

Optimizing the Financial Performance of SMEs in Bali

I Ni Luh Anik Puspa Ningsih¹, Made Pratiwi Dewi², I Ketut Darma³

^{1,2,3} Faculty of Economics and Business, Warmadewa University, Indonesia



ABSTRACT: Environmental problems are a threat that cannot be ignored. All lines of society and companies are required to be able to maintain business sustainability and reduce negative impacts on the environment. Bali as a food center (culinary). The development of the tourism sector provides a stimulus for the development of the culinary business in Denpasar. The culinary industry is an interesting object considering that food products are very close to the use of disposable packaging, not easily recycled, and have an impact on environmental pollution. Companies are encouraged to create innovations in producing products and providing services to consumers while still prioritizing environmental conservation. One of the efforts made is by implementing environmentally friendly-based entrepreneurship in its business activities and still focusing on optimizing business performance. This research was conducted on Culinary SMEs in Bali Province. The data processing method uses path analysis with smartPLS analysis tools. The results showed that the more optimal the implementation of high performance values the level of financial literacy of the owner and / or management of culinary SMEs can improve the business performance of culinary SMEs.

KEYWORDS: Financial Performance, Green Entrepreneurship Orientation (GEO), Financial Literacy, SMEs

I. INTRODUCTION

Changes in environmental change conditions occur very quickly. Various environmental problems are a threat that cannot be ignored. Even in the last two decades there has been very significant environmental damage (Hugo & Nuringsih, 2020). Apart from natural phenomena such as climate change, environmental damage is caused by higher levels of pollution, be it air, soil or water. Economic growth is also another factor causing increased environmental damage if the exploitation of energy and natural resources to meet production needs is not controlled (Putra and Utama, 2022).

In line with the increasingly massive environmental pollution conditions, companies are required to be able to maintain business continuity and reduce negative impacts on the environment. In the principle of sustainability, there is an act of harmonizing between profit and concern for environmental sustainability. This will certainly have an impact on the company's image when it explicitly takes action to care for the environment (Samson & Daft 2015). Various efforts have been made by the government, including the 'Plastic Free Indonesia' program to reduce the use of disposable.

This programme was welcomed by the community. Even companies are encouraged to create innovations in producing products and providing services to consumers while prioritizing environmental conservation. One of them is by applying green concepts in their business activities (Teece, 2016). The concept of green entrepreneurship is transformed into 3 (three) dimensions, clean growth, socially aware business and environmentally save business (Dixon & Clifford, 2007). Through the application of the concept of green entrepreneurship in the company's operational activities, it is expected to be able to continue optimizing business performance without worsening environmental conditions. The concept of green entrepreneurship can not only be applied in large companies but can also be adopted by small and medium-scale businesses.

Green entrepreneurship has gained increasing attention in both academia and industry due to the growing awareness of environmental sustainability and the potential for businesses to contribute to green initiatives (Mankgele, 2023). This research paper aims to explore the relationship between green entrepreneurial orientation and the financial performance of businesses.

