

The Effect of Digital Financial Inclusion and Financial Literacy on MSME Performance Study on Kapanewon Dlingo MSMEs

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<p>Article Information:</p>	<p><i>Abstract</i></p>
<p>Keywords: Digital Financial Inclusion; Financial Literacy; MSME Performance</p>	<p><i>The aim of this research is to examine the effect of digital financial inclusion on the performance of MSMEs in the Kapanewon Dlingo area and to test the effect of financial literacy on the performance of MSMEs in the Kapanewon Dlingo area. The phenomenon in this research is related to MSME actors in the Kapnewon Dlingo area. This research includes quantitative or statistical research carried out to test hypotheses. This research uses two types of data, namely primary data and secondary data. The population in this study was 736 MSMEs recorded in the Kapanewon Dlingo Prosperity Bureau. The sampling technique used purposive sampling with a sample of 238 Kapanewon Dlingo MSMEs. The analysis technique in this research uses descriptive analysis techniques and partial analysis or t-test with the help of the SPSS version 25 program. The results of this research show that 1) digital financial inclusion has a significant effect on the performance of Kapanewon Dlingo MSMEs, 2) Financial literacy has a significant effect on the performance of Kapanewon Dlingo MSMEs.</i></p>
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INTRODUCTION

This high level of poverty is partly caused by the existing unemployment rate. Unemployment is a serious problem that is still felt in various countries, in Indonesia itself, which is a developing country, the problem of unemployment is relatively high and is quite a worrying problem. Unemployment itself occurs because the available jobs are not suitable for job seekers. The limited number of job opportunities cannot absorb job seekers who always increase along with the increase in population (Mulyadi, 2016)

One of the efforts that can be made to overcome the unemployment rate in Indonesia is through the role of Micro, Small and Medium Enterprises (MSMEs). MSMEs can be a breakthrough in Indonesia in order to reduce the unemployment rate in Indonesia. Based on data from the Ministry of Finance, Micro, Small and Medium Enterprises (MSMEs) can absorb 97% of the workforce by providing the largest field. Therefore, MSMEs have a major contribution to economic growth in Indonesia.

The phenomenon that occurs in MSMEs in the Kapanewon Dlingo area is a lack of knowledge in managing finances and a lack of more optimal use of access to digital financial inclusion, so that the profits obtained cannot be processed better and product sales cannot be expanded. This can affect the performance of MSMEs in the area. in the Kapanewon Dlingo area.

One of the variables that influences the performance of MSMEs is digital financial inclusion, where digital financial inclusion refers to someone being able to access various financial institutions, products and services according to their needs and improving prosperity

in the future (Bongomin, et al, 2016). Supported by research conducted by (Poppy, Kusdi, & Ikbal. 2019), the results showed that digital financial inclusion had a significant effect on the performance of small businesses, which shows that good financial inclusion can improve the performance of small businesses.

Apart from the digital financial inclusion variable, there are other variables that can influence the performance of MSMEs, namely the financial literacy variable. Financial literacy is knowledge, skills and beliefs that influence behavioral attitudes to improve the quality of decision making and financial management to achieve community financial prosperity (OJK, 2023). Supported by research conducted by (Poppy, Kusdi & Ikbal. 2019) the results showed that financial literacy had a significant effect on the performance of small businesses, which shows that financial literacy helps small businesses to increase profitability, productivity and competitive advantage.

From the background of this problem, the aim of this research is to analyze and determine: 1) The influence of digital financial inclusion on the performance of Micro, Small and Medium Enterprises (MSMEs), and 2) The influence of financial literacy on the performance of Micro, Small and Medium Enterprises (MSMEs).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Digital Financial Inclusion

Financial inclusion looks at and refers to a person's condition where they can access various financial institutions, products and services according to their needs and provide benefits to improve prosperity in the future, Bongomin, et al, (2016). Performance indicators according to Bongomin, et al, (2016) are as follows: 1) Access, 2) Quality, 3) Usage, 4) Welfare.

