

# Entrepreneurship Competence In Improving Creative Industry Performance Through Financial Literacy Levels For Micro, Small And Medium Enterprises (Msmes)

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**Abstract:** The growth of the creative industry in Indonesia has become a pillar in the economy. This phenomenon has illustrated that human resources have the potential to be ready to compete abroad. The weak ability of creative industry players in knowledge, skills and attitudes towards finance can hinder the growth of creative industry entrepreneurs. The objectives of this study are: (1) To examine the influence of entrepreneurial competence on the performance of creative industries; (2) Assessing the influence of entrepreneurial competence on financial literacy; (3) Assessing the influence of financial literacy on the performance of creative industries; (4) Assessing the role of financial literacy to be able to mediate the effect of entrepreneurial competence on the performance of creative industries. The study population was the population of Micro, Small and Medium Enterprises in Jambi Province. The sample is 200 business actors in Jambi Province for more than 2 years running a business. The data method uses the data analysis method used with measurement of Structural Equation Modeling using the SmartPLS software. The results of the study show that (1) financial literacy shows a significant positive effect on the performance of the creative industry, increased performance must be supported by increased financial literacy; (2) entrepreneurial competence shows a significant positive effect on the performance of the creative industry, the better the competence of business actors, the better the performance; (3) entrepreneurial competence shows a significant positive effect on financial literacy, increasing entrepreneurial competence possessed by business actors, the better financial literacy owned by business actors; (4) financial literacy as a mediation of the influence of entrepreneurial competence shows a significant positive effect on the performance of the creative industry, financial literacy is considered a variable that strengthens entrepreneurial competence in decision making as an effort to improve the performance of a business.

**Keywords :** Entrepreneurship Competence, Financial Literacy, Creative Industries.

## I. INTRODUCTION

The growth of the creative industry in Indonesia has become a pillar in the economy. This phenomenon has illustrated that human resources have the potential to be ready to compete abroad. The creative industry is an industry that focuses on creativity and innovation in products, both goods and services. The creative industry is an industry that results from the creativity, skills and talents of someone who can create prosperity and create jobs (Ministry of Trade, 2009; p. 5). Creativity and innovation that come from the community can be developed to support the improvement of the economy in Indonesia. The assessment of the value of an item in the creative industry is not based on the value of raw materials but has a different value from the products circulating in the market. Developed countries have recognized the creative industry from Indonesia, such as in Bandung, West Java, which has been known as the birth of the creative industry internationally. According to data from BPS Jambi Province in 2018, industrial production at MSMEs increased by 2.61% from 2017 which was accumulated from various industries, including the textile industry by 29.45%, the printing industry by 17.94% and the food industry by 11.92%. The development of this industry is created by the existence of demand, so that in fulfilling this request, it is necessary to focus on the performance of the creative industry. In addition to creativity, in maintaining and improving performance, there is a need for production for creative industry players in the form of business knowledge. The knowledge of business actors can be measured by entrepreneurial competence, which is based on Law No. 13 of 2003 concerning manpower article 1 paragraph (10), the definition of entrepreneurial competence is the ability to work for each individual which includes aspects of knowledge, skills, and work attitudes in accordance with established standards. The performance of a business is measured by profit growth, sales growth and market growth. The performance of a

business is measured financially and non-financially, where financially by looking at return on sales, profit growth and sales growth, while in non-financial terms by customer satisfaction, market growth and product quality, Prieto and Revilla (2006). Increasing the competence of business actors will make a positive contribution to the Indonesian economy. Creativity is not only enough in the business world to survive, moreover, there will be economic factors that will be faced when business operations are running. Business actors will always face uncertainty conditions, competition against product innovations will also be an obstacle in a business that can always survive even in improving performance. Creativity must always be supported by managerial knowledge so that the business can be sustainable. Decision making in a business, based on the ability of knowledge and skills in the financial sector. If business actors have excellent financial capabilities, they will be able to make the right decisions regarding the problems at hand. The problem that often occurs is the weak ability of creative industry players in knowledge, skills and attitudes towards finance. The Organization for Economic Co-operation and Development (OECD) in 2016 defined financial literacy as knowledge and understanding of a concept and financial risk, where motivation, skills, and confidence in the application of knowledge and an understanding are held with the ultimate goal of making an effective financial decision, improving financial well being for both individuals and society, and participating in the economic sector. Providing entrepreneurial competence in improving the performance of the creative industry is very important for economic growth, where the focus on improving performance is in the financial sector so that it can provide the right decisions for creative industry entrepreneurs. The objectives of this paper are: (1) To examine the influence of entrepreneurial competence on the performance of the creative industry; (2) Assessing the influence of entrepreneurial competence on financial literacy; (3) Assessing the influence of

financial literacy on the performance of creative industries; (4) Assessing the role of financial literacy to be able to mediate the effect of entrepreneurial competence on the performance of creative industries

