

The Influence of Financial Literacy and Financial Inclusion on MSME Financial Performance in Makassar City

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Abstract

This study aims to examine and analyze the effect of financial literacy and financial inclusion on the financial performance of MSMEs in Makassar City. Sources of data in this study are primary data and secondary data. The population is all MSMEs in Makassar City which are registered with the Makassar City Cooperatives and MSMEs Office with sample selection using certain considerations (purposive sampling). The analytical method used is multiple linear regression analysis with SPSS (Statistical Product and Service Solutions) tools.

Keywords: *Financial Literacy, Financial Inclusion, Financial Performance, MSMEs.*

1. INTRODUCTION

The development of MSMEs which is quite high at this time is inseparable from problems. Financial performance is one of the main problems that many MSMEs do not develop because if the financial performance of MSMEs is not going well, it will hamper performance and gain access to financing. This is in line with the opinion of Risnaningsih (2017: 42) who says that financial management is one of the problems that is often neglected by Micro Business actors, especially with regard to applying the correct principles of financial management and accounting.

In addition, MSMEs are the part that has been hit hard and affected by the Covid-19 pandemic in Indonesia (Thaha, 2020: 148). The desire to obtain products and services is hindered by the imposition of restrictions on community activities issued by the government as an effort to reduce the spread of the Covid-19 virus. Even though MSMEs are in an alarming condition, the surprising fact is that the MSME sector is actually the largest contributor to Indonesia's Gross Domestic Product (GDP), which reached 60% during the co-19 pandemic (Julaika, 2020).

Empowerment of small business industries in Makassar City has a big enough role to be developed considering that MSMEs have a complementary role in creating employment opportunities and economic growth. The number of MSMEs in Makassar City has always experienced quite high growth in the last few years. The following is data on the number of MSMEs in Makassar City from 2019-2021 which are spread across 15 Districts:

Table 1 Data on the Number of MSMEs in Makassar City 2019-2021

No.	Subdistrict	Amount
1	<u>Wajo</u>	160
2	<u>End of Land</u>	207
3	<u>Edge of View</u>	415
4	<u>Tamalate</u>	668
5	<u>Tamalanrea</u>	150
6	<u>Tallo</u>	429
7	<u>Rappocini</u>	551
8	<u>Panakkukang</u>	355
9	<u>Mariso</u>	242
10	<u>Manggala</u>	1,199
11	<u>Mamajang</u>	305
12	<u>Macassar</u>	256
13	<u>Sangkarrang Archipelago</u>	86
14	<u>Bontoala</u>	139
15	<u>Bring it on</u>	225
AMOUNT		5,387

Source: Makassar City Office of Cooperatives and SMEs

Based on the table above which was taken from the Makassar City Cooperatives and MSME Office, the number of MSMEs in Makassar City from 2019-2021 was 5,387 spread across 15 sub-districts and the sub-districts that had the most MSMEs, namely Manggala sub-district, namely 1,199 MSMEs. Based on data from the Makassar City Office of Cooperatives and SMEs, there are many businesses that are no longer active and there are also new SMEs formed so that the type of business has not been recorded at the Office of Cooperatives and SMEs. The number of MSMEs whose data is complete at the Office of Cooperatives and MSMEs is 1,814 spread across 15 Districts.

This shows that many MSMEs are no longer operating due to errors in financial planning, poor financial performance, and insufficient knowledge (literacy) about financial management. In this study, the types of SMEs studied were those engaged in the furniture business because based on data from the Office of Cooperatives and SMEs the furniture business was the least recorded and was still active. There are many possibilities that cause this, one of which is poor financial management during a pandemic due to a lack of literacy (knowledge) about financial management and knowledge about financial inclusion.

Financial literacy and financial inclusion is an interesting matter to study because the Indonesian National Financial Literacy Survey (SNLKI) conducted by the OJK in 2013 showed that there is a close relationship between financial literacy and financial inclusion,

because the higher a person's financial literacy, the greater the level of beneficiaries of financial products and services (financial services authority, 2017: 39).

In 2013, national financial literacy was 21.94 to 29.70% in 2016 and 38.30% in 2019. Financial inclusion has also increased every year, namely 59.74% in 2013 has increased to 67.80% in 2016 and 76.19% in 2019. In order to be able to play a role again in helping to improve the economy and create jobs, it is necessary to improve the performance and sustainability of the Indonesian MSME sector, especially in Makassar City. The main problem in SMEs is in terms of capital and marketing. According to research by Irmawati (2013) explaining that one way that can be used to overcome this problem is to apply a financial inclusion model.

Based on the problems and conditions described above, this study aims to determine the effect of financial literacy and financial inclusion on the financial performance of MSMEs in Makassar City.

