Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 6, July, 2021: 9223 - 9232

Research Article

Factors contributing to financial literacy among MSMEs in Klang Valley

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Abstract:
Micro small and medium-sized enterprises (MSMEs) contribute significantly to the economic and social development of many countries. In particular, the sector provides new job opportunities, stimulates competition and thus boost productivity. Accordingly, the sustainability of MSMEs is of paramount importance. However, according to Fatoki (2012) 60% of MSMEs fail within the first five years of their operations. One of the reasons of this failure is poor financial management which is mainly because of poor financial literacy. Financial literacy is also an issue highlighted in the human resource ability in accessing fund from financial institution. Therefore, the purpose of this paper is to assess the level of financial literacy among Amanah Ikhtiar Malaysia (AIM) MSMEs operator in Klang Valley from three different districts of Selangor. A structured questionnaire was used to collect data from 312 AIM MSMEs operator. Descriptive and inferential analysis are used to examine the extent of awareness regarding financial literacy among AIM MSMEs operator. The findings indicated that ANOVA result significantly influences financial literacy. The study results indicated that knowledge, socialisation agents, attitude and skills are significant predictors of financial literacy among AIM MSMEs operator in Klang Valley, Malaysia. Thus, policymakers should consider MSMEs factors and financial literacy traits, which determine their behaviours and actions in micro-entrepreneurship while implementing financial literacy interventions to promote financial inclusion of MSMEs, especially in Klang Valley, Malaysia.
Keywords: MSMEs; Knowledge; Socialization Agents; Financial Literacy.

I. INTRODUCTION

There have been a plethora studies regarding the importance of financial literacy. The most cogent explanations related to the financial literacy was conducted by Brown et al. (2006) who provided an evidence that the degree of financial literacy has implications for the success or failure of business community. In addition, Kojo Oseifuah (2010) stated that financial literacy could contribute meaningfully to the level of entrepreneur skills. One of the required skills is the ability in undertaking financial decision, which is illuminated by Abdullah and Anderson (2015) that the financial literacy has a significant impact in financial decision, including the decision in selecting financial products and instruments.

One of the most cogent way to explain the lack of financial awareness among MSMEs is the complexity in accessing formal finance. This means that the micro-enterprises are still facing some difficulties in applying several products provided by financial institutions. This is proved by Osei-Assibey (2010a) who found that MSMEs prefer easier and faster funds particularly free funds rather than concerning about the cost of borrowing. In another word, not only will micro entrepreneurs depend on the grants funded by the governments but also avoiding the formal finance due to its cost and difficulties. If all MSMEs had more capital through financial instruments, they could develop their business in the future. Thus, the complexity in applying financial instruments should be measured in attempt to increase the financial literacy.

Turning to the importance of financial literacy, it is obviously found that some recent studies conducted by Brown, Saunders, and Beresford (2006), and Kojo Oseifuah (2010) articulated that financial literacy has a significant influence on business performance and entrepreneurship skills. Additionally, Osei-Assibey (2010) concluded that the MSMEs’ ability to access formal financial products could accelerate their productivity significantly compared to receiving a package of free money or grant from governments or other social organizations. This means that the illiterate MSMEs will face some stumbling blocks in developing their enterprises. Hence, by understanding financial instruments, the sustainability and the success of MSMEs in the future will be rosy.

Another advantage of financial literacy is as a main factor in designing a financial decision. This is observed by Abdullah and Anderson (2015), who found that the financial literacy notably the view of financial products have a meaningful influence on financial decision. This means that MSMEs will not use any financial products, if they did not really understand about the instruments. Therefore, a huge number of MSMEs are still illiterate in finance by which they are influenced to decide using formal finance.

Regarding factors that cause the level of financial literacy discussed by Mohamed Rosli Mohamed Sain, Mohammad Mafizar Rahman, and Rasheda Khanam (2016), present that financial literacy causes financial exclusion which is a procedure whereby people encounter difficulties accessing and using financial solutions and items in the financial program that comply with their requirements and expectations. Societal, source and demand elements continued to become the common causes of economic exemption.