## II. METHODS

The types of data used are (1) Primary data, namely the result data from respondents, data collection through interviews, field observations and questionnaires. (2) Secondary data, namely data obtained from books, journals and government. The population used is Micro, Small and Medium Enterprises that operate in Jambi Province while the sample used is the creative industry players who have been running their business for more than 2 years as many as 200 respondents. The variables used are (1) entrepreneurial competence (X), with the dimensions of managerial skills, conceptual skills, human skills, decision making skills, time managerial skills; (2) financial literacy (Z) with dimensions of financial knowledge (financial knowledge), financial behavior (financial behavior), financial attitude (financial attitude); (3) creative industry performance (Y) with dimensions of profit growth, sales growth and market growth. The method used is the measurement of Structural Equation Modeling (SEM) using the SmartPLS software. The analysis technique is carried out through the analysis of the results (1) outer model with Average Variance Extracted (AVE) indicator, loading factor and communality as well as reliability testing by analyzing the results of Cronbach's alpha and composite reliability; (2) inner model with analysis indicators based on the results of T-statistics and R-Square

## III. RESULT

The results of the study were carried out by measuring reliability testing by analyzing through Cronbach's Alpha, Composite Reliability and Average Variance Extracted (AVE). The minimum score for each variable can be stated as reliability, namely if Cronbach's Alpha and Composite Reliability is more than 0.7 and validity is declared if the Average Variance Extracted (AVE) is more than 0.5. Cronbach's alpha analysis in the table above, the results show that the score is more than 0.7 where the financial literacy variable is 0.802, entrepreneurial competence is 0.821 and the creative industry performance is 0.805. These results indicate that the accuracy and reliability of all variables in this study. Composite reliability with a score above 0.7 can be declared to meet reliability. Based on the table above, it can be seen that each variable in this study has a score for composite reliability above 0.7 where the financial literacy variable is 0.859, entrepreneurial competence is 0.861 and the creative industry performance is 0.858. These results indicate that the overall variables are declared reliable. Validity measurement is through Average Variance Extracted (AVE) where the score is above 0.5, it is declared that it fulfills the validity. Based on the table above, it can be seen that the overall variable score of Average Variance Extracted (AVE) is above 0.5, where financial literacy is 0.505, entrepreneurial competence is 0.569 and the performance of the creative industry is 0.506. These results indicate that the variables as a whole are declared to meet the validity. Hypothesis testing is done through the results of the t-value model can be seen in the following figure:

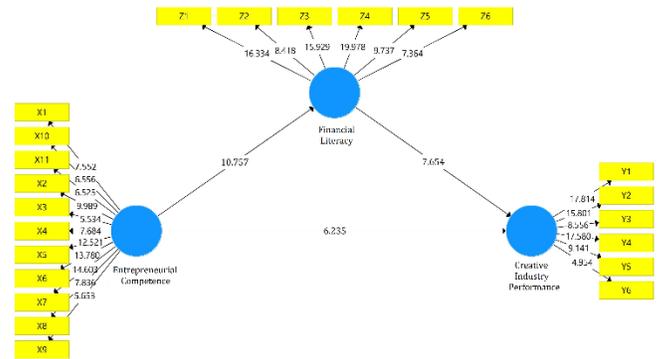


Figure 1. Model Bootstrapping

The results in the table above show that the t-statistic score indicator is greater than 1.972, so it can be stated that all variables in this study have a significant effect and the model is in accordance with predetermined criteria.

## IV. DISCUSSION

### A. The Effect of Financial Literacy on Creative Industry Performance

The results of this study indicate that financial literacy has a significant effect on the performance of the creative industry. This can be seen in the test results with a T-statistic value of 7.654 where the value is  $> 1.972$  and a P value of 0.030 with a significant level of 0.05. These results prove that partially financial literacy which includes financial knowledge, financial behavior, financial attitude has a positive effect on the performance of the creative industry, so that it means that the better the financial literacy of business actors. then the performance in the creative industry is getting better. Indicators of financial knowledge and financial behavior in business actors are considered important indicators in improving performance in the creative industry. Financial knowledge is increasing so that in managing finances in a business it will be better, this is in line with the financial behavior of business actors. In this study, business actors, especially MSMEs, in making decisions as an effort to improve their business performance have been based on an analysis of the financial position of their business. The behavior of business actors shows that risk factors are considered in making decisions. The results of this study are supported by the opinion of Lusardi (2014), where the knowledge and skills in the financial sector are an effort to improve the standard of living and achieve prosperity, where the ability to manage a good amount of money in life and business. Financial management with good knowledge is very supportive of the performance of a business, in addition to knowledge, good skills are needed which are supported by the behavior and attitudes of the business manager or actor. In this study, it shows that the maximum mastery of financial literacy by good business actors can affect the increase in profits, sales growth and market growth, this is driven by good financial management in a business.

