



## The Role of Asta Brata Leadership on MSME Performance During Pandemic, Financial Literacy Moderating

Putu Atim Purwaningrat\*, Ni Ketut Muliati and Luh Nik Oktarini

Indonesia Hindu University, Denpasar-Indonesia

\*Email: purwaningrat@unhi.ac.id

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**Abstract**—This study observes the leadership role of Asta Brata which is one of the local wisdoms in Bali towards improving the performance of MSMEs during pandemic. Some researchers usually use leadership style variables that are adopted from outside, so there is a need for reinterpretation and adaptation to local culture. This study also uses financial literacy as moderation. This study aims to determine the influence of Asta Brata's leadership on the performance of MSMEs in Badung Regency during the pandemic with Financial Literacy as moderation. The survey was conducted on 100 people MSME in Badung Regency. The data were collected through online form. The validity and reliability had been met. Data analysis was carried out by partial least square in structural equation model approach (SEM-PLS). The results showed that Asta Brata's Leadership positive and significant effect on MSME performance. Financial Literacy has a positive and significant effect on the performance of MSMEs. Financial Literacy is able to moderate the relationship between Asta Brata Leadership and the Performance of MSMEs in Badung Regency during the Pandemic.

**Keywords:** Asta brata leadership; financial literacy; msme performance

### I. INTRODUCTION

The MSME sector is a source of state economic strength, whose existence is very important in contributing to the Gross Domestic Product in each country and plays a major role in absorbing labor. The year 2020 was quite a difficult year, not only for Indonesia but also for other countries in the world. The Covid-19 pandemic has hit all sectors, including the MSME sector. Furthermore, the Covid-19 pandemic has caused a slowdown in the economic sector in Indonesia with its various derivatives. The Micro, Small and Medium Enterprises (MSME) sector, which is the most important part of the economic sector, has felt the impact, this is what is worried by all parties, because it has made the MSME sector experience a significant setback. MSME suffer from financial loss, decreased market volume, incapacity to satisfy contract terms, cash-flow challenge, decrease in employee numbers and even closing of the company at or after disaster incidents due to disruptive performance levels (Beraha & Đuričin, 2020).

MSMEs are a source of livelihood for many people and also able to provide jobs for those who are educated and low-skilled to reduce poverty. Even now, MSMEs are considered an effective way to raise the level of the Indonesian economy. Referring to Law no. 20 in 2008, a trading business that is regulated by individuals or business entities on a small or micro scope is called MSME. Today it is important to introduce entrepreneurship in developed countries as well as developing countries (Ozaralli & Rivenburgh, 2016). Indicators of a nation can be said to be advanced seen from the number of people who have a profession as an entrepreneur. If the percentage reaches 2% of entrepreneurs from the total population, a country can become a developed country (Primandaru, 2017). Indonesia has the potential of a strong national economic base because the number of MSMEs, especially micro-enterprises, is very large and the absorption of labor is very large. The government and business actors must raise the 'class' of micro-enterprises to medium-sized enterprises. This business base has also proven strong in the face of the economic

crisis. Micro-enterprises also have a fast transaction turnover, use domestic production and are in contact with the primary needs of the community. According to data from the Ministry of Cooperatives, Small and Medium Enterprises in 2018, the number of MSME actors was 64.2 million or 99.99% of the total number of business actors in Indonesia. The absorption capacity of MSME workers is 117 million workers or 97% of the labor absorption capacity of the business world. Meanwhile, the contribution of MSMEs to the national economy (GDP) was 61.1%, and the remaining 38.9% was contributed by large business actors, which amounted to only 5,550 or 0.01% of the total number of business actors. The MSMEs are dominated by micro business actors, amounting to 98.68% with a workforce absorption capacity of around 89%. Meanwhile, the contribution of micro enterprises to GDP is only around 37.8%. Based on the data above, Indonesia has the potential for a strong national economic base because the number of MSMEs, especially micro-enterprises, is very large and the absorption of labor is very large. The government and business actors must raise the 'class' of micro-enterprises to medium-sized enterprises. This business base has also proven strong in the face of the economic crisis. Micro-enterprises also have a fast transaction turnover, use domestic production and are in contact with the primary needs of the community.

