



Financially Literate Or Just Surviving? Mapping MSME Financial Literacy In Makassar City Through The Lens Of Financial Behavior Theory

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Abstract

Financial literacy among Micro, Small, and Medium Enterprise owners is a critical determinant of business sustainability, particularly in dynamic urban business environments. This study examines the financial literacy profile of MSME owners in Makassar City, Indonesia, using a descriptive quantitative research design grounded in Financial Behavior Theory. Data were collected through a structured questionnaire measuring financial record-keeping literacy, personal and business financial separation, profit and loss literacy, cash flow management literacy, financial planning literacy, financial decision-making literacy, financial statement literacy, and financial risk literacy. The research instrument was tested and confirmed to be valid and reliable before being used for the main analysis. The findings show that the financial literacy of MSME owners in Makassar City is generally in the high category. Personal and business financial separation, as well as financial record-keeping literacy, emerged as the strongest dimensions, indicating that MSME owners tend to recognize the importance of financial discipline and transaction documentation in maintaining business continuity. However, cash flow management and financial risk literacy remain relatively weaker dimensions, suggesting that practical financial behavior is not yet consistently implemented across all aspects of business financial management. These findings indicate that MSME owners may possess adequate conceptual understanding of financial literacy, but still require stronger operational capability in managing liquidity, anticipating financial risks, and using financial information for sustainable business decisions. This study contributes empirical insight into MSME financial literacy in Makassar City and highlights the need for more contextualized financial literacy interventions within the broader Eastern Indonesian MSME ecosystem.

Kata Kunci: Financial Literacy, MSME, Financial Behavior Theory, Makassar City, Cash Flow Management, Indonesia.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of Indonesia's national economy, contributing approximately 61 percent of gross domestic product and absorbing over 97 percent of the national workforce (Ministry of Cooperatives and SMEs of Indonesia, 2022). In Makassar City the primary economic hub of Eastern Indonesia MSMEs operate in a highly competitive and dynamic environment spanning trade, food and beverage services, and small-scale manufacturing. Despite their economic significance, a substantial proportion of MSME owners face persistent challenges in financial management, including inadequate recordkeeping, limited planning, and minimal use of financial information in decision-making (Bank Indonesia, 2021).

Financial literacy has attracted increasing scholarly and policy attention as a foundational competency for business resilience. The OECD (2020) defines financial literacy as a combination of awareness, knowledge, skill, attitude, and behavior necessary for sound financial decisions and financial wellbeing. However, much of the existing literature has focused predominantly on the knowledge component, frequently overlooking the behavioral dimension assessing whether individuals translate financial understanding into consistent operational practice (Lusardi & Mitchell, 2014). Daskalakis (2025) reinforced this distinction in a cross-national study of small business owners, finding that behavioral financial literacy measured through observable practices such as cash flow tracking and risk provisioning was a significantly stronger predictor of business survival than knowledge-based financial literacy scores.

Financial Behavior Theory offers a more robust analytical framework for understanding MSME financial literacy. Rooted in behavioral economics, this theory holds that financial competence is most meaningfully expressed through consistent, observable financial behaviors rather than abstract knowledge (Shefrin, 2002; Thaler & Sunstein, 2008). In the MSME context, financially literate behavior manifests as regular transaction recording, separation of personal and business finances, interpretation of financial statements, cash flow projection, and data-driven strategic decision-making. Potrich et al. (2016) demonstrated, in a large-scale survey of Brazilian

entrepreneurs, that the behavioral dimension of financial literacy substantially outpredicts the knowledge dimension in explaining financial management outcomes among small business owners evidence that directly validates the theoretical framing adopted in this study.

Empirical evidence further reinforces the behavioral perspective. Ameliawati and Setiyani (2018) found a significant positive relationship between financial attitudes and financial management behavior among Indonesian entrepreneurs. Drexler et al. (2014) demonstrated that rule-of-thumb financial training for microentrepreneurs produced more consistent behavioral improvements than accounting-based instruction alone. More recently, Ratnawati et al. (2024) found that financial literacy directly influences the growth orientation and investment behavior of small enterprise owners in Asian markets, with the behavioral component being particularly predictive of long-term business sustainability. Yakob et al. (2021) similarly documented, in the Nigerian MSME context, that financial literacy operationalized as behavioral practice specifically cash flow management and financial record-keeping was a robust predictor of enterprise profitability. In the Indonesian context, Selvi et al. (2024) established that financial literacy and financial self-efficacy jointly determine MSME financial management quality, with the behavioral dimension showing the strongest direct effect.

