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### THE INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL INCLUSION TOWARDS MSME PERFORMANCE (A Case Study of Pananjung Market Shophouses' Owners)

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#### Abstract

This study researches the effect of financial literacy and financial inclusion simultaneously on the performance of MSMEs that have been relocated to Pananjung Market in Pangandaran Regency. The type of research used in this research is descriptive and verification. The object studied in this study is the performance of UMKM shophouses in Pananjung Pangandaran Market. Researchers decided to use the number of MSME owners who were in the Pananjung Market Ruko as a sample of 40 people. Financial literacy was found to have a partial impact on the MSME performance of the MSME owners of Pananjung Market Shophouses based on the partial test (t test) conducted in this study. Secondly, the MSME performance of Pananjung Pangandaran Market Shophouse MSME owners is also partially influenced by financial inclusion. The results of this study's simultaneous test (F test) indicate that financial inclusion and financial literacy have a simultaneous impact on the MSME performance of the MSME owners of Pananjung Market Shophouses.

**Keywords:** *financial literacy, financial inclusion, MSME performance.*

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#### INTRODUCTION

Indonesia is a country with the largest population after China, India, and the United States (Factbook, 2020). The dense population makes Indonesia faced with several problems including the problems of unemployment and poverty. One sector that plays a major role in reducing unemployment and poverty in Indonesia is the MSME sector. Micro, Small, and Medium Enterprises absorb about 97% of the total Indonesian workforce and contribute 60% to the Gross Domestic Product (Bank Indonesia, 2015). However, the ability to access financing by MSMEs is only 30% of the total 56.54 million MSMEs spread throughout Indonesia (Bank Indonesia, 2015).

In Indonesia, the definition of MSMEs is regulated in the Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs. Article 1 of the law states that micro-enterprises are productive businesses owned by individuals and/or individual business entities that have the criteria for micro-enterprises as stipulated in the law. Small business is a productive economic enterprise that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not subsidiaries that are owned, controlled, or become part, either directly or indirectly, of medium or large businesses that meet the

criteria small business as referred to in the law. A micro business is a productive economic business that stands alone and 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 micro-businesses, small businesses or large businesses that meet the requirements micro business criteria as referred to in the law.

Indonesian people belong to the low financial literacy level category. Based on research data conducted by the World Bank in 2015, Indonesia was ranked 32 out of all countries in the world. When compared with Singapore, Indonesia is far behind. Then, based on the Master Card research data in 2017, Singapore is the country that ranks first in financial literacy.

The low financial literacy level of the Indonesian people shows that they still lack knowledge of financial services so the Indonesian people are still easily fooled by investment offers under the guise of high interest rate returns. The rise of illegal investments has made the Financial Services Authority (OJK) an institution that regulates, supervises, and protects financial institutions, and intensively conducts some education to the public to be more aware of this illegal activity.

Financial literacy is very important for the business continuity of MSME owners. Financial literacy covers the knowledge, attitude, and behavior of someone towards the financial services sector, namely banking, insurance, financial institutions, pension funds, capital markets, and pawnshops (Ilham in Welly et al, 2016: 2). The financial services sector is very beneficial for the sustainability of their business. Based on information from the Ministry of Data Section - Planning Bureau of the State Ministry for Cooperatives and SMEs of the Republic of Indonesia, MSMEs provide various types of contributions, including the contribution of MSMEs to the creation of national investment, the contribution of MSMEs to the National Gross Domestic Product (GDP), the contribution of MSMEs to employment and the contribution of MSMEs to the creation of national foreign exchanges. In short, it can be concluded that MSMEs are the main pillar of the Indonesian economy. This shows how the role of MSMEs is very dominant in Indonesia's economic growth so MSME empowerment is something important in efforts to increase economic growth in Indonesia.

There are several problems in MSMEs that are of concern, including those related to financial management behavior, namely the problem of financial knowledge. Most MSMEs have never prepared a financial budget for their business management, as evidenced by a survey conducted by Raharjo no and Wirjono on 19 MSMEs in the Special Region of Yogyakarta (DIY) in 2012, most MSMEs have never made any bookkeeping related to their business management. MSMEs should make books related to budget planning, implementation, and control of their finances. However, the fact that was found was that the awareness of MSME owners to make bookkeeping for their business financial management was still very low. The cause of the low awareness of MSME owners in making budget planning is due to the thinking of MSME owners that budget planning is not important and can be arranged easily and there is no adverse impact on the sustainability of their business even though MSME owners do not carry out budget planning.

