

# **FINANCIAL LITERACY: THE IMPACT ON THE PROFITABILITY OF THE SMEs IN KUCHING**

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## **ABSTRACT**

This study aims at investigating the financial knowledge, financial behaviour and the attitude towards finance amongst small medium entrepreneurs (SMEs) in Kuching. More specifically on how these powerful factors affect the profitability on fast growing business enterprises in largest city in the Borneo Island over the last decade. The research takes a descriptive approach fitting its underlying pursue and draws interesting conclusions with over 75% response rate. Analysis of the data collected clearly reveals that the knowledge of finance in general relates significantly stronger to the bottom line of these business entities relative to the owners' financial attitude and their ensuing behaviour towards financial decision making. Therefore, small medium entrepreneurs are highly recommended to participate in financial education on a regular basis to keep them well informed and equipped with the latest ways of managing the finances of their businesses to ensure better financial planning, execution and monitoring of enterprises that inevitably will lead to increased and sustainable earnings.

**Keywords:** financial, literacy, profitability

*Received: 7 February 2020*

*Accepted: 11 September 2020*

## **1. INTRODUCTION**

### ***1.1. Study Background***

The developing acknowledgement of the significance of Small and Medium Enterprises (SMEs) in emerging economies is due its ability to increase value by generating employment, increasing national income, and the reinforcement of purchasing power both domestically and internationally. Despite their size, total contributions of SMEs in Malaysia are far from small. Approximately 98.5% of all business establishments in Malaysia are SMEs, contributing RM521.7 billion to the nation's gross domestic product in year 2018 (SME Corporation Malaysia, 2020). They currently provide an estimated 5.7 million jobs to almost 70% of Malaysia's workforce.

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