Turning to variables related to financial literacy, one of the most crucial elements is budgeting. (Uddin & Chowdhury, 2009) explained that financial literacy could be determined by budgeting mechanism, in particular, capital budgeting conducted by MSMEs. A second essential one should be financial record. This issue had been discussed by Sucuahi, (2013) who explained that measuring the financial literacy can be based on financial record, savings, financing and budgeting in which MSMEs faced those measurement as the downsides of financial behaviour of micro business.

Additionally, the downsides of financial behaviour of MSMEs are record-keeping practices, poor cash management, improper saving habits, and less awareness regarding different financial loans and instruments which communicate the amount of financial literacy.

Therefore, the main objective of this study is to assess the level of financial literacy among MSMEs operator and the specific objectives of this study are to identify the effect of financial knowledge, financial socialization agents, financial attitudes and financial skills towards financial literacy of MSMEs in Klang Valley. This study also recommends possible solutions that could enhance financial literacy amongst MSMEs operators in Klang Valley.

II. LITERATURE REVIEW

Mohanty, Mohana Jena, and Sipahi (2021) self-employment is the biggest challenge due to overpopulation in the country, faulty education policy and the directionless vision of the country's educational institutions compared to developed countries. It is for reviewing the activities of the Government of Odisha for self-employment and the progress found in the table in the analysis. A study by the authors is based on secondary data on the county wise MSME sector over the past 10 years with enrollment. This brief analysis is expected to be useful for students, researchers, and policy makers to design the right policy to increase government self-employment opportunities. SMEs constitute 99.8% of all Businesses in Turkey. The government will increasingly use resources and programs to provide better support services to SMEs. It cooperates with professional organizations and chambers of industry. These plans are planned in detail before being considered to identify the best activities to make businesses more efficient. It may be helpful for the government to evaluate existing programs.

Identifying financial literacy, nevertheless, not an easy job since the idea is multi-dimensional and it means differently to different people. A seminal description can be found in Noctor et al., (1992) in which the condition that financial literacy is "[…] the capability to produce informed decision and to take effective decisions regarding the make use of and administration of cash". Additional explanations concentrate on an explanation of what it means to become financially literate. For example, the Commonwealth Bank Foundation (CBF, 2004b) defines financial literacy as, "[…] the capability to stability bank accounts, prepare finances, save for the potential and find out strategies to manage or prevent financial debt". On the other hand, the study acquired previously described financial literacy as, "[…] allowing people to make up to date and assured decisions concerning all factors of their budgeting, spending and conserving and their make use of financial items and providers, from everyday banking through to borrowing and preparing for the upcoming" (Roy Morgan, 2003).

Lusardi and Mitchell (2007) defined that financial literacy is understanding of economic ideas that include covering fundamental knowledge of required personal finance, understanding of money administration, knowledge of credit and financial debt, knowledge of cost savings and expenditure and understanding on risks. Financial knowledge offers close links to financial literacy or economic education. Financial knowledge can be channelled and well known through financial education or financial literacy. Financial literacy can also be arranged into two areas: the level of an individual's capability to understand financial details and the level of people's capability to use financial details for controlling personal budget in the short term and long term preparing (Huston, 2010; Remund, 2010). Similarly, Remund (2010) suggests that the four most common factors in financial literacy are budgeting, cost savings, loans, and opportunities.

It has since refined the description to reflect the interpretation used by Noctor et al. (1992) while also enabling the influence of financial knowledge and attitudes (SRC, 2015). At the centre of the different explanations place forwards, it can be concluded that financial literacy can be typically connected with the level of financial knowledge held by the individual. Therefore, the present research adopts Noctor et al.' (1992) description which links knowledge (i.e. informed judgements) to amounts of financial literacy.

A. Financial knowledge and financial literacy

Atkinson and Messy (2012) argue that a lack of knowledge and illiteracy in developing countries, especially among the poor who also MSME operator is a significant barrier in the move towards whole financial inclusion. This arises due to the unique nature of financial products and services offered by financial institutions. Improvements such as product design may deter the poor MSMEs from access and use of monetary services (World Banks, 2010). According to OECD (2013), a person who is certainly financially literate will possess fundamental knowledge of many essential economic ideas. Houston (2010) refers to financial knowledge as an essential aspect of financial literacy. Houston also maintains that financial knowledge offers four main elements, particularly basic concepts about cash, cost savings, borrowing and security. Besides, Agarwal (2008) observes that lack of knowledge and understanding of financial items and solutions triggered by lack of knowledge and low level of financial literacy may lead MSMEs to financial exemption. Therefore, Cole et al. (2010) claim that if poor MSMEs operator is not familiar and comfortable with financial services, they are not going to try to use them. For that reason, they need financial literacy, which empowers them with financial knowledge in order to enable them to make informed decisions and strategic financial options about the use of critical financial items and solutions (OECD, 2009a, b, c, d).

