*IOSR Journal of Dental and Medical Sciences (IOSR-JDMS)*
*e-ISSN: 2279-0853, p-ISSN: 2279-0861.Volume 20, Issue 12 Ser.4 (December. 2021), PP 46-55*
*www.iosrjournals.org*

# The Role of *Self Efficacy* in Improving Financial Literacy In Msme Sustainability, Yogyakarta Special Region

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***Abstract***
*The role of MSMEs is very important to drive the wheels of the economy in Indonesia. This means that the Indonesian economy is supported by micro-economic activities (MSMEs). The obstacle that occurs in MSMEs is the lack of financial understanding so that it is related to efforts to improve product quality and lack of innovation. The purpose of this study is to see the effect of financial literacy and financial inclusion on the sustainability of the culinary sector SMEs registered at the Yogyakarta Cooperatives and UMKM Service which is moderated by self-efficacy. The method used is a survey method in the form of a questionnaire distributed to respondents. Questionnaires were distributed to 122 respondents, but only 65 returned questionnaires. The analytical tool used SPSS version 25. The results from the first hypothesis, financial literacy has a positive effect on the sustainability of supported SMEs. The second hypothesis, that financial inclusion has a positive effect on the sustainability of MSMEs is not supported. The third hypothesis, self-efficacy moderating financial literacy on the sustainability of MSMEs is supported. This study provides theoretical implications, namely the Resource Based View theory is used as a grand theory in explaining financial literacy and financial inclusion which is one part of business internal resources. The methodological implication is that there are inconsistent research results so that self-efficacy is used as a moderation in this study in order to be able to strengthen the influence of financial literacy on the sustainability of MSMEs.*

***Keywords****, financial literacy, financial inclusion, self efficacy, sustainability of MSME*

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Date of Submission: 02-12-2021 Date of Acceptance: 16-12-2021

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## I. Preliminary

According to the Indonesian Ministry of Cooperatives and SMEs, in 2017 the Indonesian economy was supported by micro-economic activities (MSMEs) which contributed 60% of gross domestic product. The existence of MSMEs is able to absorb almost 97% of Indonesia's workforce. However, of the 56.54 million MSMEs in Indonesia, only 30% are able to access loans to finance their businesses. The number of MSMEs operating in Yogyakarta based on SIBAKUL data is 301,498 SMEs and the culinary sector MSMEs are 11,976 MSMEs spread across the DI Yogyakarta Province, the high number of MSMEs in the culinary sector is caused by the high number of culinary enthusiasts in the DI Yogyakarta Province so that there are 70% of non-culinary MSME actors switch production to culinary SMEs. The development of the number of MSMEs greatly affects the economic growth of the local area. Knowledge related to financial literacy and financial inclusion is very important for MSME actors. This is because financial literacy and financial inclusion have an effect on financial management which has an impact on business continuity.

The problems in running MSMEs are not only related to financial management and limited resources, but also limited access to capital owned by business actors. The low level of financial literacy among MSME actors is one of the causes of the lack of access by financial institutions to the sector. MSME actors tend to not understand the financial products offered by financial institutions, both banks and non-banks, making it difficult for MSME actors to access them. The next obstacle faced by MSME actors is related to the difficulty of improving the quality of MSME products, the lack of new breakthroughs related to products because MSMEs are short-term oriented in decision making (Amri & Iramani, 2018). MSMEs also experience problems in understanding financial literacy which have an impact on the low quality of management. The weakness of MSMEs is that they are difficult to develop because businesses are always stagnant due to a limited *market* . This is supported by the statement Sabilla & Wijayangka, (2019), some MSME actors do not understand the procedures for making financial reports, they do not separate personal needs from MSME needs, resulting in the business being run undeveloped. Lusimbo & Muturi, (2016), the factors that influence business growth are financial literacy and financial inclusion, because without an adequate understanding of finance and easy access to financial services, MSME actors will experience difficulties when making decisions related to their business financial planning.

Financial literacy is related to a person's competence in making efficient decisions related to his finances so that his business can *survive* . Financial literacy is able to influence individual mindsets related to the financial condition of businesses, and making decisions about businesses, as well as better financial management for MSME actors (Ruli & Hilmawati, 2021). MSME actors who are accompanied by financial literacy will provide benefits to the government, for example in terms of taxes. With adequate financial literacy, MSME actors have good abilities in compiling financial reports which are the basis for tax collection. With good financial reports, the taxes imposed on MSMEs will be optimal. This tax revenue will be maximized for the construction of better public facilities.

