

The Effect of Financial Inclusion and Financial Literacy on The Performance of Msmes in Pantai Cermin District

Dwi Saraswati, Yunita Sari Rioni, Ikhah Malikhah, Nura Amalia Afan

Abstract

Increased financial literacy and financial inclusion can develop micro and small businesses (SMEs) because MSME actors can understand the basic concepts of financial products, good financial planning and management, also protects in the future from fraud and unfair work of financial markets. This research aims to knowing the effect of financial literacy and financial inclusion on work development SMEs in Pantai Cermin District. This study uses a quantitative approach. The data collected from the study were based on interviews and questionnaire distribution with sampling technique is simple random sampling. Data analysis techniques in research This is a linear multiple regression analysis with the help of computer SPSS program. Results this study can conclude that financial inclusion has no effect on the performance of MSMEs and financial literacy has a positive effect on the performance of MSMEs in Pantai Cermin District.

Keywords: Financial Inclusion, Financial Literacy, MSME Performance

Dwi Saraswati

Accounting Study Program, Universitas Pembangunan Pancabudi, Indonesia

e-mail: dwisaraswati@dosen.pancabudi.ac.id

Yunita Sari Rioni, Ikhah Malikhah, Nura Amalia Afan

Accounting Study Program, Management Study Program Universitas Pembangunan Panca Budi, Indonesia

e-mail: Yunitasaririoni@dosen.pancabudi.ac.id, ikhahmalikhah@dosen.pancabudi.ac.id, nuraafan25@gmail.com

1st International Conference on the Epicentrum of Economic Global Framework (ICEEGLOF)

Theme: Digital Marketing Strategy to Optimize Business Growth in the Modern Era

<https://proceeding.pancabudi.ac.id/index.php/ICEEGLOF>

Introduction

Micro, Small, and Medium Enterprises (MSMEs) in the Indonesian economy have a strategic role in building national economic productivity. The Ministry of Cooperatives and SMEs noted that the number of micro, small, and medium enterprises (MSMEs) reached 65.47 million units in 2019. This number increased by 1.98% when compared to the previous year which amounted to 64.19 million units. The number reached 99.99% of the total businesses in Indonesia. Meanwhile, large-scale businesses were only 5,637 units or equivalent to 0.01%. When broken down, 64.6 million units are micro businesses. This number is equivalent to 98.67% of the total MSMEs throughout Indonesia. A total of 798,679 units are small businesses. The proportion is 1.22% of the total MSMEs in the country. Meanwhile, medium-sized enterprises only number 65,465 units. This number contributes 0.1% of the total MSMEs in Indonesia (A. Muslim, 2022).

The current development of MSMEs requires MSME players to be ready to compete with other MSMEs (S. Sugianto *et al.*, 2023). This is so that MSME players create new and different businesses, besides that MSMEs are also expected to have good performance. Although MSMEs have a potential role, in reality there are still many problems faced in their development. One of the problems faced by MSMEs today is problems in business management (E. Aminullah *et al.*, 2024). MSMEs often experience delays in their development, this is due to various conventional problems that are not resolved completely such as problems with human resource capacity, ownership, financing, marketing and various other problems related to business management. Therefore, there is a need for strategic efforts to improve the performance of MSMEs in order to compete and develop sustainably. One of the efforts that can be made is to improve the accounting information system of MSMEs. The accounting information system is an important factor that can influence the performance of MSMEs (W. Warsiyah, A. Luviadi, M. Huwaina, and Moh. Fakhrurozi, 2023).

Performance is a measure of the success of a business entity in achieving its goals. Performance is the result of work that has a strong relationship with the organization's strategic goals, customer satisfaction and contributes to the economy (W. Warsiyah, A. Luviadi, M. Huwaina, and Moh. Fakhrurozi, 2023). However, the performance of MSMEs in Indonesia still tends to be below neighboring countries. In the Global Entrepreneurship Monitor (GEM) report in 2016 stated that motivation in business creation and the ability of business actors when viewed from the entrepreneurial stage as many as 31 percent of adult small business owners (18-64 years) have the intention to start a business in the next three years, 4 percent have established a business, 10 percent run a business between 3 to 42 months and 12 percent have owned and managed more than 42 months.

