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Financial Management Behavior of Micro-Businesses in Tourism Destinations: A Qualitative Study

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Abstract

This study explores the financial management behavior of micro-businesses in tourism destinations across West Java, Indonesia. Using a qualitative descriptive approach, data were collected through in-depth interviews and observations of eight micro-entrepreneurs operating in Pangandaran, Lembang, Ciwidey, Ciletuh Geopark, and Puncak. The findings reveal that financial management practices are predominantly informal, with minimal record-keeping, mixing personal and business finances, and reliance on daily cash flow. Low financial literacy, seasonal income fluctuations, and psychological biases such as loss aversion and overconfidence shape these behaviors. Micro-businesses tend to avoid formal financial institutions due to perceived complexity, fear of debt, and limited understanding of financial products, leading to a preference for informal financing sources. The study highlights that these factors weaken financial resilience and hinder business sustainability. Furthermore, limited financial literacy interventions have had minimal impact on changing financial behavior. The research recommends tailored financial literacy programs and access to simplified formal financial services to strengthen micro-business resilience. Addressing knowledge gaps and behavioral tendencies is essential to enhancing financial management practices and supporting micro-enterprises sustainable growth within West Java's tourism sector.

Keywords: Financial Behavior, Micro-Business, Tourism Destination, Financial Literacy, Behavioral Biases

A. INTRODUCTION

The tourism sector plays a pivotal role in driving regional economic growth in Indonesia, particularly through the significant contributions of micro-businesses—homestays, culinary ventures, equipment rentals, and local tour services—that dominate popular destinations like West Java and serve as the backbone of local economies (Djunarto et al., 2023; Mun'im, 2022). Despite their potential, these micro-tourism enterprises often struggle with persistent financial management challenges that threaten their sustainability and operational continuity. Issues such as limited financial literacy, restricted access to capital, and the influence of owners' self-efficacy on performance outcomes further weaken their resilience and ability to generate sustained economic benefits for local communities (Hakiki et al., 2023; Purnomo, 2022). Nevertheless, integrating these micro-businesses into the broader tourism ecosystem—through initiatives like Village-Owned Enterprises (BUM Desa)—has proven successful in strengthening the sector's multiplier effect, enhancing cultural authenticity, and promoting sustainable tourism models aligned with local and national development goals (Budirahmayani & Khoirunurrofik, 2019; Hakiki et al., 2023; Lukman et al., 2022; Soeswoyo et al., 2021).

Effective financial management remains critical for micro-business stability and growth, especially in Indonesia's dynamic tourism sector. Yet, many micro-business owners continue to rely on traditional financial practices—lacking proper bookkeeping and often merging personal and business finances—challenges exacerbated by low financial literacy, limited access to formal financial institutions, and fluctuating seasonal incomes (Byzzanthi & Ermawati, 2021; Hirawati et al., 2021; Susan, 2020). In regions like West Java, this financial vulnerability is pronounced, where poor financial management limits access to credit and growth opportunities

(Andaningsih & Setyowati, 2022; Nugrahanti et al., 2023; Tambunan, 2023; Tubastuvi & Rusydiana, 2024). Moreover, West Java's socio-economic and cultural diversity shapes distinct financial behaviors influenced by varying levels of literacy, risk tolerance, and resource access, all of which further complicate micro-business financial decisions (Putra, 2019; Thaker & Thaker, 2019). These complexities underscore the urgent need for targeted financial literacy programs tailored to local contexts, equipping micro-entrepreneurs with essential financial skills to build resilience and promote sustainable economic growth (Sulandjari, 2023).

West Java, home to prominent tourist destinations such as Pangandaran, Lembang, Ciwidey, Ciletuh Geopark, and Puncak, offers vast economic opportunities for local communities through its thriving micro-business sector. However, these businesses face classic financial hurdles—including managing cash flow, securing adequate capital, and ensuring long-term financial stability—further compounded by seasonal fluctuations and external shocks such as the COVID-19 pandemic. These demand shifts reduce income during off-peak periods and create operational instability, complicating financial planning and increasing vulnerability. Furthermore, limited access to financial services and low comprehension of financial products exacerbate these challenges, making financial literacy a pivotal factor in improving micro-business resilience and performance (Nugrahanti et al., 2023). Consequently, investigating financial management behaviors in this sector is critical for developing effective interventions to improve financial capacity, manage seasonal risks, and support sustainable local economic development.

