

## THE INFLUENCE OF FINANCIAL LITERACY AND ENTREPRENEURIAL SPIRIT ON THE WELFARE OF WEAVING CRAFTSMEN IN BALI

A.A Ketut JAYAWARSA<sup>1</sup>, Komang Adi Kurniawan SAPUTRA<sup>2</sup>

<sup>1,2</sup>Faculty of Economics and Business, Warmadewa University, Indonesia

Corresponding author: A.A Ketut Jayawarsa

E-mail: [agungjayawarsa@gmail.com](mailto:agungjayawarsa@gmail.com)

Volume: 5

Number: 5

Page: 1318 - 1325

### Article History:

Received: 2024-08-02

Revised: 2024-08-20

Accepted: 2024-09-16

### Abstract:

This study looks at how financial literacy and entrepreneurial spirit affect the well-being of ate weavers in Karangasem Regency, Bali, with an emphasis on local artists' economic development. A multiple regression technique was used to collect data from 95 ate weavers. The study finds that financial literacy considerably improves welfare, as indicated by a coefficient of 0.45 and a p-value of less than 0.01, indicating a strong positive effect. Similarly, an entrepreneurial spirit was found to have a positive influence, with a coefficient of 0.35 and a p-value of less than 0.05, implying that a proactive, business-oriented mindset plays an important part in increasing the welfare of these craftspeople. The research model explains 62% of the variation in weavers' wellbeing, emphasizing the importance of financial knowledge and entrepreneurial mindset in their economic stability. This shows that improving financial literacy and nurturing entrepreneurial abilities might have a direct impact on weavers' income. As a result, providing training programs to increase financial literacy and cultivate an entrepreneurial mindset is strongly advised to support long-term economic growth and community welfare. Such programs could help weavers better manage their finances, develop in their crafts, and ultimately contribute more to the regional economy.

**Keywords:** Financial Literacy, Entrepreneurial Spirit, Crafts, Small and Medium Industries

## INTRODUCTION

The economy in Karangasem Regency, like the economy of Bali Province, is supported by various sectors, one of which is Micro, Small and Medium Enterprises (MSMEs) to meet their livelihoods (Jayawarsa et al., 2021). Karangasem Regency has a creative advantage that has excellent potential to develop the craft industry optimally and directly provide welfare for the community (Anggreni et al., 2023; Yasrawan et al., 2023; Jayawarsa et al., 2022). MSMEs in Karangasem Regency consist of craft, building materials, food and beverage processing, textile, and other small industries. The craft industry comprises silver artisans, ate weaving, coconut shells, and wood.

The development of ate-woven crafts is currently increasing and is in demand and used by Balinese and non-Bali people, namely in the form of an ate-woven craft industry with products such as bowls, bags, baskets, and so on. This increase in development impacts the high welfare level of the woven craft industry business actors in Karangasem Regency. However, this welfare is not evenly distributed, mainly due to fluctuations in market demand for bamboo woven products, resulting in a decrease in woven craftsmen (Sara et al., 2021). These problems can be caused by various things, including errors in choosing a marketing strategy, lack of human resources and financial capital (Saputra et al., 2021).

MSMEs need to become more familiar with several financial products financial institutions offer. This then forces MSMEs to rely solely on manual and conventional banking financing. MSMEs need capital to start and develop their businesses. As a result, MSMEs tend to utilize limited personal



capital, which can affect MSME performance. More than manual banking and conventional financing relied on by MSMEs is needed to cover MSME production, which can affect MSME performance.

Various studies have been conducted by many parties in the field of MSME development in the province of Bali, and some of them highlight the welfare of artisans who are part of the MSME industry. Djawahir (2018) found that artisans need financial literacy to develop MSMEs, which can ultimately improve welfare. Sara et al. (2021) also found that financial literacy is critical for craftsmen to support the welfare and sustainability of MSME businesses. Sara et al.'s research (2023) found that financial literacy affects artisans' welfare. However, several other studies have found different results. Andarsari and Ningtyas (2019) stated that financial literacy is not the main thing that can improve the welfare of craftsmen in the MSME industry. Lusardi (2019) also argued that financial literacy is not the most critical issue in improving the welfare of MSME actors.

