

THE INFLUENCE OF FINANCIAL LITERACY OF THE BUSINESS OWNERS ON BUSINESS PERFORMANCE AND BUSINESS CONTINUITY OF COFFEE SHOPS IN SEMARANG CITY

Nasya Zelika Haura¹, Widiartanto², Dinalestari Purbawati³
^{1,2,3}Business Administration, International Undergraduate Program
FISIP, Diponegoro University
¹Email: nasyazhaura@gmail.com

Abstract: Business in the coffee shop sector is growing and developing, increasing coffee shops in various places, not least in Semarang City. They are often found in one location with two or more coffee shops with the same large business scale with more or less the same menu list. The type of research used in this study is explanatory research with the approach with a quantitative approach and processed using SmartPLS software. The research population includes all coffee shop business owners in Semarang, with 114 coffee shops. There were 90 samples with probability sampling with a simple random sampling approach. The result from this research are: that there is a positive and significant influence between financial literacy by business owners on business performance, there is an influence between business owners' financial literacy and business continuity at coffee shops in Java, and there is an influence between business performance and business continuity at coffee shops in Semarang. This research can be used to solve problems experienced by many business owners or as input and additional information for business owners that can be considered so that they can evaluate in order to improve their business performance and continuity. For instance, coffee shop owners need to broaden their information and connection since there are still more of them who need to be made aware of information about alternative sources of finance. The following research can expand the sample coverage to be more comprehensive and modify the model to become, or it can also be by increasing the range of measuring indicators.

Keywords: Financial Literacy; Business Performance; Business Continuity

Introduction

The development of the fashion, design, crafts, films, and culinary business attempt to show their respective existences, especially in the current era of globalization, has experienced a significant increase from 2010 until 2022, where more than 80 million Micro, Small, Medium Enterprises (MSME) businesses in Indonesia. MSMEs in Indonesia is still increasing over the past ten years, even though there were slight disruptions in 2020 since there was the Covid-19 pandemic that caused most business owners to close their permanently or temporarily their businesses.

All business comes of all sizes and shapes. One of the businesses that have existed in this era is independent coffee shops which also become a vast business potential since the communities in Indonesia favour the lifestyle trends. In general, a coffee shop is a place, whether small or big, that provides the consumers to drink various beverages and uses the facilities of each coffee shop to satisfy the consumers. The more needs in human life, the more demanding they need in lifestyle.

The spread of independent coffee shops is starting to become a daily sight. Coffee has become part of people's lives in big or small cities. It is a place where people meet, have a conversation, discusses business matters, or even hang out with friends or family (Wei, 2022). Because of the trend development, the coffee shop is no longer considered a seasonal trend. It has become one of the significant opportunities for everyone who wants to start a new business. Bank Indonesia (2017)

stated that there are still many problems found in business owners who need more transparent and organized financial information that can cause lenders to have difficulty getting information about the economic and business condition of the company. Nurul et al., (2021) also stated that the problem that MSME business owners often need is better financial management, which can interfere with business economic activities. The role and responsibility of the business owner are enormous because the owner must be able to manage the finances of his own company that is being carried out so that later business goals can be well-directed and quickly develop (Hikmah, Usman, & Nurwidiyanto, 2021).

To the S&P Global Financial Literacy Survey (2018), China, with the largest population in the world, only has a financial literacy index level of 28%, while Japan, a country that is recognized as a developed in the world, is at the level of 43%. This indicates that developed countries only sometimes have a very high financial literacy index. For the Southeast Asian region, Indonesia has a financial literacy index of 32%, Malaysia at 36%, Myanmar at 52%, and Singapore at 59%. This data shows Singapore has the highest financial literacy index in Southeast Asia, with a smaller area than Indonesia. This indicates that there are problems that arise in Indonesia. Indonesia is under Myanmar, which recorded 52% or only lost 7% compared to Singapore.

In the National Financial Literacy and Inclusion Survey conducted by OJK in 2022, The percentage of financial literacy index by the province in Indonesia, with the average financial literacy in Indonesia, is 49,68%. It is explained that Riau has the highest financial literacy index in Indonesia at 67,27%, followed by the West Nusa Tenggara at 65,45% and Bangka Belitung at 62,34%. While for Central Java was at rank 14th with 51,69%.