Furthermore, it also assists the poor MSME user to become experienced and able of analysing different financial items and solutions to make informed decisions, and to derive optimum application (Lusardi, 2009; Greenspan, 2002). Huang et al. (2013) concluded that financial knowledge is regarded as a person's understanding of financial principles. According to Lusardi and Mitchell (2011), Lusardi and Tufano (2009) and Atkinson and Messy (2012), a person who have high financial knowledge are more likely to possess better understanding about fundamental financial ideas.

Indeed, financial knowledge can help the MSMEs operator to understand the purpose of saving and its instruments (Holzmann, 2010). Similarly, Ardic et al. (2011) also assert that knowledge obtained by the MSMEs through financial literacy decreases information asymmetry because they are well informed about the different financial items in the economic market. Research by Carpena et al. (2011) on the effect of financial literacy on a unique aspect of financial knowledge, found out that financial literacy considerably improved economic options and behaviour towards economic decisions. Financial literacy led to significant and statistically significant improvements in individuals' understanding of financial items and services offered to them, as well as their understanding with information of such items and services. Therefore, financial literacy can give a better understanding of popular economic solutions. Motivates the unbanked to prevent non-standard financial services (Braunstein and Welch, 2002). Certainly, Financial knowledge can efficiently boost financial literacy among poor MSMEs, specifically in developing countries.

For that reason, financial literacy facilitates the decision-making procedures, which improve the cost savings rates and creditworthiness of the MSME user by financially and socially strengthening them and poverty alleviation (World Bank, 2009; OECD, 2009a, b, c, d).

H1: Financial knowledge have a positive effect on financial literacy of MSMEs

B. Financial Socialization Agents towards Financial Literacy

Financial socialisation is undoubtedly a process by which all those acquired from the environment those skills, knowledge, and attitudes that are required to maximise their consumer role in the economic marketplace (Ward, 1974). The leading agencies for MSME's socialisation are expert organisations, family members, academic institutions and mass media and all of them take place at one stage of period throughout an individual's lifestyle. The pursuing conversation will relate to how these economic socialisation agents (i.e., peer organisations, family members and mass media) possess an impact on financial literacy among MSMEs operator.

In a study showed by Churchill and Moschis (1979), it is described that family interaction about economic management declines overage and that peer communication about economic issues increases with age. This statement shows the importance of these two agents over specific time period. The family members are undoubtedly approved with becoming a significant resource of MSME operator's socialisation; MSME agent through noticing their parents, participating in economic procedures, and getting direct training (Beutler & Dickson, 2008; Pinto & Mansfield, 2005). An MSME operator's family members will continuously become his/her initial protection and role model. Parents impact the MSME operator cognitively through immediate teaching, encouragement and calculated modelling (Moschis, 1987). MSME operator have currently obtained knowledge, behaviour, and purposes on most topics that might be included in education about the customer part before arriving into the classroom. This is certainly to demonstrate that family members, specifically parents, possess a significant effect on the financial behaviour and literacy of a person. MSME operator finds out financial management behaviour through findings and involvement (incidental learning) and deliberate training by socialisation agencies (Danes & Dunrud, 1993; Moschis, 1987; Rettig & Mortenson, 1986). If the parents are accountable enough to inculcate their beliefs of business knowledge to their kid, the other will become financial literate before going to school to take part in financial literacy classes.

The study offers shown that the quantity of television viewed is positively related to children' materialistic behaviour, and financial behaviours. By analysing the research, we can conclude that MSMEs believe that the mass media is a platform for them to become financially literate. They perform not abide by the conventional methods of learning cash management from academic institutions; on the other hand, they trust the mass media (i.e., television, internet, advertisements, and newspapers) on how to spend their cash. Earlier research has emphasised that parents, peers, printed media, television advertisements, and in - school education are the many essential agents of consumer socialisation (Chan & McNeal, 2006).

