

# Financial Literacy And Coping Strategy Choices Among Msme In Banyumas Regency

Priandhita Wibawanti<sup>1</sup>, Wida Purwidiанти<sup>2</sup>, Nawalin Nazah<sup>3</sup>, Alfato Yusnar Kharismasyah<sup>4</sup>

<sup>1,2,3,4</sup> Management Study Program, Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto

Correspondence email: \* [widapurwidiанти@ump.ac.id](mailto:widapurwidiанти@ump.ac.id)

Submitted from 2025-11-24 | Revisions Required 2025-11-27 | Revisions Required 2026-01-07 | Accept Submission 2026-01-28

**Abstract :** *The global market competition demands that Micro, Small, and Medium Enterprises in Banyumas Regency have effective coping strategies to survive in dynamic conditions. This study aims to examine the influence of financial distress, self-efficacy, leadership skills, and financial literacy on the selection of coping strategies. A total of 105 respondents were included, with the sample size determined using Slovin's formula at a 10% error tolerance level. Data analysis was conducted through multinomial logistic regression, with coping strategies categorized into three main choices: cost efficiency, downsizing, and bank loans. The results of study indicate that among the four variables tested, only financial literacy has a positive effect on the selection of coping strategies. Financial literacy increases the possibility of entrepreneurs choosing cost efficiency by 1.150%, downsizing by 2.103,9%, and bank loans by 3.412,1%. These findings underscore the role of financial literacy as key factor in determining strategies to withstand the pressures of global competition. Thus, financial literacy becomes a new perspective in the process of selecting coping strategies, while also contributing to the development of literature on factors influencing the resilience of Micro, Small, and Medium Enterprises. This study also helps identify best practices in utilizing online media for product promotion, thereby enhancing the competitiveness of businesses in Banyumas Regency.*

**Keywords:** *Coping Strategies, Financial Distress, Self Efficacy, Leadership Skill, Financial Literacy*

**Code JEL :** G53, D14, L26, O16

## INTRODUCTION

Micro, Small, and Medium Enterprises size (MSMEs) play a crucial role in Indonesia's economy, contributing 60,51% to the national Gross Domestic Product (GDP) and absorbing 97% of the workforce, according to the *Otoritas Jasa Keuangan (OJK)*. MSMEs are also considered a key driving force in several developing countries in addressing unemployment and poverty [1]. This strategic role is evident in MSMEs in Banyumas Regency, which continue to grow and have ranked third in Central Java during the 2021-2022 period, with a population reaching 89.553 units

in 2023 [2]. However, this growth is challenged by increasingly complex competitive dynamics driven by digitalization and global market openness. These circumstances create pressures that may disrupt MSME income stability and demand stronger adaptive capabilities. Consequently, revenue becomes a major issue for this sector and an important indicator of regional economic growth [3].

Market pressures and business environment uncertainties require MSMEs to make appropriate decisions to sustain business continuity. In response, business actors commonly adopt various coping strategies, ranging from cost efficiency and workforce downsizing to seeking external funding sources such as bank loans. The implementation of these coping strategies is highly dynamic [4], and is shaped not only by external pressures such as financial conditions and competition intensity but also by internal factors, including self-efficacy, leadership skills, and financial management capabilities. However, empirical evidence regarding these factors and their influence on MSME coping strategies remains inconsistent.

In the increasingly digital and dynamic market environment, MSMEs face income instability and financial risks that many affect their coping strategies. Financial distress prompt MSMEs to adopt long-term strategies such as cost efficiency and workforce reduction [5], to enhance profitability and business continuity [6]. However, these conditions may also lead MSMEs to delay or avoid strategic actions [7], [8], indicating that poor financial conditions hinder the adoption of longterm sustainability strategies [9]. Market competition likewise requires entrepreneurs to possess confidence in formulating sustainability strategies and reducing uncertainty. Self-efficacy significantly assists in determining appropriate coping strategies that support business sustainability [10], [11]. Nevertheless, several studies report that self-efficacy does not directly influence MSME performance or success [12], [13].

Under difficult conditions, MSMEs must possess competencies and skills to ensure that strategic decisions are well-targeted. Leadership skills enhance decision making effectiveness and support business sustainability [14]. Such skills can significantly drive the adoption of coping strategies that strengthen business resilience [7]. However, if leadership skills are not adaptive, they may instead become obstacles under pressure [15]. In addition to these two internal factors, the adoption of MSME resilience strategies is also influenced by financial literacy. MSMEs with strong financial understanding can make more informed and rational decisions [16], and financial literacy has been shown to positively affect business stability and sustainability [17]. On the other hand, findings by [18] and [19] reveal that financial literacy does not influence MSME resilience or sustainability, and therefore does not significantly determine business strategies.

Therefore, although MSMEs in Banyumas Regency contribute significantly to the regional economy and demonstrate the ability to adapt to global market competition, their business sustainability remains threatened by income instability. Empirical findings regarding the effects of financial distress, self-efficacy, leadership skills, and financial literacy on coping strategies also remain inconsistent, creating scientific uncertainty about how these factors collectively shape the effectiveness of coping strategies in sustaining business operations.

## 1. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

MSMEs are a sector that is highly vulnerable to changes in the business environment due to limited resources, access to information, and managerial capacity. In fluctuating market conditions, business owners are required to respond to pressures through adaptive actions, including managing internal conditions and adjusting their operational strategies. Innovative and adaptive responses are influenced by the clarity of organizational goals, the level of self-confidence, and the leadership style applied [20]. Theoretically, Goal Setting Theory explains that specific and challenging goals enhance organizational motivation and performance [21], [22]. In the context of a crisis, this motivation serves as a basis for management to take more innovative strategic actions to maintain competitive advantage and business sustainability [23]. Business responses to pressure are often associated with Turnaround Strategies, which involve considering the best adaptive strategies when faced with complex challenges, requiring commitment from management [7]. Under abnormal conditions, management is compelled to make prudent decisions to safeguard the sustainability of the business entity and prevent bankruptcy [24]. The choice of turnaround strategy is reflected in the concept of Coping Strategies, which refers to how business owners manage conditions under pressure through cost efficiency, downsizing, and bank loans, or even by not implementing a specific strategy [7], [25]. Coping strategies play a crucial role in strengthening the defense of MSMEs, with applications that vary according to the business sectors, operational location, and specific challenges present in the entrepreneurial ecosystem [26]. When there is well-being within the organization, individuals will support the business recovery process and provide innovative ideas as solutions [23].