The development of MSMEs in Bali has increased in terms of numbers every year, including during the Covid-19 pandemic. This is in accordance with data obtained from the Head of the Bali Province MSME Service which states that the average Bali entrepreneurship ratio is above the national average of 5 percent, which is at 8 percent. Bali Province has 9 regencies and cities, including Badung, Karangasem, Gianyar, Tabanan, Klungkung, Bangli, Jembrana, Buleleng regencies, and a district city, namely Denpasar City. Yanto et al. (2022) suggests that a person's ability to successfully complete entrusted tasks and responsibilities within a specified period of time is referred to as performance. Company performance is a skill owned by business managers in taking action with acceptable consequences. All types of businesses, especially SMEs, must have a goal so that their business has the best performance. The main requirement for realizing the development of MSMEs is good performance in all existing sectors such as the financial sector, production, human resources,

distribution and marketing. In order to improve the performance and sustainability of MSMEs for the long term, it is necessary to establish strategic efforts, such as: increasing the capacity of human resources, enriching the knowledge of MSME actors about financial management and accountability. This needs to be done so that MSMEs can account for their finances better and regularly like large companies and to create sustainability. MSME need to rapidly customize their tactics and reorganize their courses of action in the face of the present threat, given priority to the survival, renewal and growth stages of crisis management (Herbane, 2019).

The Covid-19 pandemic has brought about changes in customer behavior and requires businesses to adapt. Every leader in an organization needs to develop employees and build a motivational climate that results in a high level of performance, so leaders need to think about the right leadership style in carrying out their duties as leaders. Leadership style is a very important factor to influence and provide direction to employees (Frisdiantara & Sahertian, 2012). The problem that occurs is the current rampant practice of leadership that adopts leadership models from outside, such as Europe, the United States, and Japan so that reinterpretation and adaptation are needed to be relevant to local culture because leadership is a form of culture in society and educational institutions. Culture is the sum total of ideas, actions and human creations. Leadership has its own color in culture, because culture is a process of interaction between humans. The interaction in this case is filled with the orientation and values expected by the leader. Balinese Local Wisdom has the concept of *Asta Brata* which describes the character that must be possessed by a leader. Religious principles and beliefs can play an important role in inspiring business firms to respond to people's immediate needs and partially filling social needs left unfilled by the authorities in South Asia (Ali & Hatta, 2014). Again, leadership and HR are crucial to preserving the optimal SME success standard during crisis events. In view of the study's course, the survival phase of SMEs deals with a short-term goal that is representative of profitability given the crisis scenario (Bourletidis & Triantafyllopoulos, 2014; Cucinelli et al., 2019; Park et al., 2020).

The results of research conducted by Talli (2021) stated that leadership style has a positive relationship to the company's performance Case Study at PT Andika

Karyatama. This is also in line with research conducted by Saha, et al (2020) which revealed that ethical leadership styles have a positive impact on Corporate Social Responsibility and company performance. The results of research that show a positive relationship between leadership style on the performance of MSMEs are Alberto Castañeda García et al. (2022.), AHMAD & AHMAD (2021), Islam et al. (2021). Research conducted by Nugroho (2018) shows different results, namely leadership style has no effect on performance; This means that the good or bad leadership style will not cause changes in employee performance. The results of research conducted by Hui Lim & Ban Teoh (2021), show that the factors of entrepreneurs' personalities traits and effective marketing have no significant relationship with SME business success, while the strategic planning and management is significantly positive related to SME business success.

Financial literacy in financial management becomes a problem in MSMEs because MSME owners ignore the importance of financial literacy that MSME actors or prospective MSMEs must have in managing their business finances, especially with regard to implementing correct accounting in financial management. This problem usually arises because the knowledge and information of MSME actors regarding accounting is very limited, the educational background of MSME actors also affects the level of knowledge of MSME actors. Financial literacy affects one's way of thinking about financial conditions and influences strategic decision making in terms of finance and better management for business owners (Godfrey, 2019.) "Having financial literacy skills enables individuals to make informed decisions about their money and minimizes the chances of being misled in financial matters. The higher the level of financial knowledge, the management of the business owned will also improve.

The results of research conducted by Septiani & Wuryani (2020) reveal that the higher the level of financial literacy, the higher the development of MSME performance. This statement is in line with research conducted by Kasendah (2019) which states that financial literacy has a positive effect on performance, so special attention is needed in this financial literacy. The results of research that show a positive relationship between financial literacy on the performance of MSMEs are Godfrey (2019), Tuffour et al. (2022), Yanto et al. (2022). The results of Bahiu (2021) research

are not in line with previous research, where financial literacy does not affect the performance of MSMEs.