In Malaysia, MFIs adopted by AIM is exceptionally useful in enhancing program-members businesses and financial literacy (Hamdan, 2011; Sow, 2005). The effectiveness of microfinance programmes as being applied by AIM is the result of peer monitoring strategy whereby group member firmly adhered to "group liability" system. According to this strategy, group-members are regarded as "social security" to replace the real conventional security as group members are not able to offer their collaterals in the type of resources. These credit group-members are consist of individual members that operate their businesses to generate weekly income.

Structured upon the "sharing of liability" idea, each group member usually is accountable to make sure that each of them repays his\her loans in order to prevent non-repayment position, and everything is performed through weekly meetings of group-members (Habib Ahmed, 2002). Also, the group must make sure that every group-member gets the loans. The group formation and selection of group-members had been performed on their self-agreement structured based on the "social capital" concept. Therefore, every group-member implement the same objective, follow the same concepts and beliefs, as well as conditioning their brotherhood and having excellent financial knowledge. Hence, it can be regarded that childhood knowledge, personal and family members history, and MSME features may possess an essential function in financial literacy as an outcome among MSMEs in Malaysia.

H2: Financial Socialization Agents have a positive effect on financial literacy of MSMEs

C. Determining key financial attitudes and knowledge

Another critical association with financial literacy is financial attitudes and knowledge (SRC, 2015). For this research, this comprises interest rate; savings preference or habits; and tension (when dealing with cash). These are briefly evaluated below.

Interest rate. Basically, there are five fundamental ideas for the measurements of financial knowledge, mainly basic interest, substance interest, Time Value of Money (TVM), influences of inflation on cost level and its effects on return on investments (OECD-INFE, 2011). Lusardi and Tufano (2009) highlighted that people with low financial knowledge are most likely to possess a poor understanding of compound interest rate computation. The concept of interest rates is used as a measure of financial knowledge. It is frequently connected with the function of Lusardi and Mitchell (2008, 2011) and often used in financial literacy research (ASIC, 2011). Typically, the idea consists of an individual's capability to undertake a basic computation related to interest rates. Therefore, in keeping with prior literature, the study needs individuals to response three basic interest rate calculation queries. Those who properly response two or three questions are categorised as having excellent knowledge while those who response less than two accurately are categorised as having little knowledge.

An essential financial attitude is an individual's saving preference or habit. This variable is usually used to proxy an understanding of setting goals to promote responsible financial conduct. Typically, the idea focusses on an individual's determination to save frequently. The variable is often used previously by the SRC (2011, 2015).

Specifically, participants are offered with four claims about saving and asked to determine which declaration is most exceptional applied to them. The four statements concentrate on savings habit (i.e. regular and irregular) (SRC, 2015).

Stress in handling money. Money is usually an essential concern for people, not only as a functional instrument but also as a psychological manifestation of value or through representational symbolism (Engelberg & Sjoberg, 2006). Furthermore, money has been recognised as an effective motivator of behaviour (e.g. a pressure leading to efficiency in MSMEs), as well as an element that styles work fulfilment and stress. This is generally to state that MSME owner attitude towards money may form their understanding financially. How somebody value cash will ultimately possess an effect on his/her financial literacy. Understanding about money will, as a result, impact his/her capability on money management. As a result, having a positive attitude towards money will influence someone to possess an even more financial understanding and literacy whereas a negative attitude will lead to poor management, knowledge and financial ruin.

Particular money attitudes were related to self-direction and security values, implying that those attitudes most likely interact with self-directed behaviour for security, such as financial knowledge seeking (Burgess, 2005). It is all depend on how the MSMEs operator value the money in order for them to seek knowledge about how to manage their cost savings and spending. This may cause the MSMEs operator to acquire knowledge and experience needed for having a better ability in conditions of financial conduct and literacy. Money is usually an essential factor of one's lifestyle currently, and this may take action as inspiration for MSMEs operator in order to become more financially literate. Kim (2003) later on determined money as a tool of protection which triggers the inspiration for better cash management in the future.

