set of knowledge, attitudes and behaviors that can be interpreted as an individual's ability to make effective and responsible decisions and decisions based on information about the use and management its finances. The ability in question is the ability to read, analyze, manage, and communicate personal financial conditions that affect welfare and can distinguish financial choices, discuss money and financial problems without feeling uncomfortable [14]. Fatoki (2014) in Ichwan (2016) shows that the majority of micro small and medium businesses are not tied to financial plans, budgeting, and financial control. It also said that there is a positive relationship between formal financial control, control systems and business success. Basic knowledge of personal financial management is a basic knowledge of financial principles owned by a person who will later be used as a reference for personal, family and business financial management they have (Chen and Volpe, 1998 in Ichwan, 2016).

In Table VII shows the results of the median total score of financial literacy level of 343 MSMEs in Bandung by 60 points, which illustrates the financial literacy is still far from optimum even close to the low level of financial literacy. This shows that the level of financial literacy of SMEs in Bandung can be increased so that they have the ability to compete and achieve business success. The level of financial literacy it has will affect the ability of financial management and decision making, as well as the opportunity to have access to capital through financial

institutions. An adequate level of financial literacy possessed by MSME actors will provide the ability to understand and evaluate relevant information in making business decisions, and be able to understand the consequences arising from their decisions.

Descriptive analysis of the dimensions of financial management illustrates the financial knowledge of SMEs in the city of Bandung is relatively low, so it needs actions to improve financial knowledge. Financial knowledge is the basis for managing your personal and business finances. Table III shows the median results of 8 (eight) questions from the financial management dimension, which describe MSMEs in Bandung: 1) sometimes have a checking or savings account to pay their bills, 2) always have money every month to pay rent or other household costs, 3) usually have enough money to pay (expenses) for emergency, such as paying for car or motorcycle repairs, 4) never write down the purpose of financial use, for example Rp. 10 million for motorbike purchases in 2017, 5) always have a written (budget) plan for shopping and or savings, 6) always keep an organized financial record and can easily find important documents, 7) know the rules for imposing income tax, and 8) never calculate net worth (assets minus debt) every year. SMEs are required to have higher financial knowledge than other dimensions, in order to make better decisions in running their business.

The savings and investment dimension illustrates the extent to which business actors understand savings and investment. Savings are income that is set aside as a reserve fund that is not used for consumption. Investment is a way to put money in order to work and generate more money (Suryanto and Rasmini, 2018) [15]. While Ichwan (2016) explains the definition of savings and investment according to the Financial Services Authority (OJK), namely: savings management is a process that helps the placement of surplus funds owned by someone with the aim of easy access to liquidity, financial planning, and security. Whereas investment management is what helps the formulation of policies and objectives as well as supervision in investment to obtain profits. Table V shows the median results of SMEs in Bandung on 6 (six) questions describing the dimensions of savings and investment, as follows: 1) always saving regularly for long-term financial goals, such as for children's education or for retirement, 2) always set aside a minimum cost of 3 months in an account / savings account that is easily accessible, for example money or mutual funds, 3) always increase savings when receiving a salary increase, 4) never have a personal investment account for pension. Pension Fund, BPJS (for Indonesian term) other than pension funds given by his superiors, 5) never have money spread over more than one type of investment, for example stocks, bonds, mutual funds, or deposits, 6) on average rarely receive after-tax returns from savings and investments in the long run is greater than inflation rate. The dimensions of savings and investment are still relatively low, which illustrates the low introduction of SMEs to banking services and other financial institutions. Weak financial knowledge can lead to misperceptions and errors in making decisions in storage, borrowing, and investment (Chen and Volpe, 1998 in Ichwan, 2016).

The insurance dimension illustrates the knowledge of

insurance that can be interpreted as the agreement of a party that guarantees a promise to a guaranteed party to receive a sum of premiums as compensation for losses suffered by those guaranteed (Suryanto and Rasmini, 2018). Insurance is a form of risk management of an event / events that can not be predicted that is experienced by individuals or companies that can cause losses. According to Bramantyo Djohanputro (2008) in Ichwan (2016) describes risk management as a structured and systematic process in identifying, measuring, mapping, developing alternative risk management, monitoring, and controlling risk management. Knowledge of financial literacy of the insurance dimension from SMEs in Bandung is still relatively low. Insurance is not considered a primary need. SMEs will seek insurance information if they feel the need. Table V results of the median of MSMEs in the city of Bandung on the questions in the dimensions of Insurance and Housing Planning, illustrating: 1) never having adequate insurance to cover large unexpected costs, such as hospital bills, disability, or compensation obligations to others, and 2) currently never has a will. The purpose of insurance is to minimize the risks that arise. However, the results of Fatoki (2014) research in Ichwan (2016) found that most of the small and medium businesses do not have the insurance they should have to reduce business risks that arise [16].