The financial management practices of micro-businesses are intricately linked to behavioral finance principles, where cognitive biases and psychological factors significantly influence financial decision-making. In many family-run or individually operated enterprises, financial choices are driven by intuition, experiential knowledge, and inherited practices rather than structured planning (Budiasa et al., 2022). Such behaviors often manifest in neglecting financial records, excessive spending during peak seasons, and inadequate reinvestment, amplified by overconfidence or loss aversion biases (Khan et al., 2023; Noch & Rumasukun, 2024). Financial literacy emerges as a crucial mitigating factor, with studies showing that higher financial literacy correlates with improved financial management and business performance (Ahmad, 2022; Fauzan et al., 2023). However, many micro-entrepreneurs operate with limited financial knowledge, further influenced by socio-cultural factors that shape money management attitudes (Agyei, 2018). Addressing these behavioral challenges through financial literacy interventions and awareness of cognitive biases is imperative to foster rational financial practices and enhance the sustainability of micro-tourism businesses (Rahmawati et al., 2022).

Despite the growing importance of micro-businesses in tourism, scholarly attention to their financial management behavior—especially in West Java—remains scarce. Existing research tends to emphasize economic empowerment and access to financing without delving into the behavioral dimensions that directly impact financial decisions and business sustainability. This study, therefore, seeks to bridge this gap by exploring the financial management behavior of micro-businesses operating within West Java's tourism destinations. It aims to identify behavioral patterns, analyze influencing factors, and understand strategies to navigate financial challenges. By applying a qualitative approach, this research aspires to contribute theoretically and practically—enhancing financial literacy insights and informing more effective and sustainable local economic empowerment policies.

B. LITERATURE REVIEW

Micro-Businesses in the Tourism Sector

Micro-businesses play a pivotal role in supporting the tourism sector, particularly in developing regions where they serve as service providers and cultural ambassadors. Their contributions span accommodations, culinary ventures, local transportation, and guided tours, all of which enhance the tourist experience and generate economic benefits for local communities. Micro-businesses dominate the economic landscape in tourism-dependent areas like West Java and significantly contribute to local resilience (Djunarto et al., 2023; Mun'im, 2022). These enterprises often operate informally despite their importance, limiting access to

structured financial systems, institutional support, and growth opportunities (Hakiki et al., 2023). Financial accessibility is a fundamental challenge, with studies highlighting that micro-businesses frequently rely on internal financing due to limited access to formal financial institutions, which constrains their ability to invest, innovate, or expand (Angeles, 2022; Prijadi et al., 2020). (Beck et al., 2015) further emphasize that in developing regions, alternative financial channels—both formal and informal—play a crucial role in mitigating financing constraints, making adaptability essential for micro-business survival and growth in tourism-driven economies.

Beyond financing issues, micro-businesses face significant operational challenges in managing their finances effectively, often driven by behavioral and psychological factors. (Heino, 2006) identifies liquidity constraints as a major barrier for micro-enterprises, underscoring the importance of access to borrowed capital for operational stability, a concern particularly relevant to tourism businesses exposed to seasonal fluctuations. Cognitive biases and limited financial literacy also influence decision-making, as many micro-entrepreneurs rely on intuition rather than structured analysis, leading to poor financial planning and resource misallocation. (Hallak et al., 2012) highlight that entrepreneurial self-efficacy impacts financial decision-making, where higher self-confidence correlates with better business performance in family-run tourism micro-businesses. Meanwhile, the rise of digital finance presents new opportunities, as (Yang & Zhang, 2020) demonstrates the potential of digital financial inclusion to improve resource access and financial efficiency among small enterprises. The COVID-19 pandemic further exposed micro-business vulnerabilities, prompting a reevaluation of business models and reinforcing the need for resilience and digital adaptation in the tourism sector. These findings underscore the necessity of enhancing financial literacy, expanding access to diverse financing options, and integrating digital tools to strengthen micro-business sustainability in tourism.