Kidwell and Turrisi (2004) researched on the budgeting inclinations of people and presented that those who were extremely confident on their skill to preserve a spending budget were likely to justify factors for the budget. These people perceive cash as normative expectancies. Contrarily, those who got lower recognised control over their budget depended on their emotional feelings towards cost management, rather than their cognitive values about cost management. As we can observe, it will depend on how the MSMEs operator perceives money in order for them to become capable of establishing a suitable spending budget for the business. If MSMEs operator value cash and understand that this usually is one of the essential resources he/she can have, after that they will perform their optimum to keep a particular budget in order to smoothen their expenditures. Depending on emotional feelings for keeping a record of one's spending budget usually is fruitless as it will result only into failing in keeping an excellent record of one's transactions.

H3: Financial attitude have a positive effect on financial literacy of MSMEs

D. Financial Skills and financial literacy

Earlier scholars such as Porteous and Helms (2005), Lusardi (2008), Cole et al. (2010) found that financial literacy as a demand-side element impacts the level of financial inclusion. Also, they further exposed that financial literacy endeavours are contributory to the increase in gain access to and make use of critical financial services by the poor MSME operator. According to World Bank (2012), the entrance of new financial services' suppliers into the marketplace with more complicated financial products and solutions calls for the want to develop consciousness among the poor MSMEs operator. Therefore, there usually is a developing concern for the MSMEs to become financially literate as proved by the low rate of financial inclusion of poor MSMEs owner in countryside areas. OECD INFE (2011) observes that poor rural MSMEs operator is experienced with developing issues in producing financial decisions and options that are likely to complicate rather than simplify their lives. For that reason, they need a great deal of information and abilities in selecting among the developing amount of financial product and services in the financial market (also observe Lusardi and Mitchell, 2011).

The World Bank (2008) asserts that financial literacy helps to improve the efficiency and quality of financial services. The poor MSMEs operator more than ever need a specific level of financial knowledge and abilities in order to assess and evaluate financial items, such as bank accounts, saving account, credit and mortgage choices, payment instruments, opportunities, and insurance coverage. Indeed, Holzmann (2010) concluded that financial abilities connected to practical training among poor MSMEs operator in developing countries may help them possess the capability of producing a saving plan. Cole et al. (2011) exposed that financial literacy program customised to teach unbanked individual in Indonesia about savings accounts led to a minimal increase in the demand for savings accounts among those with low preliminary amounts of financial literacy. It helped them to develop both the abilities to evaluate and choose essential items for their requirements, and also strengthened them to training their privileges and duties in customer security. Additionally, Cohen and Nelson (2011) also noticed that financial literacy allows the poor MSMEs operator to be more educated financial decision-makers with a high feeling of recognition on financial problems and options combined with required financial abilities.

Financially literate poor MSMEs operator with basic principles of saving, such as compound interest, and interest charged about loans can make wise decision and choice of whether to consume the product or not. Indeed, financial literacy can facilitate effective item use, which is undoubtedly essential for financial inclusion.

H4: Financial skills have a positive effect on financial literacy of MSMEs

E. Determining key characteristics of financial literacy

Concerning identifying key financial literacy characteristics, a review of several significant studies on financial literacy (see: OECD, 2005; SRC, 2008, 2011, 2015; Roy Morgan Analysis, 2003, 2005; CBF, 2004b, a; Financial Literacy Foundation (FLF), 2007) reveals that financial understanding is undoubtedly related with gender, age group, country of delivery, education level, work and income. These are briefly evaluated below and comprise the essential features included in this research.

According to Wagland and Taylor (2009), some research has recommended that gender usually is a significant variable affecting the level of financial literacy.

For example, Goldsmith and Goldsmith (1997), Goldsmith et al., (1997) and Chen and Volpe (2002) determined that females are less proficient in terms of financial literacy, which considerably impacts a woman's capability to accomplish financial protection and to offer for their pension effectively.

According to Finke et al. (2017) and Korniotis and Kumar (2011), there is usually evidence that economic decision-making capability diminishes in old age. De Bruin et al. (2012) added that the decision-making abilities carefully related to financial literacy, such as the dependence on decision guidelines, decrease in old age. Choi et al. (2014) found that financial decision-producing quality was lower for participants older than age 65, while Agarwal et al. (2009) demonstrated that the quality of credit decisions among borrowers erodes after peaking in the mid-50s.