Moreover, Lopus et al. (2019) found that financial literacy does not affect the welfare of artisans or MSME actors. Other studies state that it takes encouragement from within entrepreneurs to advance and achieve their prosperity. The individual factor of MSME entrepreneurs is what needs to be improved as motivation to achieve prosperity, namely the entrepreneurial spirit.

The results of Cooke's (2020) study found that entrepreneurial spirit has a positive effect on increasing the motivation of MSME craftsmen to achieve prosperity. Olajide et al. (2019) also found that entrepreneurial spirit is the main factor influencing the welfare of craftsmen and MSME actors. However, in contrast to previous studies, Haddoud et al. (2021) found that entrepreneurial spirit alone will not improve the welfare of MSME actors, but other driving factors are needed. Escandon-Barbosa and Salas-Páramo (2023) also found that entrepreneurial spirit does not directly affect the welfare of craftsmen. Based on the differences in the results of previous studies show the ambiguity of the results, so it is necessary to re-explore the research context in the field of craft entrepreneurs that leads to their welfare. This study tests and analyzes the influence of financial literacy and entrepreneurial spirit on improving craftsmen's welfare, especially woven craftsmen in Karangasem Regency.

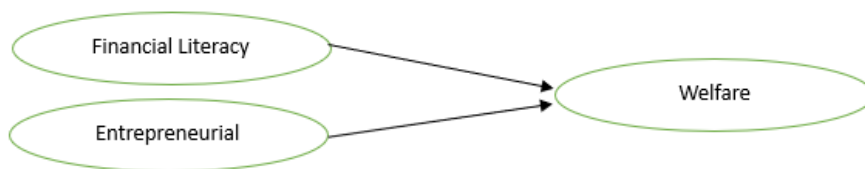
**Theory of Welfare.** Welfare is a measuring point for a society that is in a prosperous condition. This welfare can be measured by people's health, economic condition, happiness and quality of life. A multidimensional formula must define welfare (Dewi et al., 2020; Lusardi et al., 2021). These dimensions include material living standards (income, consumption and wealth), health, education, individual activities including work, political voice and governance, social relations and kinship, the environment (present and future conditions) and discomfort, both of an economic and physical nature. All of these dimensions indicate the quality of life of society, and to measure them, objective and subjective data are needed (Hasan et al., 2021; Swiecka et al., 2020). Economic theories often link a high level of welfare with a higher quality of life. The higher the income, the higher the welfare seen from the amount of their consumption. Through this understanding, the welfare theory only focuses on fulfilling food consumption needs (Arsyadi & Arif, 2022; Fitriyani & Priyono, 2023).

**Financial Literacy.** Financial literacy occurs when an individual has skills and abilities that enable the person to utilize existing resources to achieve goals. Lusardi (2019) stated that financial knowledge is an inseparable dimension of financial literacy, but it cannot yet describe financial literacy. Morgan and Long (2020) stated that the four most common things in financial literacy are budgeting, savings, loans, and investments. Financial management is intended to manage financial functions effectively and efficiently (Junus et al., 2023). Ouachani et al. (2021) stated that financial management is divided into three phases, namely financial planning (budgeting or financial planning), implementation (implementation), and evaluation (evaluation).



**Entrepreneurial Spirit.** Entrepreneurship is creativity and innovation used as a basis, as well as as tips and resources to find opportunities for success (Andarsari & Ningtyas, 2019). Klapper and Lusardi (2020) stated that entrepreneurship sees opportunities and creates business activities. The ability to create shows continuous creativity to find something different from what already exists (Kadoya & Khan, 2020). Entrepreneurship has become a job that is widely chosen and done by urban communities. Many people also choose to become entrepreneurs rather than office workers. Entrepreneurs can see and assess business opportunities, gather the resources needed to take advantage and take appropriate action to ensure success (Rai et al., 2019).