The Financial Literacy Assessment Framework explains that economic development and financial stability are fundamental factors of financial literacy. In addition to financial literacy, Indonesia also uses financial inclusion as the basis for a national strategy that aims to increase economic growth. According to the Presidential Regulation of the Republic of Indonesia Number 82 of 2016 states that financial inclusion plays an important role in the process of social inclusion and economic inclusion which plays a role in increasing economic growth, creating financial system stability, supporting poverty reduction, reducing inequality between individuals and between regions. Based on the results of the National Financial Literacy and Inclusion Survey (SNLK) from the OJK, it was explained that the 2019 financial literacy rate in Indonesia was 38.03% and the financial inclusion rate was 76.19%, thus an increase compared to the results of the survey conducted in 2016 of 8.33% and 8.39%, respectively. Furthermore, the level of financial literacy in DI Yogyakarta Province is 58.53% and financial inclusion is 76.12%. The data shows that MSME actors are making good progress in understanding financial literacy and experiencing development of access to financial services.

Financial inclusion is the availability of financial access that is in accordance with the needs of the community in improving welfare (OJK, 2019). Access to financing sources is very important in the sustainability of an MSME, because the financial process is the heart of every MSME. This is because without sufficient funding, MSMEs cannot survive for a long time when developing new products. Effective financial inclusion is able to make MSME actors to take advantage of financial services, so that by using financial access MSME actors can improve business continuity.

Another factor that determines business continuity is optimal performance. Optimal performance can be realized through *self-efficacy* , which is a form of one's confidence in one's abilities in completing a responsibility (Bandura, 1977). Ability refers to an individual's belief in running his business. *Self efficacy is* very necessary in developing the performance of MSME actors. The presence of *self-efficacy* in a person will lead to the confidence of MSME actors in their own abilities, because it is based on the knowledge and experience possessed by the MSME actors. Individuals who are accompanied by *self-efficacy* will make it easier for them to develop their potential in the field of financial literacy. MSME actors who are accompanied by *self-efficacy* will be more confident or feel able to study finance, making it easier to improve the sustainability of MSMEs for the better.

(Alwisol, 2004) explains that *self-efficacy* is a form of self-confidence that individuals are able to take appropriate or inappropriate actions in carrying out their responsibilities. According to Noviawati (2016), MSME actors with high *self-efficacy* will find it easier to control the conditions that occur around them. In contrast to individuals with low *self-efficacy* , they tend to think that they are unable to control the events around them. If a difficult situation occurs in MSMEs, MSME actors with low *self-efficacy* tend to quickly give up on the situation. However, SMEs with high *self-efficacy* will be more creative and enthusiastic in overcoming these difficult situations. Purnomo (2010) explains that individuals who have *self-efficacy* characteristics play an important role in the success of a business such as MSMEs.

Previous studies that have conducted similar studies have obtained different or *inconsistent* results. The results of previous studies showed that there was a significant positive effect between financial literacy and the sustainability of MSMEs, such as the research of Kasendah et al. (2019), financial literacy has a positive effect on the sustainability of MSMEs in the Rancaekek and Cileunyi regions. Research Results by Ruli et al . (2021), there is a positive effect between financial literacy and the sustainability of MSMEs in the city of Surabaya. further research by Sanistasya et al., (2019), financial inclusion has a significant positive effect on the performance and sustainability of MSMEs. In line with the research of Adriani & Wiksuana (2018), there is a positive effect between financial inclusion and the sustainability of MSMEs in Bali Province. This indicates that the better financial literacy and inclusion, the MSME actors are able to use their *financial* capabilities in decision making to improve the sustainability of MSMEs.

Different research results obtained by Pramestiningrum & Irawani (2020) state that financial literacy as measured by debt literacy has a significant negative effect on the sustainability of MSMEs in East Java. Ningtyas & Andarsari, (2021) explain that there is no effect of financial literacy on business continuity in Malang City. Allegations that financial literacy has no effect on business continuity are due to MSME actors who are not confident in completing their responsibilities, even though these MSME actors understand finance well. This shows that although MSME actors have good financial literacy, if it is not accompanied by *self-efficacy* or confidence in completing responsibilities, MSME actors will have difficulty making decisions related to MSMEs and have difficulty *surviving* in the market.