This research was conducted on MSME entrepreneurs in Badung Regency - Bali. Data collection Department of Cooperatives, MSME and Trade Badung from 2019 to 2022 showed that there were 21,746 additions to MSMEs. During the Covid-19 pandemic, the development of MSMEs in Badung doubled from 19,243 MSMEs in 2019 to 40,989 MSMEs in 2022. The growth of dozens of MSMEs was due to many people being laid off or being laid off. In addition, 80 percent of the population of Badung rely on the tourism sector for a living. This location was chosen because Badung is the district most affected by the Covid-19 pandemic. Therefore, based on the background and the previous studies above, this study aims to determine the influence of *Asta Brata's* leadership on the performance of MSMEs in Badung Regency during the pandemic with Financial Literacy as moderation.

## **II. CONCEPT AND HYPOTHESIS**

The structural imbalance of the Balinese economy has resulted in the Balinese economy being highly dependent and highly vulnerable to changes in external factors. The MSME sector is currently the 6 leading sectors of Bali's economic development which aims to streng then the structure and fundamentals of the Balinese economy. Improving the performance of MSMEs in Bali during the Covid-19 pandemic requires a type of leadership that is able to carry out leadership at a time of discretion. Leaders in times of discretion and emergency must be able to think strategically. Strategic thinking involves two distinct processes, namely planning and thinking. Strategic thinking is related to thinking in new ways to compete in an ambiguous and competitive environment (Isniati, 2019: 112). This study uses a number of relevant and significant previous studies as a comparative study as well as an additional reference to complement the results of future research. From previous studies, the following hypotheses were prepared:

### **The Influence of *Asta Brata's* Leadership on MSME Performance**

Leadership style is a way for leaders to influence other people or their subordinates so that that person wants to do the will of the leader to achieve organizational goals even though personally it may not be liked

(Frisdiantara & Sahertian, 2012). The leadership style in the MSME sector is important because when viewed from the organizational structure of MSMEs, the number of employees owned is relatively small so that the relationship between employees and their leaders can be seen very close. This can be used by leaders to develop and direct the potential of their employees to be better than before which will create increased performance. Most of the business organizations facing a crisis hold a tendency to rely on the leader in charge to lead them out of the crisis (Stern, 2017). The problem that occurs is that there are many leadership practices today that adopt leadership models from outside, so there is a need for reinterpretation and adaptation to be relevant to local culture. Balinese Local Wisdom has the concept of *Asta Brata* which describes the character that must be possessed by a leader. The findings from Madanchian & Taherdoost (2019) that the effectiveness of leadership style has a positive and significant impact on the performance of SMEs in Malaysia. This is in line with the results of research conducted by Rose (2019) and Özer & Tinaztepe (2014). The results of research conducted by Nugroho (2018) show something different, namely leadership has no effect on performance.

*H1: Asta Brata's leadership has a positive and significant impact on MSME Performance*

### The Effect of Financial Literacy on MSME Performance

Financial literacy will increase understanding related to management practices and minimize losses in order to increase the sustainability of MSMEs (Ye & Kulathunga, 2019). The higher the level of financial knowledge, the management of the business owned will also improve. Financial literacy affects one's way of thinking about financial conditions and influences strategic decision making in terms of finance and better management for business owners (Godfrey, 2019). Financial literacy is crucial for informed financial decisions (personal and business) by the owners of MSEs. Goswami et al. (2017) suggests more vocational education and training for better performance of the micro-entrepreneurs. Research conducted by Dian Sudewi & Sutrisna Dewi (2022) reveals that financial literacy has a positive influence on organizational performance. This is in line with the research results of Septiani & Wuryani (2020), Kasendah (2019), Harahap et al. (2022) and Yakob et al. (2021).

*H2: Financial Literacy has a positive and significant effect on MSME Performance*

### The Effect of Financial Literacy Moderates the Relationship between Asta Brata Leadership and MSME Performance

Financial literacy as knowledge and understanding of financial concepts and risks as well as the skills, motivation, and confidence to apply knowledge and understanding in making effective decisions in various financial contexts, to improve the financial well-being of individuals and society (Lusardi, 2019). In line with the theory of planned behavior, financial literacy is a concept of individual control related to financial aspects. The better the concept of individual control, the better the individual will behave. Having financial literacy skills enables individuals to make informed decisions about their money and minimizes the chances of being misled in financial matters. MSME owners are leaders in an MSME who will determine the direction and goals of their business where employees must follow the instructions of the leader and try to achieve the goals that have been set. A leader who applies the Asta concept by having qualified financial literacy will be able to improve the performance of MSMEs.