The next issue of financial skills is in terms of investment. Not many MSMEs have entered the world of investment. Based on the interviews that have been conducted, the cause of the low interest of MSME owners in investing is that MSME owners do not understand enough and even do not know what investment is at all, so MSME owners choose not to invest. This indicates that the knowledge of SMEs about investment is still very low. The problem of financial skills is not only in terms of budget and investment, there are also problems in borrowing (credit). Knowledge about credit for MSME owners

is still very low. MSME owners do not understand the owners that influence creditworthiness, making it difficult for MSME owners to obtain additional capital. In addition, many MSMEs do not take into account various considerations when applying for credit, such as considering loan interest rates and loan terms. MSMEs should be able to consider various things when applying for credit so they can use credit wisely. Therefore, it is necessary to increase the level of financial literacy of MSME owners.

Financial Services Authority defines financial inclusion as access to appropriate financial products including credit, savings, insurance, and payments, quality access including convenience, affordability, suitability concerning consumer protection, and availability is also provided to everyone. According to the OJK, public financial literacy will be followed by community financial inclusion. Communities that are familiar with financial service institutions, are skilled in utilizing financial products and services and have confidence in financial service institutions need to be supported by the availability of access to financial institutions, products, and services. The results of the 2017 National Financial Literacy Survey conducted by the Financial Services Authority show that the Indonesian people's financial inclusion index in 2013 increased from 59.7 percent to 67.8 percent in 2016.

The National Strategy for Financial Inclusion as stipulated in Presidential Regulation Number 82 of 2016 targets achieving a financial inclusion index of 75 percent in 2019. In addition, financial inclusion is also a concern for the government because the role of national financial inclusion is to encourage sustainable national economic growth, reduce inequality, and improve people's welfare.

The Regency of Pangandaran relocated many small shops in January 2018. The relocation was carried out to MSMEs that are on the beach and opposite the Pangandaran Terminal (which is now Pesona Pangandaran Park). The relocation was carried out to maintain order and the aesthetics of the Pangandaran Beach area. MSME kiosks were moved to 5 places, namely the Nanjung Asri Shopping Center, the Nanjung Elok Shopping Center, the Nanjung Endah Shopping Center, the Nanjung Sari Shopping Center, and the Pananjung Market Ruko.

After conducting preliminary research on the 5 markets, it was discovered that the stall owners chose to set selling prices haphazardly (made up prices spontaneously) which caused prices to become expensive, thus discouraging tourists from shopping. Some traders claim that being in a tourist area is an opportunity to make as much profit as possible. They made comparisons with other well-known tourist areas such as Bali or Parangtritis in Yogyakarta (similar tourist attractions, namely the beaches). However, some other owners stated that they have to increase their prices as much as possible if they want to make a profit because they have to pay rent or "security services". They think that the profits they get are not worth the capital and effort they put in if these costs are deducted.

It was also found that most of the MSME owners interviewed did not separate the money needed for capital and money for daily needs. They were also found not to have proper bookkeeping. They also often avoid financial services because they feel that taking care of those things is difficult, and expensive. They have to spare some time by closing their shops which will reduce their potential income. Thus, the researcher considers that some MSME owners in Pangandaran do not yet have comprehensive knowledge and access to finance.

Based on this background, the researcher intends to research the performance of MSMEs in Pangandaran. This research will be conducted to determine and evaluate the performance of MSMEs that have been relocated to the Pananjung Market by using financial literacy and financial inclusion variables. The researcher chose to examine this

subject because the MSME owners who had been relocated to the Pananjung Market shophouses were the first that get relocated to a new place. Also, the Pananjung Market shophouses are the furthest area from the beach, and not even located within the area of the beach, which makes them the most unique compared to other relocated markets.

Based on the background and the research questions that have been described, the objectives to be achieved from this research are: (1) To find out and study the effect of financial literacy on the performance of MSMEs that have been relocated to Pananjung Market. (2) To find out and study the effect of financial inclusion on the performance of MSMEs that have been relocated to Pananjung Market. (3) To find out and study the effect of financial literacy and financial inclusion simultaneously on the performance of MSMEs that have been relocated to Pananjung Market. It is hoped that this research will be useful for MSME owners who have been relocated to Pananjung Market to find out their financial performances. Through the results of this research, MSME owners can deepen their knowledge, skills, and abilities in managing their business finances. In addition, MSME owners can develop themselves in managing finances in short-term and long-term planning.

