



Jurnal Bisnis, Ekonomi, Manajemen dan Kewirausahaan

| ISSN (Online) [2797-1988](#) | ISSN (Print) [2797-2003](#) |
<https://creativecommons.org/licenses/by/4.0/>
DOI: <https://doi.org/10.52909/jbemk.v4i2.177>



Impact of Financial Literacy and Education on SME's Business Sustainability of Dili, Timor-Leste: The Role of Financial Behavior as Intervening

Herlina Pereira Magno¹, Wiwik Iestari²

¹ Universitas Hayam Wuruk Perbanas, Surabaya, Indonesia

² Universitas Hayam Wuruk Perbanas, Surabaya, Indonesia

Corresponding Author: dairessi@gmail.com¹

Abstract: Purpose: to find the impact of financial literacy and education on SME's business sustainability of Dili, Timor-Leste and also to test the role of financial behavior as intervening variable. Methods: this research is quantitative approach and using questionnaires to measure the responds of SME's owners financial literacy, education, financial behavior and the sustainability of their business. There are 71 respondents and the data run using Partial Least Square (PLS) Results: Financial literacy does not directly affect business sustainability, otherwise must be through financial behavior. Education both direct and indirect does not affect on business sustainability. Implications: good literacy not instantly affect good business but also need good behavior. Education, in the other hand, proven not affect to business sustainability. So for supporting the existance of sme's business, stakeholder should emphasize on the increasing of literacy and behavior.

Keyword: Financial literacy, Level of education, Financial behavior, Business sustainability

INTRODUCTION

Timor-Leste is a newly independent country, a country with a developing economy, where many entrepreneurs have emerged involving small and medium entrepreneurs from various backgrounds, and different levels of education and literacy and financial behavior between one entrepreneur and another. The existance of sme's are expected to support the economy increase of Timor-Leste. On the otherhand, sme's also need to stay improve the ability and behavior to maintain their business. Business sustainability is a form of consistency of business conditions, where this sustainability is the process of business continuity and business development where all of this leads to the sustainability and existence (resilience) of the business (Marwati, 2017). Business sustainability is influenced by various factors including financial literacy, education and financial behavior.

Financial literacy is the knowledge, skills and beliefs that influence attitudes and behaviors to improve the quality of decision making and financial management to achieve well-being. According to Kim (2001) Sabri (2011), financial literacy is the basic knowledge that people need to survive in modern society. This basic knowledge includes knowing and understanding the complex principles of spending, saving, and investing. SME's owner or managers must understand financial literacy, in order to generate maximum profits, anticipate losses, and minimize costs incurred so that can achieve their business goals (Mutegei, Njeru and Ongesa 2015). For sme's, the literacy should be adding by the ability to do simple budgeting, accounting and evaluating the business performance.

A high level of education helps an entrepreneur run a business, because education provides a broader way of thinking, especially how to use the existing budget or funds to ensure business continuity. Andriyani & Sulistyowati (2021) found that the level of education can predict business continuity.

Business sustainability can be influenced by financial literacy through financial behavior. The financial knowledge, including knowledge about debt, bookkeeping and also budgeting and supported by good behavior on organizing, managing and utilizing financial resources will boost the business. It means that if sme's owner already have good financial knowledge and good financial behavior will make the business running well.

METHOD

The data used in the study is primary data and gathered using field surveys and using questionnaires filled out by respondents as a data collection tool (Sekaran, U. And Bougie, 2010). The population were SME entrepreneurs in the city of Dili, Timor-Leste and the samples are 71 entrepreneurs. The analysis uses a structural model with the Partial Least Square (PLS) approach. All instruments uses are validity tested uses a discriminant validity approach and the Average Variance Extracted (AVE) should more than 0.5 (Hair., et al., 2019). The Reliability Test uses the Cronbach's Alpha adn stated reliable if the value is greater than 0.7(Hair., et al., 2019).