Financial distress has become one of the main factors influencing the choice of coping strategies. Financial distress is a term used to indicate that a company's financial performance is deteriorating and occurs when a company experiences cash shortages, difficulty in meeting its obligations, and a decline in business competitive advantage [9], [27], [28]. Financial distress serves as an early indicator of potential bankruptcy [29] in [30]. Several studies have shown that financial pressure can reduce the ability of MSME to determine rescue strategies. Financial distress negatively affects the choice of coping strategies and encourages business owners not to take certain strategic actions [7]. Other studies also indicate that financial distress reduce the probability of adopting both innovative strategies and financial sustainability strategies in business [8], [31]. The financial distress experienced by MSMEs have the potential to hinder the execution of effective coping strategies. Therefore, this study is important in examining how financial pressure influences business owners ability to make strategic decisions. Thus, the first hypothesis can be formulated as follows:

H1. Financial distress has a negative effect on MSMEs coping strategies.

Self-efficacy is an important psychological factor that determines how MSME actors should respond to pressures and the dynamics of the business environment. Self-efficacy is an individual's

belief in their ability to manage situations and influence their behavior, thoughts, and feelings concerning expected outcomes [32]. Under conditions of high pressure, self-efficacy serves as the foundation of human motivation and personal achievement [33]. Self-efficacy is assessed to measure the ability to achieve goals even in the most challenging situations [34]. Individuals with high self-efficacy demonstrate strong commitment, confidence in facing crises, and the ability to evaluate the strategies most relevant to the situations [14]. Empirically, [35] indicate that self-efficacy enhances the capacity of business actors to sustain the continuity of their enterprises. Other studies have also found that self-efficacy significantly affects business sustainability [11] and positively influences the choice of coping strategies such as cost efficiency, downsizing, and bank loan [10]. This underscores that confidence in one's abilities is a crucial foundation for determining strategic responses when facing instability. To examine the extent to which self-efficacy influences coping strategies, the second hypothesis can be formulated as follows:

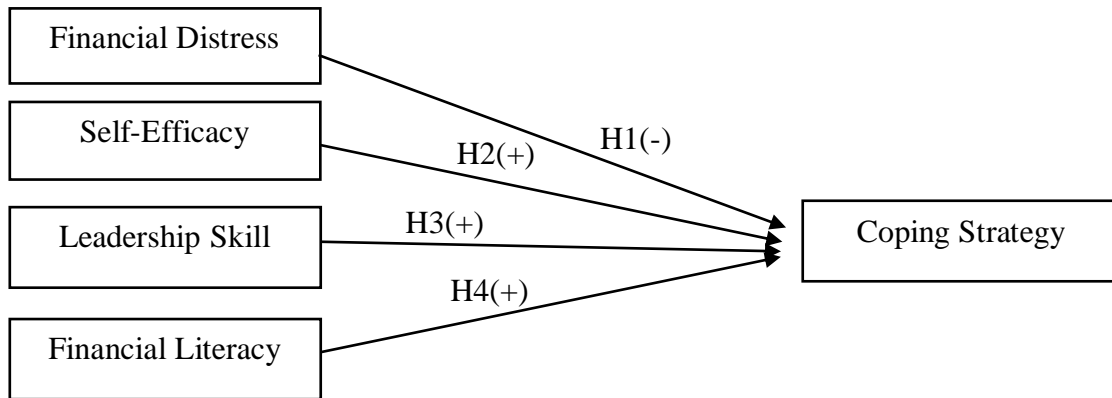
H2. Self-Efficacy has a positive effect on MSMEs coping strategies.

The decision-making process is a crucial part of an organization, requiring leaders with high level skills to provide clear direction and targeted strategies. Effective leadership is characterized by the ability to inspire, make rational decisions, formulate strategies, and conduct comprehensive situational analyses [36]. Decision making style as the pattern of responses that a leader has learned when faced with strategic decision steps [37]. Leaders who possess capability, experience, sensitivity, rationality, and independence are more accurate in determining strategies when confronted with critical situations [38]. Research [14], supports that high leadership skills can generate innovative ideas needed to sustain business continuity during a crisis. Therefore, strong leadership skills serve as a key asset in selecting appropriate coping strategies. The third hypothesis is formulated as follows:

H3. Leadership skill has a positive effect on MSMEs coping strategies.

In facing the increasingly complex dynamics of market competition, the ability of MSME to understand and manage financial information becomes an aspect that cannot be overlooked. Financial literacy is the ability that encompasses knowledge, skills, information, and beliefs reflected in attitudes and behaviors to make appropriate financial decisions, thereby supporting the achievement and improvement of financial well-being [16], [39]. MSME actors with good financial literacy are able to understand risks, manage capital, and recognize the long-term value of money [40], [41]. Research [17], supports that good financial literacy enhances effective financial decision making, thereby having a positive impact on business stability and sustainability. Thus, having financial understanding enables MSME actors to determine relevant and accountable coping strategies. This makes financial literacy an important determinant in determining the appropriateness of MSMEs coping strategies. Therefore, the fourth hypothesis is formulated as follows:

H4. Financial literacy has a positive effect on MSMEs coping strategies.



**Figure 1.** Frame of mind  
 Resource: owned works

## 2. METHODS

The population of this study includes all Micro, Small, and Medium Enterprises size (MSMEs) operating in Banyumas Regency, totaling 89.553 units. To determine the sample size, we used an error rate of  $e = 10\%$  in the Slovin formula to ensure that the sample size was not too large. This approach maintains research efficiency and provides a balance between accuracy and practicality in data collection, while still representing the total population. Primary data were collected through the distribution of questionnaires offline at several MSME gathering points in Banyumas Regency, involving direct interaction with respondents and supporting the validity of the obtained data.

$$\begin{aligned} \text{Slovin Formula: } n &= \frac{N}{1+N(e)^2} \\ n &= \frac{89.553}{1+89.553(0,1)^2} \\ n &= 99,99 \end{aligned}$$

There is:

$n$  = sample size

$N$  = population size

$e$  = error tolerance level

This study involved a total of 105 MSME actors in Banyumas Regency as respondents, selected through convenience sampling. The data used were primary data obtained through the distribution of structured questionnaires consisting of 55 statements measuring financial distress, self-efficacy, leadership skills, and financial literacy. Each item in the questionnaire was measured using a 5-point Likert scale, reflecting the respondent's level of agreement with each variable indicator. Meanwhile, coping strategies as the dependent variable were categorized into four types

of strategies: cost efficiency, downsizing, bank loan, and no strategy. Each respondent was required to select the coping strategy most relevant to the condition of their MSME, which serves to identify the level of business resilience in facing challenges.