According to the Financial Services Authority, financial literacy is the knowledge, beliefs and skills that influence attitudes and behaviors to improve the quality of decision-making and financial management in order to achieve prosperity. With this definition, it is expected that financial service business actors, product consumers and the wider community not only know and understand financial services, but also can improve the ability to make financial decisions and change attitudes and behaviors in managing finances so as to improve their welfare.

The 2017 National Financial Literacy Survey conducted by the Financial Services Authority illustrates that Indonesia's financial literacy condition is still low despite an increase from the previous survey in 2013. Indonesia's financial literacy level increased from 21.8 percent in 2013 to 29.7 percent in 2016. In improving people's welfare, there are obstacles in accessing financial institutions, namely the unbankable (not meeting bank credit requirements) caused by the poverty gap, low MSME financing, high microcredit interest rates, lack of MSME management capabilities and limited financial service distribution channels (S. Mukherjee and K. Sood, 2020).

The Effect of Financial Inclusion and Financial Literacy

The empowerment of Micro, Small and Medium Enterprises (MSMEs) is a strategic effort to improve the standard of living of most people in Kota Pari Village, Pantai Cermin Sub-district. Based on observations during the assessment phase, MSME activities in Kota Pari Village, Pantai Cermin Sub-district, have potential that includes agriculture and fisheries-based industries as well as household industries. The potential for industry and trade that is commonly found in Kota Pari Village, Pantai Cermin Sub-district, is a small industry and household crafts as well as creative industries that are widely developed and are expected to be able to support the tourism industry and the economy of the Kota Pari Village community, Pantai Cermin Sub-district. There are several MSME centers developed by the household industry in Kota Pari Village, Pantai Cermin Sub-district, namely the fields of wicker crafts, food ingredients and tourism and many others.

Research conducted by Widiyati (2018) financial literacy variables use indicators of knowledge, behavior and financial attitudes. Research conducted by Aribawa (2016) performance variables use indicators of employee growth, management processes, and strategic processes (S. Mujiani, E. Kurniawan, P. Soedarso, and R. Irvan, 2022). In previous studies, many indicators were used to measure financial literacy, financial inclusion and performance variables. In this study, the determination of indicators used by researchers by comparing the various indicators used in previous studies. The most widely used indicators will also be used in this study.

From the data and description above, this research is very important to do because financial inclusion and financial literacy can be capital to help MSME actors in overcoming the risks that occur in management and decision making, especially in MSME groups located in the Kota Pari Village area, Pantai Cermin District. The young MSME group was chosen because it has a large contribution to the growth of MSMEs in Kota Pari Village, Pantai Cermin Sub-district. Based on data from BPS Pantai Cermin Sub-district in Figures, and the results of pre-research in Kota Pari Village, there are 63% of MSME entrepreneurs with an undergraduate education background with an age distribution of (1) <25 years as many as 10 people, (2) 25-30 years as many as 15 people, (3) 30-35 years as many as 20 people, and (4) 30-35 years as many as 20 people, (3) 30-35 years as many as 8 people and (4) 35-40 years as many as 7 people.

Literature Review

Financial Literacy

Suryani (2017) states that financial literacy affects several factors, one of which is making daily to long-term financial decision (Megawati, A. Yumna, C. Cheisviyanny, A. Tasman, and F. A. Susanti,. 2020). Financial literacy is a combination of knowledge, abilities and attitudes in managing finances. Improving financial literacy is an important requirement for improving the ability of MSME stakeholders to access financial services, including banking services. The low level of financial literacy of MSME actors is one of the obstacles faced by MSMEs in accessing financial services, especially banking (S. Mujiani, E. Kurniawan, P. Soedarso, and R. Irvan, 2022). In this case Chaidir et al. (2020) also agree that financial literacy is a skill and confidence to make the right decisions in managing finances. So that financial literacy plays an important role in making financial decisions because it can improve people's welfare in the future (Setiawan & Saputra, 2021), (Megawati, A. Yumna, C. Cheisviyanny, A. Tasman, and F. A. Susanti,. 2020).