### B. The Influence of Entrepreneurial Competence on Creative Industry Performance

The results of this study indicate that entrepreneurial competence has a significant effect on the performance of the creative industry. This can be seen in the test results with a T-statistic value of 6,235 where the value is  $> 1.972$  and a P

value of 0.000 with a significant level of 0.05. These results prove that partially entrepreneurial competencies which include managerial skills, conceptual skills, human skills, decision making skills, time managerial skills have a positive effect on the performance of the creative industry, so it can be interpreted that the better the entrepreneurial competence a business has, the better the performance in the industry. creative the better. Indicators of conceptual skills and time managerial skills in business actors are considered important indicators in improving performance in the creative industry. Conceptual skills are the ability of a business actor to determine goals and strategies in his business, the more precise the business actor determines his business goals and strategies, the better his business performance will be. Based on the experience of business actors in running their business, the better it will be in making decisions. Things that are in line with those of business actors, namely time managerial skills, where the better the business actor is in managing his time and activities, the better the business performance is. Fluency in work with good time management makes the performance of a business increase. The results of this study are supported by the opinion of Utami (2017), that knowledge can be able to produce quick responses to information and facts, skills for tasks in achieving complex behaviors that require skills, potential ability has not been developed or its application is not yet fully a talent. This research shows that good competence owned by business actors can improve the performance of a business which includes increasing profits, sales growth and market growth

### C. The Effect of Entrepreneurial Competence on Financial Literacy

The results of this study indicate that entrepreneurial competence has a significant effect on financial literacy. This can be seen in the test results with a T-statistic value of 10,757 where the value is > 1,972 and the P value is 0,000 with a significant level of 0.05. These results prove that partially entrepreneurial competencies which include managerial skills, conceptual skills, human skills, decision making skills, time managerial skills have a positive effect on financial literacy, so that it means that the better the entrepreneurial competence a business has, the better his financial literacy will be. better. Indicators of conceptual skills and time managerial skills in business actors are considered important indicators in increasing the financial literacy of business actors. Conceptual skills are the ability of a business actor to determine goals and strategies in his business, the better the ability of the business actor in concept, the better the financial literacy of the business actor. Experience that business actors have can increase financial literacy. Things that are in line with those owned by business actors, namely time managerial skills, where the better the business actor in managing time with his activities, the better the financial literacy of the business actor. Fluency in work with good time management illustrates the behavior of business actors getting better. The results of this study are supported by the opinion of Soegoto (2009), regarding the notion of competence as a behavioral dimension of skills or advantages possessed by individual leaders or employees who have good knowledge, skills and behavior. This research shows that good competence owned by business actors can increase financial literacy owned by business actors which includes financial knowledge (financial knowledge), financial behavior (financial behavior), financial attitude (financial

attitude).

### D. The Role of Financial Literacy as Mediation of the Influence of Entrepreneurship Competence on Creative Industry Performance

The results of this study indicate that the role of financial literacy as a mediator of the influence of entrepreneurial competence on the performance of the creative industry has a significant effect. This can be seen in the test results with a T-statistic value of 8,563 where the value is > 1,972 and the P value is 0,000 with a significant level of 0.05. The results of this study are supported by the opinion of Margaretha and Pambudhi (2015), that the right financial decision making comes from the financial knowledge of individual business actors. Strengthening financial knowledge of individual business actors can improve the performance of a business which is supported by the competencies of business actors in the field of entrepreneurship. The Organization for Economic Co-operation and Development (OECD) in 2016 defined financial literacy as knowledge and understanding of a concept and financial risk, where motivation, skills, and confidence in the application of knowledge and an understanding are held with the ultimate goal of making an effective financial decision, improving financial well being for both individuals and society, and participating in the economic sector. In this study, it is concluded that the application of good financial literacy by business actors is able to mediate an increase in business performance which is influenced by the entrepreneurial competence of business actors.

## V. CONCLUSIONS

Based on the results of the research and discussion, it can be concluded that: (1) financial literacy shows a significant positive effect on the performance of the creative industry, where in improving the performance of the creative industry, it must be supported by an increase in financial literacy owned by business actors; (2) entrepreneurial competence shows a significant positive effect on the performance of the creative industry, it is proven that the better the competencies owned by the business actors, the better the performance of the creative industries; (3) entrepreneurial competence shows a significant positive effect on financial literacy, this proves that with the increase in entrepreneurial competence owned by business people, the financial literacy owned by business actors is getting better; (4) financial literacy as a mediation of the influence of entrepreneurial competence shows a significant positive effect on the performance of the creative industry, where financial literacy is considered a variable that strengthens entrepreneurial competence in decision making as an effort to improve the performance of a business.

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