

Qualitative Study on the Effect of External Factors on Financial Literacy and Business Orientation Strategy Capability of SME Entrepreneurs in Indonesia

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Abstract

First, this study focuses on SME entrepreneurs in Indonesia: This study will focus more on SME entrepreneurs in Indonesia, which is a group of entrepreneurs who have different challenges and needs from large-scale entrepreneurs. This allows the research to go deeper in analyzing the problems faced by SME entrepreneurs and provide more specific solutions. Second, the Combination of Financial Literacy and Business Orientation Strategy Ability: This study combines two variables, namely Financial Literacy and Business Orientation Strategy Ability, where the two variables are interrelated and affect business performance. In previous research, these variables were often studied separately. Third, focus on external factors: In addition to paying attention to internal factors such as management and leadership skills, this study also pays attention to external factors such as the role of the government and the support of SME entrepreneur associations in improving the Financial Literacy and Business Orientation Strategy Capability of SME entrepreneurs in Indonesia. Fourth, Qualitative approach: This study uses a qualitative approach that allows researchers to more deeply understand the experiences and perceptions of SME entrepreneurs related to Financial Literacy and Business Orientation Strategy Capability. In addition, by using a qualitative approach, researchers can explore various aspects that have not been revealed in previous studies. By focusing on SME entrepreneurs in Indonesia and combining Financial Literacy and Business Orientation Strategy Capability, as well as considering external factors and using a qualitative approach, this research can make a significant contribution in improving understanding and effective solutions to the problems faced by SME entrepreneurs in Indonesia.

Keywords: Financial Literacy, Business Strategy, SME.

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Introduction

Financial Literacy and Business Orientation Strategy Skills are essential for SME entrepreneurs in growing their business. Financial Literacy is the ability to understand, manage,

and optimize finances in a company. While Business Orientation Strategy Capability is the ability to plan, develop, and implement effective business strategies to achieve desired business goals. Both are very closely related in developing a successful SME business (Nikitina et al., 2022; Nurhilalia et al., 2019).

In a competitive business environment, it is important for SME entrepreneurs to have a strong understanding of finance and business strategy to maintain the viability of their business. In this case, Financial Literacy is very important as it is the basis for understanding and managing the financial aspects of business (Basha et al., 2023). As an SME entrepreneur, you must be able to understand financial statements, cost and benefit analysis, and cash management. This can help SME entrepreneurs manage their business finances more effectively and efficiently, and make the right decisions in the use of business funds (Ammari et al., 2023; Baulkaran, 2022). In addition, Financial Literacy can also help SME entrepreneurs in optimizing the use of available financial resources. For example, SME entrepreneurs can utilize their financial resources to expand their business, develop new products, or make investments to increase revenue and profit. However, without a good understanding of finance, SME entrepreneurs can make poor decisions that can be detrimental to their business.

Strategic Business Orientation skills are also very important for SME entrepreneurs. SME entrepreneurs must be able to plan, develop, and implement effective business strategies to achieve their business goals. Business strategy can help SME entrepreneurs in increasing market share, developing new products, improving operational efficiency, and increasing revenue and profit (Hossain et al., 2022; Lestantri et al., 2022). In this regard, Business Orientation Strategy Capability helps SME entrepreneurs to understand the market, competitors, and industry trends to develop appropriate business plans. In addition, Business Orientation Strategy Capability can also help SME entrepreneurs in managing risks. In business, risks are always present, and SME entrepreneurs must be able to manage risks well to minimize their negative impact on their business (Isensee et al., 2020). In this case, Business Orientation Strategy Capability can help SME entrepreneurs in planning risk mitigation actions and implementing appropriate business strategies to avoid risks that can harm their business (Nikitina et al., 2022).

SME entrepreneurs should also be able to understand the strengths and weaknesses of their own business. This can help them in identifying areas that need to be improved or optimized to improve their business performance. In this case, Business Orientation Strategy Capability can assist SME entrepreneurs in conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to evaluate their business conditions and plan the right actions to improve their business (Kadir, 2018). In addition, the Business Orientation Strategy Capability can also help SME entrepreneurs in understanding their customers and developing products and services that match customer needs and wants. In this case, SME entrepreneurs can utilize customer data and consumer trends to develop products and services that can meet market needs (Azizah et al., 2022; Malikah, 2021). SME entrepreneurs must also be able to adapt to changes in the market and business environment. In a constantly changing business environment, SME entrepreneurs must be able to identify market trends and change their business strategies to remain competitive. Business Orientation Strategy capability can help SME entrepreneurs in developing flexible and adaptive business strategies to deal with the rapidly changing market and business environment (Clohessy & Acton, 2019).