The thing that is new in this research is that *self-efficacy is* used as a moderating variable for the effect of financial literacy on the sustainability of MSMEs. *Self-efficacy* according to the theory is that a person has confidence and trust in himself in completing responsibilities based on the knowledge and experience of the individual (Bandura, 1977). In this study, financial literacy is able to affect the sustainability of MSMEs, because when one's understanding of financial management is higher, the possibility of maintaining business continuity will be higher. Thus, *self-efficacy* or a high level of confidence in one's own abilities can strengthen the effect of financial literacy on the sustainability of MSMEs.

In addition to the inconsistency of research results, it is also to fill in the gaps in the literature, because research that uses the Resource Based View (RVB) theory as a *grand* theory in explaining financial literacy and financial inclusion as internal resources is still limited. The RBV theory explains that financial literacy and financial inclusion are internal company resources that have a *value* and have the potential for the sustainability of MSMEs. Therefore, financial literacy and financial inclusion are very important for the sustainability of MSMEs. The use of RBV theory in this study is expected to add to the literature on the use of theory in explaining the influence of financial literacy and inclusion variables on the sustainability of MSMEs. The purpose of this study was to determine the effect of *self-efficacy* in strengthening the causal relationship between financial literacy and the sustainability of MSMEs in the Province of the Special Region of Yogyakarta.

## II. Theory And Hypotheses Development

### *Resource Based View (RBV) Theory*

Resource Based View (RBV) theory examines how a company can achieve a sustainable competitive advantage based on the resources owned by the company. Companies can realize their competitive advantage by utilizing their company's internal strengths, critically seeing opportunities that occur around the environment, and being able to overcome external threats and avoid company's internal weaknesses. The presence of the RBV theory, which was coined by (Barney, 1991), was caused by the emergence of doubts from the two *five-force* assumptions . The two assumptions are first, the company is in a strategic group, in which case the company's resources can be controlled with the same strategy applies in other companies. The second assumption is that if the heterogeneity of resources contained in a company or organization develops, then this heterogeneity will not last long. This is because the resources used by the company have high mobility. This means that other companies can easily own these resources because they can be traded in the market.

According to Barney, (1991), RBV explains that a company is said to have a competitive advantage if the company has unique resources and cannot be imitated by other companies engaged in similar industries. The RBV theory also explains that a company is said to have a competitive advantage, if the strategy used in advancing a business is not the same as the strategy of potential competitors. The different strategies referred to in the RBV theory are *first-Mover Advantages,* in implementing a strategy a company must have insight into opportunities regarding strategy implementation that other companies do not have. This unique resource is information about opportunities that will enable a company to better implement its strategy before other companies do. Companies that become *first movers* will have an advantage when the company has different resources than its competitors.

Second, *Entry/Mobility Barriers* , the company will have difficulty in improving its business continuity if it does not implement the same strategy as its competitors. The way that competing companies cannot implement the strategies used is that these companies must not have the same resources. When the company's resources are not spread homogeneously across competing companies and when these resources do not move perfectly, it will be a source of sustainable competitive advantage for the company. Resources in this second strategy include all assets, capabilities, information, and knowledge that can be controlled by the company, and the company has an understanding of the implementation of strategies used to improve efficiency and effectiveness.

Third, sustainable competitive advantage. The company can be said to have a competitive advantage if the company is able to implement a strategy to create *value* that is different from that applied by competing companies. A company is said to have a competitive advantage if competing companies fail to implement a value creation strategy and duplicate the benefits of that strategy in the future . A company is said to have a sustainable competitive advantage if it has internal resources that are valuable, rare, inimitable, and equivalent.

The company is said to have valuable resources if the company is able to implement the resource strategy used so that it can produce effectiveness and efficiency in the company. The application of valuable resources is useful for seeing opportunities and neutralizing threats that are around them. Furthermore, scarce resources, meaning that competing companies do not have similar resources, competitors do not have the ability to implement the same strategy because they do not have the same resources as other companies.