## **THEORETICAL BASIS**

### **Financial Literacy**

Mitchell (Farah and Sari, 2015: 134) explains that financial literacy is how a person's ability to process economic information obtained and make decisions for financial planning, financial accumulation, retirement, and debt. Meanwhile, according to Bushan and Medhury (Farah and Sari, 2015: 134), financial literacy is the ability to make judgments and effective decisions related to the management of the use of money. Financial literacy helps someone to improve one's level of understanding to deal with financial problems which makes it possible to process financial information and then make the right decisions for personal finances. Financial literacy directly affects one's well-being. In various previous studies, it was found that someone who has low financial literacy will face various problems related to personal finances such as savings, loans, investments, retirement plans, and so on. Lusardi and Mitchell (Andrew and Linawati, 2014:35) define financial literacy as financial knowledge and the ability to apply it (knowledge and ability). Meanwhile, Chen and Volpe (Ulfatun et al, 2016: 8) define financial literacy as knowledge to manage finances.

Based on UU No. 10 of 1998 concerning amendments to UU No. 7 of 1992 concerning banking, credit is the provision of money or bills that can be equated, based on agreements or agreements between banks and other parties that require the borrower to pay off his debt after a certain period by giving interests. Debt management is a debt repayment process involving a third party to help borrow debt. To make it easier to manage debt, it's better if you make a debt management plan. A debt management plan is in the form of steps or processes in which a third party helps manage someone's debt.

### **Financial Inclusion**

Based on the Financial Services Authority Regulation Number 76/POJK.07/2017 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and the Community, financial inclusion is the availability of access to various institutions, products, and financial services according to the needs and capabilities of the community to improve the welfare of society.

The Consultative Group to Assist the Poor in SNLKI (2021) explains financial inclusion as access owned by business households to users of financial products and services effectively. These financial products and services must be available in a sustainable and properly regulated manner. The Center for Financial Inclusion defines

financial inclusion as access to appropriate financial products including credit, savings, insurance, and payments, availability of quality access including convenience, affordability, suitability, and with due regard to consumer protection, and this availability is also provided to everyone.

SNLKI (2021) defines financial inclusion as access to financial products and services that are useful and affordable in meeting the needs of the community and their businesses in this case transactions, payments, credit savings, and insurance that are used responsibly and sustainably. From the existing definitions, it can be concluded that the elements that play a role in financial inclusion are access, availability of financial products and services, use, and quality.

The level of financial literacy possessed by a person and access to various financial products and services will certainly affect personal or family financial management in daily life and for the long term, such as investing, getting higher education, and preparing for retirement. Individuals must have the ability to make financial decisions to allocate their financial resources efficiently while at the same time increasing their financial stability at both the micro and macro levels.

### **Connection Between Financial Literacy with MSME Performance**

A survey conducted by the Financial Services Authority stated that the contribution of the MSME sector in Indonesia proved to be very significant for the national economy by contributing 60 percent of the Gross Domestic Product and absorbing 97 percent of the national workforce. The importance of the role of the MSME sector in supporting growth The economy requires the strengthening of MSMEs. One form of strengthening MSMEs is by increasing their ability to manage finances and expanding access to finance for MSMEs.

According to Aribawa (2016), a strategic way is needed to improve performance, one of which is financial literacy. Financial literacy is knowledge, belief, and skills, which influence attitudes and behavior to improve the quality of decision-making and financial management in the context of welfare. With this definition, it is hoped that financial service businesses, product consumers, and the general public will not only know and understand financial services but also be able to improve their decision-making skills. The results of the research conducted by Suryani (2017), and Aritonang et al. (2022) state that financial literacy has a positive effect on MSME performance.

## **RESEARCH METHOD**

The type of research used in this research is descriptive and verification. The research method is used to show the methods taken in connection with the research conducted to obtain valid data so that it can be used in data analysis and has systematic steps to solve the problem under study. The subjects studied in this study were MSME owners in Pananjung Pangandaran Market shophouses. The object studied in this study is the performance of UMKM shophouses in Pananjung Pangandaran Market. Researchers will examine the effect of financial literacy and financial inclusion on the performance of MSMEs. The time of this research will take place from June 2023 to July 2023. So that this research can be conducted in a manner effective and efficient so needed planning timetable accompanied by details of the stages and the length of time required for research.