Volpe et al. (2002) exhibited a relationship between marital status and financial literacy. Mainly, they found that married people had been more financial literate than solitary people. This was confirmed by Taft et al. (2013) and SRC (2015). However, Joo and Grable (2004) do not find any correlation between marital status and financial literacy.

According to the ASIC (2011) and the Consumer Financial Education Body (CFEB), financial literacy is usually connected with education. Research by Capuano and Ramsay (2011), determined that education in financial literacy is usually essential to decrease suboptimal financial actions. Furthermore, Lusardi et al. (2014) demonstrated that a reasonably low level of education outcomes in low levels of financial literacy.

The SRC's (2015) survey showed that individuals in professional work (i.e. professional employment) had been more financial literate in comparison to blue-collar employees. Additional research has also proven that low levels of work had characterised people with low levels of financial literacy (observe CBF, 2004b; Lusardi and Mitchell, 2011; Marcolin and Abraham, 2006; FLF, 2007).

Income levels always connected with different financial literacy levels. Notably, the relationship is usually that people with low amount of income experience lower level of financial literacy. Such a relationship offers confirmed by many research (observe: Roy Morgan Study, 2003, 2005; CBF, 2004b; SRC, 2015; Marcolin and Abraham, 2006; FLF, 2007).

Structured upon the literature review over the features, financial knowledge, financial socialisation agent and financial attitudes can help to describe differences in MSME operator's financial literacy levels. Much of the existing literary works, specifically from private sector and government research, normally concentrated on basic descriptive statistics regarding the relationships between demographic, socioeconomic and financial features and financial literacy. Since these relationships are likely to become challenging, statistical modelling is usually needed. Therefore, with these factors in the brain then the present research is performed.

F. The Importance of Micro Business

Micro Small and Medium Enterprises (MSMEs) is an energetic, delicate, and powerful sector in financial and social development across the world (Srinivas, 2013). Because of its capabilities to generate work, mobilise resources, make use of traditional or inherited abilities, make use of regional resources, decrease capital and technology requirements, and move potential. It is usually one of the many powerful and delicate areas in the world's financial systems (Lahiri, 2012). In Southeast Asia region, for example, the evidence demonstrated that MSMEs contribute around by 99.9 per cent of the total businesses in all sectors, and in GDP. It contributed by around 53 per cent and nearly 30 per cent of its total exports. For that reason, it participates in the total work in the area shown between 51.7 to 97.2 per cent (Yean & Tambunan, 2018).

According to Duncombe & Heeks, (2005), growing the network of MSMEs can contribute considerably to generate income and livelihood possibilities for the poor in developing countries, offering more secure employment possibilities for the poor, and offering other social benefits to the poor - improving skills, raising self-confidence, raising women's involvement, empowerment and protection against loss of income. Indeed, the essential stage that should become highlighted here is; usually, the micro-business wants more research and analysis related to MSMEs; because the latter one is moving into the formal sector in Malaysia.

G. Definition of MSMEs

MSMEs have been defined differently in each country. According to SME Corporation Malaysia, (2018), the description of MSMEs is usually based upon fixed quantitative requirements such as number of workers, sales turnover, total assets, or total capital. Indeed, the description varies relating to essential areas. Table 1 summarise the description of MSMEs in Malaysia.

Table 1: MSME Definition

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 OR Employees of less than 5	Sales turnover from RM300000 to less than RM15 million OR Employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR Employees from 75 to 200
Services and other sectors	Sales turnover of less than RM300000 OR Employees of less than 5	Sales turnover from RM300,000 to less than RM3 million OR Employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR Employees from 30 to 75