**Table 1.** Measurement Variable and Indicators

<b>Variable</b>	<b>Indicators</b>
<b>Financial Distress</b> [42],[7]	Cash adequacy, the ability to meet daily operating cash needs, and the ability to cover short term debt
<b>Self-Efficacy</b> [43]	Self-confidence, ability to cope with business pressure, self-motivation, need for achievement, ability to solve problems during crises
<b>Leadership Skill</b> [37]	Rationality, insight, independence, avoidance, and spontaneity.
<b>Financial Literacy</b> [16]	Financial management and record keeping, understanding the meaning of profit, understanding investment, and understanding initial credit

Source : Literature Review (Owned)

This coping strategy model is an adaptation of the model [7] and [24]. Coping strategies are considered a dependent variable classified on a categorical scale, with the reference category being no strategy. Hypothesis testing in this study was conducted using multinomial logistic regression. This method was employed because the dependent variable is categorical, while the independent variables are metric data [24]. Multinomial logistic regression is applied when the dependent variable has more than two categories, allowing for the analysis of the probability of choosing each category based on predictor variables. Before applying the multinomial logistic regression test, the initial step that needs to be taken is to establish the reference category [44].

The reference category serves as a benchmark to assess the influence of independent variables on the probability of selecting other categories. SPSS 27 for Windows was used as the data processing tool. In this study, MSME coping strategies were classified into four categories: cost efficiency strategy, downsizing strategy, bank loan strategy, and no strategy. The “no strategy” category is designated as the reference category used to compare the probability of choosing other strategies [24].

$$\ln\left(\frac{P(Y_i = \text{Cost Efficiency})}{P(Y_i = \text{No Strategy})}\right) = \beta_0 + \beta_1 FD + \beta_2 SE + \beta_3 LS + \beta_4 FL + \varepsilon \dots (1)$$

$$\ln\left(\frac{P(Y_i = \text{Downsizing})}{P(Y_i = \text{No Strategy})}\right) = \beta_0 + \beta_1 FD + \beta_2 SE + \beta_3 LS + \beta_4 FL + \varepsilon \dots (2)$$

$$\ln\left(\frac{P(Y_i = \text{Bank Loan})}{P(Y_i = \text{No Strategy})}\right) = \beta_0 + \beta_1 FD + \beta_2 SE + \beta_3 LS + \beta_4 FL + \varepsilon \dots (3)$$

With the following information:

- Ln = Natural Logarithm
- Yi = Probability of the company choosing a strategy
- FD = Financial Distress
- SE = Self Efficacy
- LS = Leadership Skills
- FL = Financial Literacy
- $\beta_0$  = Intercept for category
- $\beta_1 \dots \beta_2$  = Coefficients of predictors for category
- $\varepsilon$  = Other factors outside the research model

### 3. RESULT

This study involves Micro, Small, and Medium Enterprises (MSME) in Banyumas Regency that utilize online platforms such as social media, marketplaces, and websites for sales. MSMEs were chosen as the research subjects because they are business entities vulnerable to the impacts of market competition in the digital era [45]. A total of 114 questionnaires were distributed to respondents. Meanwhile, 105 questionnaires met the criteria and could be processed, resulting in a response rate of 92,1 %. Data on the respondent’s response rate are presented in Tabel 2.

**Table 2.** Sample Description

Aspect	Number of questionnaires
Number of questionnaires distributed	114
Number of questionnaires that do not meet the online platform requirements	(7)
Number of questionnaires with stable income	(2)
Number of questionnaires that can be processed	105
Response rate	92,1%

Resource: Primary Data, 2025

This study involved 105 respondents who are MSME operators in the Banyumas Regency area. All respondents have utilized digital or online platforms as the primary medium for their product sales activities. Based on demographic characteristic, the majority of respondents are male, with the most common age range being between 20 and 50 years. Regarding educational background, most respondents are high school graduates, indicating a predominantly secondary education level within the MSME population studied. The type of business operated by most respondents falls under the micro enterprise category. By business sector, 70,5% are engaged in

trade, 28,6% in manufacturing, and only 0,9% operate in the service sector. Furthermore, the majority of the business units studied have been established for 1 to 5 years, indicating that most MSME are still in the growth stage. More detailed information regarding in classification of respondents can be found in Table 3.

**Table 3.** Respondent Characteristics

Description	Frequency	Percentage (%)
Gender		
Male	60	57,15 %
Female	45	42,85 %
Age		
Less than 20 years	4	3,81%
20-50 years	96	91,43 %
More than 50 years	5	4,76 %
Level of education		
< Senior High School	14	13,33 %
Senior High School	61	58,1 %
Diploma 3	7	6,67 %
>Bachelor	23	21,9 %
Length of business		
Less than 20 years	18	17,14 %
20-50 years	57	54,29 %
More than 50 years	30	28,57 %
Number of workers		
1-4 people (micro)	91	86,67 %
5-19 people (small)	10	9,52 %
20-99 people (medium)	4	3,81%
Business fields		
Trade	74	70,5 %
Manufacturing	30	28,6 %
Services	1	0,9 %
Online sales platforms		
Social-Media	86	81,91 %
Marketplace	18	17,14 %
Website	1	0,95 %
Sum	105	100%

Resource: Primary Data, 2025

The selection of strategies implemented to sustain a business is adjusted according to various factors. MSME owners need time to apply these strategies from the outset establishing the business in the context of global market competition to remain sustainable. Based on research data from respondents, the average strategy implementation period is 10 months, with the shortest

period being 1 month and the longest 12 months. Data on the strategy implementation period are presented in Table 4.

