

# Electronic Financial Behavior Profile for Improving SMEs Financial Literacy in Semarang

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**Abstract** - SMEs are an important element in supporting the Indonesian economy. Therefore, an improvement of SMEs in Indonesia in general and the city of Semarang in particular. Semarang is a city with considerable industrial SMEs. However, SMEs in Semarang city have not been growing rapidly. This study examines the development of SMEs in terms of financial behavior to improve their financial literacy. Financial literacy is one alternative solution that can help in terms of the complexity of financial decision and recession, and can have a positive impact on the economic capability. To create a citizens' responsible finance, access to finance must be equipped with financial education. Mix the creation of financial access and financial education will provide the basis for appropriate market behavior. Improving financial behavior is the next policy priority. This paper starts from the fact that little research on behavioral profiles of individual financial management at the group level. Availability of financial literacy profile is generally in the macro level that covers the whole of society and even a country. As the development of technology, SMEs should also use technology as a tool to operate their business activities. In this case, researchers will look at how the use of technology in the financial behavior of SMEs in Semarang. By using a triangulation method, the results from this study showed that the financial behavior and financial literacy SMEs in Semarang is still low and many SMEs in

Semarang is not using technology for financial activities.

**Keywords** - Financial Behavior, Financial Literacy

## I. INTRODUCTION

One of the main problems of the Indonesian nation is economic growth without the distribution of welfare in society. Development is concentrated on certain economic forces. According to Wahid (2014) based on several studies, in various countries including in Indonesia there are some real barriers faced by low income to access venture capital and other banking services. Financial literacy is one alternative solution that can help in terms of the complexity of the financial decision-making and recession and can have a positive impact on the economic capability. Financial literacy is the ability to understand and analyze financial options, planning for the future and give the appropriate response to a particular event is happening (Taft, et al., 2013).

Unfortunately, the studies that have been done show low financial literacy in the world community, especially people in developing countries and the third world countries. Low financial literacy is caused by many things, for example the existence of barriers related to the complexity of financial life, the existence of a variety of options when making decisions and he does not have enough time and money to learn about issues of personal finance (Taft et al., 2013; Buckland et al., 2013).

There are still many owners of SMEs (Small and Medium Enterprises) who do not understand the importance of Information and Communication Technology (ICT), confused by the various terms of technology and tend to assume that technology is only suitable for large companies. It is true that implementing technology in the enterprise requires no small cost and may not necessarily provide the benefits that we want if we do not understand what and for what kind of technology we need. If we understand the kind of technology that we need the technology can be a means of accelerating your business and open a lot of opportunities.

SMEs need to utilize ICT to improve its competitiveness, given in this era of globalization increasingly competitive arena of competition, and the worldwide nature. Each company has a different way to manage finances in respectively company. Various ways have been selected so that the financial statements easier to work, faster and to show the company's financial performance in detail. Most companies are currently using the electronic system, or do computerized, both of which are already programmed, as well as semi-computerized. SMEs should have already begun to realize the electronic system to apply either full or partial system, given the state of the market is now more dynamic and competitive, will be severely hampered if SMEs still use the way - the traditional way in the financial management of their business. Advances in technology and information systems based on the internet is so fast, the rule is that you can quickly and easily control the business, analyze, and then provide the best decision simply use the tablet / smartphone in hand through the Internet so that SMEs are able to take the decision to accelerate the growth of its business by applying electronic systems business with a customized financial management on the type of business, so appropriate.

Electronic finance including investing, banking, mortgage lending, and insurance will grow at a dazzling rate in the coming years. It's a reflection of the spectacular growth of the

Internet. In just five years, the World Wide Web has gone to becoming a ubiquitous medium for transacting business, sharing information, and communicating with people all over the world. Electronic finance will empower both consumers and businesses, enabling them to reduce transaction costs, speedily process documents online, and have instantaneous access to information. For businesses, online finance can dramatically improve efficiency and decrease the costs of internal business functions such as expense reporting, contract labor management, and time-and-billing procedures. The bill will give new technologies such as electronically transmitted fingerprint scans and encryption keys the legal weight of ink-on-paper signatures.

## **II. METHODS**

This study uses a triangulation approach, the combination of quantitative and qualitative approaches. Descriptive type research that describes and illustrates analytically why and how the patterns of problem occurred. The study population was on SMEs that produce superior products in Semarang. The types and sources of data in this study are primary data, the key data required in this study were obtained directly through interviews and observations. Sources of primary data in this study are all SMEs that have a strong commitment to engage in research. In addition to primary data, this study also used secondary data, supporting data required in this study that documents held by SMEs. Source libraries and journals that support the theme of the research is also a secondary data to be considered. Data collected through documentation and literature study to obtain information related to the subject of research that would be obtained SMEs profile comprehensively research focus, observation is an attempt to get a picture of an event in the field. Implementation of observation techniques can be done in several ways, well managed and systematically to see the guidelines as an instrument of observation, or spontaneously by the researchers were able to note given the findings of the study sites during observation aims to a holistic overview

of the subject of research. To strengthen data collection, this study also using interviews.