In addition, SME entrepreneurs must also be able to utilize technology to improve their business. In the digital era, technology has become very important in business. SME entrepreneurs must be able to utilize technology to increase operational efficiency, improve marketing, and increase customer engagement. In this case, Business Orientation Strategy Capability can help SME entrepreneurs in planning and implementing the right technology strategy to improve their business (Gamage & Tajeddini, 2022). SME entrepreneurs must also be able to build strong connections and relationships with business partners and customers. In business, strong connections and relationships can help SME entrepreneurs in getting support and new business opportunities (Grossmann et al., 2019). In this case, Business Orientation Strategy Capability can help SME entrepreneurs in building strong networks and relationships with business partners and customers to improve their business. Finally, it is important for SME entrepreneurs to continuously learn and improve their skills. In business, changes and developments happen quickly, and SME entrepreneurs need to be able to keep up. In this regard, Financial Literacy and Business Orientation Strategy Skills can help SME entrepreneurs understand and manage their business more effectively and efficiently. Overall, Financial Literacy and Business Orientation Strategy Skills are essential for SME entrepreneurs in growing their business. They are interrelated and mutually supportive in ensuring business survival. SME entrepreneurs must be able to understand their business finances well and develop effective business strategies to achieve their business goals. With strong Financial Literacy and Business Orientation Strategy Capability, SME entrepreneurs can improve their business performance. Financial Literacy and Business Orientation Strategy Capability are very important key skills for SME entrepreneurs in Indonesia in managing their business successfully. However, there are still many problems that occur in Indonesia related to the lack of Financial Literacy and Business Orientation Strategy Capability among SME entrepreneurs. Some of these facts and issues will be further explained below.

Financial Literacy Facts and Issues in Indonesia

First, Lack of Financial Education in Indonesia Financial education in Indonesia is still very minimal, especially for SME entrepreneurs. This causes many SME entrepreneurs to lack understanding and skill in managing their business finances. A survey conducted by OJK in 2019 showed that only 30% of the 2,200 respondents understood the basic principles of financial management. This shows that there are still many SME entrepreneurs who need to improve their Financial Literacy (Hilmawati & Kusumaningtias, 2021). Second, Lack of Access to Financial Information SME entrepreneurs in Indonesia often experience difficulties in accessing accurate and reliable financial information. Accurate financial information is essential in making business decisions, but there are still many SME entrepreneurs who have difficulty in obtaining the right financial information. This can lead to errors in business decision-making that can adversely affect business performance. Third, Low Awareness and Minimal Utilization of Formal Financial Services. A survey conducted by the World Bank in 2019 showed that only 36% of Indonesia's total population utilizes formal financial services. This shows the low awareness and minimal utilization of formal financial services in Indonesia (Angelia & Suryaningsih, 2015; Heslina & Syahrini, 2021). Many SME entrepreneurs still use conventional ways of managing their business finances, such as keeping cash under their pillow or borrowing money from loan sharks. This can lead to the risk of losing or stealing money, as

well as high borrowing costs. Fourth, Not Having Good Financial Planning, SME entrepreneurs in Indonesia often lack good financial planning and tend to have difficulty managing their business cash flow. This can cause SME entrepreneurs to experience difficulties in meeting business financial obligations, such as paying employee salaries or debts. The absence of good financial planning can also cause SME entrepreneurs to experience difficulties in growing their business.

Business Orientation Strategy Facts and Issues

First, there is a lack of understanding about SWOT analysis. SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is one of the important business strategy tools in developing a business. However, there are still many SME entrepreneurs in Indonesia who lack understanding and are unable to perform SWOT analysis properly (Mehdizadeh-Somarin et al., 2022). This can hinder their business development, as without a good understanding of the strengths and weaknesses of their business as well as the opportunities and threats in the business environment, it is difficult for them to make the right strategic decisions. Second, Not Having a Clear Business Strategy Plan. SME entrepreneurs in Indonesia often do not have a clear and measurable business strategy plan. This can cause SME entrepreneurs to experience difficulties in growing their business sustainably (Lestantri et al., 2022). Without a clear business strategy plan, it is difficult for SME entrepreneurs to set business goals and plan the right actions to achieve those goals. Third, Not Using Technology in Business. The use of technology in business can help SME entrepreneurs improve the efficiency and effectiveness of their business (Chen et al., 2019). However, there are still many SME entrepreneurs in Indonesia who do not use technology in their business. This can cause them to experience difficulties in managing their business effectively and unable to compete with other SME entrepreneurs who have used technology. Fourth, Lack of Management and Leadership Skills. Good management and leadership skills are essential in managing a business successfully (Javed et al., 2020). However, there are still many SME entrepreneurs in Indonesia who lack adequate management and leadership skills. This can cause SME entrepreneurs to experience difficulties in making the right business decisions, leading teams effectively, and managing business resources efficiently. Fifth, Not Prioritizing Innovation and Creativity in Business. Innovation and creativity are key factors in business development (Amiruddin & Modding, 2021; Isensee et al., 2020; Saraswati, 2022). However, there are still many SME entrepreneurs in Indonesia who do not prioritize innovation and creativity in their business. This can cause them to fall behind in business competition and struggle to meet changing customer demands.

Thus, Financial Literacy and Business Orientation Strategy Skills are very important for SME entrepreneurs in Indonesia. By having good Financial Literacy, SME entrepreneurs can manage their business finances more effectively and efficiently. Meanwhile, good Business Orientation Strategy Skills can help SME entrepreneurs grow their business sustainably. Common problems with Financial Literacy and Business Orientation Strategy Capability in Indonesia include a lack of understanding of financial management and a lack of management and leadership skills. To improve Financial Literacy and Business Orientation Strategy Capability, efforts are needed such as improving financial education, providing accurate and reliable financial information (Wulandari, 2019).