Companies in realizing sustainable competitive advantage are not enough just to have valuable resources, because competing companies may also have valuable resources. However, the company must also have resources that cannot be perfectly imitated by its competitors. If a company has resources that its competitors cannot imitate, then those resources will be valuable. There are three factors that underlie the company has resources that cannot be imitated by competing companies, namely the first unique historical conditions. Under these conditions, the company is able to exploit several resources in order to gain a competitive advantage, because it is strongly influenced by the company's position. Second, causal ambiguity, this condition arises when the relationship between the resources controlled by the firm that produces competitive advantage is not understood or only slightly understood. If the relationship between resources is not understood by the company, then the company has difficulty in duplicating a strategy. The three social systems are complex, with this condition, competing companies will have difficulty imitating the strategies that exist in other companies and are usually associated with corporate culture and psychosocial within the company.

Resources that provide a sustainable competitive advantage must have non-replaceable properties and characteristics. In other words, competing firms do not have equivalent resources as substitutes when implementing strategy. The different strategies used are expected to be more effective than the strategies applied by other potential competitors. Tangible and intangible resources can encourage an MSME in terms of strategy formulation in realizing competitive advantage (Ruli et al. 2020).

Referring to the RBV theory, the companies referred to in this study are SMEs, will continue to excel in the competition if they have a different strategy from their competitors and the strategy is difficult to imitate. If potential competitors fail to imitate and implement certain resource strategies, then MSMEs can be said to have a sustainable competitive advantage. In addition, MSMEs can achieve competitive advantage, if the MSME resource turnover has a low movement. Low resource movement will make the resource valuable, non-replicable, and non-substitutable. So that the RBV is used as the *Grand Theory* in this study, because the RBV is able to provide an explanation of financial literacy and financial inclusion. Financial literacy and financial inclusion in the business world are one of the company's internal resources or MSMEs that have *value* and potential in carrying out business continuity to achieve a competitive advantage.

***Financial Literacy, and MSME Sustainability***

The sustainability of a business can be determined when MSME actors are able to make the best use of opportunities in product innovation, so that sales targets and returns on capital are achieved and employees become prosperous. This shows that MSMEs have the opportunity to continue to grow and develop (Hudson, Andi Smart, 2001). When associated with the RBV theory, financial literacy is able to influence the sustainability of an MSME because the RBV theory explains that financial literacy is an internal company resource (MSME) that has the potential and *value* to support the sustainability of MSMEs, in order to be able to *survive* in various situations and conditions. MSME actors must have good financial knowledge to make it easier to manage finances. Well-managed finances will be able to improve the sustainability of MSMEs for the better.

According to research by Rahayu & Musdholifah (2017), financial literacy has a positive impact on the sustainability of MSMEs in the city of Surabaya. Idawati & Pratama (2020), there is an effect of financial literacy on the sustainability of MSMEs. The results of previous studies provide a logical description of the application of MSMEs. Individuals who have a good financial understanding will be able to use strategies to recognize and respond to changes in the business climate quickly, which in turn will produce efficient decisions and provide innovative solutions to improve the sustainability of MSMEs. The high level of financial literacy in MSME actors will make business continuity higher. Thus, the first hypothesis in this study is:

**$H_1$ : Financial literacy has a positive effect on the sustainability of MSMEs.**

***Financial Inclusion and MSME Sustainability***

The level of financial inclusion is able to affect the sustainability of an MSME because financial inclusion will become an internal resource if MSME actors take advantage of financial inclusion provided by third parties, be it bank or non-bank institutions as resources to support their MSMEs. If it is associated with the RBV *grand theory* , financial inclusion is a valuable and potential resource, because if MSME actors are able to implement financial literacy well, MSME actors will have an understanding of inclusion provided by third parties, namely banks and non-banks. Thus, it will result in the effectiveness and efficiency of the MSMEs. The application of valuable and potential resources enables MSMEs to be able to see opportunities and neutralize the threats that surround them.