**Table 4.** Coping Strategy Implementation

Variable	N	Min	Max	Mean
Duration of application of coping strategies	105	1	12	10.11

Resource: Output IBM SPSS Statistics 27 (2025)

In facing global market competition, MSME experiencing income instability and the impact of economic decline implement strategies to sustain their business activities. Data from 105 respondents show that 73,3% of MSME owners choose to implement a cost efficiency strategy. Meanwhile, 13,3% applied a downsizing strategy, 6,7% applied a bank loan strategy, and 6,7% had no strategy. Cost efficiency and downsizing are the strategies most commonly applied by business entities when facing difficulties, due to their quick effect in restoring the company's condition [24]. Details of the strategy choices in facing the challenges of intense global market competition are presented in Table 5. These strategy choices have been adjusted based on consideration of various factors. MSME owners need time to implement these strategies from the early stages of establishing their businesses.

**Table 5.** Details of Coping Strategy Options

Coping Strategy	N	Percentage (%)
Cost Efficiency	77	73,3 %
Downsizing	14	13,3 %
Bank Loan	7	6,7 %
No strategy	7	6,7 %

Resource: Primary Data, 2025

The results of the study on the influence of financial distress, self-efficacy, leadership skill, and financial literacy on the selection of coping strategies by MSME in facing global market competition are presented in Table 6. The data used are primary data based on respondents answers to the variables of financial distress, self-efficacy, leadership skill, and financial literacy. The results of the validity and reliability tests indicate that all statement items have met the established criteria. Validity is demonstrated by Pearson correlation values above 0.195, with a significance level of  $< 0,05$  for each item. Thus, all items can be considered valid and capable of accurately measuring all researched aspects. Meanwhile, all statement items have also met the reliability criteria based on a Cronbach's alpha value  $>0.7$  [44]. Reliable statement items indicate that the

questionnaire is a research instrument capable of providing consistent results from all responses given by the respondents. Therefore, the questionnaire used is a valid research instrument.

The financial distress variable is measured using 8 statement items related to the decline in company financial performance, based on a model development framework [42]. This measurement model uses a Likert scale different from the original model. Meanwhile, the self-efficacy variable uses 10 statement items adopted from [43]. The leadership skill variable is measured across 5 aspects, namely rationality, intuitiveness, independence, spontaneity, and avoidance, with 24 statement items adopted from [37]. The financial literacy variable uses 13 statement items adopted from [16]. All statement items for these four variables have met the validity and reliability tests.

Based on the results of the likelihood ratio test, the variables of financial distress, self-efficacy, and leadership skill obtained significance values  $>0.05$ , indicating that they do not affect coping strategies. However, the financial literacy variable obtained a significance value  $<0.05$ , indicating that it does affect coping strategies. Therefore, only the financial literacy variable contributes significantly to the research model.

**Table 6.** Research Result

Variabel	Cronbach Alpha	Model Fitting		Overall % Prediction Models	Pearson's Goodness of Fit	Likelihood Ratio Tests
		Intercept	Final			
Financial Distress	.835	180.007	168.071	73,3%	.440	.901
Self-Efficacy	.886					.105
Leadership skill	.894					.551
Financial Literacy	.863					.053

Dependent Variable: Coping Strategy

\*Significance level 0.05

Resource: output SPSS 27 (2025)

**Table 7.** Multinomial Logistic Regression Test

Coping Strategy	Independent Variables	Intercept	Beta	Exp ( $\beta$ )	OR=Exp( $\beta$ )-1	Sig
	Financial Distress	-2.945	-0,341	0,711	-0,289	.671

Coping Strategy	Independent Variables	Intercept	Beta	Exp (β)	OR=Exp(β)-1	Sig
Strategy 1: Cost Efficiency	Self-Efficacy		-0,902	0,406	-0,594	.376
	Leadership skill		0,246	1,278	0,278	.808
	Financial Literacy		2,526	12,500	11,500	.028*
Strategy 2: Downsizing	Financial Distress	-5.085	-0,380	0,684	-0,316	.676
	Self-Efficacy		-1,495	0,224	-0,776	.230
	Leadership skill		0,459	1,583	0,583	.693
	Financial Literacy		3,093	22,039	21,039	.020*
Strategy 3: Bank loan	Financial Distress	-3.159	-0,749	0,473	-0,527	.461
	Self-Efficacy		-3,422	0,033	-0,967	.028*
	Leadership skill		1,655	5,234	4,234	.245
	Financial Literacy		3,559	35,121	34,121	.019*

Reference Category: No Strategy  
 \*Significance level: 0.05  
 $Exp(\beta) = e^{\beta}$ . Example  $e^{-.341} = .711$   
 Resource: output SPSS 27 (2025)

$$\ln\left(\frac{P(Y_i = \text{Cost Efficiency})}{P(Y_i = \text{No strategy})}\right) = -2,945 - 0,341FD - 0,902SE + 0,246LS + 2,526FL... (4)$$

$$\ln\left(\frac{P(Y_i = \text{Downsizing})}{P(Y_i = \text{No strategy})}\right) = -5,085 - 0,380FD - 1,495SE + 0,459LS + 3,093FL... (5)$$

$$\ln\left(\frac{P(Y_i = \text{Bank Loan})}{P(Y_i = \text{No strategy})}\right) = -3,159 - 0,749FD - 3,422SE + 1,655LS + 3,559FL... (6)$$

Based on Table 7, there are three equations generated (because Y consists of four categories), and the interpretation of each equation refers to the Exp(β)-1 column. The interpretations of the three equations are as follows:

In equation (4), the output being compared is the cost efficiency strategy versus no strategy. An increase of one level in financial distress reduces the possibility of MSME choosing this strategy by 28,9%, while self-efficacy decreases the probability by 59,4%. Conversely, an increase in leadership skills tends to increase the selection of this strategy by 27,8%, although not

significantly. The most dominant factor is financial literacy, which increases the possibility of choosing the cost efficiency strategy by 1.150% or 11,5 times compared to having no strategy.