Financial Management Challenges in Micro-Businesses

Effective financial management is vital for the survival and growth of micro-businesses in the tourism sector, yet many face persistent challenges that jeopardize their sustainability. Common issues include weak cash flow management, heavy reliance on seasonal income, minimal financial record-keeping, and poor separation of personal and business finances (Rusdiyanto et al., 2024). Such practices hinder daily operations and severely limit access to formal credit and investment opportunities as businesses lacking reliable financial documentation struggle to secure loans and scale their operations (Hallak et al., 2012). The tourism sector's inherent seasonality further compounds these challenges, exposing micro-businesses to volatile income streams and increased financial risk (Rami et al., 2019). During off-peak periods, many micro-enterprises struggle to cover operational costs, often resorting to informal financing that perpetuates debt cycles (Shui et al., 2022). This volatile environment exacerbates financial vulnerability, particularly in rural tourism settings like West Java, where micro-businesses rely heavily on fluctuating visitor numbers.

Barriers to financial inclusion remain a critical factor limiting the growth potential of micro-tourism businesses. Many entrepreneurs lack awareness of available financial products or government-backed funding programs, leading to underutilizing essential financial resources (Roman et al., 2024). Research emphasizes that improving access to formal financial institutions and tailored micro-lending opportunities is vital for strengthening micro-businesses' financial resilience, especially in rural areas (Hallak et al., 2012). Moreover, limited reinvestment in business development further hampers competitiveness, with operators unable to upgrade facilities or diversify offerings due to financial constraints (Tase & Lulaj, 2022). Community leadership and government support play a crucial role in overcoming these barriers by facilitating training programs, promoting financial literacy, and expanding access to capital through grants or low-interest loans (Kastenholz et al., 2022; Y. Liu et al., 2022; Takaendengan et al., 2022). A coordinated approach that combines local empowerment with supportive policy frameworks is essential to help micro-tourism businesses build financial capacity, improve operational efficiency, and sustainably contribute to local economic growth.

Behavioral Finance Perspective on Micro-Business Decision-Making

Behavioral finance provides a critical lens for understanding the financial decision-making processes of micro-business owners, particularly in the tourism sector, where traditional rational models often fail to capture real-world complexities. Psychological factors and cognitive biases such as overconfidence, reliance on intuition, and deeply rooted cultural norms frequently shape financial behaviors, especially in family-run or individually operated businesses (Rahmayani et al., 2022). These tendencies manifest in short-term thinking during peak seasons, underinvestment in sustainability, and risk aversion, making micro-entrepreneurs hesitant to reinvest profits or engage in calculated financial risks essential for growth (Budiasa et al., 2022; M. Liu et al., 2022). The principle of loss aversion further compounds these issues, leading to cycles of low productivity and heightened vulnerability to economic shocks. Consequently, integrating behavioral finance perspectives is essential to grasp the operational challenges faced by micro-tourism businesses fully, offering a pathway to design interventions that improve resilience and long-term viability.

Financial literacy emerges as a key moderating factor capable of mitigating the adverse effects of cognitive biases on financial decision-making. Higher financial literacy is consistently linked to improved decision-making and enhanced business performance among micro, small, and medium enterprises (Fathurrahman & Fitri, 2024). However, studies reveal that many micro-entrepreneurs, such as those in Denpasar, Indonesia, possess only moderate financial literacy, which impairs their ability to navigate complex financial products, manage credit, or engage effectively with formal lending institutions (Chingwaro, 2024). A limited understanding of credit policies further restricts access to formal financial services, exacerbating dependence on informal lenders with unfavorable terms (M. Liu et al., 2022). Structural barriers such as high borrowing costs and urban-centric financial institutions also marginalize rural micro-businesses from credit markets (Mendo et al., 2021; Mittal et al., 2011). Exploring alternative financing models, including community-based lending or crowdfunding, presents potential pathways to bridge these gaps. Ultimately, embedding behavioral finance principles within financial literacy and training programs could empower micro-entrepreneurs, fostering sound financial practices, improving access to capital, and strengthening micro-business sustainability in the tourism sector.