Optimizing the Financial Performance of SMEs in Bali

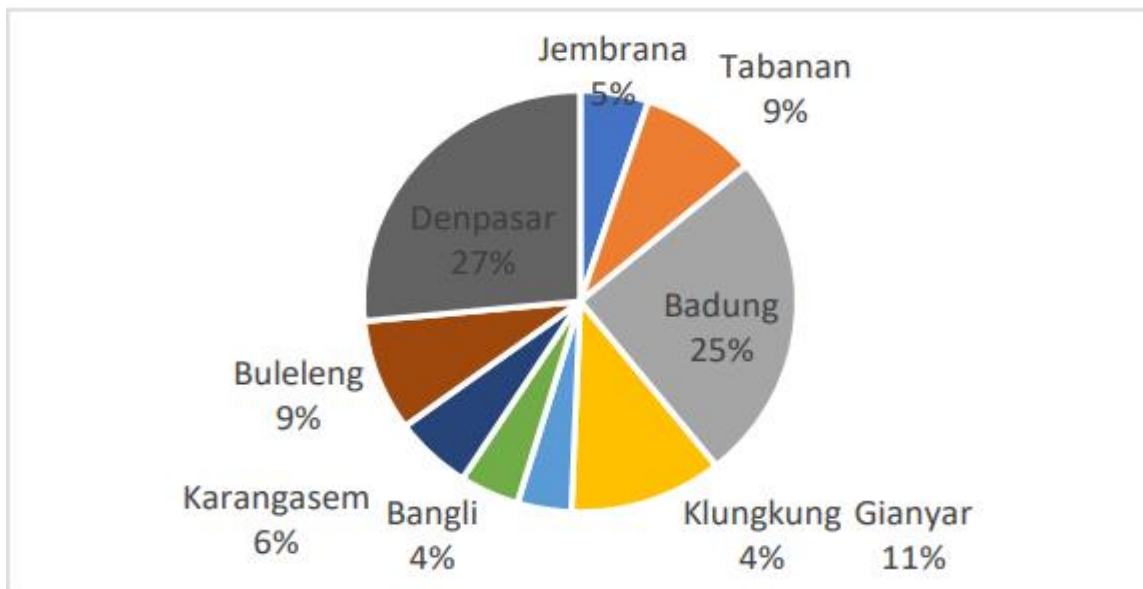


Figure 1. SMEs in Bali

SMEs can absorb labor and reduce unemployment by creating new jobs. SMEs can also be a platform to develop people's skills. However, in its operations, SMEs are very close to the production of waste and garbage that can pollute the environment. The application of green concepts in an effort to maximize business performance cannot stand alone, it requires qualified literacy support from business actors, one of which literacy that supports business is financial literacy. Financial literacy has grown rapidly and received serious attention, especially in developed countries. Financial literacy is a person's ability to make decisions related to organising and managing finances. Some of the factors that cause financial literacy to develop include low savings interest rates, increasing bankruptcy rates and debt levels, and increasing individual responsibility in making decisions that will affect the economy in the future (Servon & Kaestner, 2008).

Business performance can be seen through the achievement of corporate profitability. For SMEs, profit maximisation is a corporate goal that is targeted to be achieved. This goal must be accompanied by actions that have a positive impact on environmental preservation. Business performance explained by profitability is influenced by various factors including entrepreneurial attitudes that balance between profit orientation and concern for the environment which is summarised in green entrepreneurship. This is confirmed by several studies including the significant positive relationship between green entrepreneurship and business performance (Putra & Utama, 2022). Kaya (2015) found that entrepreneurship has a significant positive effect on the financial performance of SMEs in Turkey. Ribeiro et al (2021) also found a significant positive correlation in the relationship between environmentally oriented entrepreneurship and firm performance in Ghana and Nigeria. Alqershi et al (2023) that green entrepreneurship has a significant positive impact on business sustainability as measured by profit in private companies in Malaysia. Different research results were found by Vanacker et al (2020) who found that the company's external entrepreneurship, including social-based entrepreneurial activities, had a significant negative correlation with company performance. Entrepreneurial values in this study are entrepreneurial values based on social aspects, namely concern for the environment.

Understanding and ability to do business management and financial management (financial literacy) also determines the effectiveness of entrepreneurs' decision making which will lead to optimization of company profits (profitability). The relationship between financial literacy and company performance as measured by profitability is confirmed by several researchers including Adomako & Danso (2014) examining small businesses in Ghana, Aribawa (2016) on SMEs in Central Java, & Entebang (2018) in Nigeria, Menike (2019) Small and Medium Enterprises (SMEs) in Sri Lanka, Alamsyah (2020) on SME furniture in Gorontalo, Yakob et al (2021) conducted research on SMEs in Malaysia found that financial literacy has a significant positive impact on business financial performance. Different results were found in Agyei & Nsiah's research (2018) that financial literacy has no significant impact directly on the performance of SMEs in Ghana.