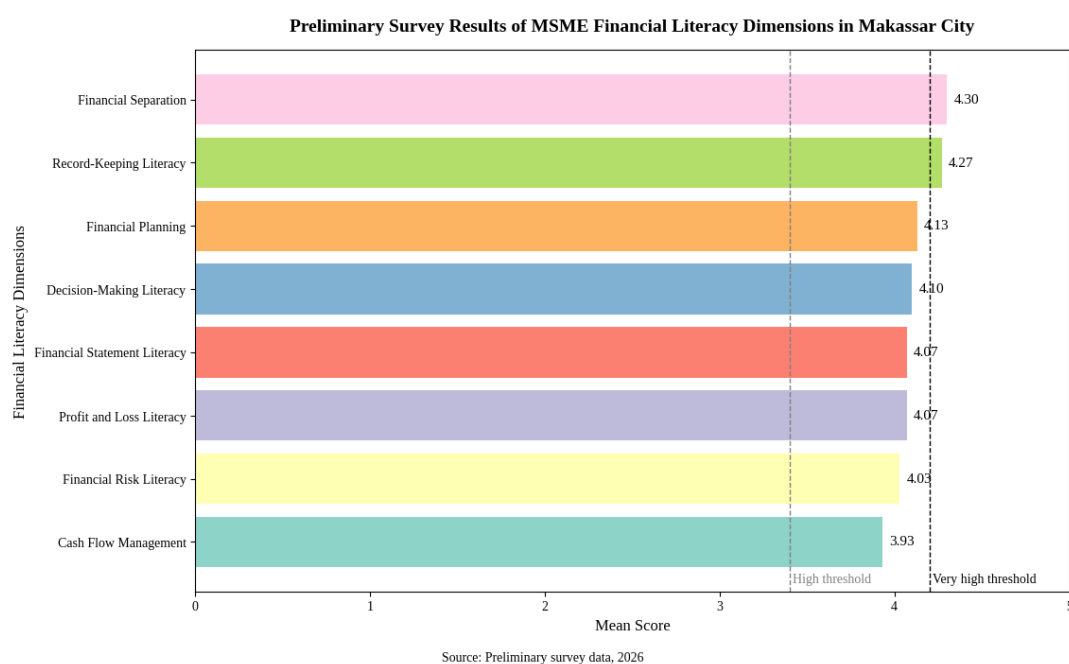


Figure 1. Pre-Eliminary Survey

A preliminary survey was conducted involving 30 MSME owners in Makassar City to obtain initial empirical evidence regarding their financial literacy conditions. The preliminary findings show that the overall level of financial literacy was categorized as high, with an average score of 4.11. However, the results also indicate that financial literacy among MSME owners was not evenly distributed across all indicators. The highest mean score was found in the separation of personal and business finances, while the lowest mean score was found in cash flow management.

More specifically, the preliminary survey revealed that 20.0% of respondents still provided low to neutral responses regarding their ability to manage business cash flow, and another 20.0% showed limited understanding of financial risks in business activities. In addition, 16.7% of respondents had not strongly understood the benefits of financial statements for evaluating business conditions, while 13.3% still showed limited understanding of profit and loss concepts. These findings suggest that the main problem is not merely the absence of financial knowledge, but the uneven practical application of financial literacy in daily business financial management.

Therefore, this preliminary evidence strengthens the urgency of examining financial literacy among MSME owners in Makassar City. Although MSME owners generally show a positive level of financial literacy, several practical dimensions remain problematic, particularly cash flow management, financial risk understanding, financial statement literacy, and the use of financial information for business decision-making. This condition indicates an empirical gap between the expected role of financial literacy in supporting MSME sustainability and the actual financial literacy profile of MSME owners in Makassar City.