According to the survey by having a mini interview with 20 business owners or the manager of coffee shops in Semarang City, it can be concluded that almost every business owner of coffee shops have a level of financial literacy in Sufficient Literate which can be considered as the average level that they believe their knowledge, belief, and skills can be used and valuable for the time being. However, few business owners do not have belief and confidence in their expertise in financial literacy, considering that a few factors affect their level of financial literacy: their age, education, and experiences.

For that reason, it is interesting for the researcher to raise this study because, until this time, there are only a few numbers of research and survey about financial literacy from the aspect of the business owners' (Aribawa, 2016). Some research had different results from (Fitria, 2018) that financial literacy does not affect continuity, (Widayanti et al., 2017) had result financial literacy does not significantly affect the performance of SMEs. Naufal and Purwonto (2022) found that financial literacy does not affect business continuity and performance. The hypothesis will be. The role of financial literacy supports the existence of financial knowledge that business owners can use to improve the performance and continuity of their businesses. Related to the above discussion that has been described, the problem can be formulated as follows: (a) Is there any influence of the business owners' financial literacy on the business performance of coffee shops in Semarang City? (b) Is there any influence of the business owners' financial literacy on the business continuity of coffee shops in Semarang City?, (c) Is there any influence of the business performance on coffee shops' business continuity coffee shops in Semarang City?

Theoretical Framework

Wheelen and Hunger (1996) explain that the organizational stages, judgments, and actions that make up the strategic management process determine the long-term performance of the business. Wheelen

and Hunger (1996) said that there are four reasons why small companies still do not have effective strategic planning: Not having enough time, not familiar with strategic planning, lack of expertise, and lack of trust and openness.

According to Financial Services Authority Regulation No. 76/POJK.07/2016, Financial literacy is defined as knowledge and skills that impact attitudes and behaviors to enhance the quality of decision-making and financial management to acquire wealth. Based on the survey from Financial Services Authority (FSA), the financial literacy of Indonesia Aribawa (2016) is divided into 4 (four) parts, namely (a) Well-literate, confident, and knowledgeable of financial services institutions and products such as the features, benefits, risks, obligations, and rights of financial services and the ability to use financial products and services, (b) Sufficient Literate, knowledge and belief in financial services institutions and financial services products such benefits, risks, obligations and rights and ability to use financial products and services, (c) Less Literate, only about financial services institutions, financial products and services, and (d) Not Literate, lack of expertise in using financial products and services, as well as a lack of knowledge and trust in financial services firms and their offerings.

(Eniola & Entebang, 2015) explained that performance is the ability of a firm to meet or exceed a pre-specified target over a specified period, whereby the firm provides an inherent or Able to achieve verbose specified goals. (Hudson et al., 2001) stated that a business has the chance to develop and sees opportunities to innovate continuously. Ali (2016) stated that Small and Medium Business performance can be measured based on three assumptions, namely: (1) Due to the lack of resources, it is frequently challenging to quantify performance (financial and human understanding), (2) Performance measurement generally deals with complex financial metrics that do not fully reflect the real-world conditions occurring within the organization, and (3) Commonly used measures of success are relatively meaningful only in large companies with structured corporate management.

Fatoki (2014) says that growth and continuity usually are defined and measured using absolute or relative changes in sales, assets, employment, productivity, and profits in the business. Business continuity is a concept used to describe consistency in the business sector. It refers to an ongoing business incorporating tactics to maintain growth, development, and business continuity (Hudson et al., 2001) stated that a business has the chance to develop and sees opportunities to innovate continuously.

Based on the description above, the hypothesis proposed in this study are: (H1) It is predicted that there is a positive and significant influence between financial literacy by business owners on business performance at coffee shops in Semarang City, (H2) It is predicted that there is a positive and significant influence between financial literacy by business owners on business continuity at coffee shops in Semarang City, and (H3) It is predicted that there is a positive and significant influence between Business Performance on Business Continuity at coffee shops in Semarang City.

Research Method

The type of research used by researchers in this study is explanatory research with a quantitative approach using primary and secondary data. Primary data will contain questions from research indicators, and the respondents will answer based on the current business conditions of their coffee shops. The secondary data were from previous research journals and sources related to the research.

The research population includes the business owners of the coffee shop in Semarang City. The number of existing populations will later be drawn to be a sample. The research population includes all coffee shop business owners in Semarang, with 114 coffee shops.