Based on the research objectives, a research model framework is formulated to obtain the influence of financial literacy variables and entrepreneurial spirit on the welfare of MSME actors, as in Figure 1.



**Figure 1.** Research Concept Framework

Based on the conceptual framework that has been built in this study, the research hypothesis can be formulated as follows:

- H1: Financial literacy affects the welfare of IKM anyaman ate actors
- H2: Entrepreneurial spirit affects the welfare of IKM anyaman ate actors

**METHODS**

This study was conducted on ate-weaving craftsmen in Karangasem Regency, Bali; this was done because ate-weaving is one of the superior products of Karangasem Regency. So, it is essential to see the welfare of weaving craftsmen there. The contribution of ate weaving crafts to the GRDP of Karangasem Regency is quite large (Central Statistics Agency of Bali Province, 2023). The population in this study were all weaving craftsmen in Karangasem Regency, totaling 300. To determine the number of samples in this study, the researcher used the Slovin Formula, which can be explained below.

$$n = \frac{N}{1 + N(e)^2}$$

Description:

- n = Number of research samples
- N = Number of research populations
- E = Percentage of accuracy allowance due to sampling error (5% - 10%).

The population is 300 people, with the error tolerance limit used in this formula being 7% (e = 7.0%). According to Hair et al. (2010) the use of a tolerance limit of 5% - 10% is used for social sciences, which can be interpreted that there is only an error of 0.07 or 7% because it happened by chance and it can be believed that 93% of the research results are correct. The following is a sample calculation according to the Slovin formula:

$$n = \frac{300}{1 + 300(0,7)^2}$$



This open-access article is distributed under a Creative Commons Attribution (CC-BY-NC) 4.0 license





$$n = \frac{300}{3,1707}$$

n = 94,61. The number of samples in this study was 95 respondents (rounded).

To test the hypothesis carried out in this study, a multiple regression analysis model was used with the following equation formula:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

- Y = Welfare
- X1 = Financial literacy
- X2 = Entrepreneurial spirit
- α = Constant
- β1 ..... β2 = Independent variable coefficient
- e = Error

**RESULT AND DISCUSSION**

This study involved 95 ate weavers in Karangasem Regency. Of the respondents, 60% were female and 40% were male. Most respondents were between 30 and 45 years old (70%), with 20% aged 46 to 60 and 10% under 30. The respondents' last education varied, with 50% having primary education, 30% having secondary education, and 20% having a college education.

The analysis results show that financial literacy has a positive and significant effect on the welfare of craftsmen, with a coefficient value of β<sub>1</sub> of 0.45 and a p-value <0.01. This indicates that an increase in financial literacy by one unit will contribute to an increase in welfare by 0.45 units. Entrepreneurial spirit also shows a positive and significant effect on the welfare of craftsmen, with a coefficient value of β<sub>2</sub> of 0.35 and a p-value <0.05. This means that an increase in entrepreneurial spirit by one unit can increase the welfare of craftsmen by 0.35 units.

This study aims to analyze the influence of financial literacy and entrepreneurial spirit's influence on ate weavers' welfare in Karangasem Regency. The data obtained were analyzed using multiple regression. The following are the results of the statistical analysis:

**Table 1.** Results of Multiple Regression Analysis

Independent Variables	Coefficient (β)	t-count	p-value
Financial Literacy (X <sub>1</sub> )	0.45	3.21	0.002
Entrepreneurial Spirit (X <sub>2</sub> )	0.35	2.87	0.005
Constants (α)	1.20	-	-

**Table 2.** Model Summary

Statistics	Mark
R <sup>2</sup> (Coefficient of Determination)	0.62
F-count	24.56
p-value (F-test)	0.0001

From the table above, it can be seen that:

1. Financial Literacy: A coefficient of 0.45 indicates that every one-unit increase in financial literacy will increase the welfare of craftsmen by 0.45 units. The p-value (0.002), smaller than 0.05, indicates that financial literacy significantly affects welfare.