Prior to the main data collection, a preliminary survey with 30 MSME owners in Makassar City revealed that while respondents expressed general financial awareness, significant practical weaknesses emerged in cash flow management, financial risk understanding, and the utilization of financial statements. Ye & Kulathunga (2019) documented a comparable pattern in their study of Mexican micro-enterprise owners, finding that awareness-level literacy and practice-level literacy diverge most substantially in technically demanding domains, particularly cash management and risk anticipation a finding that resonates directly with the preliminary observations from Makassar. These results established a clear empirical gap: awareness does not guarantee behavioral implementation, and the gap between knowledge and practice is most pronounced in areas requiring sustained operational discipline.

In South Sulawesi and the Makassar context, empirical data on MSME financial literacy from a behavioral standpoint remain limited, creating the empirical space this study addresses. This study pursues four objectives: (1) to describe the financial literacy profile of MSME owners in Makassar City; (2) to identify the strongest and weakest dimensions; (3) to explain financial literacy as practical financial behavior; and (4) to strengthen the theoretical relevance of Financial Behavior Theory in the MSME context.

2. Methods

This study employed a descriptive quantitative research design to systematically characterize the financial literacy profile of MSME owners in Makassar City (Creswell & Creswell, 2018). Using purposive sampling, 100 MSME owners with direct decision-making authority over business finances were selected—meeting the minimum threshold recommended by Hair et al. (2019) for descriptive quantitative studies. Prior to main data collection, a preliminary survey involving 30 MSME owners was conducted to identify empirical gaps in financial behavior, particularly in cash flow management, financial risk awareness, and financial statement utilization, thereby strengthening the research problem justification.

Data were collected using a structured questionnaire consisting of eight items, each representing one financial literacy dimension. The instrument was constructed based on Financial Behavior Theory and adapted from established MSME financial literacy indicators (Lusardi & Mitchell, 2014; Xu & Zia, 2012; OJK, 2022). Responses were measured using a five-point Likert scale: 1 = Strongly Disagree to 5 = Strongly Agree (Sekaran & Bougie, 2019). Validity was assessed using Pearson Product Moment correlation; reliability was confirmed via Cronbach's Alpha ($\alpha > 0.70$ threshold; Nunnally & Bernstein, 1994). Descriptive analysis computed frequency distributions, percentages, means, and standard deviations. Category intervals for mean interpretation: 1.00–1.80 = Very Low; 1.81–2.60 = Low; 2.61–3.40 = Moderate; 3.41–4.20 = High; 4.21–5.00 = Very High.

Table 1 presents the theoretical and empirical sources from which each financial literacy dimension was adapted or theoretically supported.

Table 1. Financial Literacy Dimensions

	Dimension	Theoretical / Empirical Source
1	Financial Record-Keeping Literacy	Lusardi & Mitchell (2014); Xu & Zia (2012); Drexler et al. (2014); Yakob et al. (2021); OJK (2022)
2	Personal & Business Financial Separation	Thaler & Sunstein (2008); Fatoki (2014); OECD (2020); Heryanto & Leng (2022); Selvi et al. (2024)
3	Profit and Loss Literacy	Shefrin (2002); Lusardi & Mitchell (2014); Potrich et al. (2016); OJK (2022); Ameliawati & Setiyani (2018)
4	Cash Flow Management Literacy	Drexler et al. (2014); Beck & Demirgüç-Kunt (2006); Daskalakis (2025); Ye & Kulathunga (2019); Bank Indonesia (2021)
5	Financial Planning Literacy	OECD (2020); Aribawa (2016); Ratnawati et al. (2024); Ministry of Cooperatives and SMEs of Indonesia (2022)
6	Financial Decision-Making Literacy	Shefrin (2002); Thaler & Sunstein (2008); Lusardi & Mitchell (2014); Daskalakis (2025); OJK (2022)
7	Financial Statement Literacy	Xu & Zia (2012); Fatoki (2014); Heryanto & Leng (2022); Potrich et al. (2016); Aribawa (2016)
8	Financial Risk Literacy	Beck & Demirgüç-Kunt (2006); OECD (2020); Yakob et al. (2021); Ye & Kulathunga (2019); OJK (2022)

3. Result And Discussion

3.1. Respondent Profile

A total of 100 MSME owners participated in the study. Table 2 presents the demographic and business characteristics of respondents