Tian et al (2020) confirmed that increasing financial literacy significantly increases corporate innovation. Financial literacy can encourage corporate innovation by reducing financing constraints, improving risk management and considering environmental issues in business governance. Cantika et al (2022) found that financial literacy has a significant positive impact on supporting environmental protection or actions/behaviours that support environmental preservation by buying, producing environmentally friendly products, and participating in environmental preservation programmes through environmentally friendly

Optimizing the Financial Performance of SMEs in Bali

business activities/green projects. Sharma et al (2023) found that increasing financial inclusion can improve the entrepreneurial ecosystem, including entrepreneurship in social aspects. Through an understanding of finance and its management, as well as encouragement of welfare improvement, it will be a trigger for individuals to start a business that is not only profit-oriented but also pays attention to social and environmental aspects. Different results were found by Alshebami and Al-Mari (2022) that there is no significant direct relationship between financial literacy and entrepreneurship. Business performance can be seen through the achievement of company profitability. For SMEs, profit maximisation is a corporate goal that is targeted to be achieved. This goal must be accompanied by actions that have a positive impact on environmental preservation. Business performance explained by profitability is influenced by various factors including entrepreneurial attitudes that balance between profit orientation and concern for the environment which is summarised in green entrepreneurship. This is confirmed by several studies including the significant positive relationship between green entrepreneurship and business performance (Putra & Utama, 2022). Kaya (2015) found that entrepreneurship has a significant positive effect on the financial performance of SMEs in Turkey. Ribeiro et al (2021) also found a significant positive correlation in the relationship between environmentally oriented entrepreneurship and firm performance in Ghana and Nigeria. Alqershi et al (2023) that green entrepreneurship has a significant positive impact on business sustainability as measured by profit in private companies in Malaysia. Different research results were found by Vanacker et al (2020) who found that the company's external entrepreneurship, including social-based entrepreneurial activities, had a significant negative correlation with company performance. Entrepreneurial values in this study are entrepreneurial values based on social aspects, namely concern for the environment.

Novelty in this study is the specific pattern of relationship between financial literacy and green entrepreneurship, as well as green entrepreneurship and business performance. Throughout the researcher's observation of previous empirical work, no empirical work has been found that examines this relationship. Based on the phenomena that occur and previous empirical and research gaps as a research novelty, this study was conducted by examining the relationship between financial literacy of environmentally friendly entrepreneurship on the business performance of SMEs.

II. LITERATURE REVIEW

Resource-Based View Theory

The achievement of company performance is determined by internal resources and capabilities. Better management of strategic resources will be in line with increasing the company's competitive advantage (Barney, 1991).

Company resources can be classified into 2 (two)

- a) Tangible resources such as land, buildings, machinery, production equipment and so on
- b) Intangible resources such as perception, culture, expertise, literacy level in a particular field, intellectual capital and others (Ferreira et al, 2011).

Intangible resources have an important role in achieving the sustainability of a business. Intellectual capital, specifically human capital, one of the indicators is knowledge (literacy level), abilities, and skills possessed by human resources will determine the sustainability of a business, a sustainable business is explicitly seen through a continuous increase in business profits (Wadud, 2021.)

Behavioural Finance Theory

The development of behavioral finance stems from the conventional view that assumes rational investors in financial decisionmaking. Kahneman & Tversky (1979) first revealed cognitive bias, this theory combines psychology and sociology in finance (Glaser et al., 2004). Behavioural finance categorises biases into cognitive and emotional, which lead to irrational judgements (Pompian, 2006). This theory explains the psychological influence on financial decisions, especially the process of allocating funds in investment. This shows that emotional and psychological conditions affect individual behaviour in financial management (Riaz et al., 2020). By understanding behavioral finance, individuals can avoid fatal mistakes in making financial decisions.

Business Performance

Business performance shows the achievement or achievement that has been achieved by a business. business performance in this study is explained by business financial performance.