The population of this study is MSME owners who have been relocated from their previous places to new markets provided by the Pangandaran Regency Government (5 new markets with a total of  $\pm$  250 traders). Researchers decided to use the number of MSME owners who were in the Pananjung Market Ruko as a sample of 40 people. The consideration used by researchers in this study is that the sample must be an MSME owner who is in the Pananjung Market Ruko. This study obtained primary sources through

questionnaires (questionnaires) that were distributed to respondents. The data collection technique used in this study was a questionnaire or questionnaire. Instrument tests used in this study are validity test and reliability test. Data analysis techniques uses are classic assumption tests; F-test; T-Test; coefficient of determination.

## RESULT AND DISCUSSION

### Validity Test Results

A questionnaire's validity is evaluated using the validity test. When a questionnaire's questions can provide information about what the questionnaire is intended to measure, it is considered legitimate (Ghozali, 2018). Using Product Moment (Pearson), the validity test was conducted by comparing the values of  $r_{count}$  and  $r_{table}$ . Calculations are performed with the  $r_{table}$  formula ( $\alpha, n-2$ ) to determine the  $r_{table}$  for the questionnaire results. Based on the results of this validity test,  $r_{table} (5\%, 40-2) = 0.312$ , with  $n$  (number of respondents) = 40 and  $\alpha = 5\%$ . If the computed  $r_{count}$  is higher than 0.312, then each statement item is considered valid. The following are the findings of the instrument validity test conducted for this study.

Table 1. Validity Test of the Financial Literacy Section

Statement	$R_{count}$	$R_{table}$	Information
Item 1	0.480	0.312	Valid
Item 2	0.588	0.312	Valid
Item 3	0.481	0.312	Valid
Item 4	0.391	0.312	Valid
Item 5	0.558	0.312	Valid
Item 6	0.802	0.312	Valid
Item 7	0.562	0.312	Valid
Item 8	0.802	0.312	Valid
Item 9	0.776	0.312	Valid
Item 10	0.540	0.312	Valid
Item 11	0.423	0.312	Valid
Item 12	0.509	0.312	Valid
Item 13	0.363	0.312	Valid
Item 14	0.802	0.312	Valid
Item 15	0.540	0.312	Valid

Source: Primary Data Processing Results (2023)

Tabel 2. Validity Test of the Financial Inclusion Section

<b>Statement</b>	<b>R<sub>count</sub></b>	<b>R<sub>table</sub></b>	<b>Information</b>
Item 1	0.455	0.312	Valid
Item 2	0.581	0.312	Valid
Item 3	0.729	0.312	Valid
Item 4	0.468	0.312	Valid
Item 5	0.708	0.312	Valid
Item 6	0.838	0.312	Valid
Item 7	0.340	0.312	Valid
Item 8	0.568	0.312	Valid
Item 9	0.480	0.312	Valid
Item 10	0.537	0.312	Valid

Source: Primary Data Processing Results (2023)

Table 3. Validity Test of the MSME Performance Section

<b>Statement</b>	<b>R<sub>count</sub></b>	<b>R<sub>table</sub></b>	<b>Information</b>
Item 1	0.549	0.312	Valid
Item 2	0.507	0.312	Valid
Item 3	0.424	0.312	Valid
Item 4	0.856	0.312	Valid
Item 5	0.796	0.312	Valid
Item 6	0.796	0.312	Valid
Item 7	0.318	0.312	Valid
Item 8	0.455	0.312	Valid
Item 9	0.856	0.312	Valid
Item 10	0.549	0.312	Valid
Item 11	0.424	0.312	Valid
Item 12	0.361	0.312	Valid
Item 13	0.623	0.312	Valid
Item 14	0.419	0.312	Valid
Item 15	0.424	0.312	Valid

Source: Primary Data Processing Results (2023)

Every statement item pertaining to the variables financial inclusion, financial literacy, and MSME performance is deemed legitimate based on tables 1, 2, and 3 since each item's calculated  $r_{count}$  is more than 0.312.