Source: Source: SME Corp. Malaysia 2018

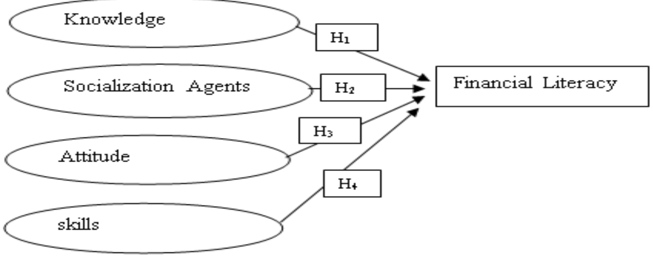
Malaysian Government has been experimenting about different forms of ideal micro-financial services that meet up with the needs of the poor and the desperate in undertaking microentrepreneurial activities. Among the main microfinance programmes offered in the country to assist the poor to get away, the dangers of poverty are usually programs under AIM. Also, Islamic microfinance program such as AIM which is on Syariah and Islamic Finance concept provides an extremely high potential in assisting the poor MSMEs operator in increasing and diversifying their financial activities and increasing their contribution towards the development of proper entrepreneurial activities.

III RESEARCH METHOD

This study used survey methodology to accomplish the objectives of the study. Survey data were collected using a structured questionnaire as an instrument to evaluate the level of financial literacy. The survey was undertaken by face-to-face method, in order to overcome issues related to low levels of literacy. Descriptive and inferential analysis are be used to examine the extent of awareness regarding financial literacy among MSMEs operator.

The respondents selected for this study are MSMEs operator involved in the microfinance programme in Klang Valley areas from three different districts of Selangor, which are being served by AIM programme. These areas of Klang Valley were chosen due to the high concentration of poor AIM MSMEs operator. In this study, sampling consists of participants who had operated MSMEs and wanted to expend their business. A random sampling technique were used for this study. Data collected from the final field study was captured into SPSS and analysed to produce the required statistics results.

Figure 1: Research Framework/ Hypothesized Model for the study



Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study a representative sample of the target population for generalization purposes are. Financial knowledge, socialization agents and attitude are independent variables by definition because they cannot be manipulated and will affect the outcome of financial literacy among MSMEs in Klang Valley.

IV. Data Analysis

It was mentioned in a total of 312 responses was collected from the distributed questionnaires representing 97.5%. The sample of the respondents was taken from the AIM stakeholders, particularly client. The respondents were classified by their gender, marital status, education level and monthly income. These classifications are discussed in the subsequent sections. According to 9 respondents (2.9%) were male, and 303 respondents (97.1%) were female. One essential thing to note here is those female respondents were majority contrary.

Marriage status shows that 277 (88.8%) of the respondents were married, 18 (5.8%) were single and12 of them were divorced = 3.8% indicating that the majority of these females are married. The following table also shows the number of female entrepreneurs seems to be prominent in the productive services to effectively engage in their business activities. Age shows that, 113 (36.2%) of the respondents were age is 40-49 years old, 107 (34.3%) were 50 years above and 75 of them were age is 30-39 years old = 24% indicating that the majority of these females are 40 years above old. Race shows that 250 (80.1%) of the respondents were Malay and 60 (19.2%) were Indian that the majority of these entrepreneurs are Malay ethnicity. The following table also shows the number of female entrepreneurs seems to be Malay ethnicity in the productive.

The following education level shows that 87% (272 respondents) had a secondary level of education, 12 (3.8%) respondents had Diploma education and the rest 8 respondents (2.6%) had tertiary education which was bachelor’s degree. Some of them were in their first year of study while others were in the final year of their study. It indicates that 87.2% of the total respondents from these secondary are well informed. According to sales turnover per year, 293 respondents (93.9%) had a yearly income of below RM 300 thousand (USD 75 thousand), five respondents (1.6%) had a yearly income of RM 301 thousand -1 million (USD 75.1 thousand - 250 thousand).

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.000[a]	.39	-.374	1.00666674	.000	.0556	4	299	1.000

a. Predictors: (Constant), FK factor score 4 for analysis 1, FSA factor score 3 for analysis 1, FA factor score 2 for analysis 1, FS factor score 1 for analysis 1

Multiple regression analysis (Table 2) was used to test if the personality traits significantly predicted participants' ratings of aggression. The results of the regression indicated the two predictors explained 37.4% of the variance (R^2=.39, F(2,55)=5.56, p<.01). It was found that extraversion significantly predicted aggressive tendencies (=.56, p<.001), as did agreeableness (= -.36, p<.01).