*H3: Financial Literacy is able to moderate the relationship between Asta Brata Leadership and MSME Performance*

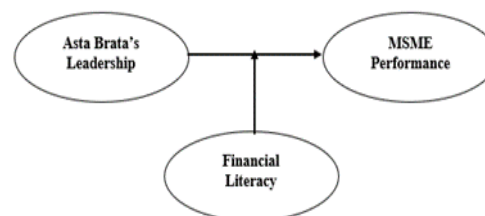


Figure 1. The conceptual research framework

### III. METHOD

In this research the analytical method that used is the quantitative method and the type of purpose of the research used are descriptive and causal research. The Likert scale were used in this research. The Likert scale is an example of an interval scale since it assesses how strongly respondents agree or disagree with things using a five-point scale. The five-point scale anchored by the following anchor are one for Strongly disagree, two for Disagree, three for Neither agree nor disagree, four for Agree and five for Strongly Agree measured by (Sekaran and Bougie, 2016).

The population in this study is all MSMEs in Badung Regency, which is 40,989. The sample is part of the population consisting of a number of members selected from the population. Determination of the number of samples used in this study is based on the Slovin method as a measuring tool to calculate sample size because the number of known populations is more than 100 respondents. Based on the calculation results that the total sample that needed in this research amounted 99.756 and it was rounded up to 100 respondents were needed in this research. The sampling technique used in this research is purposive sampling technique. Purposive sampling is a sampling technique using certain considerations or criteria. The reason for using the purposive sampling technique is because researchers can only use respondents who have MSMEs domiciled in Badung Regency. Each MSME will be represented by 1 (one) owner.

In this research, primary data sources can be obtained from questionnaires related to this research and will be distributed in Indonesia through social media using online google form. The second method is interview. Interview is a method of collecting data by asking for information orally to research subjects. Interviews were conducted at the time of filling out questionnaires to respondents with the aim of supporting research data. In this study the research use Likert scale interval that analyzes how strongly respondents agree or disagree with the five scale choices contained in the question. Therefore, to determine the interval group in which each evaluation of the respondents answer results will be updated as a percentage as follows. Structural Equation Modeling - Modelling that suits in this study is variance-based matrix structural equation modelling (VB-SEM) with PLS is used as statistical analysis. The gathered data will be processed using the SmartPLS 3.0 software. According to Ghozali (2020), to process data using PLS, two steps must be taken: assessment of the measurement model or outer model, and evaluation of the structural model or inner model.

**IV. RESULT AND DISCUSSION**

The response rate of the questionnaire distributed was 100%; that is, from the 100 questionnaires distributed, all 100 were eligible for further testing. The demographic profiles of the respondents are collected in Table 1.

**Table 1.** The Demographic Profile of the Respondents

Variable	Classification	Number of people)	Percentage
Gender	Man	35	35%
	Woman	65	65%
Age	17-24	28	28%
	25-35	32	32%
	36-45	25	25%
	>45	15	15%
Turnover per year	0-300 million	93	93%
	300 million-2.5 billion	7	7%

**Source:** Results of Research Data Processing, 2022

Based on gender, respondents were dominated by women with a percentage of 65%. The age of the respondents was dominated by the age of 25 to 35 years with a percentage of 32%, and followed by the age of 17 to 24 years with a percentage of 28%. Based on the monthly turnover, it is dominated by a turnover of Rp. 0 to Rp. 300,000,000 with a percentage of 93%.

Descriptive statistics are used to interpret the magnitude of the minimum, maximum and average values of *Asta Brata* Leadership, MSME Performance, and Financial Literacy. Based on the statistical results obtained in this study, it can be explained that of the 32 items of the instrument that were submitted to 100 respondents as a trial, it was obtained: that most of the respondents gave agreed responses to the questions regarding the variables. *Asta Brata's* Leadershipas felt by the respondent, followed by an agreed answer which has a total average score 3.967. Variable descriptive test Financial Literacy (M), indicating that most of the respondents gave agreeable responses to the questions regarding the variable Financial Literacyas felt by the respondent, followed by an agreed answer which has a total average score 3,764. Variable descriptive test MSME Performance (Y), indicates that most of the respondents give agree responses to the questions regarding the variable MSME Performanceas perceived by the respondent, followed by a moderately agree answer which has a total average score 3.966.