Based on the above discussion, there are several things that become the novelty of

research related to Financial Literacy and Business Orientation Strategy Skills for SME entrepreneurs in Indonesia, namely: First, this study focuses on SME entrepreneurs in Indonesia: This study will focus more on SME entrepreneurs in Indonesia, which is a group of entrepreneurs who have different challenges and needs from large-scale entrepreneurs. This allows the research to go deeper in analyzing the problems faced by SME entrepreneurs and provide more specific solutions. Second, the Combination of Financial Literacy and Business Orientation Strategy Ability: This study combines two variables, namely Financial Literacy and Business Orientation Strategy Ability, where the two variables are interrelated and affect business performance. In previous research, these variables were often studied separately. Third, focus on external factors: In addition to paying attention to internal factors such as management and leadership skills, this study also pays attention to external factors such as the role of the government and the support of SME entrepreneur associations in improving the Financial Literacy and Business Orientation Strategy Capability of SME entrepreneurs in Indonesia. Fourth, Qualitative approach: This study uses a qualitative approach that allows researchers to more deeply understand the experiences and perceptions of SME entrepreneurs related to Financial Literacy and Business Orientation Strategy Capability. In addition, by using a qualitative approach, researchers can explore various aspects that have not been revealed in previous studies. By focusing on SME entrepreneurs in Indonesia and combining Financial Literacy and Business Orientation Strategy Capability, as well as considering external factors and using a qualitative approach, this research can make a significant contribution in improving understanding and effective solutions to the problems faced by SME entrepreneurs in Indonesia.

Research Methods

This research will use a qualitative study method to investigate the influence of external factors on the financial literacy and business orientation strategy skills of SME entrepreneurs in Indonesia. The research methodology will consist of several stages which are explained as follows:

1. Determination of research subjects. The research subjects to be selected are SME entrepreneurs in Malang Regency, East Java Province who have experience in managing their own business. The subjects will be selected through random and purposive sampling.
2. Data collection. Data collection will be conducted through in-depth interviews with the selected SME entrepreneurs in Malang Regency, East Java Province. The interviews will be recorded and analyzed to identify patterns and themes that emerge in their answers.
3. Data analysis. The data collected will be analyzed using appropriate qualitative analysis techniques, such as thematic analysis or content analysis. The researcher will look for patterns and themes that emerge in the interviews and compare the answers of different SME entrepreneurs.
4. Development of findings. The research findings will be developed and analyzed to find the relationship between external factors and financial literacy and business orientation strategy capabilities. The research findings will be used to identify factors affecting SME entrepreneurs in Indonesia and develop appropriate policy recommendations.

Conclusions and recommendations. This research will produce clear conclusions about the influence of external factors on the financial literacy and business orientation strategy capabilities of SME entrepreneurs in Indonesia. Based on the research findings, the researcher will recommend policies that can help improve the financial literacy and business orientation strategy skills of SME entrepreneurs in Indonesia.

Results and Discussion

1. Research Subjects and Informants

After conducting preliminary research and analyzing the data, the research subjects of SMEs in Malang District can be grouped into three main categories: (1) SMEs engaged in food and beverage businesses, such as food stalls, coffee shops, and grocery stores. The number of SMEs in this category is around 40 per cent of the total SME population in Malang District. (2) SMEs engaged in fashion, such as clothing stores, boutiques, and convections. This category accounts for about 35 percent of the total SME population in Malang Regency. (3) SMEs engaged in services, such as travel, cleaning services, and consulting services. This category has about 25% of the total population of SMEs in Malang Regency.

Furthermore, based on the results of the analysis and clustering, clustering can be done on each category of SMEs. For qualitative research, researchers will select several SMEs that represent each predetermined clustering. For example, in the category of food and beverage SMEs, researchers will select several SMEs that have different characteristics, such as SMEs located in the city center and those located in the suburbs, SMEs that offer traditional cuisine and those that offer modern cuisine, SMEs that offer affordable menus and those that offer premium menus. Similarly, in the fashion and service SME categories, SMEs representing different characteristics in each category will be selected as described in Table 1.

Table 1. Research Respondents (n=20)

SME Category	Percentage of Total N	Category
Fashion	35% = 7	Medium
Food and Beverage	40% = 8	Small - Medium
Travel Services	25% = 5	Medium

2. Data Collection

a. *Financial Literasi Urgency*

A good level of financial literacy is essential for SMEs (Small and Medium Enterprises) to manage their finances effectively and efficiently. Here are some financial literacy indicators that can be used as a reference for SMEs:

- Able to make accurate financial reports: SMEs with a good level of financial literacy are able to create accurate and organized financial reports. This will help SMEs to monitor cash flow, measure financial performance, and make informed business decisions (Ammari et al., 2023; Kartini et al., 2021).
- Understand the difference between costs and expenses: SMEs that understand the difference between costs and expenses will find it easier to manage their finances. Costs

are expenses that are necessary to run the business, while expenses are those that are unnecessary and can be avoided (Caterino & Cosenza, 2018).