In equation (5), the output being compared is the workforce downsizing strategy versus having no strategy. An increase in financial distress reduces the probability of choosing this strategy by 31,6%, and self-efficacy further decreases the probability by 77,6%. Leadership skills increase the possibility of selecting this strategy by 58,3%, though this remains insignificant. Financial literacy emerges as a decisive factor with a much greater impact, increasing the chances of employing the downsizing strategy by 2.103,9% or 21 times compared to having no strategy.

Meanwhile, in equation (6), the output being compared is the bank loan strategy versus having no strategy. The impact of financial distress remains negative, resulting in a 52,7% decrease in the choice of the bank loan strategy. Self-efficacy reduces the selection of this strategy even more drastically by 96,7%, despite being significant, indicating that MSME owners with high self-efficacy tend to avoid bank loans as a form of coping. Leadership skills increase the possibility by 423,4% or 4,2 times, although again not significantly. Furthermore, a one level increase in financial literacy raises the probability of choosing the bank loan strategy by 3.412,1% or 34 times compared to having no strategy.

#### 4. DISCUSSION

Based on the results of multinomial logistic regression testing, the first hypothesis stating that financial distress has a negative effect on coping strategy decision-making was rejected. Tabel 7 shows that all coefficients in the category obtained negative results, which were lower than those no strategy. Furthermore, the significance values in all coping strategy categories showed ( $p > 0.05$ ), which means they were not statistically significant. Thus, in this study, the financial distress variable was declared negative and insignificant in relation to coping strategies in sustaining businesses in the global market. This indicates that the level of financial distress experienced by MSMEs in Banyumas Regency is not able to motivate owners to make relevant decisions on coping strategies, whether in terms of cost efficiency, downsizing, or bank loan. This is in line with the theory [29], which states that financial distress is a condition where a company's finances are very weak and show signs of bankruptcy.

Furthermore, this finding is supported by [46], who state that financial distress is a condition in which a company fails to manage and maintain stable financial health. Financial distress can threaten business continuity, as indicated by a decline in competitive advantage [28]. This adverse condition can serve as a warning signal for management to immediately take rescue measures before the situation develops into bankruptcy [47]. Although, the results of this study show that financial distress does not have a significant effect on coping strategies, these results also indicate that in conditions of financial pressure, not all MSME players have the ability to respond strategically to actual conditions. These results also indicate that under financial pressure, not all MSME owners are able to respond strategically. Other factors, such as financial literacy, are important variables that should be the focus of further analysis in determining the direction of business sustainability.

Then, the second hypothesis, which states that self-efficacy has a positive effect on MSME coping strategies, was rejected. The likelihood ratio test results showed a significance value above 0.05, which means that the self-efficacy variable did not contribute significantly to the overall coping strategy model. However, in the analysis through multinomial logistic regression per category, it was found that self-efficacy only had an effect on bank loan coping strategy category ( $p < 0.05$ ). Although significant, the coefficient value was negative, indicating that MSME players with high self-efficacy tended not to choose the bank loan strategy. Instead, they prefer to rely on internal sources of financing, such as personal funds, which reflects their confidence in managing challenges without relying on external sources. Meanwhile, in the other two coping strategy categories, namely cost efficiency and workforce downsizing, self-efficacy did not show a significant effect, and the regression coefficient was also negative. This shows that MSME entrepreneurs with high self-efficacy are more likely to avoid cutbacks and reductions but are less inclined to seek bank loan to stabilize their businesses, even though this does not necessarily strengthen coping strategies for MSME sustainability.

Thus, although there is a significant effect on one category of coping strategy, the overall effect of self-efficacy on the model is still considered insignificant. These findings show that the influence of self-efficacy is partial and limited to certain strategies and leads to more independent coping preferences that are oriented towards internal capabilities rather than external ones such as loans. This study is in line with [48], which states that there is no significant influence of self-efficacy on a person's creativity in decision making. In addition, the results of this study are also in line with the research by [49], which states that self-efficacy does not have a positive and significant effect on career maturity related to the form of business strategy development. According to them, high self-efficacy without concrete actions will not have a significant impact.

The third hypothesis, which states that leadership skill has a positive effect on coping strategies, was rejected. In Table 7, the regression test results show that all coefficients, including cost efficiency, downsizing, and bank loan, obtained positive results, which were higher than those without a strategy. However, these results were not significant ( $p > 0.05$ ) in all coping strategy categories. Thus, in this study, the leadership skill variable is positive but not significant for coping strategies in sustaining business in the global market. This indicates that although the direction of the relationship supports the role of leadership in managing business cost efficiency, minimizing labor, and borrowing from external parties, its contribution is not strong enough to be used as the main determinant of coping strategy selection.

These findings also suggest that although leadership skills are important, they are not yet fully capable of motivating MSME owners to actively choose adaptive coping strategies in the context of global market pressures, which may be caused by psychological factors and the weak behavior of MSME owners. Furthermore, the results of this study are supported by the findings [15], which state that a person's non-adaptive skills can be an obstacle in facing pressure and make it difficult to make decisions. However, the results of this study are not in line with the findings [7], that leadership skills are an important determinant for a leader to behave innovatively and

creatively in facing a crisis because innovative ideas arise from the ability and capability of leaders to see opportunities, threats, and the right strategies during a crisis.

The fourth hypothesis, which states that financial literacy has a positive effect on coping strategies, is accepted. In Table 7, the coefficient values of financial literacy for the categories of cost efficiency, downsizing, and bank loan show positive results, which are higher than those no strategies. The significance values for these three categories are also ( $p < 0.05$ ). Thus, in this study, the variable of financial literacy is significantly positive toward coping strategies in the sustainability of maintaining their business in the global market. This means that the higher the level of financial literacy possessed by MSME owners, the greater their ability to choose and apply the right coping strategies. In coping strategies in the form of cost efficiency, business actors will be better able to identify unproductive expenditure items and allocate resources optimally.

In downsizing coping strategies, MSME owners with good financial literacy can assess labor needs based on productivity levels and their contribution to business profitability. Furthermore, strong financial literacy enables entrepreneurs to optimally choose loan products that suit their business needs and repayment capabilities, so that the funds can be used to support business development, including in the aspect of digitalization amid global market competition. This is in line with the theory of [16], and supported by research [50] which states that the financial literacy of business owners enables them to clearly understand the financial condition of their business so that they can determine the next strategy to improve development through business financial information. However, this is not in line with the research [18] that financial literacy has no influence on the ability to maintain a business unit.

