ECBIS ECONOMICS AND BUSINESS JOURNAL

Vol. 4 No. 1 (2025)
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
https://ecbis.net/index.php/go/index

THE INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL INCLUSION ON THE PERFORMANCE OF MSMES IN KEDIRI CITY
(A Case Study on MSME Actors Receiving Capital Assistance in 2024)

Dika Dimas Putra[1], Afif Nur Rahmadi[2], Angga Rizka Lidiawan[3]

[1-3)] Universitas Kediri, Indonesia

E-mail:[1)]dikaaaadp14@gmail.com, [2)]afifnur@unik-kediri.ac.id, [3)]anggarizkalidiawan@unik-kediri.ac.id

Submitted: 19 September 2025	Revised: 12 October 2025	Accepted: 25 November 2025

Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy, yet many face challenges such as limited capital, inadequate financial literacy, and restricted access to financial services, which hinder their growth and competitiveness. This study aims to analyze the influence of financial literacy and financial inclusion on MSME performance in Kediri City, focusing on entrepreneurs who received government capital assistance in 2024. Using a quantitative approach, data were collected from 100 MSME owners through purposive sampling, with questionnaires as the primary instrument. Statistical analyses, including multiple linear regression, t-tests, F-tests, and classical assumption tests, were conducted using SPSS 24. The results reveal that both financial literacy and financial inclusion have positive and significant effects on MSME performance, with the two variables jointly explaining 71% of performance variation. These findings indicate that improving financial knowledge and expanding access to financial services can substantially enhance MSME productivity, competitiveness, and sustainability. The study highlights the importance of targeted financial education and inclusive financial policies to strengthen the resilience and long-term growth of MSMEs in regional economies

Keywords:***Financial Literacy, Financial Inclusion, MSME Performance***

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a crucial sector in the Indonesian economy, contributing significantly to gross domestic product (GDP) and absorbing a significant portion of the workforce. According to the Ministry of Cooperatives and SMEs, this sector contributes approximately 61% of Indonesia's GDP and employs approximately 97% of the workforce (Financial Services Authority, 2021). In Kediri City, MSMEs play a crucial role in supporting the local economy, particularly in providing employment and maintaining household incomes. However, despite their crucial role, MSMEs often face obstacles such as limited access to capital, low financial literacy, and lack of inclusion in the formal financial system, which hinder their ability to grow and compete.(Hilmawati & Kusumaningtias, 2021).

The need to address these issues is increasingly pressing during the post-pandemic recovery period. To address capital constraints, the Kediri City Government is implementing DBHCHT Capital Assistance from 2022 to 2024, aimed at MSMEs, particularly those with limited resources. However, financial capital alone is not sufficient to ensure sustainable performance; the ability to manage funds effectively, which is related to financial literacy, and accessibility of financial services, which reflects financial inclusion, are equally important factors.(Tetikriyani, 2024).

The primary objective of this study is to examine the influence of financial literacy and financial inclusion on the performance of MSMEs in Kediri City, with a particular focus on businesses receiving government capital assistance. This study aims to provide empirical evidence that policymakers can use to design integrated interventions that combine financial education and inclusive financial policies.

Several previous studies have highlighted the relevance of this variable. For example,(Kusuma et al., 2021)found that financial literacy and financial inclusion have a positive influence on the performance of MSMEs in Solo Raya. Conversely,(Rani & Desiyanti, 2024)reported that in the food and beverage sector in Padang, these factors did not significantly impact performance, suggesting that differences in context significantly influence outcomes. This study fills this gap by focusing on Kediri City, which has unique economic characteristics and a targeted capital assistance program, thus providing valuable insights for regional economic development strategies.

2. RESEARCH METHOD

This study used a quantitative approach, with a population of 5,617 MSMEs receiving capital assistance in Kediri City in 2024. A sample size of 100 respondents was determined using the Slovin formula and distributed proportionally across three sub-districts. Purposive sampling was used to select MSME owners who met the criteria.

2.1 Variables

1) Independent Variables: Financial Literacy (X_1), Financial Inclusion (X_2)
2) Dependent Variable: MSME Performance (Y)

2.2 Data Collection

Primary data was obtained through a questionnaire with a five-point Likert scale. Secondary data was obtained from official government reports.

2.3 Analysis Techniques

1) Validity and reliability test
2) Classical assumption tests (normality, multicollinearity, heteroscedasticity, autocorrelation)

3) Multiple linear regression analysis
4) Hypothesis testing (t-test and F-test)
5) Coefficient of determination (R^2)

3. RESULTS AND DISCUSSION

3.1 Results

3.1.1 Validity and Reliability Test

The results of the Pearson correlation test showed that all questionnaire items had a calculated r-value greater than the r-table (0.196), so all items were declared valid. The reliability test with Cronbach's alpha showed a value of 0.867 for the financial literacy variable, 0.802 for the financial inclusion variable, and 0.937 for the MSME performance variable, all exceeding the 0.60 limit, which means all instruments are reliable.