Several studies show that the ease of access to finance owned by individuals has an effect on the sustainability of MSMEs. For example, the research conducted by Beck & Demirguc-Kunt (2006), the availability of access allows MSME actors to innovate, actively participate in making business investment, and use digital technology so that MSME actors are able to compete in the 4.0 revolution era. According to Ruli et al. (2020), MSMEs that do not have sufficient access to financial services will be at considerable risk of experiencing a decline in performance. Sohilauw (2018), geographical limitations, socio-economic limitations, limited opportunities can affect access to financial services. Yanti (2019), there is a positive effect between the availability of access in improving the sustainability of MSMEs. Furthermore, Adriani & Wiksuana (2018), financial inclusion has a positive relationship to the sustainability of MSMEs in Bali Province. Thus, the second hypothesis in this study is:

**$H_2$ : Financial inclusion has a positive effect on the sustainability of MSMEs.**

**Financial Literacy, *Self Efficacy*, and MSME Sustainability**

Business *sustainability* is a process that starts with business growth and development, as well as the strategies used to keep the business afloat. This statement can be used in forming the concept of this research, that the sustainability of MSMEs is a condition in which it contains steps in order to maintain the business, develop it, and maintain the resources owned and meet the needs of MSMEs. The steps used are the result of personal experience, experience from other parties or even economic conditions and conditions that are currently happening in the business world (Gunawan & Sutanto, 2013) . Therefore, it can be concluded that the sustainability of MSMEs is formed because of the consistency of good business conditions, for example growth, and strategies in maintaining business continuity.

One of the factors seen as being able to influence the sustainability of MSMEs is the understanding of MSME actors on financial literacy. Financial literacy can be defined as a form of competence or skill of an individual in understanding financial management well with the aim of keeping business finances stable so that they can earn profits (Amri & Iramani, 2018). MSME actors who have a higher level of understanding related to finance will easily understand finances, and are quick to detect the risks of the financial services used.

Idawati & Pratama's research (2020) found that there was an effect between financial literacy and the sustainability of MSMEs. However, this result is not in line with research by Ningtyas & Andarsari, (2021) which explains that there is no significant effect between financial literacy and business continuity in Malang City. The inconsistency of the results of this study is seen from the perspective of the self-confidence of MSME actors. MSME actors who have confidence or belief in their abilities will be able to improve the sustainability of MSMEs, so that MSMEs can *survive* and compete in the market.

According to Laura, (2010), *self-efficacy* talks about the self-confidence that a person has so that he is able to master whatever conditions he faces and is able to provide various kinds of useful results and have positive values. Individuals who have confidence in their abilities to control and complete responsibilities effectively and efficiently are part of *self-efficacy* (Prasetya, 2013). Therefore, when someone with high *self-efficacy* will find it easier to develop himself in the field of financial literacy, because the individual is more confident and feels able to learn finance, making it easier for him to improve the sustainability of MSMEs for the better.

This is in line with research conducted by Rosidah (2021) , *self-efficacy is* able to strengthen employee performance, and employee performance is one of the benchmarks in maintaining the sustainability of a business. Good performance will result in consistent good business conditions in terms of MSME growth, as well as strategies for maintaining business continuity. Therefore, it is estimated that *self-efficacy is* able to strengthen the influence of financial literacy on the sustainability of MSMEs, because individuals with a high level of self-confidence feel able to study finance, making it easier for them to improve the sustainability of MSMEs for the better.

**$H_3$ : *Self-efficacy* strengthens the causal relationship between financial literacy and the sustainability of MSMEs.**

## III. Research Methods

The sample of this study used the culinary sector SMEs who were registered with the Department of Cooperatives and SMEs of the Special Region of Yogyakarta. The sample method used is *purposive sampling* by considering several criteria, namely the culinary sector SMEs with a minimum business duration of one year and MSME actors who understand and participate in the progress of MSME sustainability strategy innovations, such as the *owner* of the MSME . The data collection technique was carried out by distributing *online* questionnaires through *google forms* and using a Likert scale to measure it.

Researchers distributed questionnaires to 122 people. Respondents who answered the questions in this study were owners of SMEs in the culinary sector whoregistered in Department of Cooperatives and SMEs DI Yogyakarta Province. 122 questionnaires were distributed, but only 69 questionnaires were returned or only 69 respondents were willing to fill out the questionnaire, and there were 4 respondents' answers that did not match the researcher's criteria. Therefore, this study used 65 respondents.

***Operational Definition of Variables and Measurement***

*MSME sustainability*

The sustainability of MSMEs is a condition when MSMEs have a strategy to maintain, develop, and maintain company resources. The variable of MSME sustainability is measured by indicators of *financial growth, strategic growth, structural growth, organizational growth.* The research indicators were adopted from Wickham's (2006) research. The indicator contains several questions, one of the questions is that my efforts are able to generate income products and services that have a competitive advantage.