**Table 2. Descriptive Statistics Test**

Variable	Code	Min	Max	mean	Standard Deviation
Asta Brata's Leadership	X1	1,000	5,000	3.920	0.673
	X2	1,000	5,000	3.920	0.688
	X3	1,000	5,000	4,000	0.721
	X4	1,000	5,000	3.960	0.677
	X5	1,000	5,000	3.980	0.748
	X6	1,000	5,000	3.960	0.662
	X7	1,000	5,000	3.950	0.726
	X8	1,000	5,000	3.970	0.741
	X9	1,000	5,000	3.970	0.670
	X10	1,000	5,000	3.970	0.699
	X11	1,000	5,000	3.950	0.572
	X12	1,000	5,000	3.970	0.741
	X13	1,000	5,000	4.010	0.755
	X14	1,000	5,000	3.970	0.741
	X15	1,000	5,000	3.980	0.748
Financial Literacy	X16	1,000	5,000	3.990	0.742
	M1	1,000	5,000	3,790	0.739
	M2	1,000	5,000	3.750	0.712
	M3	1,000	5,000	3,740	0.730
	M4	1,000	5,000	3.750	0.726
	M5	1,000	5,000	3.750	0.726
	M6	1,000	5,000	3.770	0.746
	M7	1,000	5,000	3.770	0.760
MSME Performance	M8	1,000	5,000	3,790	0.752
	Y1	1,000	5,000	3.980	0.721
	Y2	1,000	5,000	4.070	0.725
	Y3	1,000	5,000	3.940	0.661
	Y4	1,000	5,000	3.910	0.763
	Y5	1,000	5,000	3.980	0.663
	Y6	1,000	5,000	3.920	0.783
	Y7	1,000	5,000	3.970	0.714
Y8	1,000	5,000	3.960	0.786	

**Source:** Results of Research Data Processing, 2022

**Outer Model Evaluation**

Evaluation of the measurement model or outer model is carried out to assess the validity and reliability of the model. The outer model with reflexive indicators is evaluated through the convergent validity and discriminant validity of the indicators and composite reliability for the indicator block (Ghozali, 2020).

**Table 3. Validity Test Results**

Variable	Item Code	Outer Loading	Information
Asta Brata's Leadership	X1	0.791	Valid
	X2	0.806	Valid
	X3	0.739	Valid
	X4	0.802	Valid
	X5	0.770	Valid
	X6	0.811	Valid
	X7	0.746	Valid
	X8	0.795	Valid
	X9	0.813	Valid
	X10	0.724	Valid
	X11	0.762	Valid
	X12	0.712	Valid
	X13	0.773	Valid
	X14	0.798	Valid
	X15	0.802	Valid
Financial Literacy	X16	0.764	Valid
	M1	0.974	Valid
	M2	0.989	Valid
	M3	0.974	Valid
	M4	0.971	Valid
	M5	0.980	Valid
	M6	0.970	Valid
	M7	0.780	Valid
MSME Performance	M8	0.983	Valid
	Y1	0.771	Valid
	Y2	0.764	Valid
	Y3	0.792	Valid
	Y4	0.747	Valid
	Y5	0.772	Valid
	Y6	0.854	Valid
	Y7	0.714	Valid
Y8	0.844	Valid	

**Source:** Results of Research Data Processing, 2022

Table 3 shows that all indicators have outer loading > 0.5. An indicator is said to be valid if its value is greater than 0.5, while if there is an outer loading below 0.5, it will be

removed from the model.

**Table 4.** Average Variance Extracted (AVE) Test Results

Variable	Average Variance Extracted(AVE)	Information
Asta Brata Leadership (X)	0.602	Valid
Financial Literacy (M)	0.614	Valid
MSME Performance (Y)	0.912	Valid

**Source:** Results of Research Data Processing, 2022

Based on table 4 it can be seen from the AVE value *Asta Brata's* Leadership 0.602 > 0.5 valid, Financial Literacy 0.614 > 0.5 is valid, and MSME Performance 0.912 > 0.5 Valid