3.1.2 Classical Assumption Test

1) Normality Test: The Kolmogorov–Smirnov significance value of 0.200 > 0.05 indicates that the data is normally distributed.
2) Multicollinearity Test: The VIF value for both independent variables is < 10 and the tolerance value is > 0.10, indicating no multicollinearity.
3) Heteroscedasticity Test: The Glejser test shows a significance value for both variables > 0.05, indicating that heteroscedasticity does not occur.
4) Autocorrelation Test: The Asymo.sig (2 – tailed) value of 0.688 is greater than 0.05, indicating that there is no autocorrelation.

3.1.3 Multiple Linear Regression Analysis

The regression equation obtained is:

$Y=10.452+0.387X1+0.426X2Y = 10.452 + 0.387X_1 + 0.426X_2$

$Y=10.452+0.387X1+0.426X2$

Information:

a. Y = MSME Performance
b. X_1 = Financial Literacy
c. X_2 = Financial Inclusion

3.1.4 t-Test (Partial Effect)

1) Financial Literacy (X_1): t-count = 7.665, Sig. = 0.000 < 0.05 → has a significant positive effect on MSME performance.
2) Financial Inclusion (X_2): t-count = 3.586, Sig. = 0.001 < 0.05 → has a significant positive effect on MSME performance.

3.1.5 F Test (Simultaneous Effect)

The F-count value = 119.079, Sig. = 0.000 < 0.05, indicating that financial literacy and financial inclusion simultaneously influence the performance of MSMEs.

3.1.6 Coefficient of Determination (R^2)

The R^2 value = 0.711, meaning that 71% of the variation in MSME performance is explained by financial literacy and financial inclusion, while the remaining 29% is influenced by other factors not studied.

3.2 Discussion

3.2.1 Does Financial Literacy Influence the Performance of MSMEs in Kediri City?

The t-test results showed a t-value of 7.665 with a significance level of 0.000 (<0.05), indicating that financial literacy has a positive and significant effect on the performance of MSMEs in Kediri City (Alwi et al., 2021; Fatimah & Sari, 2022). This findingemphasized that a good understanding of finance enables MSMEs to carry out their businesses according to established programs. Therefore, improving financial literacy needs to be integrated into mentoring programs accompanied by capital assistance to maximize their impact on business performance. These results also align with several previous studies conducted by(Kusuma et al., 2021),(Nur Hamida et al., 2023), And(Hartina et al., 2023). Thus, it can be concluded that financial literacy not only serves as additional knowledge for business actors, but also as a crucial element in successful business management, especially in the context of government efforts to encourage the growth of the MSME sector through capital support..

3.2.2 Does Financial Inclusion Affect the Performance of MSMEs in Kediri City?

Based on the t-test, financial inclusion has a t-count value of 3.586 with a significance of 0.001 (<0.05), which means it has a positive and significant effect on MSME performance.The findings of this study indicate that financial inclusion has a significant impact on the performance of MSMEs in Kediri City in 2024, especially for MSMEs that receive capital assistance from the government. This means that the easier it is for MSMEs to access formal financial services (savings accounts, business credit, digital payment systems), the greater their opportunities to develop their businesses.With affordable financial services tailored to the needs of MSMEs, they can expand their business networks, increase efficiency, and reach a wider market, including through the use of digital platforms.This access enables MSMEs to obtain additional working capital, expand distribution networks, and adopt financial technology for operational efficiency.The results of this study are in line with several previous studies.(Fadilah et al., 2022),(Rahadjeng et al., 2023), And(Bude & Utami, 2024).

3.2.3 Do Financial Literacy and Financial Inclusion Simultaneously Influence the Performance of MSMEs in Kediri City?

The F-test results show an F-value of 119.079 with a significance level of 0.000 (<0.05), indicating that financial literacy and financial inclusion simultaneously have a significant effect on the performance of MSMEs in Kediri City. The R^2 value of 0.711 indicates that 71% of the variation in MSME performance can be explained by these two variables, while the remaining 29% is influenced by other factors. This finding confirms that financial literacy and financial inclusion are complementary factors. Financial literacy provides knowledge and skills, while financial inclusion provides the tools and access to apply this knowledge in business practices. Practically, government capital assistance programs should be accompanied by financial literacy training and expanded access to financial services, so that the provided capital can be managed more effectively and have a maximum impact on business performance.