The Role of Financial Literacy in Enhancing Micro-Business Resilience

Financial literacy is widely acknowledged as a critical factor in strengthening the resilience and sustainability of micro-businesses, particularly in the tourism sector, where entrepreneurs must navigate complex financial decisions. Proficiency in financial management enables business owners to handle cash flow, understand financial products, plan investments, and distinguish between personal and business finances—capabilities essential for maintaining business continuity amid fluctuating market conditions (Budiasa et al., 2022). However, empirical studies reveal that financial literacy among micro-tourism entrepreneurs, especially in rural and traditional areas such as West Java, remains notably low (Megawati et al., 2021). Socio-economic diversity within these regions further shapes financial behavior, with many micro-entrepreneurs lacking the knowledge and skills necessary for sound financial management, often resulting in poor record-keeping, inadequate planning, and missed growth opportunities (Gupta & Pandey, 2021; Rahayu & Rahmawati, 2022). This limited literacy impairs their access to formal credit, forcing reliance on informal financing and further exacerbating financial vulnerability (Hasanudin, 2023; Sabiu & Abduh, 2021).

Targeted financial education interventions have proven effective in enhancing micro-business resilience by equipping owners with practical skills in budgeting, cash flow management, and risk assessment. Studies show that entrepreneurs who undergo such programs demonstrate improved financial behaviors, better engage with formal financial systems, and exhibit greater confidence in accessing credit (Mago & Modiba, 2022). Moreover, given the socio-economic diversity of regions like West Java, financial education must be context-specific—addressing disparities between urban and rural entrepreneurs to ensure relevance and impact (Megawati et al., 2021). Integrating financial education with initiatives that expand access to formal financial services is essential to breaking cycles of financial exclusion and dependency on high-risk informal lending (Woldehanna et al.,

2018). Ultimately, improving financial literacy fosters a more resilient micro-business ecosystem, empowering entrepreneurs to make informed decisions, mitigate risks, and contribute sustainably to local economic growth in the tourism sector.

C. METHODS

This study employed a qualitative descriptive research design to explore the financial management behavior of micro-businesses operating within tourism destinations in West Java. The qualitative approach was chosen to capture the complex, subjective experiences of micro-entrepreneurs in managing their finances and understand the socio-cultural and psychological factors influencing their financial decision-making. This design allows for an in-depth exploration of behaviors and practices that may not be fully captured through quantitative methods (Creswell & Poth, 2018). The research was conducted across several tourism areas in West Java. These locations were purposively selected due to their economic reliance on micro-tourism businesses and the diversity of socio-economic contexts present. The study targeted micro-business owners engaged in various tourism-related sectors, such as homestays, culinary services, local transportation, and tour guides. Participants were selected using purposive sampling with the following criteria: businesses had been operating for at least two years, owners were directly involved in managing their business finances, and they were willing to participate in the research. This sampling strategy was intended to ensure rich and relevant insights into the financial management behaviors being studied.