## 5. CONCLUSION

This study aims to assess the influence of financial distress, self-efficacy, leadership skills, and financial literacy on the selection of coping strategies by MSMEs in facing global market competition. The results indicate that most MSMEs opt for cost efficiency strategies. However, only financial literacy has been proven to have a significant impact on the choice of coping strategies, whether cost efficiency, downsizing, or bank loan. Meanwhile, financial distress, self-efficacy, and leadership skills do not exert a significant influence. Thus, the findings suggest that the ability to understand and manage financial information is a key factor in determining the appropriate adaptive strategy, thereby supporting the sustainability of MSMEs. Conversely, financial pressure and psychological factors are not yet sufficient to motivate MSME owners to make effective strategic decisions. Based on these results, there is a need to strengthen financial literacy through ongoing training and policy support that facilitates MSMEs in enhancing their financial management capacity. Furthermore, future research is recommended to expand the geographical scope and include digital transformation variables to gain a more comprehensive understanding of MSMEs resilience in the era of global competition.

### Author contribution

Conceptualization: P.W.; W.P.

Methodology: P.W.; W.P.

Investigation: P.W.

Analysis: P.W.; W.P.; N.N.; A.Y.K.

Original Draft Preparation: P.W.; W.P.

Editing and Review: P.W.; W.P.; N.N.; A.Y.K.

Visualization: P.W.; W.P.; N.N.; A.Y.K.

Supervision: P.W.; W.P.; N.N.; A.Y.K.

### Funding statement

This article was funded by the author's fund.

### Acknowledgments

All praise and gratitude the author offers to Allah SWT for His mercy and guidance, so that this research could be completed properly. The author also expresses thanks to all MSME actors in Banyumas Regency who have participated and contributed by filling out the questionnaire. The highest appreciation is extended to the reviewers and the editorial board of the Competitive Journal for their constructive feedback, wise suggestions, and editorial assistance, which significantly contributed to the improvement of this article.

### Conflicts of interest

The two authors do not have any conflicts of interest.

## REFERENSI

- [1] W. Purwidianti, Watemin, and T. S. M. Rahayu, "Pelatihan Penyusunan Capital Budgeting pada Pelaku Usaha Kecil Menengah di Kabupaten Banyumas," *Jurnal ABDINUS: Jurnal Pengabdian Nusantara*, vol. 8, no. 2, pp. 462–470, Jul. 2024, doi: 10.29407/ja.v8i2.22645.
- [2] Dinas Komunikasi dan Informatika Kabupaten Banyumas, *Data Dan Informasi Kabupaten Banyumas 2024*, vol. 8. Banyumas: Dinas Komunikasi dan Informatika Kabupaten Banyumas, 2024. Accessed: Dec. 01, 2025. [Online]. Available: [https://static.banyumaskab.go.id/website/file/website\\_26032407562366021d379175a.pdf](https://static.banyumaskab.go.id/website/file/website_26032407562366021d379175a.pdf)
- [3] Y. N. Methasari, K. Z. Wafirotin, and N. S. Muntiah, "Pengaruh Modal Usaha, Lama Usaha, Tenaga Kerja dan Bahan Baku terhadap Pendapatan UMKM Industri di Kabupaten Ponorogo," *Asset: Jurnal Manajemen dan Bisnis*, vol. 7, no. 1, pp. 38–52, Jun. 2024, doi: <https://doi.org/10.24269/asset.v7i1.9282>.
- [4] L. D. Parker, "The COVID-19 office in transition: cost, efficiency and the social responsibility business case," *Accounting, Auditing and Accountability Journal*, vol. 33, no. 8, pp. 1943–1967, Nov. 2020, doi: 10.1108/AAAJ-06-2020-4609.
- [5] S. Devi, N. M. S. Warasniasih, P. R. Masdiantini, and L. S. Musmini, "The impact of COVID-19 pandemic on the financial performance of firms on the Indonesia stock exchange," *Journal of Economics, Business, and Accountancy Ventura*, vol. 23, no. 2, pp. 226–242, Aug. 2020, doi: <https://doi.org/10.14414/jebav.v23i2.2313>.
- [6] M. Luckieta, "Strategi Pengelolaan Keuangan Dan Dampaknya Terhadap Profitabilitas Umkm," *Jurnal Locus Penelitian dan Pengabdian*, vol. 4, no. 3, pp. 1279–1289, Mar. 2025, doi: 10.58344/locus.v4i3.3932.
- [7] A. Triyani and S. W. Setyahuni, "How Financial Distress Affect The Coping Strategy? Case Of Indonesian MSME's During The Covid-19 Outbreak," *Jurnal Reviu Akuntansi dan Keuangan*, vol. 13, no. 1, pp. 1–17, Mar. 2022, doi: 10.22219/jrak.v13i1.22209.