Table 2. Respondent Profile

Respondent Profile	Category	Frequency	Percentage
Gender	Female	75	75.0%

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	Male	25	25.0%
	Total	100	100.0%
Education Level	Junior High School	4	4.0%
	Senior High School	32	32.0%
	Diploma	6	6.0%
	Bachelor's Degree	58	58.0%
	Total	100	100.0%
Business Experience	Less than 1 year	35	35.0%
	1–3 years	40	40.0%
	4–6 years	13	13.0%
	More than 6 years	12	12.0%
	Total	100	100.0%
Business Type	Trade	67	67.0%
	Services	21	21.0%
	Manufacturing Industry	12	12.0%
	Total	100	100.0%

Source: Primary data processed, 2026.

The respondent profile show that the majority of MSME owners in this study were female. This indicates that women play a substantial role in MSME activities in Makassar City, particularly in small-scale trade and service-based businesses. In terms of education, most respondents had completed higher education, especially at the bachelor's degree level, suggesting that many MSME owners in this study have sufficient educational backgrounds to understand basic financial concepts and business management practices.

Based on business experience, most respondents had operated their businesses for less than three years, indicating that the sample was largely dominated by early-stage MSME owners. This condition is relevant to the study because financial literacy is particularly important during the early phase of business development, when owners need to establish financial discipline, manage cash flow, separate personal and business finances, and make informed financial decisions. In terms of business type, trade-based MSMEs dominated the sample, followed by services and manufacturing industries. This reflects the practical character of MSME activities in Makassar City, where daily transactions, cash flow control, and simple financial recording are central to business sustainability.

3.2. Validity And Reliability Test

Table 3 presents the validity test results (N = 100, r-table = 0.197 at $\alpha = 0.05$). All eight items are valid, with r-count values substantially exceeding the r-table threshold and significance levels of 0.000.

Table 3. Validity Test Result

Item	Dimension	r-count	r-table	Sig.	Result
FL1	Financial Record-Keeping Literacy	0.646	0.197	0.000	Valid
FL2	Personal & Business Financial Separation	0.538	0.197	0.000	Valid
FL3	Profit and Loss Literacy	0.525	0.197	0.000	Valid
FL4	Cash Flow Management Literacy	0.737	0.197	0.000	Valid
FL5	Financial Planning Literacy	0.706	0.197	0.000	Valid
FL6	Financial Decision-Making Literacy	0.562	0.197	0.000	Valid
FL7	Financial Statement Literacy	0.680	0.197	0.000	Valid
FL8	Financial Risk Literacy	0.495	0.197	0.000	Valid

Source: Primary data processed, 2026.

Before conducting the descriptive analysis, a reliability test was performed to examine the internal consistency of the financial literacy instrument. Reliability testing is important to ensure that all questionnaire items consistently measure the same construct. In this study, reliability was assessed using Cronbach's Alpha, with a commonly accepted threshold of greater than 0.70 indicating that the instrument has adequate internal consistency. The results of the reliability test are presented in Table 4.

Table 4. Reliability Test Result

Variable	Number of Items	Cronbach's Alpha	Criteria	Result
Financial Literacy	8	0.758	> 0.70	Reliable

Source: Primary data processed, 2026.

As shown in Table 4, the Cronbach's Alpha value for the financial literacy instrument exceeded the minimum reliability threshold. This indicates that the eight items used to measure financial literacy have acceptable internal consistency. Therefore, the instrument can be considered reliable and appropriate for measuring the financial literacy of MSME owners in Makassar City. This result also confirms that the dimensions of financial record-keeping, financial separation, profit and loss understanding, cash flow management, financial planning, financial decision-making, financial statement literacy, and financial risk literacy are sufficiently consistent as indicators of the financial literacy construct.

3.3. Descriptive Statistics

Table 5 presents the mean, standard deviation, and category for each financial literacy dimension.

Code	Financial Literacy Dimension	Mean	Standard Deviation	Category
FL1	Financial Record-Keeping Literacy	4.24	0.59	Very High
FL2	Personal and Business Financial Separation	4.26	0.63	Very High
FL3	Profit and Loss Literacy	4.04	0.62	High
FL4	Cash Flow Management Literacy	3.96	0.74	High
FL5	Financial Planning Literacy	4.16	0.51	High
FL6	Financial Decision-Making Literacy	4.12	0.57	High
FL7	Financial Statement Literacy	4.10	0.56	High
FL8	Financial Risk Literacy	4.07	0.57	High
Overall	Financial Literacy	4.12	0.37	High

Source: Primary data processed, 2026.