A person who has the influence of good financial literacy will easily determine information, including the impact of losses and rights and obligations in utilizing an obligation (Nasution & Fatira, 2019). In this case, it can make someone more knowledgeable in utilizing a product and financial services (Hutabarat, 2018). However, (Hutabarat, 2018) also states that someone who has a low level of financial literacy will be more vulnerable to being tricked into using transactions and will have an impact on daily life decisions.

Financial Inclusion

Financial inclusion has become an important topic of discussion at the international and national levels as it is considered to have an important role in reducing poverty and economic inequality. Financial inclusion is defined as the process of ensuring the accessibility, availability and use of the formal financial system for all members of society (S. Mukherjee and K. Sood, 2020). Increased financial inclusion can boost economic activity and support sustainable economic development by increasing the access of people, especially low-income groups, to formal financial services (A. Wardhono, M. Abd. Nasir, Y. Indrawati, and C. G. Qori'ah, 2020). A growing body of literature on the determinants of financial inclusion focuses on the role of individual-level characteristics. Existing literature has shown that individual-level characteristics such as age, gender, educational background and income level are key determinants. Existing literature has shown that individual-level characteristics such as age, gender, educational background and income level are key determinants (A. Girón, A. Kazemikhasragh, A. F. Cicchiello, and E. Panetti, 2022).

MSME Performance

MSME performance is the ability of a business to achieve goals by utilizing resources and the environment effectively and efficiently, so that it can compete with other parties (A. Wardhono, M. Abd. Nasir, Y. Indrawati, and C. G. Qori'ah, 2020). However, the performance of MSMEs in Indonesia still tends to be below neighboring countries (M. D. Lestari, S. Kantun, W. Hartanto, P. Suharso, and J. Widodo, 2020). In the Global Entrepreneurship Monitor report in 2016 stated that the motivation in business creation and the ability of business actors when viewed from the entrepreneurship stage as many as 31 percent of adult small business actors have the intention to start a business in the next three years, 4 percent have established a business, 10 percent have run a business between 3 to 42 months and 12 percent have owned and managed more than 42 months

The development of micro, small and medium enterprises is more focused on management development, because to be able to advance MSMEs, improvements must be made from the internal side (Hardana et al., 2022). In an effort to improve, the steps in the management principles of planning, organizing, implementing, and controlling must be carried out properly so that the objectives of MSMEs can be achieved.

Research Methodology

This research was conducted through an associative research approach. It is said to be associative research because this research connects two or more variables (Ginting, 2008: 57). This research analyzes the effect of financial inclusion and financial literacy and financial inclusion on the performance of MSMEs in Kota Pari Village, Pantai Cermin Subdistrict.

The type of data used in this research is primary data. In this study, primary data was obtained through distributing questionnaires and interviews to young MSME players in Kota Pari Village, Pantai Cermin Subdistrict. The population in this research is all MSMEs in Kota Pari Village, Pantai Cermin District, totaling 40.

Results

Hypothesis Test

Results T Test

This test aims to determine the significant relationship of each independent variable to the dependent variable, the T test is carried out to further examine which of the two independent variables of Financial Inclusion and Financial Literacy is significant or not MSME Performance.

The Effect of Financial Inclusion and Financial Literacy

Tabel 1. Result Parsial Test (T test)

Variabel	T- tabel	T-Count	Value t	Sig.	Conclusion
Financial Inclusion	1,995 47	-0,062	0,05	0,527	H1 Denied
Financial Literacy	1,995 47	6,344	0,05	0,000	H2 Accepted

Source: Primary data processed by spss version 22, 2024

Based on the results of table 1, the results of the hypothesis test can be interpreted as follows:

- The table can be seen in the statistical table at a significance of $0.05/2 = 0.025$ with degrees of freedom $df = n-k$ or $70-2 = 68$. The result obtained for t table is 1.99547. The t-value calculated in table 4.17 is 0.062. then t calculation is greater than t table t ($0.062 < 1.99547$) and significance > 0.05 ($0.527 > 0.05$) then H_0 is rejected, so it can be concluded that Inclusion Finance partially has no effect on the performance of MSMEs in Pantai Cermin District.
- The table can be seen in the statistical table at a significance of $0.05/2 = 0.025$ with degrees of freedom $df = n-k$ or $70-2 = 68$. The result obtained for t table is 1.99547. The t-value calculated in table 4.17 is 6.344. then t calculation is greater than t table t ($6.344 > 1.99547$) and significance < 0.05 ($0.000 < 0.05$) then H_2 is accepted, so it can be concluded that Financial Literacy partially has a positive effect on MSME Performance in in Pantai Cermin District.