Financial Literacy

Financial literacy is a basic need for everyone to avoid financial problems. Financial difficulties are not only a function of income (low income), financial difficulties can also arise if there are errors in financial management (missmanagement) such as misuse of credit and lack of financial planning. (Selvi, 2018, p. 01) There are four indicators that can measure financial literacy (Lusardi and Mitchell, 2014) as follows: 1) Behavior, 2) Skill, 3) Attitude, 4) Knowledge.

MSME performance

Performance is the business's ability to meet specified targets. Through performance measurement which measures the achievement results of a business, you can use measures in the form of main performance indicators or key performance indicators which have a series of processes with real goals, quantitative and qualitative measures of results that are commensurate with the goals, and also investigations into elements that influence the objectives for strategies implemented according to the vision and mission, Moehariono (2012). Apart from these assumptions, the opinion expressed by (Sawir 2005) is that measuring the performance of MSMEs is carried out using the following indicators: 1) Sales Growth, 2) Profit Growth, 3) Market Growth.

Hypothesis

H1: It is suspected that financial inclusion has a significant effect on MSME performance.

H2: It is suspected that financial literacy has a significant influence on MSME performance.

RESEARCH METHOD

This type of research uses a quantitative approach and uses primary and secondary data. This research used a questionnaire distributed to MSMEs in Kapanewon Dlingo. In the sampling research using purposive sampling, this was intended to test the influence of digital financial inclusion on MSME performance, as well as the influence of financial literacy on MSME performance.

Validity test

Table 1. Validity Test Results

	<i>Instrument</i>	<i>F Count</i>	<i>F Table</i>	<i>Sig</i>	<i>Information</i>
<i>Digital Financial Inclusion</i>	<i>X1.1.1</i>	<i>0.368</i>	<i>0.3494</i>	<i>0.045</i>	<i>Valid</i>
	<i>X1.1.2</i>	<i>0.599</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X1.2.1</i>	<i>0.640</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X1.2.2</i>	<i>0.495</i>	<i>0.3494</i>	<i>0.005</i>	<i>Valid</i>
	<i>X1.3.1</i>	<i>0.642</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X1.3.2</i>	<i>0.595</i>	<i>0.3494</i>	<i>0.001</i>	<i>Valid</i>
	<i>X1.4.1</i>	<i>0.566</i>	<i>0.3494</i>	<i>0.001</i>	<i>Valid</i>
	<i>X1.4.2</i>	<i>0.536</i>	<i>0.3494</i>	<i>0.002</i>	<i>Valid</i>
<i>Financial Literacy</i>	<i>Instrument</i>	<i>F Count</i>	<i>F Table</i>	<i>Sig</i>	<i>Information</i>
	<i>X2.1.1</i>	<i>0.732</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X2.1.2</i>	<i>0.587</i>	<i>0.3494</i>	<i>0.001</i>	<i>Valid</i>
	<i>X2.2.1</i>	<i>0.677</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X2.2.2</i>	<i>0.749</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>X2.3.1</i>	<i>0.465</i>	<i>0.3494</i>	<i>0.010</i>	<i>Valid</i>
	<i>X2.3.2</i>	<i>0.516</i>	<i>0.3494</i>	<i>0.004</i>	<i>Valid</i>
	<i>X2.4.1</i>	<i>0.377</i>	<i>0.3494</i>	<i>0.040</i>	<i>Valid</i>
<i>X2.4.2</i>	<i>0.383</i>	<i>0.3494</i>	<i>0.036</i>	<i>Valid</i>	
<i>MSME performance</i>	<i>Instrument</i>	<i>F Count</i>	<i>F Table</i>	<i>Sig</i>	<i>Information</i>
	<i>Y1.1.1</i>	<i>0.630</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>Y1.1.2</i>	<i>0.654</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>Y1.2.1</i>	<i>0.622</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>Y1.2.2</i>	<i>0.674</i>	<i>0.3494</i>	<i>0,000</i>	<i>Valid</i>
	<i>Y1.3.1</i>	<i>0.548</i>	<i>0.3494</i>	<i>0.002</i>	<i>Valid</i>
	<i>Y1.3.2</i>	<i>0.463</i>	<i>0.3494</i>	<i>0.010</i>	<i>Valid</i>

Source: Processed data, 2024

It can be seen in the table that the validity test results of all statement items have a significant value below 0.05 with a significance value limit of 5%. then all statements on the variables digital financial inclusion, financial literacy and MSME performance are declared valid.