The descriptive findings of this study are consistent with previous international studies showing that financial literacy is a strategic capability for strengthening MSME sustainability and performance. Ye and Kulathunga (2019) emphasized that financial literacy contributes to SME sustainability by shaping financial knowledge, financial attitudes, and financial behavior. This supports the present finding that financial literacy among MSME owners should not be understood only as conceptual knowledge, but also as a behavioral capability reflected in daily business financial practices.

The relatively strong dimensions of financial record-keeping and separation between personal and business finances also indicate that MSME owners have begun to recognize the importance of financial discipline in business continuity. This is in line with Hussain et al. (2018), who explained that financial literacy strengthens enterprise capability in managing financial information, accessing finance, and reducing information asymmetry. In the context of MSMEs in Makassar City, such financial discipline is important because business owners often manage transactions directly and must distinguish between household cash needs and business capital requirements.

The finding that cash flow management and financial risk literacy remain relatively weaker dimensions can be interpreted as an operational challenge rather than a lack of basic awareness. Frimpong et al. (2022) found that financial literacy supports SME performance through better access to digital finance and financial decision-making. Similarly, Lontchi et al. (2023) showed that financial literacy plays an important mediating role in improving SME performance in the context of financial technology adoption. These studies indicate that MSME owners need not only basic financial knowledge, but also practical capability to manage liquidity, control financial risks, and use financial tools for business decisions.

The present findings are also supported by Kumari et al. (2024), who found that financial literacy among microentrepreneurs is associated with business performance and innovativeness. This is relevant to MSMEs in Makassar City because financial literacy enables business owners to evaluate costs, plan business development, control financial resources, and respond to changing market conditions. In addition, Kurniasari et al. (2025) confirmed in the Indonesian SME context that financial literacy, financial technology adoption, and access to finance contribute to business performance and sustainability. Therefore, the descriptive results of this study reinforce the argument that MSME financial literacy in Makassar City is relatively strong at the level of awareness and basic financial discipline, but still needs to be strengthened in more operational areas, especially cash flow management, financial statement utilization, and financial risk anticipation.

3.3. Discussion

The descriptive results show that the overall financial literacy of MSME owners in Makassar City is in the high category, with an overall mean score of 4.12. This finding indicates that MSME owners generally possess a positive understanding of basic and practical financial management. However, this result should be interpreted carefully through the lens of Financial Behavior Theory. Financial Behavior Theory emphasizes that financial literacy should not be understood only as cognitive awareness, but also as the ability to translate financial understanding into consistent financial behavior (Shefrin, 2002; Thaler & Sunstein, 2008). Therefore, a high level of self-reported financial literacy does not automatically mean that MSME owners consistently practice disciplined financial management in their daily business operations.

The high overall score reflects respondents' self-assessed understanding of financial record-keeping, financial separation, profit and loss, cash flow management, financial planning, financial decision-making, financial statements, and financial risks. Nevertheless, behavioral finance literature suggests that self-assessed competence may differ from actual behavior because individuals are often influenced by overconfidence bias, present bias, and status quo bias (Kahneman, 2011). This is particularly relevant in the MSME context, where business owners frequently manage finances informally and make financial decisions based on habit, intuition, family needs, or short-term business pressure. Potrich et al. (2016) also emphasized that self-reported financial literacy may overestimate actual financial behavior when compared with observed financial management practices.

The respondent profile strengthens this interpretation. Most respondents were female, had relatively high educational backgrounds, operated trade-based businesses, and were in the early stage of business experience. This profile suggests that many MSME owners in Makassar City are still developing their financial management routines. The dominance of early-stage business owners is important because financial literacy during the initial phase of business development can shape long-term financial habits, including how owners record transactions, allocate business capital, separate household and business money, and make financial decisions. Fatoki (2014) and Heryanto & Leng (2022) similarly argued that financial literacy is closely related to the quality of financial management among small business owners, especially when financial behavior is still being formed.