Data was collected through semi-structured, in-depth interviews, participant observation, and document analysis. The interviews were the primary method for gathering information, allowing researchers to explore participants' financial practices, decision-making processes, and challenges in managing their business finances. Observation was used to capture daily financial activities and interactions that reflected actual financial behaviors, while document analysis involved reviewing any available financial records or informal bookkeeping maintained by the participants. The interview guide focused on key themes such as financial planning, cash flow management, record-keeping, access to credit, and responses to financial risks. Data were analyzed using the interactive model of (Miles et al., 2015), which consists of three main steps: data reduction, data display, and conclusion drawing. The process began with selecting and simplifying the data from interviews and observations, followed by organizing the data into thematic matrices to visualize patterns and relationships. Finally, conclusions were drawn and verified through continuous reflection and validation of findings. Manual coding was applied to classify data such as behavioral patterns, financial management practices, and influencing factors. To ensure the validity and reliability of the research, several strategies were implemented, including data triangulation across sources and methods, member checking by verifying interview transcripts and interpretations with the participants, and peer debriefing with fellow researchers. These steps enhanced the credibility, transferability, dependability, and confirmability of the study, aligning with qualitative research standards proposed by Lincoln and Guba (1985). Ethical considerations were prioritized throughout the research process. Participants were informed about the study's objectives and consented to participate voluntarily. The confidentiality and anonymity of participants were guaranteed, and they were given the freedom to withdraw from the study at any stage without any negative consequences. This ensured that the research was conducted ethically and responsibly, respecting the rights and well-being of all participants.

D. RESULTS AND DISCUSSIONS

Informant Profiles

The informants in this study consisted of eight micro-business owners operating in five major tourism destinations in West Java: Pangandaran, Lembang, Ciwidey, Palabuhan Ratu, and Puncak. These locations were selected purposively to represent West Java's tourism sector's diverse socio-economic and cultural landscapes. Each area showcases unique tourism potentials, ranging from coastal attractions and natural landscapes to agro-tourism and geopark heritage, all heavily supported by local micro-business activities. The informants

represented a variety of tourism-related micro-business sectors, including homestays, traditional food stalls, souvenir shops, local transportation services, and tour guides. Most businesses were family-owned and operated, reflecting the dominant characteristic of micro-enterprises in these regions. Their years of operation ranged from two to fifteen years, indicating varying levels of business maturity. Interestingly, Pangandaran and Palabuhanratu Geopark micro-businesses were predominantly coastal, with informants relying heavily on peak tourist seasons tied to holidays and school breaks. Meanwhile, Lembang and Ciwidey were involved in agro-tourism and culinary ventures, where seasonal agricultural yields also influenced business cycles.

The educational backgrounds of the informants were generally modest; most had completed only secondary education, while a few in the Ciwidey and Lembang areas possessed vocational training in hospitality or tourism management. Despite limited formal education, all informants demonstrated a strong entrepreneurial spirit, albeit with minimal financial literacy. A common thread across all locations was the informal nature of financial management, where owners handled all business finances without employing external accounting or financial assistance. The demographic profile also reflected varied gender representation, with three female-owned businesses primarily in the culinary and souvenir sectors, while male informants dominated transportation and homestay services. This aligns with the traditional division of roles often observed in rural and semi-urban tourism economies in West Java. Age-wise, most informants ranged between 35 and 55 years old, representing experienced individuals who had navigated their businesses through various economic cycles, including the recent COVID-19 downturn. Overall, the informants' profiles illustrate the complex interplay between socio-economic conditions, cultural context, and business practices within West Java's tourism micro-business sector. Their experiences provide valuable insights into small-scale tourism entrepreneurs' financial behaviors and resilience strategies in fluctuating market conditions.

Table 1. Informant Profile Summary

Code	Location	Business Type	Years of Operation	Education Level	Gender	Financial Management Practice
INF-1	Pangandaran	Souvenir Shop	10 years	High School	Female	Manual bookkeeping; seasonal cash flow dependency
INF-2	Pangandaran	Local Transport Rental	8 years	Junior High School	Male	No formal record-keeping; relies on daily cash flow
INF-3	Ciwidey	Culinary (Traditional Food)	7 years	Vocational (Hospitality)	Female	Basic bookkeeping: cash flow mixed with household
INF-4	Ciwidey	Agro-tourism Homestay	12 years	High School	Male	Personal finance-led, limited financial records
INF-5	Lembang	Culinary & Snack Outlet	5 years	High School	Female	Relies on sales intuition; no financial planning
INF-6	Lembang	Tour Guide Service	6 years	Junior High School	Male	Income fluctuates seasonally; no structured savings
INF-7	Ciletuh Geopark	Homestay & Tour Package	9 years	High School	Male	Daily cash flow system; informal lending reliance
INF-8	Puncak	Transportation Service	15 years	Vocational Training	Male	Irregular financial recording, dependent on peak seasons