## Reliability Test Results

A questionnaire's indicators of variables are measured via reliability testing. When a respondent's responses to a questionnaire remain constant or stable throughout time, it's considered dependable (Ghozali, 2018). If an instrument's Cronbach's Alpha value is more than 0.60, it is considered dependable. The following table displays the reliability test results for this research instrument:

Table 4. Questionnaire Reliability Test Results

Reliability Statistics		
Variables	Cronbach's Alpha	N of Items
Financial Literacy	<b>.820</b>	<b>15</b>
Financial Inclusion	<b>.735</b>	<b>10</b>
MSME Performance	<b>.830</b>	<b>15</b>

Source: Primary Data Processing Results (2023)

Table 4 indicates that the instruments measuring financial literacy, financial inclusion, and MSME performance may be considered reliable because their Cronbach's Alpha values are higher than 0.60 (0.82; 0.735; and 0.83).

## Normality Test Results

The Kolmogorov-Smirnov Test is the technique utilized to perform this normality test, according to Ghozali (2018). A value of Asymp is considered normal for data. 2-tailed significance > 0.05. Aside from that, the Normal P-P Plot of Regression Standardized Residual graph shows whether or not the data distribution is normal. If the points on the Normal P-plot of the Regression Standardized Residual graph spread out and follow the diagonal line, then the data distribution is considered normal. The normality test yielded the following results:

Table 5. Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		40
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.25996956
Most Extreme Differences	Absolute	.098
	Positive	.073
	Negative	-.098
Test Statistic		.098
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Primary Data Processing Results (2023)



Table 5. indicates that the data is considered regularly distributed as the asymptotic significance value (2-tailed) is  $0.2 > 0.05$ .

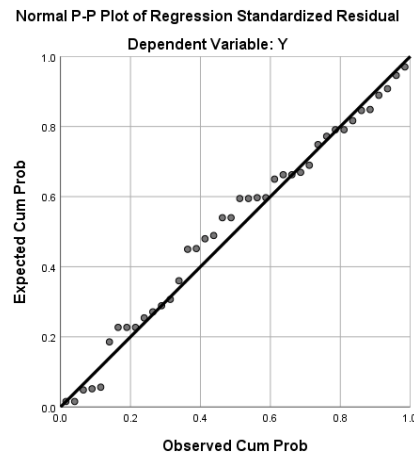


Figure 1. Normality Test Scatter Plot

Source: Primary Data Processing Results (2023)

The distribution of points follows the diagonal line's orientation and is positioned around it, as can be seen from the Normal P-Plot of Regression Standardized Residual values in Figure 1. Thus, it can be said that the distribution of the data is normal.

### Multicollinearity Test Results

Gujarati (2019) states that multicollinearity testing looked for evidence of a connection between independent variables in the regression model. If correlation exists, it is considered to have a multicollinearity issue. A good regression model should have no correlation at all between the independent variables. To determine whether there is multicollinearity, you might examine tolerance and the variance inflation factor (VIF). Regression models are said to be multicollinearity-free if their tolerance numbers are more than 0.1 or closer to 1. In the event when the value is less than the VIF limit of 10, multicollinearity is absent. The following outcomes of the multicollinearity test were obtained:

Table 6. Multicollinearity Test Results

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Financial literacy	,109	9,133
	Financial inclusion	,109	9,133

a. Dependent Variable: MSME performance

Source: Primary Data Processing Results (2023)

Table 6 displays the results of the multicollinearity test. The tolerance value and VIF value for financial literacy and financial inclusion, consequently, are  $0.109 > 0.1$  and  $9.133 < 10$ , respectively. Therefore, the conclusion that follows is that there is no multicollinearity issue among the independent variables.

### Heteroscedasticity Test Results

The heteroscedasticity test determines if the residuals of the linear regression model show unequal variance for each and every observation. One of the traditional assumption

checks that needs to be performed in linear regression is this one. The classic assumption of heteroscedasticity—that is, the existence of unequal variances of residuals for all data in the regression model—is tested for heteroscedasticity to see if there are any deviations. Examining the scatter plot graph between the studentized residual (SRESID) and the standardized predicted value (ZPRED) is one way to test for heteroscedasticity. The Y axis represents the projected Y, and the X axis represents the residual (predicted Y minus actual Y), depending on whether a pattern can be seen in the scatter plot graph between SRESID and ZPRED. Decision-making is based on (Ghozali, 2018):

- Heteroscedasticity occurs when there is a pattern, such as the points forming a regular pattern (wavy, widening, then narrowing).
- Heteroscedasticity does not arise if there is no discernible pattern, such as dots distributed above and below the number 0 on the Y axis.