Among all dimensions, personal and business financial separation recorded the highest mean score of 4.26 and was categorized as very high. This result indicates that MSME owners in Makassar City strongly understand the importance of separating personal finances from business finances. Operationally, this dimension is crucial because the mixing of household and business funds can obscure real business performance, distort profit calculation, reduce working capital discipline, and weaken business sustainability. In many MSMEs, especially family-based and home-based businesses, the boundary between personal consumption and business expenditure is often blurred. Therefore, a strong score in this dimension suggests that respondents recognize financial separation as a basic discipline for managing business continuity.

From the perspective of Financial Behavior Theory, financial separation represents one of the most observable forms of disciplined financial behavior. It shows that business owners do not merely understand financial concepts, but also acknowledge the need to organize financial flows into distinct categories. Thaler and Sunstein (2008) explained that financial behavior is shaped by mental accounting, habits, and the way individuals classify money for different purposes. In this study, the strong position of financial separation suggests that MSME owners may have begun to develop mental boundaries between household money and business money. This finding is also consistent with the increasing emphasis of financial education programs by OJK and Bank Indonesia, which position the separation of personal and business finances as a gateway behavior for MSME formalization and better financial management (OJK, 2022; Bank Indonesia, 2021). Selvi et al. (2024) also found that financial self-efficacy is closely related to better financial management quality among MSME owners, indicating that confidence and discipline in managing business finances can strengthen financial behavior.

Financial record-keeping literacy also appears as one of the strongest dimensions, with a mean score of 4.24 and a very high category. This result shows that MSME owners understand the importance of recording financial transactions for business sustainability. In operational terms, record-keeping is the entry point for all other financial management activities. Without transaction records, MSME owners cannot accurately identify income, expenses, profit, cash flow position, business growth, or financial risk. In trade-dominant MSMEs in Makassar City, where daily transactions are frequent and cash inflows may fluctuate, record-keeping provides the basic information needed to evaluate business performance.

Financial Behavior Theory views record-keeping as a behavioral routine that converts daily transactions into usable financial information. Xu and Zia (2012) emphasized that financial literacy is not only about knowing financial concepts, but also about using financial information in decision-making. This means that record-keeping is not simply an administrative task, but a behavioral mechanism that allows MSME owners to control and interpret their business activities. Yakob et al. (2021) also found that consistent financial record-keeping is strongly related to MSME profitability among financially literate business owners. Thus, the high score for record-keeping literacy in this study indicates that MSME owners in Makassar City have a strong foundation for developing more advanced financial behaviors, such as planning, budgeting, performance evaluation, and risk control.

Profit and loss literacy obtained a mean score of 4.04 and was categorized as high. This finding indicates that MSME owners generally understand the basic concept of profit and loss in business activities. Operationally, profit and loss literacy is essential because business performance cannot be measured only from sales volume or cash received. MSME owners need to distinguish between revenue, cost, margin, and net profit. This distinction is particularly important in small businesses because owners often rely on daily cash turnover as an indicator of success, even though high sales do not necessarily mean that the business is profitable.

Lusardi and Mitchell (2014) emphasized that financial literacy provides the foundation for making better financial decisions. In the MSME context, profit and loss understanding helps business owners determine pricing strategies, control operational costs, evaluate product performance, and decide whether a business activity is economically viable. However, the high category in this dimension should not be interpreted as full mastery of business profitability analysis. Ameliawati and Setiyani (2018) explained that financial knowledge and financial behavior are distinct constructs, meaning that understanding financial concepts does not always lead to consistent financial practice. Potrich et al. (2016) also found that small business owners may understand basic profit and loss concepts but still fail to apply systematic cost control in daily operations. Therefore, the result in this study suggests that MSME owners in Makassar City have adequate conceptual understanding, but strengthening practical cost monitoring remains important.

Financial planning literacy recorded a mean score of 4.16 and was categorized as high. This indicates that MSME owners understand the importance of planning business finances for development and sustainability. Operationally, financial planning helps business owners estimate future capital needs, allocate resources, prepare for inventory purchases, anticipate seasonal expenses, and evaluate opportunities for business expansion. In Makassar City, where MSMEs operate in competitive trade, service, culinary, and small manufacturing sectors, financial planning becomes crucial because business owners must deal with changing customer demand, price fluctuations, and increasing competition from digital and modern retail channels.