*Financial Literacy*

Financial literacy in this study is the knowledge of MSME actors about financial management. Financial literacy is measured by indicators adopted from Fatoki, (2014). These indicators are *financial planning budgeting & control, bookkeeping, understanding of funding sources, business terminology, finance & information skills, use of technology, risk management*. The indicator load some questions one questionit is according to I with Separate business financial records from personal finances is an important thing.

*Financial Inclusion*

Financial inclusion is the ease of access for MSME actors in utilizing financial services. Financial inclusion variables are measured by indicators of *access, usage, quality.* The indicator was adopted from (OJK, 2017). The indicator contains several questions, one of which is A friendly attitude is always shown by employees of financial institutions in providing financial services

*Self Efficacy*

MSME actors who have high *self-efficacy* will have confidence in solving problems that occur in their business. This study measures *self-efficacy* with indicators of *magnitude, generality, and strength.* These indicators were adopted from research (Engko, 2008) . The indicator contains several questions, one of which is I'm okin able to act quickly to innovate for my business.

## IV. Research Results And Discussion

***Validity and Reliability Test Results***

The statement items contained in all research variables have a value less than 0.000 so that it can be declared valid and the *Cronbach alpha* value is greater than 0.70 so that the variables in this study are reliable.

**Table 1**

**Validity and Reliability Test Results**

| Variable | Sig (2-tailed) | Information | *Cronbach's Alpha* |
|---|---|---|---|
| MSME sustainability | 0.000 | Valid | 0.855 |
| Financial Literacy | 0.000 | Valid | 0.892 |
| Financial Inclusion | 0.000 | Valid | 0.835 |
| *Self Efficacy* | 0.000 | Valid | 0.910 |

***Descriptive Statistics Test Results***

The test results show that the average respondent's answer to the MSME sustainability variable item is 4.29. The average financial literacy of respondents' answers is 3.59. The average financial inclusion of respondents' answers is at 3.44. The moderating variable of *self-efficacy* on average is 4.23. This means that respondents tend to answer agree on each - each research variable.

**Table 2**

**Descriptive Statistics Test Results**

| Variable | N | Minimum | Maximum | mean | *Std Deviation* |
|---|---|---|---|---|---|
| MSME sustainability | 65 | 2.76 | 5,000 | 4.29 | 0.53 |
| Financial Literacy | 65 | 1.60 | 5,000 | 3.59 | 0.82 |
| Financial Inclusion | 65 | 1.78 | 5,000 | 3.44 | 0.77 |
| *Self Efficacy* | *65* | *2.33* | 5,000 | 4.23 | 0.74 |

***Classic Assumption Test Results***

*Normality Test Results*

The significance value obtained from the Kolmogorov-Smirnov test is 0.596. This means that the residual data is normally distributed, because the significant value is greater than 0.05.

**Table 3**

**Normality Test Results**

| description | Value of Sig. | Information |
|---|---|---|
| *Unstandardized Residual* | 0.596 | Normal Distributed |

*Multicollinearity Test Results*

The independent variables are financial literacy and financial inclusion in this study, there is no multicollinearity.

**Table 4**

**Multicollinearity Test Results**

| Variable | Tolerance | VIF | Information |
|---|---|---|---|
| Financial Literacy | 0.822 | 1.217 | Multicollinearity does not occur |
| Financial Inclusion | 0.822 | 1.217 | Multicollinearity does not occur |

*Heteroscedasticity Test Results*

The significant value of the glejser test on the independent variable does not occur heteroscedasticity because the significant value is greater than 0.05

**Table 5**

**Heteroscedasticity Test Results**

| Variable | Value of Sig. | Sig level. | Information |
|---|---|---|---|
| Financial Literacy | 0.937 | 0.05 | Heteroscedasticity does not occur |
| Financial Inclusion | 0.971 | 0.05 | Heteroscedasticity does not occur |

***Model Feasibility Test Results***

sig value. contained in the ANOVA table is 0.004, meaning that the variables of financial literacy and financial inclusion can predict the sustainability of MSMEs.