This research will determine the sample based on probability sampling with a simple random sampling approach. The minimum number of samples to be studied in this study will be 90 respondents of coffee shop owners in Semarang City that will be chosen from the lottery method using a random number generator in Google. After the 90 samples are chosen, they will be assisted while answering the questionnaire.

In this research, the variables with indicators that will later be used as statement items use the Likert scale. While for the data collection was from the questionnaire, literature review, and interview. Data analysis in this research uses SmartPLS software because it has a limited number of samples and a reasonably complex model. PLS analysis has two evaluation stages or models that need to be carried out: the outer and inner models. The outer model assessment of the measurement model uses the approach of Convergent Validity, Discriminant Validity, and Reliability. The inner model will use the R-Square, Path Coefficient, and Goodness of Fit.

Result and Discussion

The data was obtained through a questionnaire of 90 respondents who are the owner of Coffee Shops in Semarang City and will be processed using two models, which are the Evaluation of Structural Model (Inner model) dan Outer model (Evaluation of Measurement Model) by using the Smart PLS (Partial Least Square) software.

Table 1. Validity Test

	Financial Literacy (X)	Business Performance (Y1)	Business Continuity (Y2)
X1	0,777		
X2	0,795		
X3	0,772		
X4	0,819		
X6	0,724		
X7	0,787		
Y1.1		0,945	
Y1.2		0,946	
Y1.3		0,781	
Y2.1			0,873
Y2.2			0,895
Y2.3			0,770

Source: Processed Primary Data (2023)

After removing some items of outer loading, data processing can proceed to the next stage. That is AVE (Average Variance Extracted) for calculating the variable's value, which can be considered valid if the score is more significant than 0,5 (Ghozali & Latan, 2015).

Table 2. Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Financial Literacy (X)	0,608
Business Performance (Y1)	0,799
Business Continuity (Y2)	0,718

Source: Processed Primary Data (2023)

Based on the data presented above, it can be seen that the AVE value of each variable has met the minimum required to be said to be valid. So that the data processing process can proceed to the next stage.

Table 2. Reliability Test

Variable	Average Variance Extracted (AVE)	Composite Reliability
Financial Literacy (X)	0,874	0,903
Business Performance (Y1)	0,872	0,922
Business Continuity (Y2)	0,804	0,884

Source: Processed Primary Data (2023)

The composite reliability output results prove a satisfactory score; namely, the score for each variable is 0.70. This score proves the very high stability and consistency of the instrument used. In other words, it can be concluded that the instrument's reliability is met.

The minimum Cronbach's Alpha score is in the Business Continuity variable worth 0.804, while the maximum score is 0.874 in the Financial Literacy variable. Then the minimum composite reliability score is in the Business Continuity, which is 0.884, while the maximum value is also owned by the Business Performance variable, which is 0.922.

Table 4. First Hypothesis (H1)

Variable	Path Coefficient	T-Statistics	P-Values	Conclusion
Direct Effect				
Financial Literacy (X) → Business Performance (Y1)	0,874	3,400	0,001	Accepted

Source: Processed Primary Data (2023)

The results of this analysis prove that the Financial Literacy's path coefficient (X) has a positive effect on Business Performance (Y1) with a score of 0,348 and a t-statistic score of 3,400 T-table score of 1.96 and a P-Values of 0.001 < from the significant of 5%. This research proves that financial literacy positively and significantly affects Business Performance. These results are also in accordance with Aribawa (2016) where there is conclusion from the study that financial literacy influences business performance. This is also in line with the research from Naufal and Purwanto (2022) results that financial literacy influences business performance.

The main factors why the owner of a coffee shop in Semarang City has good financial literacy is the family background and educational background. Many of them come from a business family. They have a decent education which means that they are already familiar with how to manage the business in the basic financial aspect, for instance, their cash management, credit management, saving management, knowledge about alternative sources of funding, and skills in decision-making about their financial situation, since they have to implement it directly to the business to have a good business performance, especially in sales growth, profit growth, and customer growth.