OECD (2020) emphasized that financial literacy supports planning-oriented behavior and long-term financial resilience. Ratnawati et al. (2024) also found that financial literacy influences growth orientation and investment behavior among small enterprise owners in Asian markets. In this study, the high score in financial planning literacy suggests that MSME owners are aware of the importance of structured financial preparation. However, as Aribawa (2016) noted, many Indonesian MSME owners may endorse financial planning in principle while lacking practical tools to implement it systematically. This reflects the intention-action gap highlighted in Financial Behavior Theory, where awareness and intention must be converted into repeated financial routines before they become stable business behavior.

Financial decision-making literacy also reached a high category, with a mean score of 4.12. This finding suggests that MSME owners understand that financial information can be used as a basis for making business decisions. Operationally, this dimension is important because daily MSME decisions—such as purchasing inventory, setting prices, offering credit to customers, reducing expenses, applying for financing, or expanding business activities—should be supported by financial information rather than intuition alone. When MSME owners use financial information in decision-making, they are more likely to make rational, accountable, and sustainable business choices.

From the perspective of Financial Behavior Theory, this result indicates that financial literacy can shape more informed decision behavior. However, decision-making quality depends heavily on the availability and accuracy of financial records. If MSME owners do not maintain systematic records, their decisions may still be based on incomplete financial information, even when they understand the importance of financial data. Thus, the high score in decision-making literacy needs to be interpreted in connection with record-keeping, planning, and financial statement literacy. Financial information only becomes useful when it is recorded, interpreted, and applied consistently in business decisions.

Cash flow management literacy recorded the lowest mean score among all dimensions, with a mean score of 3.96, although it remains in the high category. This result confirms that cash flow management is the most operationally challenging financial literacy dimension for MSME owners in Makassar City. Unlike basic financial awareness, cash flow management requires continuous discipline in monitoring inflows and outflows, projecting future cash needs, maintaining working capital, preparing for delayed payments, managing stock purchases, and ensuring that the business has enough liquidity for daily operations.

This finding is consistent with the preliminary survey, which also indicated that cash flow management was one of the weaker practical areas among MSME owners. In daily MSME operations, cash flow problems often arise not because owners do not understand the importance of money management, but because they face irregular income, unpredictable customer demand, rising input costs, delayed payments, and urgent household needs. This condition is especially relevant to trade and service-based MSMEs in Makassar City, where business income may fluctuate from day to day and cash is often used directly to meet both business and personal needs.

Beck and Demirgüç-Kunt (2006) argued that limited access to finance and weak financial management capacity can constrain small enterprise growth. Drexler et al. (2014) further showed that simplified financial rules and practical financial training are often more effective for microentrepreneurs than complex accounting instruction. These insights are relevant to the present finding because cash flow management is not only a matter of knowledge, but also a matter of behavioral discipline and practical tools. Daskalakis (2025) also confirmed that cash flow

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management literacy is often the weakest behavioral financial literacy domain among urban microenterprise owners because it involves technical complexity and continuous monitoring.

Financial Behavior Theory provides a useful explanation for this weakness. Cash flow management requires business owners to prioritize future liquidity over immediate spending. However, present-biased preferences may lead owners to focus on current needs rather than future financial stability (Thaler & Sunstein, 2008). Ye & Kulathunga (2019) also documented that microenterprise owners in emerging market settings often underestimate seasonal cash flow risks due to optimism bias and social norm pressures. In Makassar's MSME environment, where business owners may rely on informal trade networks, family support, and community reciprocity, cash flow discipline may be challenged by social and household obligations. Therefore, improving cash flow management requires not only financial literacy education, but also behavioral interventions such as simple cash flow templates, mobile-based tracking tools, reserve-building routines, and practical mentoring.

Financial statement literacy obtained a mean score of 4.10 and was categorized as high. This indicates that MSME owners generally understand the benefits of financial statements for assessing business conditions. However, in many MSMEs, financial statements are still often perceived as administrative documents used for loan applications, taxation, or external reporting, rather than as internal tools for business evaluation. This condition is relevant in Makassar City, where many MSME owners operate with simple financial records and may not yet fully transform those records into structured financial statements.

