Financial Record-Keeping Practices and Literacy of Ikat Weaving Msmes in Kupang City: Challenges and Opportunities

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Article Info	ABSTRACT
	This research aims to analyze the level of financial literacy, record-keeping practices, challenges, and opportunities for developing ikat weaving MSMEs in Kupang City. A quantitative approach was employed using a survey method with 60 MSMEs, and data analysis was conducted through Partial Least Squares Structural Equation Modelling (PLS-SEM). The results indicate that the level of financial literacy of MSMEs is moderate (58.2%), with recording practices that are still simple and not yet digitized. The main challenges faced include a limited understanding of accounting, time constraints, and inadequate technological skills. However, there is a significant opportunity to improve the quality of recording through training, the adoption of digital applications, and support from various stakeholders. Inferentially, financial literacy and recording practices have a positive and significant impact on MSME development opportunities, whereas challenges have a significant negative impact. These findings highlight the importance of synergy among the government, financial institutions, academics, and communities in enhancing the financial reporting capacity of MSMEs, tailored to local culture, to support business sustainability and the achievement of sustainable development goals. *This is an open access article under the CC BY-SA license.*

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Introduction

Ikat weaving is one of the intangible cultural heritages that plays a significant role in the social, economic, and cultural life of the people in East Nusa Tenggara (NTT), including Kupang City. As a creative economy product rooted in local wisdom, ikat weaving carries not only aesthetic value but also a strategic economic function as a source of livelihood for families and artisan communities[1, 2]. This product has long been an integral part of local cultural identity, passed down from generation to generation, and has increasingly attracted attention in both national and international markets. However, despite its potential, small and medium-sized enterprises (SMEs) engaged in ikat weaving continue to face serious challenges, particularly in business management. Field observations and interviews reveal that one of the main obstacles lies in weak financial record-keeping practices. Most SME actors only record basic cash inflows and outflows in notebooks, while others do not maintain any formal financial records at all. This situation not only limits financial information for business owners but also hinders their ability to access capital, develop business strategies, and accurately assess profitability. The lack of financial literacy among ikat weaving MSMEs in Kupang City reflects broader structural issues. Based on the Financial Services Authority's National Survey of Financial Literacy and Inclusion [3], the financial literacy rate of the Indonesian public has only reached 38.03%. This figure indicates that most of the public, including MSMEs, do not have an adequate understanding of basic financial concepts. More specifically, the financial literacy of female entrepreneurs tends to be lower than that of men, even though the majority of ikat weaving artisans are women who rely on this skill as their primary source of income.

Data from the Kupang City Central Statistics Agency [4] indicate that the small-scale and household industry sector—of which ikat weaving is a part—remains a key contributor to local employment. In Kupang City, there are more than 150 weaving businesses spread across various sub-districts, employing more than 800 people directly and indirectly. Most of these businesses operate on a micro and small scale, with an average

of fewer than 20 employees. Field interviews revealed varying levels of financial literacy among MSMEs. For example, craftspeople like Ester Abola Henuk (57) maintain simple record-keeping using a cash book and Excel, although they have not yet adopted digital financial applications. Meanwhile, other entrepreneurs, such as Thobias Lame Ratu (45) and Marselina Haga (45), have not maintained any financial records at all, relying instead on their own memory to manage transactions. This contrast demonstrates a significant gap in financial record-keeping skills, which significantly impacts the quality of business management.

This study makes important contributions in several areas. First, strengthening the competitiveness of MSMEs. With good financial records, ikat weaving MSMEs can assess business efficiency, control production costs, and develop development strategies based on financial data. Second, empowering the local economy. Professionally managed MSMEs will be better able to contribute to increasing household income, creating jobs, and reducing poverty in Kupang City. Third, cultural preservation. Strengthening business management will increase the sustainability of ikat weaving MSMEs, which indirectly encourages the younger generation to continue the weaving tradition. Furthermore, this research is also expected to provide policy implications. The study results can serve as a basis for local governments, financial institutions, and universities to design mentoring programs, financial literacy training, and provide simple financial recording applications tailored to the needs of culture-based MSMEs.

In conceptual terms, financial literacy denotes an individual's capacity to understand, manage, and employ financial knowledge in routine economic decisions. Financial literacy comprises three main dimensions: knowledge, attitudes, and behaviors. Knowledge encompasses an understanding of basic financial concepts, such as cash flow, profit/loss, assets, and liabilities. Attitude reflects a person's tendency to plan, save, and use funds wisely. Meanwhile, behavior encompasses the actual implementation of financial record keeping, budgeting, and the separation of business and personal finances. In the context of woven cloth MSMEs, low financial literacy is reflected in attitudes that still

consider record keeping unimportant, as well as behavior that relies more on experience than objective financial data.

Several theoretical models are relevant for analyzing MSMEs' financial behavior. Notably, the Theory of Planned Behavior [5] suggests that financial record-keeping behavior is determined by attitudes, subjective norms, and perceived behavioral control. The Life-Cycle Hypothesis [6] emphasizes the importance of financial planning throughout an individual's life cycle, which is relevant for family-owned MSMEs. Financial Socialization Theory suggests that experience, education, and the social environment play a significant role in shaping the financial behavior of entrepreneurs. Meanwhile, Behavioral Finance Theory highlights the tendency for behavioral biases in financial management, such as relying on intuition or memory rather than formal record-keeping. This theoretical framework enriches the analysis of financial recording practices among ikat weaving MSMEs, which are still dominated by traditional approaches.

Prior research has indicated a significant link between financial literacy and the sustainability of businesses. [7-9] and [10-12] found that financial literacy positively impacts the sustainability of micro-enterprises in Indonesia. [13, 14] emphasized that product innovation and financial literacy can strengthen the capacity of weaving MSMEs on Timor Island, [12, 15, 16] demonstrated that digitizing financial records can improve MSME performance through reporting efficiency and accuracy. In the context of East Nusa Tenggara (NTT), [17, 18] examined the development strategy for ikat weaving MSMEs based on local wisdom and found that the main weakness lies in management aspects, including manual and sporadic financial record keeping. [9, 19-21] also emphasized the importance of human resource competency, including record-keeping skills, as a determining factor in MSME performance. This research differs from previous studies by integrating financial literacy aspects with a local cultural approach and digitalization opportunities [22-24]. In addition, this study employs qualitative methods, including in-depth interviews and observations, to comprehensively describe the socio-economic reality of MSME actors.

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This research is also strategically relevant to several national development agendas. First, this research supports the achievement of the Sustainable Development Goals (SDGs), specifically SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth). By strengthening the financial literacy of ikat weaving MSMEs, this research contributes to poverty reduction, the empowerment of women artisans, and the creation of decent jobs. Second, this research aligns with the national creative economy agenda. The Indonesian government prioritizes the local culture-based creative economy subsector, and ikat weaving is a leading commodity that can strengthen national identity and increase competitiveness in the global market. Third, this research supports the women's empowerment agenda, as the majority of ikat weaving MSMEs are women who rely on this business as a source of family livelihood. Fourth, this research is relevant to the financial inclusion policy promoted by [3, 25], which emphasizes the importance of literacy and public access to formal financial products.

Based on the description above, the research questions of this study are formulated as follows: (1) What is the level of financial literacy among ikat weaving MSMEs in Kupang City? (2) What financial record-keeping practices are implemented by these MSMEs? (3) What are the main challenges in ensuring effective financial record-keeping? and (4) What opportunities can be leveraged to enhance the financial literacy and record-keeping quality of ikat weaving MSMEs?. The objectives of this study are to identify the level of financial literacy of ikat weaving MSMEs, analyze the financial recording practices carried out by MSMEs, reveal the challenges faced in implementing financial recording, and explore opportunities to strengthen financial recording practices and financial literacy of MSMEs.

The novelty of this research lies in its integrative approach, combining financial literacy with the perspective of local ikat weaving culture, practical solutions through the design of a simple manual and digital financial recording module, and multi-stakeholder collaboration between local governments, financial institutions, universities, and MSMEs to support business sustainability. Thus, this research is expected to provide not only

theoretical contributions to the study of financial literacy but also to produce practical recommendations for the development of culture-based MSMEs in Kupang City.

Method

This study employs a quantitative approach to obtain an empirical picture of the level of financial literacy, recording practices, challenges, and opportunities faced by ikat weaving MSMEs in Kupang City. The quantitative approach was chosen because it allows researchers to measure research variables objectively, conduct hypothesis testing, and draw generalizable conclusions. As noted by [26], quantitative methods are research approaches rooted in positivism, applied to specific populations or samples with generally random sampling, and rely on instruments to collect quantitative data. The population in this study was all ikat weaving MSMEs operating in Kupang City. Based on data from the Cooperatives and SMEs Office and field observations, the number of ikat weaving business units in Kupang City is around 150–200 units. Of this number, a research sample of 60 MSMEs was determined using a purposive sampling technique, namely selecting samples based on specific criteria, such as: (1) the business has been operating for at least 3 years, (2) has active production activities, and (3) has financial records, both formal and straightforward. The selection of these criteria aims to ensure that the selected respondents are genuinely relevant to the focus of the research.

This study involves several variables that correspond to its research objectives, specifically: 1) Financial Literacy Level (X1): measured through three dimensions: financial knowledge, financial attitudes, and financial behavior [3, 27]. 2) Financial Recordkeeping Practices (X2): encompassing the separation of personal and business finances, regular recordkeeping, completeness of transaction documents, and the use of recording media (manual and digital). 3) Recordkeeping Challenges (X3): measured based on indicators such as human resource constraints, time constraints, technological skills, and perceived benefits of recordkeeping. 4) Development Opportunities (Y): encompassing the potential adoption of digital applications, access to training and mentoring, and connectivity

with financial institutions. Primary data were obtained through a structured questionnaire distributed to ikat weaving MSMEs. The questionnaire instrument was designed using a 1–5 Likert scale, ranging from "strongly disagree" to "strongly agree," to measure the dimensions of financial literacy, recording practices, challenges, and opportunities. In addition, secondary data were collected from official documents from the Central Statistics Agency (BPS), the Financial Services Authority (OJK), and reports from the Ministry of Cooperatives and SMEs. The validity of the instrument was assessed using content validity by referencing financial literacy indicators that have been employed in previous studies, [28, 29]. The reliability of the instrument was assessed using Cronbach's Alpha, with the criterion that the alpha value should be$\geq$ 0.70 (Nunnally, 1978).

To answer the research objectives, data were analyzed using a combination of descriptive and inferential statistics. Descriptive analysis was employed to describe the level of financial literacy and record-keeping practices among MSMEs, utilizing calculations of frequency distributions, means, and standard deviations. Furthermore, inferential analysis was employed to examine the relationships between the research variables. The analytical model employed was Partial Least Squares Structural Equation Modeling (PLS-SEM). [30] state that PLS-SEM is particularly suitable for exploratory studies involving relatively small samples and for examining models that include latent variables, such as financial literacy. The analysis stages using PLS-SEM include: (1) outer model testing, to assess convergent validity, discriminant validity, and construct reliability; (2) inner model testing, to assess the relationship between latent variables through path coefficient and R-square values; and (3) hypothesis testing, by assessing the significance of path coefficients through bootstrapping. Thus, this method enables researchers to simultaneously examine how financial literacy, recording practices, and challenges affect the development opportunities of ikat weaving MSMEs in Kupang City.

The decision to employ a quantitative method using the PLS-SEM approach rests on three primary considerations. First, this study examines complex latent variables, such as financial literacy and record-keeping practices, which cannot be directly measured but must be represented by multiple indicators. Second, the study sample was relatively small

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(60 respondents), making this method more appropriate than multiple linear regression, which requires a larger sample size. Third, PLS-SEM enables the testing of both direct and indirect relationships between variables, aligning with the research objective of identifying determinants and opportunities for developing financial record-keeping in MSMEs.

Results and Discussion

The results of this study were obtained through processing questionnaire data distributed to 60 ikat weaving MSMEs in Kupang City, supplemented by secondary data from BPS, OJK, and reports from the Cooperatives and SMEs Office. The analysis was conducted in two main stages: a descriptive analysis to describe the respondents' profiles and the actual conditions of financial recording practices, and an inferential analysis using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to test the relationship between the research variables, namely financial literacy, recording practices, challenges, and opportunities.

Descriptive Analysis

Based on the characteristics of the respondents, the majority of ikat weaving MSMEs are women (85%), with an age range of 35–60 years. Most respondents have a secondary education (high school) at 52%, while those with higher education (diploma or bachelor's degree) are only 15%. In terms of business scale, 68% of respondents are categorized as micro-enterprises (having <10 employees), while the other 32% are categorized as small businesses. These findings indicate that micro-enterprises with limited human resources and managerial capacity still dominate ikat weaving businesses in Kupang City. From a financial literacy perspective, data processing results show an average financial literacy index score of 58.2% for respondents, which falls into the "moderate" category. The financial knowledge dimension scored relatively lower (52%), compared to attitudes (61%) and financial behavior (62%). This finding indicates that while some MSMEs recognize the importance of financial record-keeping and management, they lack sufficient technical

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knowledge, particularly in areas such as cash flow, working capital, and profit and loss statements.

Financial record-keeping practices among woven cloth MSMEs vary. Forty percent of respondents only record simple transactions, such as income and expenses, in a notebook. Around 35% use more structured computer-assisted record-keeping (e.g., Excel), while only 10% have started using simple digital applications. Interestingly, another 15% of respondents still do not maintain formal records, relying solely on memory. This situation demonstrates a significant gap in the quality of record-keeping practices among MSMEs. In terms of challenges, the main obstacles perceived by respondents were limited understanding of accounting (72%), limited time for record-keeping (55%), and limited ability to use digital technology (48%). Furthermore, several respondents found record-keeping to be complicated and less useful for small businesses, thereby reducing their motivation to implement it consistently.

Meanwhile, in terms of opportunities, the majority of respondents (85%) stated their willingness to participate in financial record-keeping training, 78% expressed interest in using a simple digital financial record-keeping application, and 70% expressed hope for ongoing support from the government and financial institutions. The results highlight an emerging understanding that proper financial record-keeping is indispensable for business sustainability.

Table 1. Summary of Descriptive Results

Variable	Average (%)	Category	Main Description
Financial Literacy	58,2	Moderate	Knowledge is still low
Financial Record-Keeping Practices	55,6	Low-Moderate	Dominated by manual recording
Recording Challenges	68,0	High	Limited human resources, low technology adoption
Development Opportunities	76,5	High	Enthusiastic about training and applications

Primary Data Source: Processed in 2025

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The bar chart below depicts the average scores of four research variables measured in ikat weaving MSMEs in Kupang City: financial literacy, record-keeping practices, challenges, and development opportunities.

Financial literacy (58,2%)

The financial literacy rate of Ikat Weaving MSMEs in Kupang City is relatively moderate, at 58.2%. This figure indicates that most entrepreneurs already possess a basic understanding of financial concepts, including capital management, simple record-keeping, and the separation of business and personal funds. However, there is still room for improvement, particularly in aspects of long-term financial planning, understanding banking products, and utilizing digital financial services.

Record-keeping practices (55,6%)

This figure is the lowest among the four variables. Only around 55.6% of MSMEs consistently maintain financial record-keeping practices. This suggests that record-keeping is still viewed as an administrative burden rather than a strategic tool for informed business decision-making. This low level of record-keeping hinders efforts to measure net profits, conduct business evaluations, and access financing from formal financial institutions.

Challenges (68,0%)

The research results show that MSMEs face challenges with a relatively high score, at 68.0%. These challenges can include limited capital, fluctuating raw material prices, market competition with manufactured products, limited access to digital markets, and limited technological support. This high score suggests that the obstacles faced by MSMEs are complex, necessitating adaptive strategies through both policy interventions and managerial innovations.

Opportunities (76,5%)

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The opportunity variable received the highest score, at 76.5%. This indicates that the Ikat Weaving MSME in Kupang has significant development prospects, primarily due to the support of creative economy trends, NTT's tourism potential, and the increasing demand for products based on local wisdom. The high opportunity score also indicates significant room for developing digital marketing strategies, product innovation, and collaboration with various stakeholders (government, private sector, and academics).

Implications of Analysis; 1) Gap between financial literacy and record-keeping practices – Despite a moderate level of financial literacy, its translation into effective record-keeping is still limited. This indicates a need for intervention in the form of simple, more practical, and applicable technical training on financial record-keeping. 2) High challenges but greater opportunities – A higher opportunity score than challenges indicates that if the main obstacles (capital, market access, technology) can be overcome, then the Ikat Weaving MSME has the potential to grow rapidly. 3) The role of policy and mentoring – Local governments, financial institutions, and universities can play a crucial role in enhancing financial literacy, strengthening record-keeping practices, and connecting MSMEs with the creative and digital economy ecosystem.
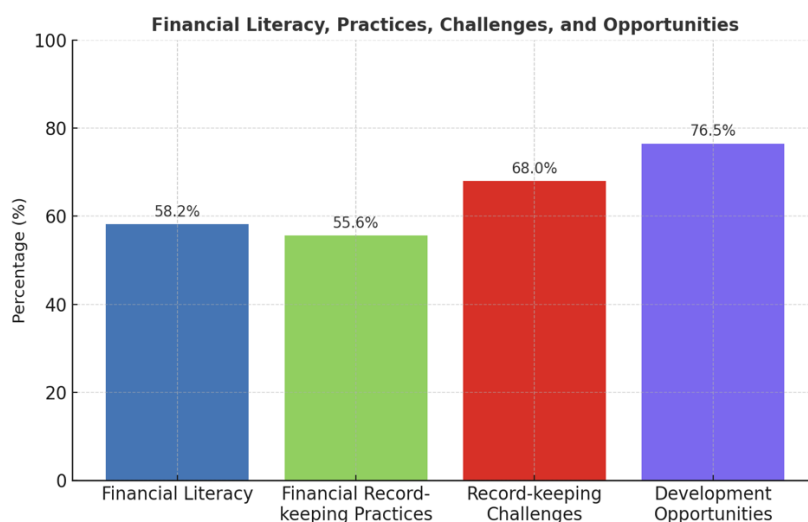

Figure 1. Average Distribution of Research Variables for Ikat Weaving MSMEs in Kupang City

Inferential Analysis (PLS-SEM)

PLS-SEM analysis was conducted to test the relationship model between variables. The outer model test results showed that all indicators had loading factor values greater than 0.70, an Average Variance Extracted (AVE) greater than 0.50, and Cronbach's Alpha values greater than 0.70, thus concluding that the research instrument was valid and reliable. In the inner model test, the R-square value obtained was 0.19 for the development opportunities variable. This means that financial literacy, record-keeping practices, and challenges can explain 19% of the variation in development opportunities. The remaining 81% is influenced by other factors not included in the model, such as market support, social capital, and distribution networks.
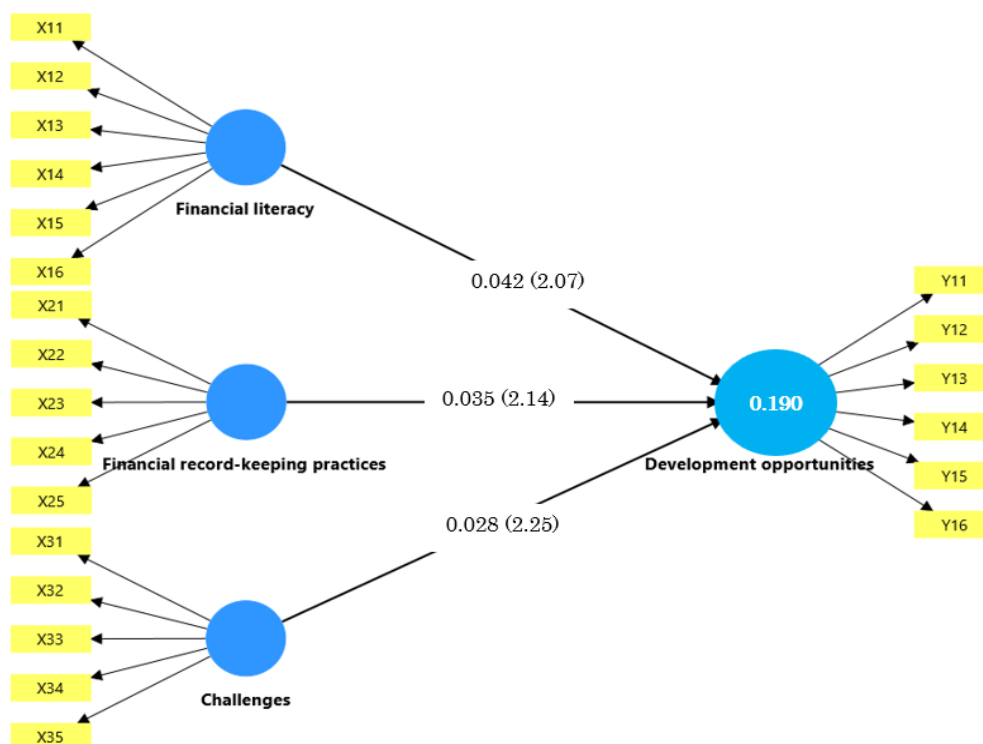

Figure 2. Path Diagram of SEM-PLS Analysis Results

The results of hypothesis testing using bootstrapping show that: 1) Financial literacy → development opportunities have a positive and significant effect (p-value <0.05). This means that the higher the financial literacy of MSMEs, the greater their opportunities to improve their record-keeping practices and grow their businesses. 2) Financial record-

keeping practices → development opportunities also have a significant positive effect on development opportunities (p-value < 0.05). This reinforces the argument that effective record-keeping enhances business management efficiency, facilitates access to capital, and expands markets. 3) Challenges → development opportunities have a significant negative effect (p-value <0.05). In other words, the greater the challenges perceived by entrepreneurs, the less likely they are to improve the quality of their financial records and grow their businesses.

Visually, the results of the model analysis can be depicted as follows: 1) Financial literacy → (+) Development opportunities. 3) Financial record-keeping practices → (+) Development opportunities. 3) Record-keeping challenges → (−) Development opportunities

Discussion

These results corroborate financial literacy theory, highlighting that financial knowledge, attitudes, and behaviors are key determinants of business sustainability [3, 27, 31, 32]. MSMEs with a basic understanding of financial management are better equipped to separate personal and business finances, manage cash flow effectively, and prepare simple financial reports. Therefore, financial literacy is a crucial prerequisite for sustainable business governance. This finding is also consistent with research by [7, 10, 33, 34], which states that financial literacy is positively related to the sustainability of micro-enterprises. In addition, the findings of [15, 35, 36] regarding the importance of digital record-keeping align with this study's observation that MSMEs show considerable interest in adopting simple digital record-keeping applications. The increasing availability of accessible technology provides an avenue to overcome administrative barriers more efficiently.

However, this research also revealed significant challenges, including minimal human resources and inadequate technological skills. Most ikat weaving MSMEs still view financial record-keeping as an additional burden, rather than a strategic necessity. This highlights a gap between awareness and actual practice. Therefore, interventions such as training, mentoring, and the provision of easy-to-understand record-keeping tools are needed[37].

From a policy perspective, the results of this study support the national agenda of achieving financial inclusion, empowering women, and strengthening the creative economy. Good financial literacy and record-keeping can improve MSMEs' access to formal financing, strengthen the competitiveness of ikat woven products, and support the achievement of SDGs 1 (No Poverty), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth).

Conclusion

This study concluded that the financial literacy of ikat weaving MSMEs in Kupang City remains in the moderate category, with an average index of 58.2 percent. This condition indicates that most MSMEs are aware of the importance of financial recording; however, their technical knowledge remains limited, particularly in understanding basic concepts such as cash flow, working capital, and profit and loss statements. Financial recording practices remain relatively simple, with manual recording still being the primary method, often using notebooks, and a small number of businesses utilizing computer assistance through Excel. The use of digital applications is minimal, and some MSMEs do not maintain formal records at all, relying solely on memory. The main challenges faced by MSMEs in financial recording are limited human resources with accounting expertise, insufficient time for recording, and limited skills in utilizing technology. However, this study also found that MSMEs showed high enthusiasm for participating in financial recording training and a willingness to adopt simple digital applications, which indicates a significant opportunity for future improvement.

Inferential analysis using PLS-SEM reinforces these descriptive findings, which indicate that financial literacy and record-keeping practices have a significant positive impact on MSME development opportunities. In contrast, the challenges faced have a significant negative impact. Thus, the higher the literacy level and the better the record-keeping practices, the greater the opportunities for MSMEs to develop. Conversely, the greater the obstacles faced, the less likely business actors are to improve their financial

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management. These findings have important implications: strengthening financial literacy and record-keeping practices is key to enhancing the competitiveness, sustainability, and professionalism of ikat weaving MSMEs in Kupang City.

Based on the results of this study, it is recommended that local governments, through the Cooperatives and SMEs Office, conduct regular financial literacy training programs using a practical approach and in accordance with the local cultural context, and integrate simple accounting mentoring into every MSME empowerment program. Financial institutions are expected not only to provide access to financing but also to incorporate financial education into their microcredit services, enabling MSMEs to manage their business capital better. Universities can play a role by developing simple recording modules and easy-to-use digital applications, while also involving students in mentoring programs for MSMEs. MSMEs themselves need to raise awareness about separating personal and business finances, get used to routine record-keeping, and start utilizing simple yet effective technology. Meanwhile, other stakeholders such as communities, NGOs, and the private sector can support by providing facilitators, instructors, or user-friendly digital platforms.

Overall, this study confirms that enhancing financial literacy and record-keeping practices will not only strengthen the financial performance of ikat weaving MSMEs but also contribute to the preservation of local cultural heritage, the advancement of sustainable development goals (SDGs), and the growth of the creative economy sector in Kupang City. Through collaboration among diverse stakeholders, including the government, financial institutions, academics, communities, and MSMEs, the sustainability of ikat weaving enterprises as both a cultural heritage and an economic resource for local communities can be further strengthened.

Despite providing valuable insights, this study is not without limitations. First, the research was limited to a sample of 60 ikat weaving MSMEs in Kupang City, selected through purposive sampling. This may restrict the generalizability of the findings to other regions or MSMEs operating in different sectors. Second, the study relied on self-reported data collected through structured questionnaires, which may be subject to response bias or inaccuracies in participants' financial self-assessment. Third, while the study employed

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PLS-SEM to examine causal relationships, the cross-sectional design limits the ability to capture dynamic changes in financial literacy and business development over time.

Nevertheless, the novelty of this study lies in its integrative and context-specific approach. Unlike previous studies that focus solely on general MSME financial behavior, this research bridges financial literacy and record-keeping practices within the unique socio-cultural context of ikat weaving—a traditional, women-led, micro-scale creative industry in Eastern Indonesia. It contributes a hybrid perspective by combining cultural sensitivity, financial education, and technological potential (manual and digital recordkeeping modules). Furthermore, it offers practical and policy-oriented solutions that emphasize multi-stakeholder collaboration between government, financial institutions, universities, and local communities to support the long-term sustainability of heritage-based MSMEs.

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