Table 5. Second Hypothesis (H2)

Variable	Path Coefficient	T-Statistics	P-Values	Conclusion
Direct Effect				
Financial Literacy (X) → Business Continuity (Y2)	0,146	2,061	0,037	Accepted

Source: Processed Primary Data (2023)

The results of this analysis prove that the Financial Literacy's path coefficient (X) has a positive effect on Business Continuity (Y2) with a score of 0,146, and a t-statistic score of 2,061 T-table score of 1.96 and a P-Values of 0.037 < from the significant of 5%. This research proves that the financial literacy has a positive and significant effect on Business Continuity. These results are also consistent with the research conducted by Widayanti et al., (2017) who has the result that financial literacy has good impact on business continuity.

To keep the business continue for a long period, there are various factor to the business which are the selling, customer, and revenue. The owners of the coffee shop already anticipated those factors, especially when it comes to customer needs. But, another factor from the business to keep sustain is the owner's experience. By learning from mistakes and from those experiences, they can anticipate when there is an unusual event that can happen when managing the coffee shop such as a sudden increase in demand from the customer, assets that are suddenly damaged or cannot be accessed, and how to manage the funding for the next quarter.

Table 6. Third Hypothesis (H3)

Variable	Path Coefficient	T-Statistics	P-Values	Conclusion
Direct Effect				
Business Performance (Y1) → Business Continuity (Y2)	0,696	10,171	0,000	Accepted

Source: Processed Primary Data (2023)

The results of this analysis prove that the Business Performance path coefficient (Y1) has a positive effect on Business Continuity (Y2) with a score of 0,696, and a t-statistic score of 10,171, a T-table score of 1.96 and a P-Values of 0.000 < from the significant of 5%. This research proves that Business Performance positively and significantly affects Business Continuity. This is also in line with the research from Naufal and Purwanto (2022) results that business performance influences business continuity even though there are factors that affect their performance and continuity, such as experience and competitors, the results of the respondents who completed the survey questionnaire were categorized as a good in business performance which linked to their business continuity, which has a positive result.

The results of this analysis prove that the Financial Literacy (X) to Business Performance (Y1) to Business Continuity (Y2) with a score of 0,242, and a t-statistic score of 3,677 T-table score of 1.96 and a P-Values of 0.000 < from the significant of 5%. This research proves that Financial Literacy can affect Business Continuity through Business Performance which means that Business Performance can act as the Mediator Variable.

It can be concluded that the conclusion of the mediation relationship between Financial Literacy (X1) and Business Continuity (Y) through Business Performance (X2) is that there is partial mediation

because even before Business Performance act as the mediator, Financial Literacy (X) to Business Continuity (Y2) still has the significant result.

Table 7. Specific Indirect Effect

Variable	Path Coefficient	T-Statistics	P-Values	Conclusion
Direct Effect				
Financial Literacy → Business Performance (Y1) → Business Continuity (Y2)	0,242	3,677	0,000	Partial Mediation

Source: Processed Primary Data (2023)

Conclusion

The Financial Literacy variable of the owner of coffee shops has positive results on the Business Performance. It can be concluded that when the financial literacy of the owner of the coffee shop is good, it will influence the business performance of the coffee shop. There are several factors why the owner of the coffee shop in Semarang City has excellent financial literacy, such as learning from relatives, family background, and connections from the community.

The Financial Literacy variable of the owner of coffee shops has positive results on Business Continuity. It shows that when the owner of the coffee shop has good financial literacy, the coffee shop's business continuity will be positively influenced. Even though the results show that financial literacy influences the business continuity of coffee shops, there is another factor that the owner has to consider, which is the competitor. Every owner has to have a strategy to outperform the coffee shops in terms of menu, comfort, and ambiance.

The Business Performance variable of coffee shops in Semarang City has positive results on Business Continuity. It can be concluded that when the coffee shops' performance is good, there are chances that the coffee shops in Semarang City can have a long-term period.

Suggestion

This study variable can be reused in follow-up studies but tested with different subjects that are expected to add complexity to the study can be substituted or added. Research on the business of coffee shops itself remains very limited. It's hoped that there may be numerous studies with a greater relevant angle for the improvement of the business of coffee shops in Indonesia. Refinements to these studies may be done, amongst others, by expanding the sample coverage to be more comprehensive, modifying the model, or expanding the range of measuring indicators.

When using the same theory from Financial Service Authority or OJK, it is expected to use another different measurement scale by using the same measurements from Financial Service Authority so that it will have valid results.