4. CONCLUSION

This study aims to examine the influence of financial literacy and financial inclusion on the performance of MSMEs in Kediri City, with a focus on business actors who received capital assistance in 2024. The results of the study indicate that both financial literacy and financial inclusion have a positive and significant effect on MSME performance, both partially and simultaneously, with both variables together explaining 71% of the variation in performance.

In terms of capital assistance recipients, this synergy ensures that the assistance received is not merely financial, but productive capital, as it is well-managed and supported by adequate financial services. Therefore, a simultaneous approach, including improving financial literacy and expanding financial inclusion, is an effective strategy for strengthening the overall competitiveness of MSMEs. Therefore, it can be concluded that improving MSME performance, especially in Kediri City, requires an integrated policy that not only provides capital support but also ensures that MSMEs have adequate financial understanding and access to various formal financial services tailored to their business needs.

These findings confirm that increased financial literacy enables MSME owners to make better financial decisions, optimize resource allocation, and reduce financial risks, while increased financial inclusion provides broader access to credit facilities, digital payment systems, and savings accounts, which in turn encourages business expansion and increases competitiveness.

From a practical perspective, this study recommends integrating capital assistance programs with targeted financial literacy training and inclusive financial services to maximize their effectiveness. Policymakers, local governments, and financial institutions are encouraged to maintain capital assistance programs that combine financial education with easy access to the formal financial system. This approach is expected to strengthen the resilience, competitiveness, and long-term sustainability of MSMEs, thereby contributing to regional economic growth.

REFERENCES

Bude, ECG, & Utami, ES (2024). Pengaruh Literasi Keuangan Dan Inklusi Keuangan Terhadap Kinerja Umkmkecamatan Sedayu Kabupaten Bantul Yogyakarta. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, Dan Akuntansi)*, 8(1), 3.

Fadilah, I., Rahman, S., & Anwar, M. (2022). Analisis pengaruh Literasi Keuangan, Inklusi Keuangan, dan Financial Technology terhadap kinerja Usaha Mikro Kecil Menengah (UMKM) di Kota Bandung. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(3), 1347–1354. https://doi.org/10.32670/fairvalue.v5i3.2419

Hartina, Goso, G., & Palatte, MH (2023). Analisis Dampak Literasi Keuangan dan Keuangan Terhadap Kinerja Keuangan UMKM. SEIKO : Journal of Management & Business, 6(1), 644–651. https://doi.org/10.37531/sejaman.v6i1.3874

Hilmawati, MRN, & Kusumaningtias, R. (2021). INKLUSI KEUANGAN DAN LITERASI KEUANGAN TERHADAP KINERJA DAN KEBERLANGSUNGAN SEKTOR USAHA MIKRO KECIL MENENGAH. Nominal: Barometer Riset Akuntansi Dan Manajemen, 10(1), 135–152. https://doi.org/10.21831/nominal.v10i1.33881

Kusuma, M., Narulitasari, D., & Nurohman, YA (2021). INKLUSI KEUANGAN DAN LITERASI KEUANGAN TERHADAP KINERJA DAN KEBERLANJUTAN UMKM DI SOLO RAYA. Jurnal Among Makarti, Vol. 14 No, 62–76.

Nur Hamida, R., Diana, N., & Accounting Studies, P. (2023). Pengaruh Literasi Keuangan, Akses Permodalan, dan Minat Menggunakan E-Commerce Terhadap Kinerja UMKM (Studi Kasus pada Pelaku UMKM di Kota Kediri). In e_Jurnal Ilmiah Riset Akuntansi (Vol. 12). http://jim.unisma.ac.id/index.php/jra,

Rahadjeng, ER, Pratikto, H., Mukhlis, I., Restuningdiah, N., & Mala, IK (2023). The impact of financial literacy, financial technology, and financial inclusion on SME business performance in Malang Raya, Indonesia. Journal of Social Economics Research, 10(4), 146–160. https://doi.org/10.18488/35.v10i4.3509

Rani, GM, & Desiyanti, R. (2024). Pengaruh Literasi Keuangan, Inklusi Keuangan dan Digital Payment Terhadap Kinerja UMKM Makanan & Minuman di Kota Padang. EKOMABIS: Jurnal Ekonomi Manajemen Bisnis, 5(02), 161–174. https://doi.org/10.37366/ekomabis.v5i02.1403

Tetikriyani, E. (2024). Pengaruh Literasi Keuangan, Inklusi Keuangan, dan Pengelolaan Keuangan terhadap Kinerja UMKM Kota Yogyakarta. UMMagelang Conference Series, 180-188. https://doi.org/10.31603/conference.11994