

Impact of Financial Literacy of MSEs on the Use of Financial Products and Services

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ABSTRACT

Financial literacy initiatives are essential for enhancing public knowledge about financial matters. Micro and Small Enterprises (MSEs) play a crucial role in most economies, especially in developing countries. This study investigates the effect of MSE financial literacy on the adoption of financial products and services on Sumba Island, East Nusa Tenggara. Despite the significant growth of SMEs on the island, their understanding of financial inclusion, particularly regarding banking products and services, remains limited. This study employs a quantitative descriptive approach, utilizing a simple random sampling method and multiple regression analysis. The findings reveal a positive correlation between financial literacy and the adoption of banking products and services by MSE's. Improved financial literacy among MSEs leads to greater utilization of banking products and services. However, challenges such as limited personal financial knowledge, inadequate financial management, and time constraints for acquiring comprehensive financial management skills hinder the expansion of small and medium businesses. The implications of this study underscore the importance of implementing information dissemination and training programs to enhance financial literacy and promote the inclusion of financial products and services among small and medium enterprises on Sumba Island.

Keywords: Inclusion, Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude