

IMPLEMENTATION OF GEOCENTRIC FINANCE EQUITY CONCEPT AND ERGO-ICONICAL VALUE FOR MSME FINANCIAL MANAGEMENT

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Abstract: The purpose of this study is to bridge the research gap in order to provide solutions to the problems of financial management of MSMEs. This study uses a qualitative approach by using various financial, marketing and performance literature in order to provide answers to research objectives, which are carried out with an Interpretive Phenomenological Approach that emphasises interpretation in the context of novelty Geocentric Finance Equity and Ergo-Iconical Value for MSME performance. The locus of this research is MSMEs operating in West Nusa Tenggara Province. The following are the stages of the process carried out This research also conducts Observation and Interview activities for MSMEs whose locations are easily accessible and meet the criteria. The criteria referred to in this research are fulfilling the requirements of MSMEs as regulated by the current laws in Indonesia. The survey results show that financial literacy among MSMEs is still low, with only 36% demonstrating an adequate understanding of financial management. The importance of adopting effective financial management strategies, including the development of unique product attributes that align with local culture and needs through Ergo-Iconical values. Financial Justice Geocentric has the potential to provide a framework for contextualising financial practices in line with local cultural identity, thereby promoting sustainable growth. A key finding is that many MSMEs do not have a separate emergency fund, and often fail to set aside profits for reinvestment or growth. Product differentiation is also lacking, leading to a competitive disadvantage in a dynamic market. In addition, survey results show that financial literacy among MSMEs is still low. The implication of the research is that the government should support MSMEs' access to finance and training is crucial in addressing these challenges. This multifaceted approach can lead to better outcomes for MSMEs, contributing to Indonesia's broader economic stability. Overall, the study emphasises the importance of financial literacy, innovative management practices, and strategy adaptation to improve MSME competitiveness in a rapidly evolving market.

Keywords: Geocentric Finance Equity, Ergo-Iconic Value, MSME Performance

Abstrak: Tujuan penelitian ini adalah untuk menjembatani riset gap guna memberi solusi permasalahan pengelolaan keuangan UMKM Penelitian ini menggunakan pendekatan kualitatif dengan menggunakan berbagai literatur keuangan, pemasaran dan kinerja agar dapat memberikan jawaban terhadap tujuan penelitian, yang dilakukan dengan Pendekatan Fenomenologi Interpretif yang Menekankan interpretasi dalam konteks novelty Geocentric Finance Equity dan Nilai Ergo-Ikonik untuk kinerja UMKM. Adapun lokus dari penelitian ini adalah UMKM yang beroperasi di Provinsi Nusa Tenggara Barat. Berikut ini tahapan proses yang dilakukan Penelitian ini juga melakukan aktivitas Observasi dan Wawancara terhadap UMKM yang lokasinya mudah dijangkau dan memenuhi kriteria. Kriteria yang dimaksud dalam riset ini adalah memenuhi persyaratan UMKM sebagaimana yang telah diatur oleh Undang-undang yang sedang berlaku di Indonesia. Hasil survei menunjukkan bahwa literasi keuangan di kalangan UMKM masih rendah, dengan hanya 36% yang menunjukkan pemahaman yang memadai tentang manajemen keuangan. Pentingnya mengadopsi strategi manajemen keuangan yang efektif, termasuk pengembangan atribut produk yang unik yang selaras dengan budaya dan kebutuhan lokal



melalui nilai-nilai Ergo-Ikonik. Keadilan Keuangan Geosentris memiliki potensi untuk menyediakan kerangka kerja untuk mengontekstualisasikan praktik-praktik keuangan yang selaras dengan identitas budaya setempat, sehingga mendorong pertumbuhan yang berkelanjutan. Temuan utama adalah bahwa banyak UMKM tidak memiliki dana darurat yang terpisah, dan sering kali gagal menyisihkan keuntungan untuk investasi ulang atau pertumbuhan. Diferensiasi produk juga masih kurang, yang menyebabkan kerugian kompetitif di pasar yang dinamis. Selain itu, hasil survei menunjukkan bahwa literasi keuangan di kalangan UMKM masih rendah, Implikasi dari dari riset pemerintah harus mendukung akses UMKM terhadap pembiayaan dan pelatihan sangat penting dalam mengatasi tantangan-tantangan ini. Pendekatan multifaset ini dapat mengarah pada hasil yang lebih baik bagi UMKM, yang berkontribusi pada stabilitas ekonomi Indonesia yang lebih luas. Secara keseluruhan, studi ini menekankan pentingnya literasi keuangan, praktik manajemen yang inovatif, dan adaptasi strategi untuk meningkatkan daya saing UMKM di pasar yang berkembang pesat.

Kata Kunci: Ekuitas Keuangan Geosentris, Nilai Ergo-Ikonik, Kinerja UMKM

INTRODUCTION

Financial problems in MSMEs often mix personal and business finances so that it has an impact on obscuring the true financial condition of the business. (Ariadin & Safitri, 2021). Not until there the ability to understand financial reports occurs in MSMEs which can affect the performance of these MSMEs (Latifah et al., 2021). Financial literacy plays an important role in the management of MSMEs in moderating the relationship between entrepreneurial orientation and firm performance. Much of the literature discusses the existence of MSMEs as the backbone of the Indonesian economy referred to an indication of 60% of GDP which is more pantastis again there is 90% of the workforce absorbed. Financial literacy has a positive effect on the financial well-being of MSMEs, mediated by financial management practices. (Kamaliah, Aunurrafiq, Badriyah & Seti, 2024)

The weak side of the financial performance of MSMEs is the management of personal finances with business finances and limited ability in long-term financial planning (Buli, 2017). According to Jayaningrum & Sanawiri, (2018) found that this study found that market orientation has no direct influence on the business performance of MSMEs in Ethiopia. Research conducted by (Reijonen & Komppula, 2010) shows that market orientation has no significant effect on the marketing performance of MSMEs in Indonesia. In addition, this research revealed that the adoption of market orientation does not necessarily lead to immediate financial success in MSMEs.

The Indonesian government continues to encourage the development of MSMEs through various programmes, including training, access to financing, and marketing facilitation, including helping MSMEs to enter the e-commerce and export markets. The inherent characteristics of MSMEs in Indonesia include:

Table 1. Characteristics of MSMEs in Indonesia

Characterisers	Concept
Localised wisdom	This concept includes values, production techniques, raw materials, and designs that reflect the identity and uniqueness of a region. (Rosady et al., 2024; Zalukhu, 2024)
Handmade	Local producers utilise traditional skills, simple tools, and little or no assistance from industrial machinery. A process that relies on individual craftsmanship, creativity, and a personal touch in every product. (Pemayun, 2018; Nurhikmawati & Yuhanna, 2019).
Local resources	The use of local ingredients not only reflects the availability of natural resources or agricultural products in an area, but also represents local wisdom, sustainability, and efforts to support the local economy. (Iskandar, 2020; Nuhfil et al., 2023).
Innovation	The process involves the creation, development and implementation of new ideas or significant improvements in various aspects of the business, including products, processes, marketing and organisation. These innovations aim to improve the competitiveness, efficiency, and added value of businesses in Indonesia's socio-economic context. (Hendrawan et al., 2019; Irawan, 2020).



Referring to Indonesian legislation, MSMEs basically have several categories based on their initial business capital. For business capital that reaches a maximum of one billion rupiah, it is categorised as a Micro Business class with the assumption that it does not include the land and building of the business premises. Businesses with a business capital of more than one billion rupiah up to five billion rupiah are categorised as Small Businesses. Furthermore, businesses with a business capital of more than five billion rupiah up to ten billion rupiah are categorised as Medium Enterprises. If larger than this, it is categorised as a Large Business class. The following shows the development of the number of Indonesian MSMEs from 2019 to 2023.

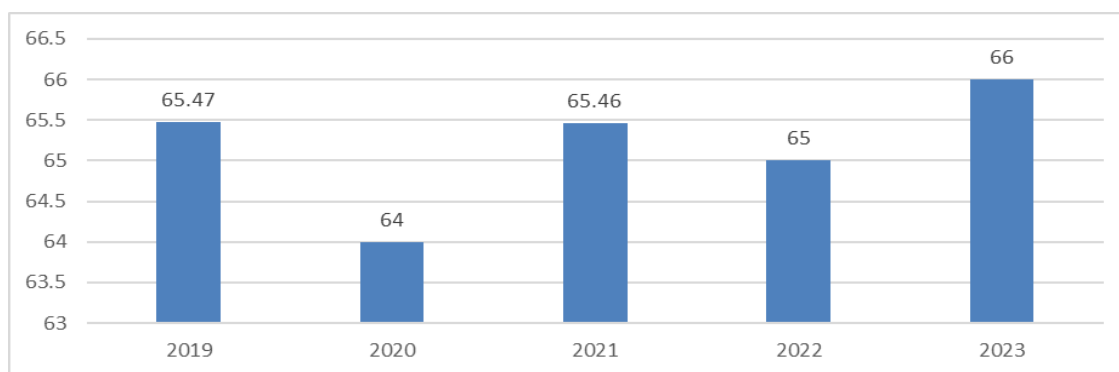


Figure 1. Data MSME 2019-2023

Sumber: <https://kadin.id/data-dan-statistik/umkm-indonesia/>

In the graph, it can be explained that in 2023 MSME business actors will reach around 66 million. Other data states that MSMEs contribute 61% to Indonesia's Gross Domestic Product (GDP) or Rp 9,580 trillion. In addition, until 2023 MSMEs can absorb around 117 million workers (97%) of the total workforce. The formulation of the problem in this research is how MSME finance can be a mediator to improve MSME performance. The purpose of this research is to bridge the research gap to provide solutions to the problems of MSME financial management (Sukendri et al., 2023).

Setiowati et al., (2015) MSMEs cannot be separated from limited product marketing, often with limited marketing strategies, in addition to the difficulty of reaching a wider market. Especially now that product marketing has adopted digital marketing. Limited capital

RESEARCH METHODS

This research uses a qualitative approach by using various financial, marketing and performance literature in order to provide answers to the research objectives, which are carried out with an Interpretive Phenomenological Approach that emphasises interpretation in the context of novelty Geocentric Finance Equity and Ergo-Iconical Value for MSME performance. The locus of this research is MSMEs operating in West Nusa Tenggara Province. The following are the stages of the process carried out

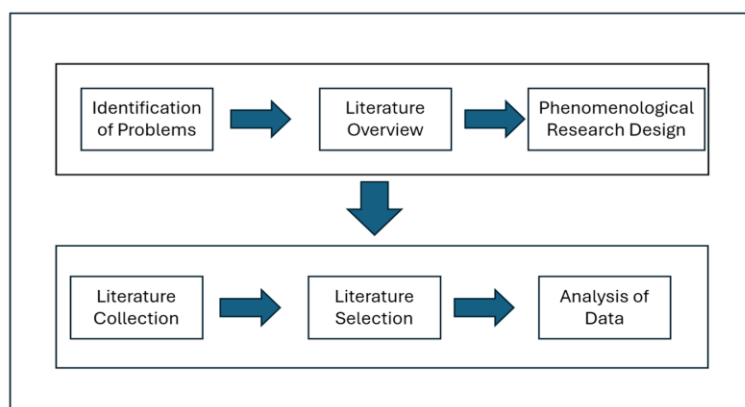
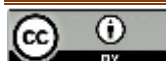


Figure 2. Research Stages



Hidayah et al., (2021) The initial stage of this research is to determine the identification of research problems in MSMEs in West Nusa Tenggara, namely financial management.

The second stage is to refer to the literature to relate to finance, marketing, and MSME performance. The third stage is the stage to determine the research design, namely using a qualitative approach with phenomenological design. The next stage is the collection and selection of literature to complete the analysis and discussion.

This research also conducts observation and interview activities for MSMEs whose locations are easily accessible and meet the criteria. The criteria referred to in this research are fulfilling the requirements of MSMEs as regulated by the current laws in Indonesia. Another criterion is MSMEs that have carried out marketing with digitalisation in the sense that the marketed products have been purchased by buyers outside West Nusa Tenggara Province (Nurhayati & Andriyansah, 2024).

RESULTS AND DISCUSSION

Research results

Research with observations and interviews conducted found that MSMEs are still constrained by financial management systems and slow marketing turnover. The Indonesian Ministry of Finance through the Directorate General of Treasury in 2022 revealed MSME performance data

Table 2. Decline in MSME Performance

Indicators of Decline	Persentase (%)
Decline in Revenue	77
Decline in product demand	88
Asset impairment	97

Source: Government Investment Centre (2022)

The data describes a significant problem with the performance of MSMEs, a decrease in revenue, product demand and asset valuation if it continues or there is no appropriate strategy, it will have an impact on the sustainability of MSME businesses. The facts on the ground prove that the financial management of MSMEs does not have reserve funds because the management is still mixing with personal finances. Another problem is that management does not set aside some of the profits for emergency funds or business expansion. Financial management like this can hinder the growth and development of MSMEs.

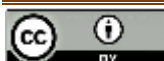
Existing products do not experience differentiation so that products in the market do not change while competitors are increasingly agile in making innovations. (Permana et al., 2024). The 2019 National Survey on Financial Literacy and Inclusion states that the level of financial literacy of MSMEs in Indonesia is still relatively low, with a financial literacy index of around 36.12% in 2019. This shows that the financial management process of MSMEs is not yet appropriate. The following is shown

Table 3. Weaknesses of umkm financial management

Researcher	Findings
T. T. H. Tambunan, (2019)	Women-run MSMEs have been found to be 34 per cent less likely to obtain a formal loan than their male counterparts.
Sari et al., (2020)	Limited financial knowledge and skills of MSMEs, which hinders effective financial management and appropriate financial decision-making
Purwanto & Juliana, (2020)	Poor Cash Flow Management The inability to manage cash flow properly causes many MSMEs to experience liquidity problems.
Purwati et al., (2022)	Around 65% of MSMEs have not kept good and regular financial records by 2022

Discussion

MSMEs can grow with the right management strategies ranging from product innovation to financial management risks. (Aryawati et al., 2023). Indonesian MSMEs have a unique advantage because MSMEs in Indonesia present uniqueness and iconicity where MSMEs operate. In the



innovation process, MSMEs can use the Ergo-iconic value strategy (Andriyansah, 2023). The positional advantage of ergo-iconic product value is the power to associate the impression of comfort in products that are specialised or unique resources with the dimensions of comfort in functional value, comfort in artistic value and comfort in pleasure value. The positional advantage of ergo-iconic product value has the potential to improve marketing performance. (Andriyansah & Fatimah, 2020). This strategy can be utilised by MSMEs to add value to their products to make them more attractive to consumers.

Another strategy that can be used by MSMEs in financial management is the Geocentric Finance Equity approach (Sukendri, 2024). Equity Geocentric Finance is a concept in finance that deals with the management and capital structure of the firm. It centres on a region that deals with the management control and capital structure of the company. So there are interests related to ownership, culture So there are interests related to ownership, culture and local community characteristics (Sukendri, 2024). Financial managers can make investments in line with the social and cultural conditions in which the Company operates. (Davis, 2009). Geocentric behavioural finance can be centred on social and cultural conditions to implement the right strategy for the company to be sustainable (Ashta, 2024).

MSME performance in various research studies can use the Corporate Performance approach (Domingues et al., 2023) The performance of multidimensional to measure the success of the organisation, the performance can be seen from a variety of indicators including financial, operational, and marketing, as well as the ability of corporate strategy to adapt to environmental changes. These environmental changes will encourage companies to manage risk, adopt technological innovation, social and environmental sensitivity and responsibility (Kraus et al., 2020; Sukendri, 2023). In the current era, corporate performance can also be associated with speed and agility in the face of global uncertainty (Tarba et al., 2023).

CONCLUSIONS

This research addresses the financial issues faced by Micro, Small and Medium Enterprises (MSMEs) in Indonesia, particularly in the province of West Nusa Tenggara. The research identifies the lack of proper financial management practices, highlighting the mixing of personal and business finances as a significant problem. Improper management results in the true financial status being unclear, hindering performance and growth.

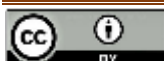
This research uses a qualitative research methodology with an interpretative phenomenological approach, focusing on the context of Geocentric Finance Equity and Ergo-Iconic Value. These concepts aim to improve MSME performance by improving financial literacy and management practices. The research found that MSMEs experience slow marketing turnover and face declining performance due to inadequate financial strategies. Data from the Indonesian Ministry of Finance in 2022 shows an alarming decline in revenue (77%), product demand (88%), and asset value (97%) among MSMEs.

A key finding is that many MSMEs do not have a separate emergency fund, and often fail to set aside profits for reinvestment or growth. Product differentiation is also lacking, leading to a competitive disadvantage in a dynamic market. In addition, the survey results show that financial literacy among MSMEs is still low, with only 36% demonstrating an adequate understanding of financial management. The importance of adopting effective financial management strategies, including the development of unique product attributes that align with local culture and needs through Ergo-Iconical values. Geocentric Financial Justice has the potential to provide a framework for contextualising financial practices aligned with local cultural identity, thereby promoting sustainable growth.

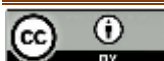
The implications of government research should support MSMEs' access to finance and training is critical in addressing these challenges. This multifaceted approach can lead to better outcomes for MSMEs, contributing to Indonesia's broader economic stability. Overall, the study emphasises the importance of financial literacy, innovative management practices, and strategy adaptation to improve MSME competitiveness in a rapidly evolving market.

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