Financial Performance

Financial performance is the company's achievement on business management in a certain period. Evaluation and measurement of the company's condition is reflected in the company's ability to generate profits (Pang et al., 2020). According to Hery (2016: 13) formal efforts made by companies to evaluate the efficiency and effectiveness of companies in generating profits in a certain

Optimizing the Financial Performance of SMEs in Bali

period are defined as financial performance. One of the financial performance of small businesses is reflected in the company's achievement in generating company profits (profitability) (Hutabarat, 2020).

Financial Literacy

Financial literacy is the ability to read, analyze, manage, and communicate about personal financial conditions that will affect material well-being (Vit et al, 2000). The definition of financial literacy is the ability to make informed judgments and make effective decisions about the use and management of money (Bhushan & Medury, 2013). The definition of financial literacy, in ANZ Bank is the ability to make informed judgments and make effective decisions about the use and management of money. Financial literacy is a combination of individual abilities, knowledge, attitudes and ultimately individual behaviours related to money.

Green Entrepreneurship Orientation (GEO)

Green entrepreneurship is entrepreneurship based on economic activities that are environmentally friendly and provide value to society. This concept is based on an innovative, proactive attitude and level of risk preference in presenting environmentally friendly products and processes (Demirel et al, 2019). This concept is transformed into 3 (three) dimensions, namely clean growth, social care (socially aware business), and environmentally friendly (environmentally safe business) (Dixon & Clifford, 2007). Through the application of the concept of green entrepreneurship in the company's operational activities, it is expected to be able to continue optimizing business performance without worsening environmental conditions.

III. RESEARCH METHODS

This research was conducted on Culinary Small and Medium Enterprises (SMEs) operating in Bali Province. The population in this study were all small and medium enterprises in the culinary field that have a Business Licence Number (NIB) located in Bali Province 2149 businesses. Determination of the number of samples in this study was carried out using the Slovin formula obtained as many as 96 SMEs with a stratified random sampling technique. The data analysis technique used is PLS (partial least square) with the SPSS program to answer the research question.

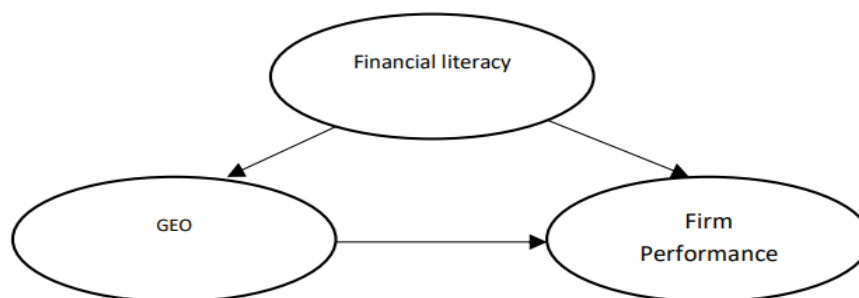


Figure 1. Conceptual Framework

IV. RESULTS

The data testing process begins by conducting a classical assumption test consisting of normality test, autocorrelation Test, and heteroscedasticity test. The results show that the data used in this research have passed the classical assumption so data is normally distributed; the data does not occur autocorrelation with the previous year's data; and the data does not contain symptoms of heteroscedasticity. Furthermore, partial least square testing was conducted. The results of the test are presented in Table 2 as follows:

Table 1. Path Analysis Result

	Original mple (O)	Sample lean (M)	Standard Deviation (STDEV)	T statistics (O/STDEV)	P values
FL -> GEO	0,649	0,644	0,123	5,289	0
Financial Literacy -> Firm Performance	0,225	0,251	0,185	3,217	0,023
Green Entrepreneurship Orientation -> Firm Performance	0,039	0,029	0,206	2,191	0,049

Optimizing the Financial Performance of SMEs in Bali

Based on testing the relationship between variables (Path Coefficient), all relationships between variables are found to have a significant effect at $\alpha = 0.05$ or the t statistic value is smaller than the t table value (1.96).