- [8] D. Czarnitzki and M. Giebel, "Financial constraints for R&D and innovation: new evidence from a survey experiment," *Appl Econ*, 2024, doi: 10.1080/00036846.2024.2421455.
- [9] D. Pertiwi and A. G. Putri, "Analisis Prediksi Financial Distress Dengan Menggunakan Model Altman Z-Score Pada Perusahaan Ritel Tahun 2018-2020," *Jurnal Keunis (Keuangan dan Bisnis)*, pp. 132–144, 2021.
- [10] S. W. Setyahuni and A. Triyani, "Factors Affecting Corporate's Coping Strategy Choice During The Covid-19 Outbreak: Case of Indonesia," *Riset Akuntansi dan Keuangan Indonesia*, vol. 6, no. 3, pp. 334–349, Dec. 2021, doi: <https://doi.org/10.23917/reaksi.v6i3.16172>.
- [11] M. I. A. Najib and D. D. Iskandar, "Faktor Yang Mempengaruhi Keberlanjutan Usaha Setelah Pandemi (Studi Kasus di UMKM Batik Desa Bengle Kabupaten Tegal)," (*Doctoral diissertation, UNDIP: Fakultas Ekonomika dan Bisnis*), Aug. 2023.
- [12] M. A. Aldyan, "Pengaruh Financial Technology, Literasi Keuangan, dan Efikasi Diri Wirausahawan Dalam Meningkatkan Kinerja UMKM Kuliner Di Surakarta," (*Doctoral dissertation, UIN RADEN MAS SAID SURAKARTA*), 2023.
- [13] N. P. L. Ernawatiningsih and I. P. E. Arizona, "Analisis Keberhasilan Usaha Mikro Kecil Menengah (Studi Kasus UMKM di Kecamatan Denpasar Utara)," *Journal of Applied Management and Accounting Science*, vol. 3, no. 2, pp. 128–138, Jun. 2022, doi: <https://doi.org/10.51713/jamas.v3i2.57>.
- [14] D. Sobakinova, Y. Zhou, and D. K. Durrani, "The role of human capital outcomes in generating business ideas," *VINE Journal of Information and Knowledge Management Systems*, vol. 50, no. 1, pp. 163–183, Jan. 2020, doi: 10.1108/VJKMS-03-2019-0033.
- [15] F. O. Mahardhani, A. N. Ramadhani, R. M. Isnanti, T. N. Chasanah, and A. Prptomojati, "Pelatihan Strategi Koping Fokus Emosi untuk Menurunkan Stres Akademik pada Mahasiswa," *Gajah Mada Journal of Professional Psychology (GamaJPP)*, vol. 6, no. 1, p. 60, May 2020, doi: 10.22146/gamajpp.55253.
- [16] D. Papulasih, W. Purwidiyanti, N. Tubastuvi, and R. F. Utami, "Peran Literasi Keuangan Sebagai Mediasi Pada Variabel Financial Technology Dan Karakteristik UMKM Terhadap Keberlanjutan UMKM ," *Jurnal Administrasi Dan Manajemen*, vol. 14, no. 1, pp. 25–35, 2024.
- [17] H. Dwilita and P. B. Sari, "Analysis of Family Financial Management and Women's Financial Literacy in Dusun 20 Klambir Lima Kebun Village," Nov. 2020.
- [18] T. Budyastuti, "Pengaruh Financial Technology dan Literasi Keuangan terhadap Keberlangsungan Usaha," *Jurnal Online Insan Akuntan*, vol. 6, no. 2, pp. 167–178, Dec. 2021.
- [19] N. Suleman and M. K. Thalib, "Keberlanjutan UMKM Ditinjau Dari Digitalisasi UMKM, Financial Literacy, Dan Behaviour Financial," *Gorontalo Accounting Journal*, vol. 7, no. 1, pp. 27–35, Apr. 2024, doi: 10.32662/gaj.v7i1.3271.
- [20] F. Montani *et al.*, "Self-image goals, compassionate goals and innovative work behavior: The role of organizational support for innovation across countries," *J Bus Res*, pp. 588–600, Dec. 2021, doi: <https://doi.org/10.1016/j.jbusres.2021.08.072>.
- [21] E. A. Locke & G. P. Latham, *New Developments in Goal Setting and Task Performance*, 1st ed. Routledge, 2013. doi: <https://psycnet.apa.org/doi/10.4324/9780203082744>.
- [22] G. P. Latham and J. J. Baldes, "The 'Practical Significance' of Locke's Theory of Goal Setting J," 1975.
- [23] Y. Tao, G. Xu, and H. Liu, "Compensation gap, retrenchment strategy and organizational turnaround: a configurational perspective," *Journal of Organizational Change Management*, vol. 33, no. 5, pp. 925–939, Jun. 2020, doi: 10.1108/JOCM-11-2019-0340.

- [24] H. H. Nguyen, V. M. Ngo, and A. N. T. Tran, "Financial performances, entrepreneurial factors and coping strategy to survive in the COVID-19 pandemic: case of Vietnam," *Res Int Bus Finance*, vol. 56, no. 101380, 2021, doi: <https://doi.org/10.1016/j.ribaf.2021.101380>.
- [25] E. B. Algorani and V. Gupta, *Coping Mechanisms*. StatPearls Publishing, United States, 2023. Accessed: Dec. 08, 2021. [Online]. Available: <https://www.ncbi.nlm.nih.gov/books/NBK559031/>
- [26] C. N. Fubah and M. Moos, "Exploring COVID-19 Challenges and Coping Mechanisms for SMEs in the South African Entrepreneurial Ecosystem," *Sustainability (Switzerland)*, vol. 14, no. 4, pp. 1–20, Feb. 2022, doi: 10.3390/su14041944.
- [27] R. Chetta and K. Khomsiyah, "Keberhasilan Corporate Turnaround Pada Perusahaan Yang Mengalami Financial Distress di Masa Pandemi COVID-19," *Owner*, vol. 6, no. 4, pp. 3379–3388, Oct. 2022, doi: 10.33395/owner.v6i4.1131.
- [28] Farooq, M., S. F. Qureshi, and Z. M. Bhutta, "Indirect financial distress costs in non-financial firms: evidence from an emerging market," *Pacific Accounting Review*, vol. 33(4), pp. 417–434, Jun. 2021, doi: <https://doi.org/10.1108/PAR-09-2020-0127>.
- [29] S. Christina and N. Alexander, "The Effect of Financial Distress and Corporate Governance on Earnings Management," 2020. doi: <https://doi.org/10.2991/aebmr.k.200626.023>.
- [30] T. Hidayat, A. Yahya, and M. D. Permatasari, "Pengaruh Financial Distress, Inflasi, dan Nilai Tukar Terhadap Keputusan Investasi serta Implikasinya Pada Nilai Perusahaan," Jun. 2023. doi: <https://doi.org/10.37366/akubis.v8i01.744>.
- [31] W. Widnyana, N. Putu, Y. Astiti, N. Made, and I. Mentari, "Financial Information System as a Strategic Moderator: Strengthening the Impact of Governance, Risk, and Financial Distress on SME Sustainability," 2025. [Online]. Available: <https://www.jisem-journal.com/>
- [32] A. Bandura, "Self-efficacy: Toward a Unifying Theory of Behavioral Change," 1977. doi: <https://psycnet.apa.org/doi/10.1037/0033-295X.84.2.191>.
- [33] A. I. Prasetyowati, A. Kistyanto, and D. T. W. D. Wardoyo, "Analisis Pengaruh Self-Efficacy dan Budaya Organisasi terhadap Kinerja Organisasi Dinas Pendidikan Kepemudaan dan Olahraga Kabupaten Magetan," *Universitas Muhammadiyah Ponorogo*, vol. 7, no. 2, pp. 93–104, Dec. 2024, [Online]. Available: <http://journal.umpo.ac.id/index.php/asset>
- [34] D. Md. Z. Islam, N. Khalid, E. Rayeva, and U. Ahmed, "COVID-19 and Financial Performance of SMEs: Examining the Nexus of Entrepreneurial Self-Efficacy, Entrepreneurial Resilience and Innovative Work Behavior," vol. XXIX, pp. 587–593, 2020, doi: 10.24205/03276716.2020.761.
- [35] F. Amelia, A. Nur, F. Program, S. Manajemen, F. Ekonomi, and D. Bisnis, "Pengaruh Efikasi Diri dan Kompetensi Kewirausahaan terhadap Keberhasilan Usaha (Studi pada Usaha Mikro Kuliner di Banjarmasin Selatan)," 2025. doi: <https://doi.org/xx.xxxx>.
- [36] G. Manalu and C. Sitinjak, "Kajian Literatur Terhadap Manfaat Keterampilan Kepemimpinan Dan Management Penjualan Di Dalam Perusahaan," *Jurnal Multidisiplin Madani*, vol. 2, no. 2, pp. 889–898, Feb. 2022, doi: 10.54259/mudima.v2i2.451.
- [37] S. G. Scott and R. A. Bruce, "scottburce1995," *Educ Psychol Meas*, vol. 55 No 5, pp. 818–831, Oct. 1995, doi: doi:10.1177/0013164495055005017.
- [38] F. Eggers, "Masters of disasters? Challenges and opportunities for SMEs in times of crisis," *J Bus Res*, vol. 116, pp. 199–208, Aug. 2020, doi: 10.1016/j.jbusres.2020.05.025.