The credit dimension, known as credit management, in which the credit owner or debtor conducts a process to arrange his credit so that it is used effectively and efficiently in accordance with the original purpose of doing credit starting from the time the credit is submitted until the credit is declared paid (Sevim, Temizen, and Sayilir, 2012 in Ichwan, 2016) [16]. Table V explain the median results for 2 (two) credit dimension questions, illustrating: 1) the respondent has never had less than half of his week's salary given on a credit card or for a car loan payment, 2) the respondent never paid a full credit card bill for avoid interest costs. The knowledge of MSMEs in Bandung about credit is still low, which indicates that they are not familiar with the credit that is often offered by banking services or other financial institutions [16].

Table V explains the median results for 2 (two) shopping dimension questions, illustrating: 1) respondents always compare and check at least 3 stores for large purchases, 2) respondents always avoid impulse purchases and do not use shopping as a form of recreation. The behavior of MSME entrepreneurs in the city of Bandung regarding shopping is classified as being prudent in shopping and buying as needed. They are careful before buying and do not use shopping as a form of recreation.

In general, SMEs in Bandung still have low financial literacy and their financial knowledge is uneven. Table VI shows the dimensions of financial management, savings and investment, insurance and housing planning, credit and spending with each median being relatively low with a wide range. This condition illustrates that the lack of understanding of the 5 dimensions of financial management with a large or non-uniform level of difference / disparity in financial understanding. This imbalance of financial literacy needs to be bridged and can be overcome by providing education about financial management through appropriate training methods, and making a simple financial application

of SAKA (peSAK Abdi) as a means of financial recording.

## V. CONCLUSION

Financial knowledge (literacy) is usually an input for modeling financial education needs and explaining variations in financial management results. Measuring and defining financial literacy appropriately, it is important to be able to understand the impact of education and the obstacles to making effective financial choices (S. J. Huston, 2010) [17]. This research study is limited to SMEs in Bandung who are registered as focus group discussion participants in financial literacy counseling activities. It is possible that the findings of the description of financial literacy which cover these 5 dimensions of financial management only apply to these participants. However, this description of the financial literacy of SMEs in Bandung has an impact on participants who wish to improve their financial management knowledge and skills. The results of this descriptive study provide an overview of the financial literacy of SMEs in the city of Bandung is still relatively low and there is an imbalance of financial knowledge among entrepreneurs. Consideration must be taken to take steps / actions to improve their finances in the future. Concrete actions such as training and making simple applications are needed to improve their financial knowledge and behavior. Understanding in the form of training on 5 financial dimensions including financial management, savings and investment, insurance and housing planning, credit, and shopping related to the banking and other financial services will help them in managing and planning finances for the sustainability of their businesses.

Financial understanding training for SMEs is very meaningful if they can immediately apply it to the SAKA simple financial application program (peSAK Abdi). Through this application program, SMEs can record, manage, and plan their personal and business finances, and gradually get to know and use financial institutions. To maintain and obtain maximum output, SMEs in the city of Bandung need to be given a variety of training activity continuously and mentoring so that they can develop their business and grade. This training and assistance in financial understanding will provide the ability for SMEs to apply the financial concepts and applications of SAKA in their business and daily lives. This will have an impact on increasing the financial literacy it has in order to increase business success.

## CONFLICT OF INTEREST

The authors declare no conflict of interest.

## AUTHOR CONTRIBUTIONS

Asni Harianti, Maya Malinda, Miki Tjandra concluded the research; and Devas Kambuno analyzed the data; Asni Harianti, Maya Malinda, Miki Tjandra, wrote the paper; all authors had approved the final version.

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Hopefully this research on financial literacy will have a positive impact on SMEs in the city of Bandung in enriching and increasing knowledge of financial concepts, as well as having the ability to compete for business success and sustainability.

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