Reliability Test

Table 2. Reliability test results

<i>Variable</i>	<i>Cronbach's Alpha</i>	<i>Information</i>
<i>Financial Inclusion</i>	<i>0.661</i>	<i>Reliable</i>

<i>Financial Literacy</i>	<i>0.687</i>	<i>Reliable</i>
<i>MSME performance</i>	<i>0.647</i>	<i>Reliable</i>

Source: Processed data, 2024

The results of the reliability test show that the statement items in the questionnaire obtained a Cronbach's alpha value which for each variable was greater than 0.60, so the statements in the questionnaire were reliable

RESULTS AND DISCUSSION

Results of Respondent Characteristics

In terms of characteristics based on age, the majority of respondents aged 31-40 were 122 people or 51.3%. Gender, the majority were male, 186 people or 78.2%.

T-test results

Table 3. T-test results

<i>Variable</i>	<i>T Count</i>	<i>Sig.</i>	<i>Information</i>
<i>Digital Financial Inclusion</i>	<i>7,597</i>	<i>0,000</i>	<i>Significant</i>
<i>Financial Literacy</i>	<i>6,578</i>	<i>0,000</i>	<i>Significant</i>

Source: Processed data, 2024

Note:

- 1) The calculated t value of the digital financial inclusion variable (X1) is 7,597, this calculated t value is greater than the t table.
- 2) Sig value. digital financial inclusion (X1) on MSME performance (Y) is 0.000, indicating that the digital financial inclusion variable has a significant effect on MSME performance because $0.000 < 0.05$, where 0.05 is the significance level limit.
- 3) The calculated t value of the financial literacy variable (X2) is 6,578, this calculated t value is greater than the t table.
- 4) Sig value. financial literacy (X2) on MSME Performance (Y) is 0.000, indicating that the financial literacy variable has a significant effect on MSME Performance because $0.000 < 0.05$, where 0.05 is the significance level limit.

Coefficient of Determination Results

Table 4. Coefficient of Determination Results

<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>
<i>0.647</i>	<i>0.418</i>	<i>0.413</i>

Source: Processed data, 2024

Information:

The R Square of the digital financial inclusion (X1) and financial literacy (X2) variables on MSME performance (Y) is 0.418 or 41.8%, which shows that 58.2% is influenced by other variables outside this research

Discussion

1. The Effect of Digital Financial Inclusion on MSME Performance

Based on the analysis that has been carried out, it shows that digital financial inclusion has a significant influence on the performance of MSMEs in the Kapanewon Dlingo area with a t value of 7,597 which is greater than the t table of 1,970 and with a significance value of 0.00 below 5%. This can show that access to digital financial inclusion has an impact on the performance of Kapanewon Dlingo MSMEs, where access to digital financial inclusion is utilized by MSME players in Kapanewon Dlingo to facilitate access to the financial sector for buying and selling activities carried out by MSMEs in Kapanewon Dlingo.

2. The Influence of Financial Literacy on MSME Performance

Based on the analysis that has been carried out, it shows that financial literacy has a significant influence on the performance of MSMEs in the Kapanewon Dlingo area with a t value of 6,578 which is greater than the t table of 1,970 and with a significance value of 0.00 below 5%. This shows that financial literacy helps MSME players in Kapanewon Dlingo to gain knowledge, skills and abilities in preparing and making decisions and choosing financial services that can improve the performance of their MSMEs.

CONCLUSION

Digital financial inclusion has a significant effect on the performance of MSMEs in Kapanewon Dlingo. This result means that the higher the digital financial inclusion utilized by MSMEs, the better the performance of MSMEs in Kapanewon Dlingo, and vice versa. Financial literacy has a significant effect on the performance of MSMEs in Kapanewon Dlingo. This result means that the higher the financial literacy of MSME players, the better the performance of MSMEs in Kapanewon Dlingo, and vice versa.

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