**Table 6**

**Anova**

| Variable | F | Value of Sig. | Sig Level |
|---|---|---|---|
| Regression | 5,944 | 0.05 | 0.05 |

***Determinant Test Results***

The ability of the independent variable in predicting the dependent variable is 13.4. The remaining 86.6% was predicted by other variables not examined in this study.

**Table 7**

**Determinant Test Results**

| Model | Adjusted R Square |
|---|---|
| 1 | 0.134 |

***Hypothesis testing***

*t test results*

Testing the first hypothesis there is a positive effect between financial literacy and the sustainability of MSMEs. The second hypothesis does not have a positive effect between financial inclusion and the sustainability of MSMEs.

**Table 8**

**t test results**

| Variable | B | Sig. | Information |
|---|---|---|---|
| Financial Literacy | 0.481 | 0.001 | Supported |
| Financial Inclusion | -0.119 | 0.275 | Not Supported |

*Moderated Regression Analysis (MRA) Test Results*

The MRA method in this study uses two equations, namely:

First equation:

$$KLU = + {}_{1} LK + e$$

In the first equation, financial literacy has an Adjusted R Square value of 0.131 with a sig value of 0.002

**Table 9**

**Equation 1 . Test Results**

| Variable | B | Adjusted R Square | Value of Sig. |
|---|---|---|---|
| Financial Literacy | 0.481 | 0.131 | 0.002 |

Second equation:

$$KLU = + {}_{1} LK + {}_{2} SE + {}_{3} LK*SE + e$$

After the moderating variable (SE) in the second equation, the value of Adjusted R Square increased to 0.257 or 25.7%. So it can be said that the existence of *self-efficacy* (moderation) is able to strengthen the influence of financial literacy variables on the sustainability of MSMEs.

**Table 10**

**Equation 2 . Test Results**

| Variable | Adjusted R Square | B | Sig Value |
|---|---|---|---|
| Financial Literacy | 0.131 | 0.481 | 0.002 |
| *Self Efficacy* | | 0.823 | 0.000 |
| Financial Literacy * *Self Efficacy* | 0.257 | 0.039 | 0.001 |

## V. Discussion

*Financial Literacy and MSME Sustainability*

The results of the study indicate conformity to the *Resource Based View* theory which states that achievement in business continuity occurs when the business has a high resource advantage and cannot be imitated by competitors. The superior and high-value resources referred to in this study are financial literacy owned by MSME actors. According to Ruli & Hilmawati, (2021) adequate knowledge related to how MSME actors utilize and use information with modern technology will facilitate MSME actors in preparing business strategy plans and minimizing risks so that MSMEs can *survive* in the future.

Knowledge or financial literacy plays an important role in making decisions when MSME actors solve various financial problems they face. Financial decisions made by MSME actors affect the long-term sustainability of MSMEs. The result relevant to According to Wise's research, (2013), MSME actors with high financial literacy will be able to implement financial knowledge well and take advantage of the financial information they have so that they can improve the success of MSMEs for the better.

*Financial Inclusion and MSME Sustainability*

The results of testing the financial inclusion variable show that there is no positive effect on the sustainability of MSMEs. This is due to the existence of FINTECH. The presence of FINTECH in the end makes it easier for MSME actors to obtain easy access, quality, and use of financial services. Therefore, MSME actors do not need to take advantage of financial inclusion, to be able to maintain the sustainability of MSMEs. In addition, for some cases, the business capital owned by MSME actors can still support the sustainability of the MSME, without having to use financial inclusion. This is known from some of the respondents' responses to this research, when the researcher was asked for their willingness to fill out a questionnaire. The respondent explained that they had not taken advantage of financial inclusion, because they still had sufficient working capital of their own to run their business, so they could *survive* (the sustainability of MSMEs was maintained). In addition, the limited number of respondents resulted in the respondents not reflecting the research sample.

*Financial Literacy, Self Efficacy, and MSME Sustainability*

*Self-efficacy* has characteristics such as characteristics, the meaning of characteristics here is that *self-efficacy* can appear in individuals because of a condition (Azizah, 2018). The self-confidence of an MSME actor can increase or decrease according to the conditions that occur around him. According to Flammer (2018), *self-efficacy* has several approaches, for example, one of them is experience, both own experience and experience from others. The experience of MSME actors can be seen from how the MSME actors act in solving problems that occur in their MSMEs.