This open-access article is distributed under a Creative Commons Attribution (CC-BY-NC) 4.0 license

2. Entrepreneurial Spirit: A coefficient of 0.35 indicates that every one-unit increase in entrepreneurial spirit will increase the welfare of craftsmen by 0.35 units. The p-value (0.005) also shows a significant effect.
3. Regression Model: The  $R^2$  value of 0.62 indicates that 62% of the variation in the welfare of craftsmen can be explained by financial literacy and entrepreneurial spirit. The high F-count (24.56) and significant p-value (0.0001) indicate that the regression model follows the data.

Thus, financial literacy and entrepreneurial spirit contribute significantly to improving the welfare of ate weavers in Karangasem Regency. This study supports the hypothesis that both variables influence each other in improving welfare.

The financial literacy coefficient of 0.45 indicates that increasing financial literacy contributes positively to the welfare of craftsmen. This aligns with the financial literacy theory, which states that a good understanding of financial management, investment, and financial planning can improve an individual's ability to manage their financial resources. Welfare can be measured by economic, health, and quality of life. With increasing financial literacy, craftsmen can make better investment and cost management decisions, which ultimately positively impacts their economic welfare (Amerta et al., 2024). Craftsmen who have good financial knowledge tend to be able to access more beneficial sources of financing rather than relying on conventional financing. This can be seen from the results of previous studies, which show that understanding financial products can affect business success.

The entrepreneurial spirit coefficient of 0.35 indicates that entrepreneurial spirit positively influences welfare. Entrepreneurship theory emphasizes the importance of creativity, innovation, and the ability to take risks as critical factors in achieving business success. This study aligns with the results found by Rai et al. (2019), which emphasize that entrepreneurship is not just about starting a business but also about identifying opportunities and acting to exploit those opportunities. A high entrepreneurial spirit encourages individuals to innovate in products and marketing strategies, which can increase their competitiveness in the market. Successful entrepreneurship increases income and improves the quality of life, which is one dimension of welfare (Hasan et al., 2021). Craftsmen with a robust entrepreneurial spirit tend to be more proactive in seeking new opportunities to improve their welfare.

The  $R^2$  value of 0.62 indicates that financial literacy and entrepreneurial spirit can explain 62% of the variation in welfare. This indicates that although these two variables significantly influence other factors, they also contribute to welfare that needs further research. In addition to financial literacy and entrepreneurial spirit, other factors such as access to markets, government support, and infrastructure can also affect the welfare of craftsmen. Previous research states that external support is essential for the sustainability of MSMEs (Anggreni et al., 2023).

## CONCLUSION

Based on the analysis results, it can be concluded that financial literacy and entrepreneurial spirit play an essential role in improving the welfare of the weavers in Karangasem Regency. Therefore, financial literacy training programs and entrepreneurial spirit development are highly recommended to improve the welfare of the artisans. The results of this study support the hypothesis that financial literacy and entrepreneurial spirit positively affect the welfare of ate weavers in Karangasem Regency. By improving financial literacy and entrepreneurial spirit, it is hoped that the welfare of the craftsmen can increase, which in turn will contribute to local economic growth. This study provides important insights for policymakers and related institutions in



designing programs supporting financial literacy and entrepreneurship development among MSMEs.