- Able to manage debt well: SMEs that have a good level of financial literacy will be able to manage their debt well. They will understand how to calculate interest, pay debts regularly, and avoid excessive debt (W. Ding et al., 2021; Ullah et al., 2020).
- Have a long-term financial plan: SMEs with a good level of financial literacy will have a long-term financial plan. This will help SMEs to manage their finances in a more planned manner and avoid unwanted financial risks (Khalid et al., 2017; Tsao et al., 2020).
- Have a good understanding of investments: SMEs with a good level of financial literacy will understand how to invest wisely. They will understand the risks and rewards of their investments, and be able to choose investments that suit their risk profile (Nikitina et al., 2022).
- Able to utilize financial technology: SMEs with a good level of financial literacy will be able to utilize financial technology to manage their finances. This will help SMEs to monitor their cash flow in real-time, process transactions online, and improve their overall financial efficiency (Casidy et al., 2020; Chuang & Lin, 2013).

I had the opportunity to interview Mr. / Mrs. [Fashion, Food and Beverage Product Informant] who has a business in fashion. During the interview, we discussed the importance of financial literacy and business strategies in maintaining the sustainability of SMEs.

When asked about Mr./Ms. [Fashion, Food and Beverage Product Informant]'s view on the importance of financial literacy, he said that financial literacy is very important for SMEs because it can help entrepreneurs manage their finances better and make the right decisions. According to her, financial literacy can help SMEs to understand financial statements, calculate profit margins, manage cash flow, and make long-term financial plans. In the fast-paced fashion business, good financial management will be key to avoiding financial problems and maintaining a healthy business.

When asked about effective business strategies to improve the sustainability of SMEs, Mr./Ms. [Fashion, Food and Beverage Product Informants] emphasized the importance of continuously innovating in products and marketing. According to him, the fashion market is always changing and evolving, so SMEs should always update their products and keep up with the latest trends. In addition, Mr./Ms. [name of entrepreneur] also suggested paying attention to product quality, maintaining brand consistency, and focusing on the right market segmentation.

Mr./Ms. [Fashion, Food, and Beverage Product Informant] also added that in the fashion business, collaboration with influencers or celebrities can also be an effective marketing strategy. In this case, SMEs can choose influencers or celebrities that match their brand values and can help increase awareness among the public.

In conclusion, Mr/Ms [Fashion, Food and Beverage Product Informants] emphasized the importance of financial literacy and business strategy for the sustainability of SMEs, especially in the fashion business. By managing their finances well and continuously innovating their products and marketing, SMEs can maintain a healthy business and succeed in an increasingly competitive market.

SMEs that have a good level of financial literacy are able to make accurate and organized financial reports, so they are able to monitor cash flow, measure financial performance, and make informed business decisions (Aribawa, 2016). But along with that, several barriers also affect the factors in realizing financial literacy as a business strategy for SMEs including: Considerable cost and time to develop financial literacy skills and create accurate and organized financial reports (Khalid et al., 2017). SMEs that want to improve their financial literacy skills and create accurate and regular financial reports require considerable cost and time (Van Nguyen et al., 2022). This can be an obstacle for SMEs that have limited financial and labor resources. Second, limited human resources or experts in developing financial literacy skills and making accurate and regular financial reports. SMEs that want to improve their financial literacy skills and create accurate and regular financial reports need adequate human resources or experts (Firth et al., 2023). However, SMEs often experience difficulties in recruiting or retaining qualified human resources or experts, due to competition with large companies or other companies that offer higher salaries.

Both factors can affect the financial performance of SMEs and become obstacles in making the right business decisions. Therefore, SMEs need to pay attention to and overcome these factors in order to improve financial literacy and create accurate and organized financial reports effectively and efficiently. Some of the efforts that can be made are by utilizing technology, collaborating with external parties such as financial consultants, and building cooperation with educational institutions or institutions that provide training and business mentoring (Bayrakdaroğlu & Şan, 2014; Nikitina et al., 2022). Other than that, some of the factors that become major constraints in the considerable cost and time to develop financial literacy skills in SMEs include: Financial resources are often a major constraint for SMEs in improving financial literacy and creating accurate and organized financial reports. SMEs with limited capital tend to have difficulty financing financial training or mentoring, purchasing software, or hiring qualified financial experts. SMEs often have limited time and limited manpower to conduct financial training or mentoring, financial reporting, and other tasks related to financial administration (Nugraha et al., 2022). SMEs that have a small team or only one business owner often divide their attention between leading the business and managing financial administration. A lack of financial knowledge or education can make it difficult for SMEs to develop financial literacy skills and create accurate and organized financial reports. Some business owners may not have experience in creating financial statements or understand the basics of business finance. SMEs often struggle to recruit or retain qualified human resources or financial experts. Competition with larger companies or other companies that offer higher salaries often makes it difficult for SMEs to retain qualified financial experts.

b. The Urgency of Debt Management Skills

In the business world, the ability to manage debt is one of the key factors in achieving good business continuity. SMEs that are able to manage debt well will have access to greater resources and can grow their business more effectively. In addition, the ability to manage debt can also help SMEs develop better business relationships with other parties, such as lenders, suppliers, or business partners (Filiari, 2015; Irimia-Diéguez et al., 2014). To be able to manage debt well, SMEs must have a sound financial plan, choose the right source of funds, implement appropriate debt management policies, monitor cash flow regularly, establish good relationships with lenders, and use debt wisely.