MSME actors who have various experiences in solving problems that occur in MSMEs are MSME actors who have high *self-efficacy* . Likewise with MSME actors who implement the experiences of others. MSME actors who are successful in improving the sustainability of MSMEs will generally make other MSME actors learn from them. This experience approach is one of the factors in shaping the *mindset* of MSME actors to always be confident.

This study supports Rosidah (2021) who examines the effect of emotional intelligence on employee performance as well as the moderating variable of *self efficacy* . The results of this study obtained evidence that *self-efficacy is* able to strengthen employee performance, and employee performance is one of the benchmarks in maintaining the sustainability of a business. Good performance will result in consistent good business conditions in terms of MSME growth, as well as strategies for maintaining business continuity. The results of this study also show that *self-efficacy is* able to strengthen financial literacy for the sustainability of MSMEs so that the third hypothesis is supported.

## VI. Conclusion

First, the research results obtained form the basis for improving the sustainability of MSMEs. Based on the results of testing financial literacy is a variable that has a significant positive effect on the sustainability of MSMEs. Business actors who have adequate financial literacy or financial knowledge are expected to be able to implement this financial knowledge properly so that MSME financial management is better organized and MSMEs can survive and innovate. The sustainability of MSMEs will increase with the financial literacy owned by MSME actors. Financial literacy is needed by MSME actors when making business-related decisions.

Second, there is no positive effect between financial inclusion and the sustainability of MSMEs. This is because MSME actors prefer to use financial inclusion such as fintech which is more practical and efficient than traditional financial inclusion provided by banks and non-banks. Third, the results of *self-efficacy* testing strengthen the effect of financial literacy on the sustainability of MSMEs. Financial literacy owned by MSME actors will be in vain if it is not accompanied by the confidence possessed by MSME actors.

***Limitations and suggestions***

The limitation of this study lies in the low level of respondent participation. It is proven in the respondents' answers to the questionnaires entered into the researcher's *google form* . From a total of 122 questionnaires distributed, only 65 respondents answered the researcher's questionnaire. The reason is that many MSME actors object to filling out research questionnaires because it relates to the financial understanding of MSME actors in making decisions to improve the sustainability of MSMEs, which in this case respondents feel it is personal, so respondents are not willing to fill out this research questionnaire. Researchers also have difficulty in reaching other respondents due to the limited time of the study. Therefore, it is hoped that further researchers will use a more effective approach, so that the level of respondent participation can increase.

In addition, researchers also experienced difficulties in gathering respondents who understand about financial inclusion provided by banks and non-banks. It is evident from many business actors who set up their business using their own capital. This is due to limited knowledge regarding the availability of capital loans. Even if the respondent understands financial inclusion, the respondent tends to use fintech more. Therefore, it is hoped that further research can use a wider sample such as MSMEs throughout Indonesia. The use of a wider sample can add a larger number of respondents, so that the research results obtained can better reflect the real situation.

This study did not test *Confirmatory Factor Analysis* (CFA) to see how well the measured variables represent the research construct. Therefore, further research is expected to be able to use the SEM PLS or SEM AMOS test equipment to perform the CFA test on the indicators contained in each of the variables used.

***Implication***

Perpetrator MSMEs must do more updating good information obtained from the news media so that the financial literacy of financial managers increases which impact will take care the sustainability of MSMEs will be more good.

There are big challenges for MSME actors in having an understanding of financial literacy. With increasing financial literacy, MSME actors are expected to be able to make the right financial decisions and these decisions have an impact on the success of a business.

Furthermore, financial managers can further strengthen financial service providers to support MSMEs so thatga continuation of umkm still survive. Because according to the results of this study that financial inclusion has no effect on the sustainability of MSMEs. However, for MSMEs that need better funding, MSME actors should take advantage of financial inclusion provided by banks and non-banks.

This research provide insight for the government, be it BI, OJK, or the relevant government, it is better as a facilitator to share knowledge about financial literacy and financial inclusion among MSMEs. for example sharing in terms of how entrepreneurs can be successful with good financial literacy.

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Kiko Armenita Julito, et. al. "The Role of Self Efficacy in Improving Financial Literacy In Msme Sustainability, Yogyakarta Special Region." *IOSR Journal of Dental and Medical Sciences (IOSR-JDMS)*, 20(12), 2021, pp. 46-55.