The owner of coffee shops in Semarang City needs to broaden their information and connection since there are still more of them who need to be aware of information about alternative sources of finance (equity loans, venture capital, investors, etc.). Many owners plan to open another branch, but they need more funding. By knowing alternative sources of finance, the owners can know about risks and establish connections and networks.

References

- Aribawa, D. (2016). Pengaruh Literasi Keuangan Terhadap Kinerja Dan Keberlangsungan Umkm Di Jawa Tengah. *Siasat Bisnis*.
- Deny, S. (2020, September 26). *Simak Pentingnya Peran Literasi Keuangan dalam Memulai Usaha*. Retrieved from liputan6.com: <https://www.liputan6.com/bisnis/read/4366742/simak-pentingnya-peran-literasi-keuangan-dalam-memulai-usaha>
- Eniola, A., & Entebang, H. (2016). Financial literacy and SME firm performance. *International Journal of Research Studies in Management*, 31-43.
- Fatoki, O. (2014). The Financial Literacy of Micro Entrepreneurs in South Africa. *Journal of Social Sciences*, 151-158.
- Fitria, M., & Rahman, A. (2018). The Affect of Financial Literacy on Growth and Sustainability of SMEs (Small and Medium Enterprises) in the Handicraft Sector in Padang City. *International Journal of Progressive Sciences and Technologies (IJPSAT)*, 382-393.
- Ghozali, P., & Latan, H. (2015). Partial Least Squares Konsep, Teknik, dan Aplikasi Menggunakan Program SmartPLS 3.0 . In P. D. Ghozali, & H. Latan, *Partial Least Squares Konsep, Teknik, dan Aplikasi Menggunakan Program SmartPLS 3.0* . Semarang: Undip.
- Hitt, M. A., Ireland, D., & Hoskisson, R. E. (2016). *Strategic Management Competitiveness & Globalization*. Boston: Cengage Learning.
- Hudson et al. (2001). Theory and practice in SME performance measurement systems. *International Journal of Operations & Production Management*, 1086-1115.
- Hunger, J. D., & Wheelen, T. L. (1996). *Manajemen Strategis*. Yogyakarta: Penerbit Andi.
- Howmuch.net. (2018, November 18). *What is the Financial Literacy Rates Around the World?* Retrieved from howmuch.net: <https://howmuch.net/articles/financial-literacy-around-the-world>
- Ifthiharfi, R. (2021, December 29). *Tren Konsumsi Kopi Nasional*. Retrieved from The Economics: <https://www.theeconomics.com/infographic/38699/>
- Katadata. (2018). *Konsumsi Kopi Indonesia Diprediksi Mencapai 370 Ribu Ton*. Retrieved from databoks.co.id: <https://databoks.katadata.co.id/datapublish/2018/07/31/2021-konsumsi-kopi-indonesia-diprediksi-mencapai-370-ribu-ton>
- Keuangan, O. J. (2021, Desember). *Strategi Nasional Literasi Keuangan Indonesia (SNLKI) 2021 - 2025*. Retrieved from <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Pages/Strategi-Nasional-Literasi-Keuangan-Indonesia-2021-2025.aspx>
- Kusumadewi. (2017). Pengaruh Locus Of Control Dan Financial Literacy Terhadap Kinerja Ukm Pada Pelaku Ukm Desa Rawa Kecamatan Cingambul Kabupaten Majalengka. 915-924.
- Naufal, M. I., & Purwanto, E. (2022). Dampak Literasi Keuangan Terhadap Kinerja dan Keberlanjutan UMKM (Studi Kasus Industri F&B Kecamatan Summersari Jember). *Jurnal Administrasi Bisnis*, 209-215.
- Nurul Hikmah, S. U. (2021). Analisis Manajemen Laba Usaha Kedai Kopi Pada Masa Pandemi Covid- 19 Di Kelurahan Amban Manokwari Barat. *Management Business Journal*, 955-972.
- OJK. (n.d.). *Hasil Survei Literasi Dan Inklusi Keuangan Nasional Meningkat*. Retrieved from sikapi uangmu: <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/20549>

Wei, S. C. (2022, Juni). *kompasiana*. Retrieved from <https://www.kompasiana.com/simchungwei4359/6292572353e2c31011484302/kopi-dan-peradaban>