Coefficient of Determination Test

The value used in the determination coefficient is to use the adjusted R Square value. This value is used to measure how much the model has the ability to apply dependent variables. The adjusted R Square value used, taken from the summary model table in the table

Tabel 2. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square
1	.614 ^a	.377	.358

The value of R Square adjusts in table 18 is 0.358 which means 35.8%. This means that the variation of the dependent variable that can be presented by the independent is 35.8%, while the remaining 64.2% is explained by other variables that are not included in the regression model in this study. So it can be concluded that financial inclusion and financial literacy have an effect of 35.8% on the performance of MSMEs, while 64.2% are influenced by other variables that are not studied.

Multiple Linear Regression Test

To test the hypothesis that there is an influence between auditor experience, locus of control and task complexity on audit judgment with data analysis using multiple linear regression analysis.

Tabel 3. Multiple Linear Regression Test Results

Variabel Independen	Unstandardized Coefficients	
	B	Related
(Constant)	11.217	-
Financial Inclusion	-0.041	No Effect
Financial Literacy	0,650	Positif

Source: Primary data processed by spss version 22, 2024

Based on the results of table 19, the formula of multiple regression can be seen below:

$$Y = 11.217 - 0.041X_1 + 0.650X_2$$

The results of obtaining the formula above, it can be interpreted as follows:

- From this equation, it can be seen that the constant = 11,217 shows that without free variables (financial literacy and financial inclusion), there is an increase in the performance of MSMEs, which is equal to the constant value produced by 11,217
- The regression coefficient of $X_1 = -0.041$ means that every decrease in the financial inclusion variable will decrease the MSME performance variable by = -0.041, assuming other variables in the constant model. The regression coefficient $X_2 = 0.650$ means that every increase in the financial literacy variable by 1 unit, will increase the performance of MSMEs by = 0.650 by assuming other variables in a constant model.

Conclusion

Based on the results of the tests described in the discussion, the author draws several conclusions, namely:

Financial Inclusion does not affect the performance of MSMEs. This is because the significance value is greater than the value of 0.05, which is 0.527. This means that H1 is rejected. This result is interpreted as the lower or higher the Financial Inclusion, then it has no effect on the high and low performance of MSMEs in Pantai Cermin District.

Financial Literacy has a positive influence on the performance of MSMEs. This is because the significance value is smaller than the value of 0.05, which is 0.000. This means that H2 is accepted. This result is interpreted as the higher the Financial Literacy of MSME actors in running their businesses, the more it will improve the performance of MSMEs in Pantai Cermin District.

References

- Girón, A. Kazemikhasragh, A. F. Cicchiello, and E. Panetti, "Financial Inclusion Measurement in the Least Developed Countries in Asia and Africa," *Journal of the Knowledge Economy*, vol. 13, no. 2, pp. 1198–1211, Jun. 2022, doi: 10.1007/s13132-021-00773-2.
- Muslim, "Maximizing The Indonesian's Tax Revenue From Micro, Small, And Medium Enterprises (Msmes) Sector," *Jemasi: Jurnal Ekonomi Manajemen dan Akuntansi*, vol. 18, no. 2, pp. 228–238, Dec. 2022, doi: 10.35449/jemasi.v18i2.533.
- Wardhono, M. Abd. Nasir, Y. Indrawati, and C. G. Qori'ah, "Identification and Strategy for Improving Financial Literation and Inclusion of Rural and Urban Communities in Banyuwangi Regency, Indonesia," in *Proceedings of the 23rd Asian Forum of Business Education (AFBE 2019)*, Paris, France: Atlantis Press, 2020. doi: 10.2991/aebmr.k.200606.068.