Operationally, financial statements help MSME owners evaluate whether their business is growing, whether expenses are controlled, whether profits are stable, and whether the business has enough financial capacity to expand. Xu and Zia (2012) emphasized that financial literacy should enable individuals to use financial information effectively. Therefore, financial statement literacy should not stop at recognizing the importance of financial reports; it should extend to the ability to interpret and use reports for business control. Heryanto & Leng (2022) found that MSME owners who received targeted financial statement training demonstrated better financial management performance. This supports the argument that financial statement literacy needs to be strengthened through practical training that helps MSME owners read, interpret, and apply financial statement information in everyday decisions.

Financial risk literacy also reached a high category, with a mean score of 4.07, but it remains relatively lower than several other dimensions. This suggests that MSME owners have general awareness of financial risks, but still need stronger practical capability to anticipate and manage those risks. In the context of MSMEs in Makassar City, financial risks may arise from fluctuating sales, changes in input prices, delayed customer payments, supply chain disruption, market competition, informal credit practices, and the use of business funds for household needs. Therefore, risk literacy is essential for helping MSME owners maintain reserves, control debt, avoid excessive borrowing, and prepare for uncertainty.

Yakob et al. (2021) documented that financial risk literacy, when operationalized as actual risk management behavior such as maintaining financial buffers and using insurance, can support enterprise survival during market shocks. Ye & Kulathunga (2019) similarly found that risk literacy gaps can become a critical weakness for microenterprise continuity during economic disruption. These findings are relevant to MSMEs in Makassar City because many small business owners operate with limited financial buffers and rely more on informal coping mechanisms than structured risk management strategies. Therefore, the high but relatively weaker score in financial risk literacy indicates that MSME owners recognize risk, but may still need support in transforming risk awareness into preventive financial behavior.

Overall, the descriptive findings show that MSME owners in Makassar City have a high level of financial literacy, with the strongest dimensions found in financial separation and record-keeping, and the relatively weakest dimension found in cash flow management. This pattern provides an important theoretical and practical insight. MSME owners appear to be stronger in basic financial discipline and awareness-based dimensions, but relatively less strong in dimensions requiring continuous operational control, forward-looking projection, and risk anticipation.

This pattern is consistent with Financial Behavior Theory, which argues that financial knowledge does not automatically become financial behavior. A business owner may know that cash flow should be monitored, financial statements should be used, and risks should be anticipated, but actual implementation requires habits, tools, discipline, and a supportive business environment (Shefrin, 2002; Thaler & Sunstein, 2008). In Makassar City, MSME owners operate in a dynamic urban economy characterized by active trade, services, culinary businesses, and small-scale production. These businesses often face fluctuating demand, intense competition, informal financial practices, and limited managerial systems. Therefore, financial literacy development should move beyond general awareness campaigns and focus on practical behavior formation.

The findings imply that financial literacy interventions for MSMEs in Makassar City should prioritize operational skills. Training programs should not only explain why financial literacy is important, but also teach MSME owners how to record transactions, separate accounts, calculate profit, monitor daily cash flow, prepare simple financial statements, use financial information for decisions, and anticipate risks. In line with Drexler et al. (2014), simplified and behaviorally oriented financial tools may be more useful for MSME owners than overly technical accounting materials. Thus, the central contribution of this study is the identification of an uneven financial literacy profile: MSME owners in Makassar City generally demonstrate strong financial awareness, but require stronger support in converting awareness into consistent, practical, and sustainable financial behavior.

4. Conclusion

This study examined the financial literacy profile of 100 MSME owners in Makassar City using a descriptive quantitative design guided by Financial Behavior Theory. The overall financial literacy level is High, with Personal and Business Financial Separation and Financial Record-Keeping Literacy attaining Very High status. Cash Flow Management Literacy recorded the lowest score, identifying it as the most operationally challenging dimension. Ninety-five percent of respondents demonstrated High or Very High financial literacy. The study confirms that MSME owners in Makassar possess substantial conceptual financial literacy; however, consistent behavioral implementation remains uneven, particularly in areas requiring sustained daily discipline such as cash flow management and financial risk literacy. Financial Behavior Theory proves highly relevant as an analytical lens, directing evaluation beyond knowledge assessment to observable behavioral practice a distinction with significant implications for both policy and practice.

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