Source: Research data, 2025

Patterns of Financial Management Behavior

The findings of this study reveal several dominant patterns of financial management behavior among micro-business owners in tourism destinations across West Java. Despite variations in business types and locations, most informants displayed similar challenges and decision-making tendencies in managing their finances. First, Informal Financial Management Dominates. Almost all informants demonstrated informal financial management practices, relying heavily on daily cash flow without structured bookkeeping. Business revenues were often directly used for household needs, especially during high seasons. For example, INF-3 from Ciwidey, who runs a traditional culinary business, admitted, "*We don't separate the money; if we need to buy rice for*

home, we take it from the day's sales." This pattern reflects the common practice of merging personal and business finances, leading to blurred boundaries that make it difficult to calculate profit or reinvest systematically. Secondly, Seasonal Income Dependency and Financial Vulnerability. Seasonality was a significant factor affecting financial behavior. Businesses in Pangandaran and Ciletuh Geopark—reliant on natural attractions—reported heavy dependence on tourist influx during holidays and school breaks. INF-1, a souvenir shop owner in Pangandaran, stated, "*We earn enough only during the holidays. Outside of that, it's hard even to cover daily expenses.*" This seasonal nature pushed many informants into cycles of high earnings during peak seasons and financial stress during off-peak periods, often leading to reliance on informal loans or temporary business closures.

Thirdly, Low Financial Literacy and Poor Record-Keeping. Only two informants (INF-3 and INF-8) had attempted any financial recording, mostly limited to noting major expenses. The rest admitted relying on memory or verbal calculations to manage their finances. For instance, INF-6, a local tour guide in Lembang, expressed, "*I don't write down anything; I just know roughly how much I earned and spent each day.*" This lack of record-keeping reduced their ability to plan future investments or approach formal financial institutions for credit.

Fourth, Reluctance to Access Formal Financial Institutions. A widespread reluctance or inability to access formal financial services was evident. Informants cited complicated administrative requirements, lack of collateral, and fear of debt. Most preferred borrowing from family, neighbors, or informal lenders, especially during financial downturns. INF-7 from Ciletuh Geopark shared, "*It's easier to borrow from relatives. Dealing with banks is too complicated for us.*" This tendency further reinforced informal financial cycles and limited business expansion potential. Fifth, Behavioral Biases: Short-Term Orientation and Risk Aversion. Behavioral finance elements were also evident. Informants showed a short-term financial orientation, prioritizing immediate needs over long-term planning or reinvestment. This was coupled with risk aversion, where most were unwilling to invest surplus earnings into business development due to fear of losses. INF-5 from Lembang noted, "*When sales are good, we just enjoy it; we're afraid to spend on big improvements because what if next season is bad?*" Such behavior patterns hinder sustainability and business growth.

Table 2. Summary of Emerging Themes

Theme	Key Findings
Informal Financial Management	Daily cash flow use, no separation of business and personal finances
Seasonal Income Vulnerability	Reliance on peak seasons, financial hardship during off-seasons
Low Financial Literacy	Minimal or no bookkeeping, weak understanding of financial products
Avoidance of Formal Finance	Preference for informal loans, fear of debt, limited access to formal credit
Behavioral Biases	Short-term focus, risk-averse mindset, reluctance to reinvest

Source: Research data, 2025

Discussion

The findings of this study confirm that a combination of low financial literacy, informal financial practices, and behavioral biases significantly influences the financial management behavior of micro-businesses in West Java's tourism sector. These patterns align with established theories in behavioral finance, which explain that financial decision-making at the micro-enterprise level is often driven by psychological factors rather than rational, structured planning (Naim, 2024). One of the most prominent patterns observed is the dominance of informal financial management. Micro-business owners rely heavily on daily cash flow without maintaining systematic financial records, consistent with the mental accounting bias, where financial decisions prioritize immediate needs over long-term sustainability (Maulida et al., 2023). This informal approach is further complicated by blending business revenues with household expenses, reflecting a lack of financial discipline and a blurred boundary between personal consumption and business sustainability (Megawati et al., 2021). Such

practices limit the owners' capacity to accurately measure profitability, monitor cash flow, or reinvest profits, ultimately restricting business growth and resilience.