The variables and instrument measurement

No	Variabel (Alpha Cronbach)	Indikator
1.	Business sustainability	Increasing sales as expected
		Increasing sales more than competitors
		Increasing profit as expected
		Increasing profit more than competitors
		Increasing numbers of customers as expected
		Increasing numbers of customers more than competitors
2	Financial literacy	Ability to calculate debt interest
		Ability to calculate installment
		Ability to calculate risk
		Ability to calculate profit
		Ability to book keeping
		Ability to budgeting
		Ability to evaluate performance
		Ability to evaluate performance comparing last year
3	Financial behavior	Do business budget
		Develop operating budget

No	Variabel (Alpha Cronbach)	Indikator
		saving
		Using saving for business funding
		Investing on new asset
		Pay the liability on time
		Doing book keepng

Respondent

Respondents in this study were SME entrepreneurs in the city of Dili, Timor-Leste with a sample of 71 entrepreneurs.

RESULTS AND DISCUSSION

Table 1. Character Respondents

Karakteristik	Grouping	Amount	%
gender	male	45	63%
	female	26	37%
education	elementary	0	0%
	junior high school	10	14%
	high school	25	35%
	bachelor	34	48%
	others	2	3%
Business age	< 2 years	0	0%
	2-5 years	15	21%
	> 5 years	56	79%

Table 2. Validity Discriminant and Reliability

Variables	AVE	Information	Cronbach's Alpha Value	Information
SME business sustainability	0.694	Valid	0.912	Reliable
Financial literacy	0.646	Valid	0.921	Reliable
Financial behavior	0.644	Valid	0.907	Reliable

From table 2 it is shows that all instruments are valid and reliable

Table 3. Path Coefficient

Connection Variable	Coefficient Value (β)	P-Value	Information	Decision
LK → KU	0.061	0.300	Not significant	rejected
TP → KU	0.103	0.185	Not significant	rejected
LK → PK	0.788	<0.001	Significant	accepted
TP → PK	-0.047	0.343	Not significant	rejected
LK → PK → KU	0.541	<0.001	Significant	accepted
TP → PK → KU	-0.033	0.346	Not significant	rejected

Source : proccesed data

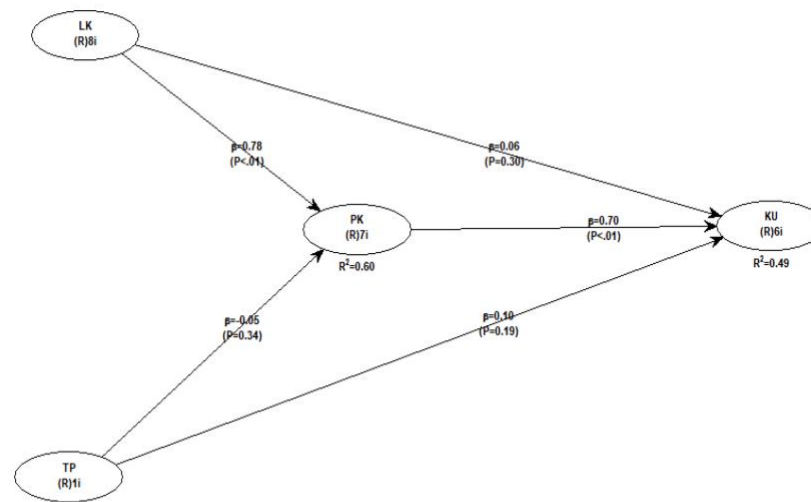


Figure 1. the path diagram of hypotheses test

DISCUSSION

The Influence of Financial Literacy on Business sustainability

Hypothesis testing obtained results that financial literacy has no effect on business continuity. Thus, it can be explained that knowledge about financial literacy possessed by individuals does not affect business sustainability. On average, respondents have a high understanding of financial literacy including debt literacy, bookkeeping and budgeting. Characteristics based on the length of business, the majority of respondents or 79% of the total respondents have started a business for more than five years so that the respondents are quite experienced in running a business. This is one of the factors that financial literacy does not affect business continuity, but financial literacy can affect business continuity through the financial behavior of business actors as a mediating variable. The results of this study are not support Permata Sari et al (2022) which proven that there is a positive and significant relationship between financial literacy and business continuity. By the way, this result can be related with third hypotheses.