V. DISCUSSION

Financial literacy on GEO in Culinary SMEs in Bali

Based on the results of statistical testing found that financial literacy has a significant positive impact on environmentally friendly entrepreneurship. The high or low level of financial literacy possessed by the owners / management will be in line with the increased implementation of the values of the concept of environmentally friendly entrepreneurship of Culinary SMEs in Bali. These results are in line with research conducted by Tian et al (2020) that increasing financial literacy significantly increases corporate innovation. Financial literacy can encourage corporate innovation by reducing financing constraints and improving risk management. Sharma et al (2023) found that increasing financial literacy can improve the entrepreneurial ecosystem, including entrepreneurship in social aspects. Through an understanding of finance and its management, as well as the encouragement of welfare improvement will be a trigger for individuals to start a business.

Financial Literacy on Business Performance in Culinary SMEs in Bali.

It was found that financial literacy has a significant positive impact on the business performance of culinary SMEs in Bali. These findings are in line with research conducted by Adomako & Danso (2014) found that financial literacy has a significant positive impact on the financial performance of small businesses in Ghana. Financial literacy can improve business performance when financial resources can be optimized and entrepreneurs can have access to finance.

Similarly, Aribawa (2016) found that financial literacy has a significant positive effect on the financial performance of SMEs in Central Java. With good financial literacy, SMEs will be able to make the right financial decisions to improve business financial performance. Eniola & Entebang (2018) in Nigeria also found the same results, that the level of financial literacy of business owners - SME managers had a significant positive effect on company performance in three states in southwestern Nigeria.

With financial literacy, business owners are able to make better financial decisions so as to improve company performance. Menike (2019) conducted research related to the relationship between financial literacy and the financial performance of Small and Medium Enterprises (SMEs) in Sri Lanka. This study measures financial literacy with financial knowledge, financial influence and financial behavior. It was found that financial knowledge had a significant positive impact on the financial performance of SMEs in Sri Lanka.

Research conducted by Alamsyah (2020) also found similar results, it was found that financial literacy has a significant positive effect on the financial performance of furniture SMEs in Gorontalo. With a certain level of understanding of financial management, entrepreneurs are able to use their abilities in various financial decisions so that they will optimize company profits. Yakob et al (2021) conducted research on SMEs in Malaysia, also found similar results that financial literacy has a significant positive effect on SME performance.

GEO on business performance in culinary SMEs in Bali

The results of statistical testing show a significant positive relationship between environmentally friendly entrepreneurship on business performance of culinary SMEs in Bali. This finding means that a higher level of environmentally friendly entrepreneurship owned by SME owners and managers increases the business performance of culinary SMEs in Bali.

The implementation of green entrepreneurship includes efforts to innovate owner activities, monitoring the use of raw materials that do not adversely affect the environment has a beneficial effect on company performance (Gadaf et al, 2023). The results of this study are in line with Kaya (2015) who found that entrepreneurship has a significant positive effect on the financial performance of SMEs in Turkey. Ribeiro et al (2021) also found a significant positive correlation in the relationship between entrepreneurship and firm performance in Ghana and Nigeria. Entrepreneurship in this study is innovative, proactive and risktaking in business management as well as creative innovation in environmentally friendly business according to one of the issues in SGDs, which provides a positive image for the company which has an impact on the growth in the level of profit generated. Similar results were found by Alqershi et al (2023) that green entrepreneurship has a significant positive impact on business sustainability in private companies in Malaysia. One indicator of business sustainability in this study is the growth of business financial performance (profitability).

VI. CONCLUSIONS

Financial literacy has a significant positive impact on GEO. This finding means that an increase in financial literacy owned by SME owners and managers will encourage an increase in environmentally friendly entrepreneurial values implemented in culinary business operations in Bali.