Table 3 provides the standardised loading, Cronbach’s alpha, composite reliability and average variance extraction for the study variables. This study can conclude that the variables were reliable measures. The composite reliability values also ranged from 0.805-0.911. Interpreted like a Cronbach’s alpha for internal consistency reliability estimate, composite reliability of 0.70 and more significant is considered acceptable. Therefore, this study concluded that the measurements were reliable measures

Table 3: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.805	.911	30

Before conducting exploratory factor analysis EFA, the sample adequacy has been tested using Kaiser-Meyer- Olkin (KMO). Likewise, Bartlett’s Test of Sphericity has been also conducted to ensure a sufficient correlation between the variables. As shown in Table 4, the results of the KMO test is 0.909 and Bartlett’s test was significant (p <.000).

These results indicate the adequacy of the sample for conducting a factor analysis and the distinction of the latent variables from each other (Hair et al., 2010).

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.909
Bartlett's Test of Sphericity	Approx. Chi-Square	3685.754
	df	435
	Sig.	.000

The findings from Table 5 ANOVA showed that they significantly differ in their perception of being financially included based on MSME operator. The *p*-value for all constructs was significant at *p* W 0.05 as stipulated by Field (2005). The results of the ANOVA are indicated in Table 5.

Table 5 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	4	.000	.000	0.000[b]
	Residual	303.000	299	1.013		
	Total	303.000	303			

a. Dependent Variable: FL factor score 5 for analysis 1

b. Predictors: (Constant), FK factor score 4 for analysis 1, FSA factor score 3 for analysis 1, FA factor score 2 for analysis 1, FS factor score 1 for analysis 1

The findings indicated that ANOVA result significantly influences financial literacy. Which demonstrated that interventions to improve financial literacy is significant at 0.000 ($p < 0.01$) of the variances in financial literacy. Furthermore, this research shows that financial literacy enhances a range of behaviours, such as understanding (financial) market involvement, investments, financial debt management, and financial product, which are essential for the poor MSME operator in developing countries and in tandem with with H_1. In order to modify the behaviour of MSME operator to follow through with their saving and borrowing intention and desire, socialisation agents can influence the level of financial literacy, as stated in H_2. Furthermore, the outcomes exposed that there is usually no significant relationship between abilities and financial inclusion among financial literacy. It is in line with H_3, which mentioned that attitude positively impacts financial literacy in rural Malaysia. The results are not in contention with H_4 extracted under this research. Skills offered to the poor may not aligned with their cognitive schemas and this may cause an adverse effect in their actions towards becoming financially included.

On the contrary, the effects indicated that there is a significant and positive impact of attitude on financial literacy. Particularly, attitude as a factor of financial literacy promotes financial inclusion in Malaysia. Besides, usage and use of financial products by financial literacy in developing countries that is straight connected to attitude depend on their trust in the financial organisations and their products and services.

V. CONCLUSION

The current study adds to the existing literature on financial literacy by MSMEs which significantly affect the financial inclusion of MSME operator in Klang Valley of Malaysia. The research exposed that attitude affects the financial literacy of MSME operator in Klang Valley of Malaysia. However, the research outcomes indicated that knowledge, socialisation providers, attitude and skills are significant predictors of financial literacy among MSME operator in the Klang Valley of Malaysia. MSMEs elements could describe this selecting in norms of financial literacy, which determine their activities in MSME. The leading cause of financial literacy among MSMEs is attributable to lack of recognition about the different types of financial services and whether or not they match particular requirements, low level of confidence, and specific behaviours that prevent the use and trust in formal financial services that create obstacles to access. Therefore, policymakers should consider MSMEs factors and qualities of financial literacy, which determine their behaviours and activities in particular, while applying financial literacy interventions to promote financial inclusion of MSMEs, specifically in Klang Valley in Malaysia.

Besides, policymakers should ensure that financial literacy programs are aimed at changing MSMEs and improving knowledge, socialisation agents, attitude and skills contributing to financial literacy. Likewise, policymakers should function towards instilling positive attitudes among MSMEs in Klang Valley by stimulating them to use financial services that fit their financial condition and position in order to become financially included. Also, supporters of financial literacy should make sure that it is undoubtedly applied within the social environment, but not in alienation because people find out from one another through statement, imitation, and modelling in social connection.

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