The Influence of Education Level on Business sustainability

The hypothesis testing in this study obtained the results that Education Level does not affect business continuity, this is because knowledge about financial management is not only obtained through formal education but can also be obtained through social media and existing training, so that MSME actors can increase their knowledge about how to run a business so that it continues to run well through existing training, in addition, MSME businesses can grow if they have adequate capital, personal motivation from business actors and continue to innovate existing products. The results of this study are not support Istinganah & Widiyanto, (2020) which found that Education Level has a partial effect on the development of small and medium enterprises.

The Influence of Financial Literacy on Financial Behavior

The test in this study obtained the results that financial literacy has a significant positive effect on financial behavior, which means that business actors or individuals have good financial knowledge in running a company will have good financial behavior. This can be seen from the respondents' answers, one of which is related to financial literacy regarding the ability to calculate the level of profit, and they are able to set aside profits as savings for the future. Furthermore, this result shows that literacy itself is not affected by sustainability; otherwise, it will affect financial behavior.

This study supports research of Andriyani & Sulistyowati (2021) where saving is an attitude to support short-term, medium-term and long-term needs, so that it can be used when needed. It can be concluded that business actors who have good financial knowledge can set aside profits so that they can be used when needed.

The Effect of Education Level on Financial Behavior

The test in this study obtained the results that the level of education does not affect financial behavior, which means that business actors or individuals in managing businesses based on experience and training obtained non-formally. In addition, in running a business, business actors in Dili, even though they have a low level of education, they can manage their business well, with the existing profits, these business actors can increase investment in the form of land and buildings and expand their business. This study does not get the same result with Andriyani & Sulistyowati (2021) that there is a positive and significant relationship between education level and financial behavior.

The Influence of Financial Literacy on Business sustainability through Financial Behavior

The results of the study show that financial literacy has a significant positive effect on business continuity through financial behavior. The hypothesis of financial behavior as a mediating variable of the effect of financial literacy on business sustainability is accepted. SME's owner who have knowledge about debt, bookkeeping and also budgeting and supported by good financial behavior in organizing, managing and utilizing financial resources, it will support the sustainability of business. It also means that business owners who already have good financial knowledge in running the company, this can be seen from the respondents' answers, one of which is related to financial literacy regarding the ability to calculate the level of profit, and they are able to set aside profits as savings for the future and are able to calculate interest on debt to make debt payments on time, so that business actors can be said to have very good financial behavior. This study supports research by Ningtyas & Andarsari (2021) that financial literacy has a positive and significant relationship with business continuity through financial behavior.

The Effect of Education Level on Business Continuity through Financial Behavior

The test in this study obtained the results that Education Level does not affect business continuity through financial behavior, which means that business actors in running a business have been supported by sufficient experience and knowledge obtained from training and have the will to run and advance their business. This can be seen from the respondents' answers. Where business actors have sufficient knowledge of debt literacy, bookkeeping, and budgeting and are supported by good financial behavior in running their business.

CONCLUSION

This study concludes that financial literacy and education level does not directly affect business sustainability, but financial literacy has a positive effect on financial behaviour. This study show that financial behaviour perfectly mediated the effect of financial literacy on business sustainability of SME'S.

This study still has limitations in every process. Suggestions and input can be given for further research, both in terms of sample size and other variables.