## REFERENCES

- Amerta, I. M. S., Putra, I. B. U., Artana, I. W. S., & Darmawan, A. A. R. (2024). Identification of the "4 a" potential in developing the tourist attraction of Jaga Satru Waterfall in East Duda Village, Karangasem district. *International Journal of Environmental, Sustainability, and Social Science*, 5(2), 387-401. <https://doi.org/10.38142/ijesss.v5i2.1034>
- Andarsari, P. R., & Ningtyas, M. N. (2019). The Role of Financial Literacy on Financial Behavior. *Journal of Accounting and Business Education*, 4(1), 24-33. <https://doi.org/10.26675/jabe.v4i1.8524>
- Anggreni, N. K. D. A., Sara, I. M., & Saputra, K. A. K. (2023). The Effect of Sustainability Accounting, Work Environment, and Leadership on Employee Performance. *Journal of Entrepreneurial and Business Diversity*, 1(1), 72-77. <https://doi.org/10.38142/jebd.v1i1.73>
- Arsyadi, S. A., & Arif, M. (2022). Analysis of Socio-Demographics and Welfare of the People of Pemalang Based on Differences in Livelihood Economic Sector. *Prosiding University Research Colloquium*, 276-293.
- Cooke, P. (2020). Dark Entrepreneurship, the 'Dark Triad' and Its Potential 'Light Triad' Realization in Green Entrepreneurship. *Urban Science*, 4(45), 17. <https://doi.org/doi:10.3390/urbansci4040045>
- Dewi, V. I., Febrian, E., Effendi, N., Anwar, M., & Nidar, S. R. (2020). Financial Literacy and its Variables: The Evidence from Indonesia. *Economics & Sociology*, 13(3), 133-154. <https://doi.org/10.14254/2071-789X.2020/13-3/9>
- Djawahir, A. U. (2018). Teknologi- Layanan Keuangan, Literasi-Inklusi Keuangan, dan Value pada Fintech Syariah di Indonesia : Perspektif S-O-R (Stimulus-Organism-Response) Model. *Annual Conference For Muslim Scholars*, 01, 439-448.
- Escandon-Barbosa, D., & Salas-Páramo, J. (2023). The Role of Informal Institutions in the Relationship Between Innovation and Organisational Learning in Export Performance: A Bidirectional Relation? *Asia Pacific Management Review*, 28(2), 185-193. <https://doi.org/10.1016/j.apmrv.2022.08.001>
- Fitriyani, L., & Priyono, N. (2023). Pengaruh Pengelolaan Dana Desa dan Transparansi Penggunaan Dana Desa Terhadap Kesejahteraan Masyarakat Desa Nglorog pada Masa Pandemi Covid-19. *SANTRI: Jurnal Ekonomi dan Keuangan Islam*, 1(6), 305-316. <https://doi.org/10.61132/santri.v1i6.163>
- Haddoud, M. Y., Onjewu, A. K. E., & Nowiński, W. (2021). Environmental Commitment and Innovation as Catalysts for Export Performance in Family Firms. *Technological Forecasting and Social Change*, 173(December 2020). <https://doi.org/10.1016/j.techfore.2021.121085>
- Hair, J., Black, W., Babin, B., & Anderson, R. (2010). *Multivariate Data Analysis: A Global Perspective*. In P. P. Hall (Ed.), *Multivariate Data Analysis: A Global Perspective* (7th Ed., Vol. 7th). Pearson.
- Hasan, M., Le, T., & Hoque, A. (2021). How Does Financial Literacy Impact on Inclusive Finance? *Financial Innovation*, 7(1), 40. <https://doi.org/10.1186/s40854-021-00259-9>
- Jayawarsa, A. A. K., Saputra, K. A. K. S., & Anggiriawan, P. B. (2022). Tri Hita Karana Culture, Good Governance and Apparatus Commitment on Fraud Prevention in Village Fund Management