Optimizing the Financial Performance of SMEs in Bali

Financial literacy and GEO have a partially significant positive impact on the business performance of culinary SMEs in Bali. This means that owners and or managers with high financial literacy skills in understanding business-related financial concepts, including debt, savings, insurance, and investment will ensure successful culinary business performance.

VII. SUGGESTIONS

This research has an important role in maximizing the performance of SMEs and for future researchers. SMEs should pay attention and implement the concept of green entrepreneurship to the fullest. In addition to encouraging the optimization of profit achievement, it is also one of the potential resources to realize a business competitive advantage. This is in line with one of the SDGs goals, namely environmental sustainability. Businesses not only aim to make a profit but also have awareness and concern for environmental sustainability.

The limitations of this research are that it uses culinary SMEs in Bali as an object. This research was conducted in nine districts/cities in Bali Province and only focused on testing variable green entrepreneurship orientation, financial literacy and firm performance. Therefore, future researchers can conduct similar research, but with the addition of other independent variables, moderating variables or mediating variables that still have a correlation with firm performance, and taking research objects outside the Bali Province area so that the results of this research can be compared with research results in other regions.

REFERENCES

- 1) Hugo, E. M. & Nuringsih, K. (2020). Entrepreneurial Education, Green Orientation Entrepreneur, dan Green Value terhadap Ecology Entrepreneurial Intention. *Jurnal Manajerial dan Kewirausahaan*, 914-924.
<https://doi.org/10.24912/jmk.v2i4.9871>
- 2) Putra dan Utama (2022) Putra, William Eddy dan Utama, Louis. 2022. Pengaruh Green Entrepreneurial Orientation dan Green Innovation terhadap Kinerja Berkelanjutan Industri Gigi Palsu. *Jurnal Manajemen dan Kewirausahaan*. Vol.04, No.02, April 2022 : hl, 534-545
- 3) Samson, D. & Daft, R. (2015). *Fundamentals of Management: Asia Pasific Edition*. South Melbourne: Cengage Learning
<https://greenpeace.id>
- 4) Teece, D. J. (2016). Dynamic capabilities and entrepreneurial management in large organizations: Toward a theory of the (entrepreneurial) firm. *European Economic Review*, 202-216.
- 5) Dixon, S.E.A and Clifford, A (2007). Ecopreneurship-a new approach to managing the triple bottom line. *Journal of Organizational Change Management*. 20 (3), 326-345
- 6) Mankgele, K. (2023, June 17). Green entrepreneurial orientation and environmental performance of SMEs in Johannesburg municipality in the Gauteng province. *Ümit Hacıoğlu*, 12(4), 154-162.
<https://doi.org/10.20525/ijrbs.v12i4.2454>
- 7) Shahwat, K. (2019). SMEs : Key Drivers of Green and Inclusive Growth, OECD . *Green Growth Papers*, 3-56.
<https://pusatdata.denpasarkota.go.id>
- 8) Adomako, Samuel and Danso, Albert. (2014). Financial Literacy and Firm Performance : The Moderating role of Financial Capital Availability and Resource Flexibility. *International Journal of Management & Organizational Studies*. Vol.3, Issue.4, December 2014,p.1-15
- 9) Eniola, Anthony Abiodun and Entebang, Harry. (2016) Financial Literacy and SMEs Firm Performance. *International Journal of Research Studies in Management*. Vol.5, No.1,p.31-43
- 10) Servon, L.J & Kaestner, R. (2008). Consumer Financial Literacy and the impact of online banking on the financial behaviour of lower-income bank customer. *Journal of Consumer Affairs*, 42(2), 271-305
- 11) Utomo, Mohamad Nur dan Pratiwi, Sulistya Rini. (2021). Analisis Penerapan Green Business terhadap Kinerja UKM di Kota Tarakan. *Jurnal Akuntansi, Keuangan, Pajak dan Informasi (JAKPI)*. Vol.1,No.1,Maret 2021, hlm.113-121
- 12) Nuringsih, Kartika and MN, Nuryasman. (2021). The Role of Green Entrepreneurship in understanding Indonesia Economu Development Sustainability among Young Adults. *Studies Applied Economics*.vol.39-12, November, p.1-13
- 13) Ajzen, Icek. (1991). Theory of Planned Behavior.*Organizational Behavior and Human Decision Processes*. Vol.50, Issue.2, Desember 1991, p.179-211
- 14) Myers, S. C. & Majluf, N. (1984). Corporate financing and investment decisions when firms have information that
- 15) Modigliani, Franco and Miller, Merton H. 1958. The Cost of Capital, Corporation Finance and The Theory of Investment. *The American Economic Review*, Vol.48, No.3, 261-297
- 16) Lotfi, M.,Yousefi, A and Jafari, S. (2018). The Effect of Emerging Green Market on Green Entrepreneurship and Sustainable Development in Knowledge-Based Companie. *Sustainability*. Vol.10, Issue.3.2308