REFERENCES

- Andriyani, P., & Sulistyowati, A. (2021). Analisis Pengaruh Literasi Keuangan, Inklusi Keuangan, Dan Tingkat Pendidikan Terhadap Perilaku Keuangan Pelaku Umkm Kedai/Warung Makanan Di Desa Bahagia Kabupaten Bekasi. *Aliansi : Jurnal Manajemen Dan Bisnis*, 16(2), 61–70. <https://doi.org/10.46975/aliansi.v16i2.100>
- Chepngetich, P. (2016). Effect of Financial Literacy and Performance SMEs. Evidence from Kenya. In *American Based Research Journal* (Vol. 5). <https://ssrn.com/abstract=2882997http://www.abrj.org>
- Chin, W. W. (1998). *The Partial Least Squares Approach to Structural Equation Modeling*.
- Cooper, D.R., & Schindler, P. . (2006). *Metode Riset Bisnis* (9th ed.). salemba empat.
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hudson, M., Smart, A., & Bourne, M. (2001). Theory and practice in SME performance measurement systems. *International Journal of Operations and Production Management*, 21(8), 1096–1115. <https://doi.org/10.1108/EUM0000000005587>
- Iramani, Fauzi, A. A., Wulandari, D. A., & Lutfi. (2018). Financial literacy and business performances improvement of micro, small, medium-sized enterprises in East Java Province, Indonesia. *International Journal of Education Economics and Development*, 9(4), 303–323. <https://doi.org/10.1504/IJEED.2018.096069>
- Istinganah, N. F., & Widiyanto. (2020). Pengaruh Modal Usaha, Tingkat Pendidikan, dan Karakteristik Wirausaha Terhadap Perkembangan UKM. *Economic Education Analysis Journal*, 9(2), 438–455. <https://doi.org/10.15294/eeaj.v9i2.39293>
- Junedi, & Dwi Arumsari, M. (2021). Pengaruh Modal Usaha, Kualitas Produk, Jaringan Wirausaha Terhadap Kelangsungan Usaha UMKM Madu Sari Lanceng. *MASTER: Jurnal Manajemen Strategik Kewirausahaan*, 1(2), 175–184. <https://doi.org/10.37366/master.v1i2.223>
- Luh, & Indrayanti. (2020). Makna Literasi Keuangan dalam keberlangsungan usaha industri rumah tangga perempuan bali. *Jurnal Ilmiah Akuntansi*.
- Nigtyas Mega Noerman, A. P. R. (2017). Tingkat pendidikan literasi keuangan dan perencanaan keuangan terhadap perilaku keuangan UMKM surakarta. *Riset Dan Aplikasi : Akuntansi Dan Manajemen*.
- Ningtyas, M. N., & Andarsari, P. R. (2021a). Peran Perilaku Keuangan dalam Memoderasi Literasi Keuangan dan Keberlangsungan Usaha. *Jurnal Riset Dan Aplikasi: Akuntansi Dan Manajemen*, 5(1), 37–44. <https://doi.org/10.33795/jraam.v5i1.004>
- Ningtyas, M. N., & Andarsari, P. R. (2021b). Peran Perilaku Keuangan dalam Memoderasi Literasi Keuangan dan Keberlangsungan Usaha. *Jurnal Riset Dan Aplikasi: Akuntansi Dan Manajemen*, 5(1). <https://doi.org/10.33795/jraam.v5i1.004>
- Permata Sari, B., Rimbano, D., Marselino, B., Aprilia Sandy, C., & Ria Hairum, R. (2022). Determinasi Literasi Keuangan dan Inklusi Keuangan Terhadap Kinerja dan Keberlangsungan

- Usaha UMKM. *Owner*, 6(3), 2865–2874. <https://doi.org/10.33395/owner.v6i3.928>
- Pramestiningrum, D. R., & Iramani, I. (2020). Pengaruh literasi keuangan, financial capital, kebijakan pemerintah terhadap kinerja usaha pada usaha kecil dan menengah di Jawa Timur. *Journal of Business and Banking*, 9(2). <https://doi.org/10.14414/jbb.v9i2.1750>
- Sekaran, U. And Bougie, R. (2010). *Skill, Research Methods For Business – A Approach, Building*.
- Wahyu Hari Christoper, S., & Ika Kristianti, dan. (n.d.). *HUBUNGAN E-COMMERCE DAN LITERASI KEUANGAN TERHADAP KELANGSUNGAN USAHA DI BOYOLALI RELATIONSHIP OF E-COMMERCE AND FINANCIAL LITERATERACY ON BUSINESS CONTINUITY IN BOYOLALI*. 10(1), 1–12. <https://doi.org/10.33369/j.akuntansi.9.3.1-12>
- Wailmi Khil, S. Z. (2022). Tingkat pendidikan dan sikap kewirausahaan terhadap usaha kecil mikro di masa covid-19. *JURNAL ILMIAH MANAJEMEN BISNIS DAN INOVASI UNIVERSITAS SAM RATULANGI*.