The seasonal nature of tourism exacerbates these vulnerabilities, particularly in coastal regions such as Pangandaran and Ciletuh Geopark. Reliance on peak tourist seasons creates cyclical income patterns—periods of abundance are followed by financial hardship during off-peak seasons. This reality reinforces short-term financial orientations, as business owners prioritize immediate consumption during high seasons without adequate preparation for low seasons (Hirawati et al., 2021). Their inability to manage seasonal cash flow effectively reflects weak financial literacy, particularly in core competencies like budgeting and financial planning essential for micro-business sustainability (Rohayati et al., 2023). Another critical issue is the widespread avoidance of formal financial institutions stemming from structural barriers and behavioral factors. Many informants expressed fear of debt, confusion over complex loan requirements, and distrust in banking systems, resulting in a preference for informal lending sources such as family or community networks (Naim, 2024). This aversion traps micro-businesses in cycles of informal borrowing, which may provide temporary relief but fails to support long-term capital growth or business development (Rudiningtyas et al., 2024).

Behavioral finance theories, especially the concepts of loss aversion and overconfidence, are also evident in the decision-making patterns of these micro-entrepreneurs. Many displayed risk-averse tendencies, choosing to maintain the status quo rather than reinvest or expand due to fear of potential losses (Siswanto et al., 2022). Simultaneously, overconfidence in experiential knowledge—the belief that they "know the market" without needing formal analysis—led to missed opportunities for growth and poor financial decision-making (Barus et al., 2023). These behavioral patterns reduce adaptability and increase exposure to economic shocks, particularly in a volatile sector like tourism. Finally, the study highlights the limited impact of existing financial literacy interventions. Only a few informants participating in basic financial training showed improved record-keeping and a greater willingness to engage with formal credit systems (Rusdiyanto et al., 2024). This underscores the urgent need for tailored financial education programs that are practical and contextually relevant, especially in rural tourism areas where socio-economic and cultural factors heavily shape financial behavior. Well-designed interventions could enhance micro-business resilience by equipping owners with essential skills for effective financial decision-making and improving their capacity to separate business and personal finances (Hendrawan et al., 2023). Strengthening financial literacy is critical for reducing economic vulnerability and unlocking the growth potential of micro-enterprises—an essential pillar for sustaining local economies in West Java's tourism sector.

Conceptual Model

Based on the findings of this study, it is evident that a complex interaction of internal and external factors influences the financial management behavior of micro-businesses in West Java's tourism sector. Low levels of financial literacy, deeply rooted behavioral biases, and the inherent seasonality of the tourism industry significantly shape how micro-entrepreneurs manage their business finances. These factors lead to informal and short-term financial practices and hinder micro-business owners from accessing formal financial institutions, further exacerbating their financial vulnerability. The study also reveals that rational financial planning rarely drives these micro-businesses decision-making. Instead, it is heavily affected by psychological tendencies such as loss aversion and overconfidence, pushing business owners to prioritize immediate survival over long-term business growth. Seasonal income fluctuations intensify this behavior, forcing entrepreneurs to rely on informal financial strategies that compromise their ability to build resilience and sustain their businesses. The following conceptual model has been developed to illustrate better the dynamics this research uncovered. It outlines the causal relationships between financial literacy, behavioral tendencies, seasonal challenges, and their collective impact on financial management behavior and business resilience.