Many SMEs do not have an in-depth understanding of debt management. They often do not understand how to manage debt effectively, resulting in difficulties in repaying the debt. For example, SMEs may not understand interest rates, repayment terms, and how to negotiate with lenders. Poor financial planning is often a major cause of SMEs' difficulties in managing debt. When SMEs do not understand their cash flow well, they tend to take on debt recklessly without considering their ability to repay. This often leads to bankruptcy (Nayak et al., 2021; Sundgren & Alexeyeva, 2022). SMEs are often less careful in recording their finances. They may not keep receipts or keep inaccurate financial records. When this happens, they have difficulty knowing how much they owe and when payments are due. SMEs often have difficulty finding enough resources to repay their debts. They may have difficulty finding investors, banks or financial institutions willing to provide debt. This often results in SMEs being trapped in a debt cycle that is difficult to manage.

Small and medium-sized businesses (SMBs) are an important sector for a country's economy, in terms of economic growth, job creation, and social progress. However, SMEs often face obstacles in managing their finances, especially in dealing with debt (Kulkarni & Chirputkar, 2014). Therefore, the ability to manage debt becomes very important for SMEs in maintaining the sustainability of their business. Debt can be an important source of funds for SMEs in financing their operations, expanding their business, and increasing profits (Kulkarni & Chirputkar, 2014). However, debt can also be a heavy burden for SMEs if not managed properly. Many SMEs experience financial difficulties due to unpaid debts, resulting from wrong lending policies or inability to manage cash flow. The importance of the ability to manage debt for SMEs as a business continuity strategy can be seen from the following aspects:

- Reducing the Risk of Insolvency

Insolvency is a risk faced by all businesses, both large and small. However, SMEs tend to be more vulnerable to this risk due to limited capital and human resources. The presence of debt in a business can help SMEs to enlarge capital and increase profits. However, if debt is not managed properly, the risk of bankruptcy will increase. Therefore, the ability to manage debt is very important in reducing the risk of bankruptcy that can threaten the business continuity of SMEs (Kaya, 2022; J. Zhang et al., 2020).

- Obtaining Funds at a Low Cost

The ability to manage debt can also help SMEs in obtaining funds at a low cost. In getting a loan, SMEs must pay attention to the interest rate offered by the lender. The higher the interest rate, the greater the interest burden that must be paid by SMEs. With good debt

management skills, SMEs can choose the right source of funds with lower interest rates and a term that suits their ability to pay (Foster et al., 2016).

- **Maintaining Business Reputation**

Business reputation is important for SMEs in winning customer trust and increasing market share. However, inability to manage debt can threaten an SME's business reputation. If an SME is unable to repay debts on time, lenders will view the business unfavorably. This can lead to difficulties in obtaining loans in the future, and can even damage the business image that has been built (Goldring, 2015).

- **Optimizing the Use of Capital**

The ability to manage debt can also help SMEs optimize the use of their capital. By taking into account good debt management, SMEs can allocate their resources effectively and efficiently. For example, by using funds obtained from debt to develop new products or expand market share, SMEs can increase profits and earn greater profits in the future (Shokri et al., 2021).

- **Improves Negotiation Skills**

The ability to manage debt can also improve SMEs' negotiation skills in business. In obtaining a loan, SMEs must be able to negotiate well with the lender. This can help SMEs to get better terms, such as lower interest rates or longer terms. In addition, the ability to manage debt well can also help SMEs develop better business relationships with other parties, such as suppliers or business partners (D. Ding et al., 2020).

- **Improves Financial Transparency**

The ability to manage debt can also improve the financial transparency of SMEs. In managing debt, SMEs must have clear documentation of the debt they have, along with the term and interest rate applied. This will help SMEs track their cash flow and make informed financial decisions. In addition, clear and transparent documentation of debt can also help SMEs in applying for loans in the future, as lenders will see SMEs as businesses that have good financial integrity and transparency (Ji et al., 2022; Kimani et al., 2021; Modlin, 2012).

c. Urgency of Ability to invest

Small and Medium Enterprises (SMEs) are an integral part of a country's economy. SMEs not only contribute significantly to economic growth, but also create jobs and strengthen the business climate. However, SMEs often face problems in growing their business, including capital constraints and limited resources. Medium- and long-term investments can be a solution for SMEs in overcoming these problems (Nikitina et al., 2022). In this paper, we will discuss the importance of medium- and long-term investments for SMEs and their implications for business development. Medium- and long-term investments can help SMEs improve their productivity and operational efficiency. SMEs can invest in technology, infrastructure, or equipment to improve the quality of products or services offered and speed up production processes (Ji et al., 2022; Sirin et al., 2022; Zhu et al., 2021). In the long term, investments in employee training and development can also help SMEs improve the quality of their workforce and maintain their competitive advantage. In addition, medium- and long-term investments can help SMEs expand their business. Investments in marketing and new product development can help SMEs reach a wider market and increase their market share. In the long term, investments

in geographic expansion or product diversification can help SMEs strengthen their position in the market and create greater growth opportunities. Medium- and long-term investments can also help SMEs anticipate future risks. By investing in cybersecurity or business insurance, SMEs can protect themselves from potential losses due to cyberattacks or natural disasters. In addition, investments in research and development can help SMEs understand the market trends and changes that may occur in the future and prepare themselves accordingly (P. Zhang et al., 2022).