The findings of the heteroscedasticity test are as follows:

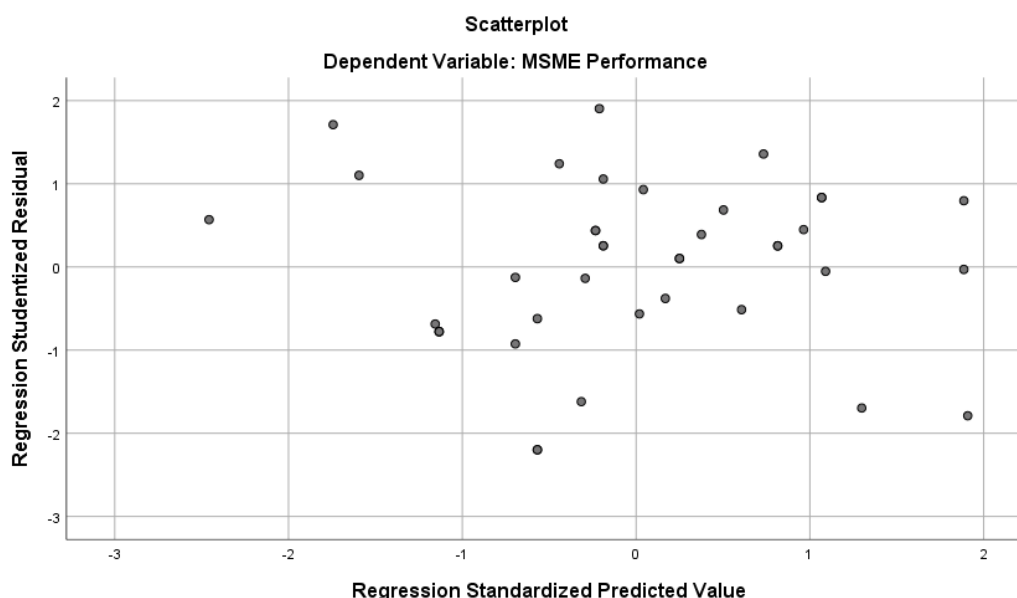


Figure 2. Heteroscedasticity Test Results

Source: Primary Data Processing Results (2023)

It is known from Figure 2 that:

1. The data points are dispersed around the number 0 or above and below it.
2. There is more than one point where the dots congregate.
3. There is no wavy pattern in the distribution of data points, with widening, narrowing, and widening again.
4. There is no pattern in the data point distribution.

It is clear from the aforementioned findings that there are no heteroscedasticity issues with the data in the regression model. This indicates that the data above demonstrates that there is a constant data variance across all observations.

### Autocorrelation Test Results

In a linear regression model, the autocorrelation test seeks to determine whether confounding errors in period  $t$  and mistakes in period  $t-1$  (prior period) are correlated (Ghozali, 2018). Because subsequent observations throughout time are tied to one another, autocorrelation develops. The run test method is one technique for testing autocorrelation.

Run tests, which are a subset of non-parametric statistics, can also be used to determine whether residuals have a high correlation with one another, according to Ghozali (2018). The autocorrelation test yielded the following results:

Table 7. Autocorrelation Test Results

<b>Runs Test</b>	
	Unstandardized Residual
Test Value <sup>a</sup>	.21936
Cases < Test Value	20
Cases >= Test Value	20
Total Cases	40
Number of Runs	16
Z	-1.442
Asymp. Sig. (2-tailed)	.149

a. Median

Source: Primary Data Processing Results (2023)

Table 7 illustrates that the significance level value (0.05) is less than the value of Asymp. Sig. (2-tailed) (0.149). Thus, it can be said that autocorrelation symptoms do not exist, allowing the linear regression analysis to proceed.

### Multiple Linear Regression Analysis Results

Multiple independent variable research is analyzed using multiple linear regression. Multiple linear regression analysis is utilized, according to Ghozali (2018), to ascertain the direction and degree of the independent variable's influence on the dependent variable. The findings of this study's multiple linear regression analysis are presented in Table 8 and include the following:

Table 8. Multiple Linear Regression Analysis Results

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.290	2.511		-.116	.909
	Financial Literacy	.631	.127	.607	4.990	.000
	Financial Inclusion	.519	.168	.376	3.091	.004

a. Dependent Variable: MSME Performance

Source: Primary Data Processing Results (2023)

### Hypothesis Test Results

#### *t Test*

To ascertain if each independent variable has a partial influence on the dependent variable, the t test is employed. The independent variable is said to have a partially significant influence on the dependent variable if the significance value (Sig.) is less than 0.05 or the t table value is less than the computed t.