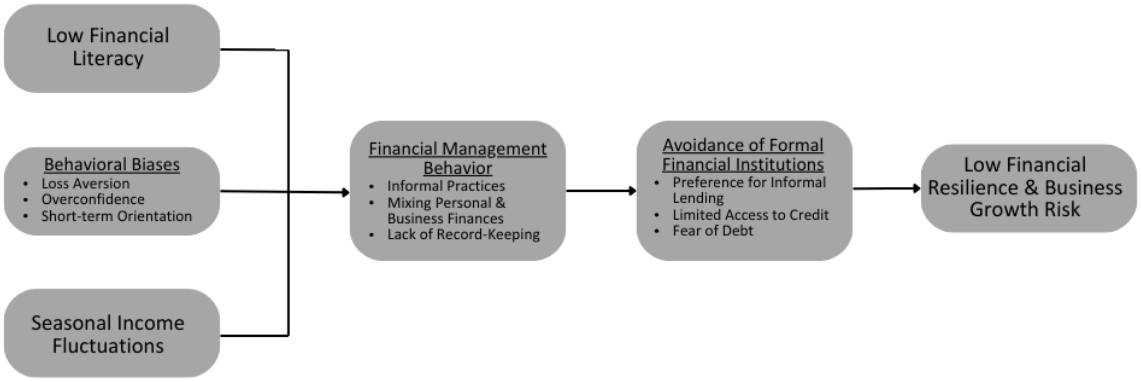


Figure 1. Financial Management Behavior of Micro-Tourism Businesses

Source: Research data, 2025

The conceptual model above highlights how these interconnected factors create a cycle of financial vulnerability for micro-tourism businesses in West Java. Low financial literacy and behavioral biases lead to poor financial decision-making and discourage engagement with formal financial systems, reinforcing dependency on informal lending and daily cash flow management. Meanwhile, the unpredictable nature of seasonal income traps micro-businesses in short-term financial cycles, reducing their capacity to invest in business development or prepare for future financial shocks. This model underlines the critical need for targeted interventions to break this cycle. Improving financial literacy alone is insufficient without addressing the underlying behavioral tendencies and providing micro-business owners with practical tools to navigate seasonal fluctuations. Tailored financial education programs, combined with improved access to formal financial services and behavioral change initiatives, are essential strategies to enhance the resilience and sustainability of micro-tourism businesses. Such efforts will ultimately support the long-term growth of local economies within West Java's tourism sector.

E. CONCLUSION

This study concludes that a complex interplay of low financial literacy, informal financial practices, and behavioral biases predominantly shape the financial management behavior of micro-businesses in West Java's tourism sector. Micro-entrepreneurs in the region tend to rely on intuitive decision-making and daily cash flow management without systematic financial recording, reflecting a strong inclination toward mental accounting bias and short-term financial orientation. Mixing business revenues with household expenses further exacerbates their inability to monitor profitability, manage cash flow, or allocate resources effectively for business sustainability. The seasonal dependency inherent in the tourism sector amplifies financial vulnerabilities, as income fluctuations during off-peak periods often push micro-business owners into cycles of financial instability. This situation is worsened by their limited understanding of financial planning and weak capacity to manage seasonal cash flow, highlighting significant gaps in financial literacy.

Moreover, the study reveals a widespread avoidance of formal financial institutions driven by structural barriers, fear of debt, and distrust in banking systems. Micro-businesses prefer informal borrowing, which offers short-term relief but fails to support long-term business growth or financial resilience. Behavioral biases—particularly loss aversion and overconfidence—further hinder strategic decision-making, as owners avoid reinvestment and expansion due to fear of loss while overestimating their market knowledge without formal financial analysis. While some micro-entrepreneurs who received basic financial training showed improved practices, financial literacy interventions remain fragmented. This study emphasizes the urgent need for targeted, practical, and context-specific financial literacy programs that consider micro-business owners' socio-economic and cultural realities in tourism-dependent areas. Strengthening financial literacy is essential for

enhancing financial management behaviors for building micro-business resilience, reducing economic vulnerability, and ensuring the sustainable growth of the local tourism economy in West Java.

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