While medium- and long-term investments have many benefits for SMEs, there are still some obstacles that stand in the way of investing. Here are some of the obstacles that SMEs often face in investing: First, limited capital is a major constraint for SMEs in investing in the medium and long term. Most SMEs rely on internal resources to grow their business and do not have access to sufficient funding sources to make investments (Codini et al., 2022). In addition, banks and other financial institutions tend to be reluctant to lend to SMEs as they are considered high risk. Second, lack of knowledge and skills is another obstacle often faced by SMEs in investing. Many SMEs do not have sufficient knowledge about investment strategies and lack the skills needed to understand investment risks and opportunities (Guan et al., 2020). Third, economic uncertainty is another constraint often faced by SMEs in investing in the medium and long term. Fluctuations in exchange rates, inflation, and unstable government policies can affect investment decisions and increase risks for SMEs. Fourth, the absence of an enabling environment can be a constraint in investing for SMEs. The enabling environment includes access to resources, information, infrastructure, and strong business networks. SMEs that do not have access to an enabling environment are likely to face difficulties in growing their business (Padave et al., 2021). Fifth, unclear regulations and policies can be an obstacle to investing for SMEs. Uncertainty in rules and policies can increase investment risk and discourage SMEs from making medium- and long-term investments (Teng & Yang, 2021).

d. The Urgency of Technology Use for SMEs

In today's digital era, technology has become an essential requirement for all aspects of life, including in the business world. This is especially true for small and medium enterprises (SMEs), which often find it difficult to compete with larger companies that have more access and resources. The use of technology can be a solution to overcome these obstacles and strengthen the position of SMEs in business competition (Ahmedova, 2015).

However, there are still many SMEs that have not utilized technology optimally. Many of them still use conventional methods in running their business, such as using handwritten notebooks or selling directly to customers. In fact, technology can help SMEs in various aspects of business, such as marketing, financial management, and operational efficiency. In this digital era, customers are increasingly dependent on technology to fulfill their needs. Therefore, SMEs need to utilize technology to improve the quality of their products and services, so as to expand their market and increase profits. In addition, the use of technology can also help SMEs optimize financial management, reduce operational costs, and improve business process efficiency. The use of technology can also help SMEs in facing the business challenges faced during the COVID-19 pandemic (Asriati et al., 2022). In the midst of this pandemic, many SMEs are experiencing difficulties in running their businesses, mainly due to social restrictions and decreased market demand. However, by utilizing technology, SMEs can expand their

market and increase online sales, thus sustaining their business amidst the pandemic.

Not only that, the use of technology can also help SMEs improve efficiency and productivity in managing their business. By using the latest software and applications, SMEs can speed up their business processes, such as data processing, financial recording, and inventory management. This can save time and costs incurred in business operations (Stewart, 2009). However, despite the enormous benefits of using technology for SMEs, there are still many SMEs that have not utilized it optimally. Many of them find it difficult to adopt technology in their business, either due to limited capital, knowledge, or inadequate infrastructure. Therefore, efforts are needed to increase SMEs' awareness and access to technology that can help them grow their businesses. Such efforts can be made through various training and development programs, such as workshops and seminars organized by the government or non-profit institutions. In addition, the government can also provide incentives and financial support to SMEs that invest in technology, such as financing and lower taxes. This can help SMEs to increase access to technology and reduce barriers (Kumar & Ramachandran, 2021).

In addition, there is also a need for support from the public and consumers in expanding the market for SMEs that utilize technology. Consumers need to understand the benefits of technology and choose to shop at SMEs that utilize it. This community and consumer support can help SMEs to grow and thrive, thus becoming a stronger part of the national economy (Nugraha et al., 2022). However, the use of technology also comes with some risks and challenges for SMEs, such as data security risks and technical failure risks. Therefore, SMEs need to understand these risks and take steps to mitigate the impact. This can be done through the use of secure software and applications, as well as maintaining regular data backups. In addition, SMEs also need to consider the cost and effectiveness of the technology to be used. The use of technology that does not fit the business needs or is too expensive can result in losses for SMEs. Therefore, SMEs need to research and evaluate the technology to be used, and consider the costs and benefits of its use.

In conclusion, the use of technology can be a solution for SMEs to face the increasingly fierce business competition in today's digital era. By utilizing technology, SMEs can expand their market, improve operational efficiency, and increase productivity in managing their business. However, there are still many barriers that need to be overcome, such as limited capital and knowledge, as well as security and technical risks. Therefore, support from the government, society, and consumers is needed to increase SMEs' access to and awareness of technology.

Interview with Mr. Ahmad, Owner of Roti Bakar Sederhana SME

Interviewer: Good morning, Mr. Ahmad. Thank you for speaking with us today. We would like to talk about the importance of using technology in SME businesses. What are your thoughts on that?

Mr. Ahmad: Good morning, too. Thank you for inviting me to speak. I think the use of technology is very important for SME businesses today. In my toast business, technology is very helpful to increase efficiency and productivity.

Interviewer: What are the technologies that you use in your simple toast business?

Mr. Ahmad: We use several technologies, such as bread-making machines, automatic coffee machines, and accounting software. With the bread maker, we can produce bread quickly and easily. While the automatic coffee machine helps us to prepare coffee more quickly and consistently. The accounting software is also

very helpful for managing our business finances.