After conducting a t test, the financial literacy variable, which is based on table 4.24's multiple linear regression analysis results, received a significance value of 0.00, which is less than 0.05 ( $0.00 < 0.05$ ). Additionally, the value from the t table ( $n = 40$ ) was 2.026, but the computed t value yielded a value of 4.990. The t table value was discovered to be less than the computed t value ( $2.026 < 4.990$ ). The first hypothesis (H1), according to which "Financial literacy partially influences MSME performance", is thus supported by evidence. H1 is therefore approved. This indicates that the owners of Pananjung Market Shophouses' MSME performance is somewhat influenced by their level of financial literacy.

Based on the results of multiple linear regression analysis presented in Table 4.24, the financial inclusion variable acquired a significance value of 0.004 ( $0.004 < 0.05$ ) following the application of the t test. Additionally, the value from the t table ( $n = 40$ ) was 2.026, but the computed t value yielded a value of 3.091. The t table value was discovered to be less than the computed t value ( $2.026 < 3.091$ ). The assertion that "Financial inclusion partially affects MSME performance" (H2) is thus supported by the evidence. H2 is therefore approved. This indicates that the degree of MSME performance of the owners in the Pananjung Market Shophouses is somewhat influenced by financial inclusion.

### F test

The simultaneous influence of the two independent factors on the dependent variable is ascertained using the F test. The independent variable concurrently has a significant impact on the dependent variable if the significance value (Sig.) is less than 0.05 or the F table value is less than the computed F. The following provides an explanation of the F test findings that were obtained:

Table 9. ANOVA Test Results

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	971.462	2	485.731	290.277	.000 <sup>b</sup>
	Residual	61.913	37	1.673		
	Total	1033.375	39			

a. Dependent Variable: MSME Performance

b. Predictors: (Constant), Financial Inclusion, Financial Literacy

Source: Primary Data Processing Results (2023)

After performing the F test on table 9, which presents the ANOVA test results, a significance value of 0.00—which is less than 0.05 ( $0.00 < 0.05$ )—is achieved. Additionally, the result from the t table ( $n=40$ ) was 3.24, while the computed F value came out to be 290.277. The t table value was discovered to be less than the computed t value ( $3.24 < 290.277$ ). The statement that "Financial literacy and financial inclusion simultaneously affect MSME performance." (H3) is thus supported. H3 is therefore approved. This indicates that the degree of MSME performance of the owners in the Pananjung Market Shophouses is influenced by both financial inclusion and financial literacy at the same time.

### Coefficient Determination

The degree to which variations in changes in the dependent variable are influenced by the independent variable is ascertained using the coefficient of determination ( $R^2$ ). The following outcomes were obtained from the analysis of the coefficient of determination:

Table 10. Model Summary Results

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970 <sup>a</sup>	.940	.937	1.294
a. Predictors: (Constant), Financial Inclusion, Financial Literacy				
b. Dependent Variable: MSME Performance				

Source: Primary Data Processing Results (2023)

Table 10 indicates that the R Square value is 0.940. It can be deduced that the dependent variable (MSME performance) is influenced by the independent factors (financial literacy and financial inclusion variables) by 94%, with the remaining 6% being influenced or explained by variables not included in this study.

## Discussion

The MSME owners of Pananjung Market Shophouses already know that financial management is a part of every aspect of people's lives, according to an assessment conducted along five continuum lines. They also have budgetary goals that need to be accomplished each month or annually. Additionally, MSME owners said they are happy with the way they currently handle their funds. We can conclude that MSME owners possess a solid understanding of fundamental finance.

The majority of MSME owners do not realize that in order to incur debt, they must be aware of the terms and conditions of the loan as well as their capacity to repay it. They are aware of the advantages of saving money for future requirements when it comes to handling their finances, though. We can argue that MSME owners are already aware of the value of savings and borrowings.

Moreover, MSME owners are aware that any community organization can utilize insurance services to safeguard any assets. The majority of them are also aware of the phrase premium, which is a monthly payment required of insurance customers. Most MSME owners, however, believe they do not require insurance. It can be stated that MSME owners are already familiar with the nuances of insurance.