**Table 5.** Discriminant Validity Test Results

	Asta Brata Leadership (X)	Financial Literacy (M)	MSME Performance (Y)
M1	0.453	0.642	0.974
M2	0.452	0.652	0.989
M3	0.428	0.621	0.974
M4	0.432	0.631	0.971
M5	0.443	0.631	0.980
M6	0.454	0.641	0.970
M7	0.427	0.501	0.780
M8	0.466	0.653	0.983
X1	0.791	0.596	0.330
X2	0.806	0.596	0.303
X3	0.739	0.515	0.314
X4	0.802	0.561	0.325
X5	0.770	0.511	0.384
X6	0.811	0.563	0.327
X7	0.746	0.588	0.378
X8	0.795	0.586	0.437
X9	0.813	0.577	0.349
X10	0.724	0.503	0.263
X11	0.762	0.631	0.414
X12	0.712	0.617	0.298
X13	0.773	0.608	0.445
X14	0.798	0.593	0.383
X15	0.802	0.589	0.394
X16	0.764	0.516	0.391
Y1	0.663	0.771	0.463
Y2	0.587	0.764	0.424
Y3	0.606	0.792	0.540
Y4	0.576	0.747	0.410
Y5	0.592	0.772	0.522
Y6	0.557	0.854	0.602
Y7	0.504	0.714	0.515
Y8	0.545	0.844	0.600

**Source:** Results of Research Data Processing, 2022

Table 5 shows that the cross-loading value of each item on its construct is greater than the value of loading with other constructs. Based on these results, it can be concluded that there are no problems with discriminant validity.

**Table 6.** Composite Reliability Test Results and Cronbach's Alpha

	Cronbach's Alpha	Composite Reliability
Asta Brata Leadership (X)	0.956	0.960
Financial Literacy (M)	0.909	0.927
MSME Performance (Y)	0.985	0.988

**Source:** Results of Research Data Processing, 2022

According to Ghozali (2020) composite reliability testing aims to test the reliability of the instrument in a research model. If all values of latent variables have composite reliability values > 0.7 and Cronbach's alpha > 0.7, it means that the construct has good reliability or the questionnaire used as a tool in this study is reliable or consistent. Based on table 6, it can be seen that all variables in this research model are reliable because composite reliability and Cronbach's alpha > 0.7.

**Inner Model Evaluation**

The inner model test is the development of a concept and theory-based model in order to analyze the relationship between exogenous and endogenous variables which has been described in a conceptual framework (Ghozali, 2020). Structural model testing was conducted to assess the coefficient of determination (R<sup>2</sup>), Effect Size (F<sup>2</sup>), Predictive Relevance Value (Q<sup>2</sup>), t-statistics.

**Table 7.** R<sup>2</sup> Value of Each Variable

	R Square	R Square Adjusted
MSME Performance (Y)	0.699	0.662

**Source:** Results of Research Data Processing, 2022

According to Ghozali (2020), changes in the value of R-squares can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it has a significant effect. The results of R<sup>2</sup> of 0.67, 0.33 and 0.19 for endogenous latent variables in the structural model indicate that the model is "strong", "moderate" and "weak". Based on table 7, it can be seen that

the value of  $R^2$  for MSME performance of 0.699 which means that it is included in the strong category. The conclusion that can be drawn is that *Asta Brata's* Leadership have a great impact on MSME performance.

Table 8. Effect Size Value (F2)

	MSME Performance (Y)
Asta Brata Leadership (X)	0.732
Financial Literacy (M)	0.367

Source: Results of Research Data Processing, 2022

The value of effect size (F2) is also used to evaluate whether the omitted exogenous variables have a substantive impact on the endogenous variables. The F2 values of 0.02, 0.15, and 0.35 can be interpreted as whether the latent variable predictor has a small, medium, and large influence on the structural level according to Ghozali (2020). Based on Table 8 it can be concluded that *Asta Brata* Leadership, and Financial Literacy each has an effect size value of 0.732, and 0.367 all of which have an influence on MSME performance.

Results of PLS-SEM Analysis

Testing the research hypothesis using the t-statistic coefficient, where the results / output of the bootstrapping command produces t-statistics. Indicators that have a t-statistic > 1.96 are said to be significant (Ghozali, 2020). An indicator can also be said to be influential if it has a p-value < 0.05 (Haryono, 2017). The result of data analysis conducted using SmartPLS version 3.2.9 is shown in Figure 2.

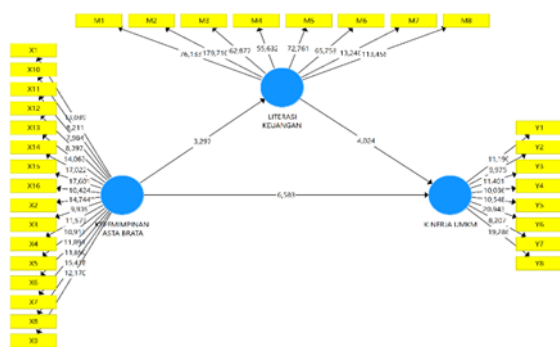


Figure 2. Bootstrapping Model's

Based on tables 9 and 10 it can be concluded that the results of hypothesis testing of direct and indirect effects are as follows:

*Asta Brata's* Leadership to MSME Performance has a t-statistic value 6,583 > 1.96, p-value 0.000 < 0.05 and original sample 0.557 then H1 is accepted, it means *Asta Brata's* Leadership positive and significant

effect on MSME Performance.