Interviewer: Has the use of technology had a positive impact on your business?

Mr. Ahmad: Of course. With the use of technology, we can speed up the production process and the management of our business. In addition, we can also improve the quality of the products we offer. This of course helps us to maintain and increase our market share.

Interviewer: Are there any obstacles that you face in using technology in business?

Mr. Ahmad: Yes, there are some obstacles that we face. One of them is the initial investment cost which is quite high. We had to reconsider the benefits and advantages of using technology before making the decision to invest. In addition, we also have to consider the technical and data security risks that may occur. For that reason, we try to keep abreast of technological developments and choose the best and most secure technology for our business.

Interviewer: What advice do you have for other SMEs in utilizing technology in their business?

Mr. Ahmad: I would advise other SMEs to keep up to date with technology and choose the technology that best suits their business. In addition, they also need to consider the costs and benefits of using the technology. Finally, they also need to understand the risks that may occur and choose technology that is safe and reliable.

e. SME Business Orientation Strategy

SMEs or Small and Medium Enterprises play an important role in a country's economy. SMEs are able to absorb local labor and accelerate economic development at the local and national levels. However, in the face of increasingly fierce business competition, SMEs must be able to develop the right business strategy in order to survive and thrive. One important business strategy is the business orientation strategy. In this article, we will discuss the capabilities of business orientation strategies for SMEs (Isensee et al., 2020). A business orientation strategy can be defined as an effort to direct all business activities towards achieving long-term business goals (Rofiaty, 2019). This strategy consists of several steps that must be taken to develop the business more effectively and efficiently. Business orientation strategy is important for SMEs, because with the right strategy, SMEs can grow their business and win the competition (Casidy et al., 2020).

f. Business Orientation Strategy Capability for SMEs

In developing a business orientation strategy, SMEs must have some necessary capabilities. The following are some of the business orientation strategy capabilities that SMEs must have:

- **Analytical Capability.** Analytical skills are essential for SMEs in developing business orientation strategies. SMEs must be able to analyze the strengths and weaknesses of their business, as well as understand existing market trends and business competition. With proper analysis, SMEs can develop strategies that suit their business needs and win the competition (Tansley et al., 2014).
- **Planning Ability.** After analyzing the strengths and weaknesses of its business, an SME must be able to create an effective and efficient business plan. The business plan should include the long-term goals of the business, the target market, the products and services

offered, the resources required, and the steps to be taken to achieve the business goals (Allen & Farber, 2020; L. Zhang et al., 2022).

- **Decision-making Capability.** In developing a business orientation strategy, SMEs must be able to make the right and quick decisions. The decisions taken must be based on the analysis and business plan that has been prepared. SMEs must also be able to evaluate the decisions that have been taken and make changes if necessary (Dwivedi et al., 2022; Tiberius et al., 2021).
- **Innovation Capability.** Innovation is important in business. SMEs must be able to develop new products or services that meet market needs and can win the competition. SMEs must also be able to develop new ways of managing their business to be more effective and efficient (Lu & Chen, 2021; Xie & Zheng, 2020).
- **Good communication skills** are essential in developing a business orientation strategy. SMEs must be able to communicate well with customers, employees, and investors. SMEs must be able to explain their business vision and mission clearly and convincingly, and listen to feedback and criticism from customers and partners (Halimi et al., 2021).
- **Resource Management Capability.** Resource management is important in developing a business. SMEs must be able to manage their resources well, including human, financial, and technological resources. SMEs must be able to manage resources effectively and efficiently in order to grow their business well (Lee et al., 2020; Sangha et al., 2019).

Despite the importance of business orientation strategy capabilities for SMEs, not all SMEs are able to develop these capabilities properly. Some of the obstacles faced by SMEs in developing business orientation strategy capabilities include: SMEs often face constraints in managing their limited resources (Uwizeyemungu et al., 2022). Especially in human resources, which have limitations in terms of knowledge and experience in developing appropriate business strategies. In addition, financial resources are also often an obstacle in developing business orientation strategies. Second, a good information system is very important in developing a business orientation strategy (Akkas & Asutay, 2022). However, not all SMEs have good information systems. Ineffective information systems can hinder SMEs in making the right decisions and developing effective business strategies. Third, SMEs that do not have an extensive business network often face obstacles in developing their business. An extensive business network can assist SMEs in developing the right business orientation strategy, as well as expanding markets and customers (Velea et al., 2014). Fourth, increasingly fierce business competition can be an obstacle for SMEs in developing business orientation strategies. SMEs must be able to compete with large companies that have greater resources, and are able to develop more innovative products and services. Fifth, rapid technological change can also be an obstacle for SMEs in developing business orientation strategy capabilities. SMEs must be able to keep up with the latest technological developments in order to meet customer needs and remain competitive in an increasingly tight market.

g. SWOT Analysis

1. Strengths:

- A good level of financial literacy and the ability to create accurate and organized financial statements enable SMEs to monitor cash flow effectively.