Optimizing the Financial Performance of SMEs in Bali

- 17) Gevrenova, T. (2015). Nature and Characteristic of Green Entrepreneurship. *Trakia Journal of Science*. Vol.13, Issue.2,p.321-323
- 18) Iswanti (2021). Efek Kepribadian dan Dukungan Akademik terhadap Intensi Kewirusahaan Hijau dimoderasi oleh Nilai Lingkungan (Survei pada Ssiswa SMK di Kabupaten Pati, Jawa Tengah). *Reposiroty Universitas Pendidikan Indonesia*
- 19) Demirel, P.,Li.Q.,Retocchini, F. & Tamyada J. (2019.). Born to be Green : New Insight into the Economics and Management of Green Entrepreneurship. *Small Business Economics*, 759-771
- 21) Vitt, L.A., Anderson, C.A.,Kent, J.,&Lyter, D. (2000). *Personal Finance*. Washington, D.C : Fannies Mea Fondation
- 22) Bhushan, P., & Medury, Y. (2013). Financial Literacy and Its Determinants. *International Journal of Engineering, Business and Entreprise Applications (IJEBA)*, 4(2), 155-160
- 23) Krishna, A., Rofaida, R., & Sari, M. 2010. Analisis tingkat literasi keuangan di kalangan mahasiswa dan faktor-faktor yang mempengaruhinya. *Pro- ceedings of the 4th International Conference on Teacher Education; Join Conference UPI & UPSI Bandung, Indonesia*
- 24) Chen, H. and Volpe, R.P (1998) An Analysis of Personal Financial Literacy Among College Students. *Financial Service Review* 7 (2)
- 25) Remund, D.L. (2010). Financial Literacy Explicated : The Case for a Clearer Definition in an Increasingly Complex Economy. *Journal of Consumer Affairs*, 44,276-295
- 26) Nuryuli, Alfit. 2014. Analisis Faktor Faktor yang mempengaruhi minat wirausaha di kalangan mahasiswa study kasus Fakultas Ekonomi dan Bisnis Universitas Muhammadiyah Surakarta, Seminar Nasional dan Call for Paper *Sanccall 2014 : Research Methods and Organization Studie* hlm.135
- 27) Sartono, Agus. (2016). *Manajemen Keuangan Teori dan Aplikasi Edisi 4*. Yogyakarta : BPFE
- 28) Subramanyam, K.R. and Wild, John.J. (2011). *Financial Statement Analysis-10th edition*. McGraw-Hill
- 29) Ningsih, N. L. A.,Wiagustini, N.L.P., Artini, L.G.S & Rahyuda, H. (2015). Organizational Culture, Decision of Funding and Firm Performance : an Evidence form Small and Medium Entreprises. *European Journal of Business and Management*. 7 (32), 148-158
- 30) Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung : Alfabeta
- 31) Ghozali, Imam. 2016. *Aplikasi Analisis Multivariate dengan Program SPSS*, Edisi ke-4, Bagian Penerbit Universitas Diponegoro. Semarang



There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.