- [39] S. D. Maarif, “4 Tingkat Literasi Keuangan menurut OJK dan Indikatornya,” *Tirto.id*, DKI Jakarta, Aug. 22, 2023. Accessed: Dec. 04, 2025. [Online]. Available: [https://tirto.id/4-tingkat-literasi-keuangan-menurut-ojk-dan-indikatornya-gPfV#google\\_vignette](https://tirto.id/4-tingkat-literasi-keuangan-menurut-ojk-dan-indikatornya-gPfV#google_vignette)
- [40] F. Hidayanti, N. Tubastuvi, W. Purwidiyanti, and H. Endratno, “The Influence of Financial Literacy, Lifestyle, Self-Control, and Peer Conformity on Student’s Consumptive Behavior,” *International Journal of Economics, Business and Accounting Research (IJEBAR)*, vol. 7, no. 1, 2023, [Online]. Available: <https://jurnal.stie-aas.ac.id/index.php/IJEBAR>
- [41] U. M. Pertiwi, “Penerapan Financial Technology dan Peningkatan literasi keuangan Untuk Strategi Penguatan Bisnis UMKM di Kalimantan Barat,” 2020. Accessed: Sep. 30, 2025. [Online]. Available: <https://pascasarjanafe.untan.ac.id/wpcontent/uploads/2021/01/34>.
- [42] A. D. Prawitz, E. T. Garman, B. Sorhaindo, B. O’Neill, J. Kim, and P. Drentea, “InCharge Financial Distress/Financial Well-Being Scale: Development, Administration, and Score Interpretation,” *Journal of Financial Counseling and Planning*, vol. 17, 2006, Accessed: Dec. 04, 2025. [Online]. Available: <https://ssrn.com/abstract=2239338>
- [43] V. Lönnfjörð and C. Hagquist, “The Psychometric Properties of the Swedish Version of the General Self-Efficacy Scale: A Rasch Analysis Based on Adolescent Data,” *Current Psychology*, vol. 37, no. 4, pp. 703–715, Dec. 2018, doi: 10.1007/s12144-016-9551-y.
- [44] I. Ghazali, *Aplikasi Analisis Multivariate dengan Program IBM SPSS 23*, Ed.8., Cet.8. Semarang: Univ. Diponegoro Press : Semarang., 2016, 2016.
- [45] A. Birgithri, T. Syafira, and N. Louise, “Analisis Strategi Pemasaran UMKM untuk Meningkatkan Pertumbuhan Bisnis di Era Digital,” *Technomedia Journal*, vol. 9, no. 1, pp. 117–129, Jun. 2024, doi: 10.33050/tmj.v9i1.2268.
- [46] Balasubramanian, R. G.S., Sridevi P, and T. Natarajan, “Modeling corporate financial distress using financial and non-financial variables: The case of Indian listed companies,” *International Journal of Law and Management*, vol. 61(3–4), pp. 457–484, 2019, doi: <https://doi.org/10.1108/IJLMA-04-2018-0078>.
- [47] N. Younas, S. UdDin, T. Awan, and M. Y. Khan, “Corporate governance and financial distress: Asian emerging market perspective,” *Corporate Governance (Bingley)*, vol. 21, no. 4, pp. 702–715, 2021, doi: 10.1108/CG-04-2020-0119.
- [48] I. C. Puozzo and C. Audrin, “Improving self-efficacy and creative self-efficacy to foster creativity and learning in schools,” *Think Skills Creat*, vol. 42, Dec. 2021, doi: 10.1016/j.tsc.2021.100966.
- [49] A. Azalea and Paulina, “Pengaruh Konsep Diri, Efikasi Diri, dan Internal Locus of Control Terhadap Kematangan Karir (Studi pada Brand Partner Oriflame di Jakarta),” *Journal of Accounting, Management and Islamic Economics*, vol. 2, no. 2, pp. 629–644, 2024.
- [50] N. N. Maushufi and A. A. Wilasittha, “Peran Literasi dan Pengelolaan Keuangan dalam Meningkatkan Pendapatan UMKM,” *Journal Of Social Science Research*, vol. 4, no. 4, pp. 9865–9879, 2024.