Financial Literacy to MSME Performance has a t-statistic value 4.024 > 1.96, p-value 0.000 < 0.05 and original sample 0.394 then H3 is accepted, it means Financial Literacy positive and significant effect on MSME Performance.

Test the influence hypothesis *Asta Brata's* Leadership to MSME Performance through Financial Literacy has a t-statistic value of 2.946 > 1.96, p-value 0.003 < 0.05 and original sample 0.183 then the hypothesis is accepted, meaning *Asta Brata's* Leadership positive and significant effect on MSME Performance with Financial Literacy as a mediator.

Table 9. Direct Effect Hypothesis Testing

	Original Sample (O)	T Statistics ((O/STDEV))	P Values
Asta Brata Leadership -> MSME Performance	0.557	6.583	0.000
Financial Literacy -> MSME Performance	0.394	4.024	0.000

Table 10. Indirect Effect Hypothesis Testing

	Original Sample (O)	T Statistics ((O/STDEV))	P Values
Asta Brata Leadership -> Financial Literacy -> MSME Performance	0.183	2,946	0.003

The Influence of Asta Brata's Leadership on the Performance of MSMEs in Badung Regency

The results showed that *Asta Brata's* leadership had a positive and significant effect on the performance of MSMEs in Badung Regency. This means that changes in the value of *Asta Brata's* Leadership mhave a direct influence on changeMSME Performanceor in other words indicate that if the more the implementation of *Asta Brata's* leadership increases, the performance of the UMKM in Badung Regency will increaseand statistically has a significant effect.The findings in this study are supported by the results of research conducted by Madanchian & Taherdoost (2019), Rose (2019) and Özer & Tınaztepe (2014) in terms of leadership style on MSME performance.

Leadership style is a way for leaders to influence other people or their subordinates so that that person wants to do the will of the leader to achieve organizational goals even



though personally it may not be liked (Frisdiantara & Sahertian, 2012). The leadership style in the MSME sector is important because when viewed from the organizational structure of MSMEs, the number of employees owned is relatively small so that the relationship between employees and their leaders can be seen very close. This can be used by leaders to develop and direct the potential of their employees to be better than before which will create increased performance. Improving the performance of MSMEs in Bali during the Covid-19 pandemic requires a type of leadership that is able to carry out leadership at a time of discretion. Leaders in times of discretion and emergency must be able to think strategically. Strategic thinking involves two distinct processes, namely planning and thinking. Strategic thinking is related to thinking in new ways to compete in an ambiguous and competitive environment (Isnati, 2019: 112). *Asta Brata's* philosophy of leadership that develops in Balinese society explains that a leader must instill in himself the eight divine qualities to create prosperity in the midst of society. A good leader does not think about himself, but is more concerned with the public interest than personal interests. When leading, it should be done wholeheartedly, and don't lead just for profit. The elements of *Asta Brata's* leadership include: Indra Brata, Yama Brata, Surya Brata, Candra Brata, Bayu Brata, Arta Brata, Baruna Brata, dan Agni Brata. Thus, with faith and piety, the spiritual form of leadership has a clear connotation. Proactive leaders are spiritual leaders who can modify the way others "see" and "act." They take on circumstances and affect the mindset and actions of other individuals to reach a shared purpose that will potentially favor the community or organization as a whole (Frisdiantara & Sahertian, 2012; Zhang & Yang, 2021). If accompanied by a conducive work ethic, this type of leadership will enhance the efficiency of organizations (Sholikhah et al., 2019). At this juncture, one level of spirituality is faith and three dimensions of responsibility are identified to predict the success of business leadership, namely, righteousness, integrity and emotional balance (Rafiki, 2020).

#### **The Effect of Financial Literacy on the Performance of MSMEs in Badung Regency**

The results showed that Financial Literacy had a positive and significant effect on the performance of MSMEs in Badung Regency. This indicates that changes in the

value of Financial Literacy have a direct influence on change MSME Performance or in other words if the higher the understanding Financial Literacy there will be an increase in the level Performance of SMEs in Badung Kabupaten and statistically has a significant effect. This research is in line with previous research conducted by Dian Sudewi & Sutrisna Dewi (2022), Septiani & Wuryani (2020), and Anshika et al. (2021) in terms of the influence of financial literacy on the performance of MSMEs.