### III. RESULTS AND DISCUSSION

#### *A. The Correlation between Financial Literacy and Financial Behavior*

Some studies show an increase in financial literacy will be a positive impact in one's personal life and business. Financial literacy will help individuals take the right financial decisions so that it will reduce the social and psychological pressures and improve the welfare of the family. Financial knowledge reduces stress, illness, financial disputes, child abuse and conflicts between family members. People who grow up in families with financial literacy and high well-being showed not easily depressed, not aggressive and do not have a tendency to anti-social behavior and have more confidence. (Taft, et al., 2013). Results of testing the correlation between financial literacy and financial behavior indicates that both of these constructs correlated strong enough 0,773. It mean financial literacy owned by the business has a strong relationship with their financial behavior. The better mastery of financial literacy would mean also the more positive their financial behavior.

#### *B. Electronic Financial Behavior Profile*

In financial research, financial behavior phrase refers to the positive behavior or desired behavior recommended by the experts behavioral consumers as a way to improve the financial well-being (Xiao, 2008). Financial behavior put forward various experts including practices related to cash flow management, credit management, savings and investment management. Positive financial behavior of individuals who contribute to the reduction of financial stress thus enhancing the financial well-being In this study, identified four aspects of financial electronic behavior as entrepreneurs. In the aspect of cash flow management, respondents indicated a fairly good understanding about the importance of managing income and expenditure, as much as 20% of respondents manage their income electronically properly so that it can meet the needs for one month, although when asked

whether respondents are making plans monthly expenses electronically, only 45% of respondents who answered yes. Of the number of respondents who planned expenditure electronically, only 64% who spend their money in accordance with the plans that have been made. In the aspect of credit management, 22% of respondents always pay their credit electronically because they realize the consequences of when late payment and feel when payments are made electronically more effective and efficient. As many as 48% of respondents had experienced difficulty repaying loans electronically, and most disclose it due to lack of Internet network and the limitations of time. But when asked whether trying to apply for rescheduling of debt on credit providers, 85% of respondents answered no. Even from interviews revealed they did not know about the rescheduling of debt due to bank officials did not explain it to the respondent. Meanwhile as many as 78% of respondents said they never received a loan from anyone other than an authorized provider of credit institutions (banks, credit unions). - Many of them borrowed from the family, there is also mention borrowed from "pengijon" (those who offer daily loans). The behavior of respondents related to the management of savings shows more than 50% of respondents indicated positive behavior related savings. A total of 67% said always save money every month. A total of 75% said they were saving at a bank or other financial institution, but only 22% are using internet banking access.

Investment-related behavior of the respondents confirm they are still limited understanding on investment. Only 2% of respondents who have investments in stocks / mutual funds / bonds so that it can be assumed they did not monitor the investments and portfolios through the internet and only 8% of respondents who have an investment in another form that is mostly invest in gold because of high liquidity.

### IV. CONCLUSION

In the aspect of cash flow management, respondents indicated a fairly good

understanding about the importance of managing income and expenditure, as much as 20% of respondents manage their income electronically properly so that it can meet the needs for one month, although when asked whether respondents are making plans monthly expenses electronically, only 45% of respondents who answered yes. Of the number of respondents who planned expenditure electronically, only 64% who spend their money in accordance with the plans that have been made. In the aspect of credit management, 22% of respondents always pay their credit electronically because they realize the consequences of when late payment and feel when payments are made electronically more effective and efficient. As many as 48% of respondents had experienced difficulty repaying loans electronically, and most disclose it due to lack of Internet network and the limitations of time. The behavior of respondents related to the management of savings shows more than 50% of respondents indicated positive behaviors associated saving. 67% said that always saved every month. A total of 75% said they were saving at a bank or other financial institution, but only 22% are using internet banking access. Investment-related behavior of the respondents confirm they are still limited understanding on investment. Only 2% of respondents who have investments in stocks / mutual funds / bonds so that it can be assumed they did not monitor the investments and portfolios through the internet and only 8% of respondents who have an investment in another form that is mostly invest in gold because of high liquidity. Based on the results of the study it can be concluded that the behavior of financial electronic Semarang SMEs is still low. This is because their financial literacy is still low and the skills and infrastructure limitations in the use of information technology.

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**(Arranged in the order of citation in the same fashion as the case of Footnotes.)**

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