2. IMPLEMENTATION METHOD

2.1 Micro Small and Medium Enterprises

The definition of MSMEs based on Law no. 20 of 2008 concerning MSMEs, outlines the following: "Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in the law. Small business is a productive economic business that stands alone which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part, either directly or indirectly, of medium-sized businesses or large businesses that meet the business criteria. small as stipulated in the law. Medium Business is a productive economic business that stands alone which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled.

2.2 Financial Literacy

According to the Financial Services Authority (2014) "financial literacy is a series of processes or activities to increase the knowledge, confidence and skills of the wider community so that they are able to manage finances properly. The increasing understanding of financial literacy is directly proportional to the large number of people who save and invest so that the higher the financial potential that occurs and encourages overall economic growth.

2.3 Financial Inclusion

According to the Regulation issued by the Financial Services Authority in 2017 (SINKLI: 78), provides a statement regarding "the definition of financial inclusion which means the availability of access for several institutions, products and financial services according to the needs and capabilities of the community in improving people's welfare". Meanwhile, according to (Yanti, 2019) states that financial inclusion is a comprehensive

study in order to remove various kinds of obstacles related to the use and utilization of financial institution services by the public.

2.4 Financial Performance

According to Sucipto (2003) the notion of financial performance is "determination of certain measures that can measure the success of an organization or company in generating profits". Meanwhile, according to Fahmi (2014) argues that "financial performance is an analysis carried out to see how far a company or organization has carried out by using financial implementation rules properly and correctly".

2.5 Method

This study aims to examine and analyze the effect of financial literacy and financial inclusion on the financial performance of MSMEs in Makassar City. The type of research used in this research is explanatory quantitative research to explain the causal relationship between variables through hypothesis testing. The type of data used in this research is using primary data and secondary data. Data collection techniques used are questionnaires, interviews and documentation. The population is all MSMEs in Makassar City registered with the Makassar City Cooperatives and MSMEs Office with the selection of samples using certain considerations (purposive sampling). The data analysis technique uses multiple regression through the SPSS program.

3. RESULTS AND DISCUSSION

3.1 Partial Test Results

The t-test is used to test the hypothesis and find out how significant the influence of financial literacy and financial inclusion variables is on the MSME financial management variable in Makassar City. To determine the effect of financial literacy and financial inclusion on financial management variables through the t-test is to compare the significance value of less than 0.05 (5%). A variable is said to have a significant effect when the significance value obtained is less than 5% ($\alpha = 0.05$). The results of the t-test using SPSS version 25 can be seen in table 2 as follows:

Tabel 2 Partial Test Results (t test)

Variable	tcount	Significance
Financial Literacy (X1)	3.035	0.005
Financial Inclusion (X2)	6,331	0.000

Source: Processed results from SPSS version 25

Based on table 2, it shows that the financial literacy variable obtained a significance value of 0.005 which is smaller than 0.05 ($0.005 < 0.05$), which means that the financial literacy variable has a significant effect on the financial performance of MSMEs in Makassar City. Meanwhile, the financial inclusion variable obtained a significance value of 0.000

which is less than 0.05 ($0.000 < 0.05$) which means that the financial inclusion variable has a significant effect on the MSME financial performance variable in Makassar City.

3.2 Simultaneous Test Results (Test F)

The F test was conducted to determine the effect of financial literacy and financial inclusion on financial management simultaneously or simultaneously. Data processing was carried out using SPSS v.25.00 for windows which can be seen in Table 3 below:

Table 3 Simultaneous Test Results (Test F)

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	595,189	2	297,595	45,920	0.000
1 residual	174,978	27	6,481		
Total	770,167	29			

Source: Processed results from SPSS version 25

Based on table 3 it is known that the significant level of hypothesis testing is, the significant level value is $0.000 < 0.05$. So it can be concluded that the hypothesis is accepted or in other words financial literacy and financial inclusion simultaneously have a positive and significant effect on the financial performance of MSMEs in Makassar City.

3.3 Determination Coefficient Test Results

This coefficient of determination is used to determine the influence of financial literacy and financial inclusion on financial management. The following is the calculation of the coefficient of determination using SPSS v.25.00 for windows.

Table 4 Test Results for the Coefficient of Determination

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	0.879	0.773	0.756	2,546

Source: Processed results from SPSS version 25

From the calculation results in table 4 from the processing of SPSS v.25.00 data for windows, the coefficient of determination (R^2) is 0.879. This means that the effect of financial literacy and financial inclusion on financial performance is 87.9% while the remaining 12.1% is influenced by other factors that influence the determination of the increase or decrease in financial performance because apart from financial literacy and financial inclusion there are many other factors - other factors not examined.

4. CONCLUSION

The results of the study show that financial literacy and financial inclusion both partially and simultaneously have a positive and significant effect on financial performance, which means that the better financial literacy and financial inclusion one has, the better the financial performance of MSMEs in Makassar City.

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