Financial literacy assists in making informed decisions and helps better financial well-being of an individual. In today's competitive world, that has a market sophisticated products/service, financial literacy is indispensable (Cucinelli et al., 2019) and it helps to achieve the economic growth and development in the economies. The lack of financial literacy impacts the ability of an individual to attain the long-term objectives e.g., daily money management, pension and financing (Ergün, 2018). Kuntze et al (2019) enumerate that financial literacy is a comprehensive term that comprises of cognitive abilities, personal attributes, behaviour and critical thinking that evolves over time. Lusardi (2019) defines financial literacy as knowledge and understanding of financial concepts and risks as well as the skills, motivation, and confidence to apply knowledge and understanding in making effective decisions in various financial contexts, to improve the financial well-being of individuals and society." The higher the level of financial knowledge, the management of the business owned will also improve. Financial literacy affects one's way of thinking about financial conditions and influences strategic decision making in terms of finance and better management for business owners (Godfrey, 2019). If more and more MSME actors are well literate, the more will know about the benefits of financial products and services, so that the greater the financial transactions that can be created.

#### **The Effect of Financial Literacy Moderates the Relationship between *Asta Brata* Leadership and the Performance of MSMEs in Badung Regency**

The results showed that financial literacy was able to moderate the relationship between *Asta Brata's* leadership and the performance of SMEs in Badung Regency. It means the change in value Financial Literacy has a unidirectional effect on the change in influence between *Asta Brata's* Leadership to MSME

Performance or in other words if Financial Literacy increases, there will be an increase in the level of influence between *Asta Brata's* Leadership to MSME Performance and statistically has a significant effect. Based on the results of data processing with SmartPLS version 3.0 it is known that the path coefficient value affects *Asta Brata's* Leadership to MSME Performance through Financial Literacy as big as 2,946, which means that *Asta Brata's* Leadership positive and significant effect on MSME Performance with Financial Literacy as a mediator.

*Asta Brata's* existence in the realm of emotional intelligence is always interesting to understand. *Asta Brata* has the meaning of eight attributes of God's omnipotence which are interpreted as traits that must be possessed by a leader in running the wheels of the organization so that they can achieve the goals of prosperity and welfare. The success of an organization's performance is assessed from the process of how leaders obtain useful information for decision making. Survey results from several institutions such as BPS, Bappenas, and the World Bank show that this pandemic has caused many MSMEs to have difficulty paying off loans and paying electricity, gas and employee salaries. Some of them even had to do layoffs. There is a related relationship between leadership style and performance. Many people are able to rise to become leaders but not many are able to lead well. The results of research conducted by Talli (2021) stated that leadership style has a positive relationship to the company's performance. Case Study at PT Andika Karyatama. financial literacy will increase understanding related to management practices and minimize losses in order to increase the sustainability of MSMEs (Ye & Kulathunga, 2019). Financial literacy is defined as the ability of an individual to make informed judgements and take effective decisions regarding the use and management of financial resources (Nkundabanyanga et al., 2014). As noticed, knowledge about finance is very essential, not only for individuals but also for enterprises as well. Hence, financial literacy has been identified as a basic tool for growth, development of organizations and individual's financial stability (Dahmen & Rodríguez, 2014; Dawuda & Azeko, 2015). The scope of financial literacy is knowledge of financial concepts, the ability to understand financial concepts, reliability in managing personal and company finances and having the ability to make decisions at certain times (Aribawa, 2016). MSME owners are leaders in an MSME

who will determine the direction and goals of their business where employees must follow the instructions of the leader and try to achieve the goals that have been set. A leader who applies the *Asta* concept by having qualified financial literacy will be able to improve the performance of MSMEs.

## V. CONCLUSION

All variables studied in this study such as *Asta Brata's* leadership, Financial Literacy, and MSME Performance showed a positive relationship. Increasing the implementation of *Asta Brata's* Leadership will provide an increase in MSME performance. Increased understanding of Financial Literacy will also improve the performance of MSMEs. Third, financial literacy is able to moderate the influence of *Asta Brata's* leadership on the performance of MSMEs in Badung Regency during the Pandemic Period. This study emphasizes and supports *Asta Brata's* leadership philosophy, which is a leadership style adapted and interpreted from local culture, which has a major influence on the progress of MSME performance. Considering the main problems of the performance of SMEs in Badung Regency.

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