- Chrisna, H., Hernawaty, H., & Noviani, N. (2023). PENGARUH LITERASI KEUANGAN SYARIAH TERHADAP PERKEMBANGAN USAHA PELAKU UMKM DI DESA PEMATANG SERAI. *NUSANTARA: Jurnal Ilmu Pengetahuan Sosial*, 10(2), 1010-1015.
- E. Aminullah *et al.*, "Interactive Components of Digital MSMEs Ecosystem for Inclusive Digital Economy in Indonesia," *Journal of the Knowledge Economy*, vol. 15, no. 1, pp. 487–517, Mar. 2024, doi: 10.1007/s13132-022-01086-8.
- Hariyanto, E., & Wahyuni, S. (2020). Sosialisasi dan pelatihan penggunaan internet sehat bagi anggota badan usaha milik desa (bumdes) mozaik desa pematang serai. *Jurnal Abdimas BSI: Jurnal Pengabdian Kepada Masyarakat*, 3(2), 253-259.
- Megawati, A. Yumna, C. Cheisvianny, A. Tasman, and F. A. Susanti, "The Determinants of Micro, Small and Medium Enterprises (Msmes) Financial Performance: A Literature Review," in *Proceedings of the 5th Padang International Conference On Economics Education, Economics, Business and Management, Accounting and Entrepreneurship (PICEEBA-5 2020)*, Paris, France: Atlantis Press, 2020. doi: 10.2991/aebmr.k.201126.058.
- Mesra, B., Ferine, K. F., & Nur, M. (2024, February). Analysis of Compensation, Work Discipline and Job Promotion on Employee Performance with Work Morale as an Intervening Variable. In *International Conference on Artificial Intelligence, Navigation, Engineering, and Aviation Technology* (Vol. 1, No. 1, pp. 259-264).
- M. D. Lestari, S. Kantun, W. Hartanto, P. Suharso, and J. Widodo, "Analysis of the financial literacy level of Micro, Small and Medium Enterprises (MSMEs) in Jember, East Java, Indonesia," *IOP Conf Ser Earth Environ Sci*, vol. 485, no. 1, p. 012128, May 2020, doi: 10.1088/1755-1315/485/1/012128.
- S. Mujiani, E. Kurniawan, P. Soedarso, and R. Irvan, "MSMEs in Jatirasa, Bekasi: Design and Implementation of SAK-EMKM Financial Reports Using Microsoft Excel," *Asian Journal of Community Services*, vol. 1, no. 2, pp. 37–44, Aug. 2022, doi: 10.55927/ajcs.v1i2.913.
- S. Mukherjee and K. Sood, "Triggers and Barriers of Financial Inclusion: A Country-Wise Analysis," *Asian Economic and Financial Review*, vol. 10, no. 9, pp. 970–988, 2020, doi: 10.18488/journal.aefr.2020.109.970.988.
- S. Sugianto *et al.*, "Prospective Micro And Small Enterprises (Mses) In Balikpapan," *Jurnal Ekonomi*, vol. 12, no. 02, pp. 1108–1117, Apr. 2023, doi: 10.54209/ekonomi.v12i02.1739.
- Siregar, Oktarini Khamilah, Vina Arnita, and Yurika Aulia. "Analisa Pendapatan dan Belanja Desa Dalam Menilai Kinerja Keuangan Desa Sebelum dan Masa Covid19 di Desa Pematang Serai." *Nusantara: Jurnal Ilmu Pengetahuan Sosial* 10.2 (2023): 908-922.
- Wahyuni, S., Sari, D. J., Hernawaty, H., & Afifah, N. (2022, December). Implementation of the Ternakloka Application membership method in increasing livestock sales in Kota Pari Village. In *International Conference on Sciences Development and Technology* (Vol. 2, No. 1, pp. 197-202).
- W. Warsiyah, A. Luviadi, M. Huwaina, and Moh. Fakhrurozi, "Pemberdayaan Umkm Melalui Optimasi Media Digital Pada Komunitas Inkusi (Inovasi Kewirausahaan Syariah)," *AKM: Aksi Kepada Masyarakat*, vol. 4, no. 1, pp. 135–142, Jul. 2023, doi: 10.36908/akm.v4i1.838.