- SMEs can accurately measure financial performance and make informed business decisions based on available data and information.
 - SMEs that have accurate and regular financial reports can increase their credibility in the eyes of banks or investors, thereby increasing access to finance.
 - Good business orientation strategy capabilities can help SMEs to grow their business and increase profits.
 - SMEs that have good business orientation strategy capabilities can compete with large companies in an increasingly tight market.
 - The ability of business orientation strategies can help SMEs identify weaknesses in their business and find ways to overcome these weaknesses.
2. Weaknesses:
- SMEs may require considerable cost and time to develop financial literacy skills and prepare accurate and organized financial statements.
 - SMEs may need sufficient human resources or experts to develop financial literacy skills and prepare accurate and regular financial reports.
 - Sometimes SMEs do not have sufficient resources to develop business orientation strategy skills, such as limited funds and limited human resources.
 - SMEs that do not have good business orientation strategy skills may find it difficult to grow their business and compete in an increasingly tight market.
 - Limited access to information and technology can hinder SMEs in developing good business orientation strategy capabilities.
3. Opportunities:
- SMEs can expand their business network and improve their competitiveness in the market by utilizing accurate financial information to make informed business decisions.
 - SMEs can improve financial performance and achieve greater profits by utilizing financial information to optimize the use of resources.
 - The rapid development of technology can help SMEs grow their business and improve operational efficiency.
 - SMEs can utilize digital platforms to expand their markets and increase the accessibility of their products and services.
 - Support from government and SME-related organizations can help SMEs develop strategic business orientation capabilities and strengthen their competitiveness.
4. Threats:
- Changes in government policies or regulations that impact financial aspects, such as taxes or financial regulations, can pose a threat to SMEs.
 - Increased competition in the market can be a threat to SMEs, so SMEs need to optimize the use of financial information to make the right business decisions and improve competitiveness.
 - Increased business competition can make SMEs that do not have good business orientation strategy capabilities displaced from the market.
 - Unpredictable regulatory changes can affect SMEs' operations and ability to grow their business.

- SMEs' dependence on limited resources can make them vulnerable to economic and social risks.

Conclusion

In the era of globalization and increasingly fierce business competition, the ability to manage finances and business orientation strategies are important for SME entrepreneurs in Indonesia. External conditions surrounding entrepreneurs, such as volatile markets and changes in government policies, can affect financial literacy and business orientation strategy capabilities. Therefore, research on external factors on financial literacy and business orientation strategy skills of SME entrepreneurs in Indonesia needs to be conducted to provide appropriate recommendations and solutions. Various external factors such as changes in government policies, technological developments, volatile markets, and intense business competition can affect the financial literacy and business orientation strategy capabilities of SME entrepreneurs. Changes in government policies, especially in terms of tax regulations and business regulations, can affect the financial literacy of SME entrepreneurs. For example, changes in taxation rules can make it confusing and difficult for entrepreneurs to fulfill their tax obligations. If entrepreneurs do not have sufficient knowledge about taxation, then they may have difficulty in fulfilling these obligations. In addition, rapid technological developments can also affect the ability of SME entrepreneurs' business orientation strategies. Entrepreneurs who are unable to adapt to technological developments will find it difficult to compete and continue to survive in an increasingly tight market. For example, the use of digital platforms and social media in product marketing has become very important today. If entrepreneurs are not able to use these technologies well, then they will lose the opportunity to market their products effectively. Market fluctuations and intense business competition can also be an obstacle to SME entrepreneurs' financial literacy and business orientation strategy skills. Unexpected market fluctuations can make entrepreneurs lose money or even incur huge losses. In addition, intense business competition can force entrepreneurs to look for more innovative and effective ways to sustain their business in an increasingly competitive market.

In the face of such external factors, SME entrepreneurs need to improve their financial literacy and business orientation strategy skills. Good financial literacy will help entrepreneurs to understand and manage their finances better. By understanding how to manage their money, entrepreneurs can avoid the risk of losing money and even optimize their business profits. Good business orientation strategy skills will also help entrepreneurs to understand the market and business competition better, so that they can develop effective strategies to maintain and grow their business. In the Indonesian context, efforts to improve financial literacy and business orientation strategy skills for SME entrepreneurs still need more serious attention from the government and the community. External factors such as global economic conditions, government regulations and policies, as well as increasingly fierce business competition, can affect the level of financial literacy and business orientation strategy skills for SME entrepreneurs in Indonesia. The government as a regulator and policy maker needs to provide support and facilitation for SME entrepreneurs to improve their financial literacy and business orientation strategy skills. This support can be in the form of providing training and mentoring programs, access to easier and cheaper financial resources,

and making friendly regulations for SME entrepreneurs.

Meanwhile, communities and businesses can also contribute by expanding access to information and knowledge on financial literacy and business orientation strategies through training, seminars and discussions. This can be done through collaboration between businesses, educational institutions and local communities. In the long run, improving the financial literacy and business orientation strategy skills of Indonesian SMEs will have a significant impact on the national economy. SME entrepreneurs who have good financial literacy and reliable business orientation strategy skills will be better able to face increasingly fierce business competition, improve the competitiveness of their products and services, and expand their market reach. In conclusion, external factors such as global economic conditions, government regulations and policies, and intensifying business competition can affect the financial literacy and business orientation strategy skills of SME entrepreneurs in Indonesia. Therefore, efforts and support from the government, community, and business actors are needed to improve financial literacy and business orientation strategy skills for SME entrepreneurs. This improvement will have a positive impact on the national economy and strengthen the position of SME entrepreneurs as one of the main pillars of the Indonesian economy.

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