- with Apparatus Awareness as Moderator. *International Journal of Social Science and Human Research*, 5(9), 4226–4230. <https://doi.org/10.47191/ijsshr/v5-i9-33>
- Jayawarsa, A. A. K., Wulandari, I. G. A. A., Saputra, K. A. K. S., & Saputri, N. M. M. D. (2021). Public Financial in State-Owned Banks: From an Inflation Perspective and Bank Indonesia Interest Rate. *International Journal of Business, Economics and Law*, 24(1), 105–112. [www.bi.go.id](http://www.bi.go.id)
- Junus, A. D. P., Tjiptoherijanto, P., Sobari, N., & Subroto, A. (2023). The Developing Global Employability Competencies of Indonesian Seafarers for Enhanced End-User Acceptance through Brand Experiences. *International Journal of Social Science and Business*, 7(3), 783–792. <https://doi.org/10.23887/ijssb.v7i3.72904>
- Kadoya, Y., & Khan, M. S. R. (2020). What Determines Financial Literacy in Japan? *Journal of Pension Economics & Finance*, 19(3), 353–371. <https://doi.org/10.1017/S1474747218000379>
- Klapper, L., & Lusardi, A. (2020). Financial Literacy and Financial Resilience: Evidence from Around the World. *Financial Management*, 49(3), 589–614. <https://doi.org/10.1111/fima.12283>
- Lopus, J. S., Amidjono, D. S., & Grimes, P. W. (2019). Improving Financial Literacy of the Poor and Vulnerable in Indonesia: An Empirical Analysis. *International Review of Economics Education*, 32, 100168. <https://doi.org/10.1016/j.iree.2019.100168>
- Lusardi, A. (2019). Financial Literacy and the Need for Financial Education: Evidence and Implications. *Swiss Journal of Economics and Statistics*, 155(1), 1–8. <https://doi.org/10.1186/s41937-019-0027-5>
- Lusardi, A., Hasler, A., & Yakoboski, P. J. (2021). Building up Financial Literacy and Financial Resilience. *Mind & Society*, 20, 181–187. <https://doi.org/10.1007/s11299-020-00246-0>
- Morgan, P. J., & Long, T. Q. (2020). Financial Literacy, Financial Inclusion, and Savings Behavior in Laos. *Journal of Asian Economics*, p. 68, 101197. <https://doi.org/10.1016/j.asieco.2020.101197>
- Olajide, O. A., Kwak, D.-W., He, Q., & Lim, M. (2019). A Conceptual Framework of Environmental Sustainability in the Oil and Gas Supply Chains: Natural Resource Based View (NRBV) and Institutional Theory Approaches. Proceedings of the 24th International Symposium on Logistics (ISL, 2019), 95–103.
- Ouachani, S., Belhassine, O., & Kammoun, A. (2021). Measuring Financial Literacy: A Literature Review. *Managerial Finance*, 47(2), 266–281. <https://doi.org/10.1108/MF-04-2019-0175>
- Rai, K., Dua, S., & Yadav, M. (2019). Association of Financial Attitude, Financial Behaviour and Financial Knowledge Towards Financial Literacy: A Structural Equation Modeling Approach. *FIIB Business Review*, 8(1), 51–60. <https://doi.org/10.1177/2319714519826651>
- Saputra, K. A. K., Manurung, D. T. H., Rachmawati, L., Siskawati, E., & Genta, F. K. (2021). Combining the Concept of Green Accounting with the Regulation of Prohibition of Disposable Plastic Use. *International Journal of Energy Economics and Policy*, 11(4), 84–90. <https://doi.org/10.32479/ijeep.10087>
- Sara, I. M., Putra, I. B. U., Saputra, K. A. K., & Utama, I. W. K. J. (2023). Financial Literacy, Morality, and Organizational Culture in Preventing Financial Mismanagement: A Study on Village Governments in Indonesia. *Cogent Business & Management*, 10(1), 1–15. <https://doi.org/10.1080/23311975.2023.2166038>
- Sara, I. M., Saputra, K. A. K., & Larasdiputra, G. D. (2021). Community Service Activities for Development of Potential Tourism Villages in Bali (A Study Based on Community Service in Siangan Village, Gianyar). *Palarch's Journal of Archaeology of Egypt/Egyptology*, 18(4), 6358–6369.

<https://archives.palarch.nl/index.php/jae/article/view/7273%0Ahttps://archives.palarch.nl/index.php/jae/article/download/7273/6925>

Swiecka, B., Yeşildağ, E., Özen, E., & Grima, S. (2020). Financial literacy: The case of Poland. *Sustainability*, 12(2), 700. <https://doi.org/10.3390/su12020700>

Yasrawan, K. T., Werastuti, D. N. S., & Sujana, E. (2023). Competitive Advantage as a Link Between the Influence of Intellectual Capital and CSR on Financial Performance. *JIA (Jurnal Ilmiah Akuntansi)*, 8(1), 1-27. <https://doi.org/10.23887/jia.v8i1.46981>