Furthermore, the majority of MSME owners are still unaware that anyone can invest in stocks. They are aware, nevertheless, that investing involves more than just stocks. It can be argued that MSME owners are already knowledgeable about investing.

Ultimately, MSME owners have come to understand how crucial it is to create both short- and long-term financial planning. A few of them have also come to the realization that they need to account for the future when making financial plans. Owners of MSMEs are also aware that keeping financial records helps reduce financial miscalculations. The majority of MSME owners save their emergency cash in separate accounts. Additionally, they frequently pay their payments and fines ahead of schedule. We can conclude that MSME owners are already aware of how crucial financial risk management is.

The results of the evaluation above, in conjunction with evidence from studies by Suryani & Ramadhan (2017) and Aritonang et al. (2022), reinforce the findings of the hypothesis testing, which suggests that financial literacy affects MSME Performance (H1). It can be said that the influence has a directly proportionate positive effect.

According to assessments conducted using four continuum lines, financial services are easily accessible to MSME owners of Pananjung Market Shophouses. They added that using financial services didn't take them very long. It can be said that financial inclusion

for MSME owners is very scalable.

Then, MSME owners claimed that maintaining and utilizing a financial services account came at an inexpensive price. The majority of MSME owners can easily visit the physical office, saving them money on transportation expenses. Additionally, MSME owners reported that the quota needed to obtain financial services was not excessively high. We can conclude that financial inclusion is affordable for owners of MSMEs.

Moreover, MSME owners have acknowledged that they are already aware of the characteristics of the financial services that they have access to. Additionally, they reported being able to take advantage of the financial service provider's offerings. When they use financial services, they feel assisted. It can be argued that financial inclusion for MSME owners is right on target.

Lastly, the vast majority of MSME owners reported that using financial services resulted in a rise in income. They said that when they required assistance, financial services personnel treated them with courtesy and thoroughness. It can be said that MSME owners' financial inclusion is sustainable.

The evaluation results above, with backing from Sanjaya & Nursechafia (2018) and Aritonang et al., reinforce the results of the hypothesis testing, indicating that financial inclusion influences MSME Performance (H2). It is possible to say that the influence has a directly proportionate positive effect.

According to an evaluation conducted utilizing five continuum lines, MSME owners reported a monthly rise in profits. They did, however, also mention that their company's profits were fluctuating. However, they never lose money every month. Thus, it can be said that Pananjung Market Shophouses' businesses are fairly profitable.

Then, the majority of MSME owners don't have any clients from outside the area. However, the majority of them already have loyal local clients. Additionally, they make an effort to promote their offerings in order to increase sales significantly. So, it can be stated that the markets that MSME owners own can be considered to be fairly good.

Additionally, MSME owners said that monthly customer numbers were rising. However, while some other owners were attempting to innovate, several MSME owners claimed that they had not been able to implement new ideas in their companies. They added that they are unsure if they will be able to grow over the course of the next three years at the very least. It can be said that the owners of the Pananjung Market Shophouses have not seen particularly strong business growth.

Next, the MSME owners went on to say that exact calculations were used to determine the inventory level. They claimed that each month, sales were rising. The rise in overall income is correlated with the growth in sales. We can conclude that MSME owners have very good total incomes.

Lastly, it is not within the control of MSME owners to ensure that staff compensation would rise annually. Additionally, MSME owners reported a significant incidence of employee turnover. Nonetheless, the number of employees rises annually in line with an increase in their earnings. It can be argued that employee growth at Pananjung Market Shophouses has been positive.

According to the evaluation results above, as well as evidence from studies by Hanggraeni et al. (2019), Winarsih et al. (2021), Mendoza (2015), and Aritonang et al. (2022), the findings support the results of hypothesis testing that financial literacy and financial inclusion have a simultaneous impact on MSME performance (H3). One could say that both have a directly proportionate positive impact on the outcomes.

## CONCLUSION

The purpose of this study is to ascertain the MSME owners of Pananjung Market Shophouses' performance level as well as the partial and simultaneous effects of financial inclusion and financial literacy. The following conclusions are reached as a result of the data processing procedure and the tests conducted for this study: one indicator, the business growth indicator, for the MSME performance variable is neutral to the statements made, based on the developed continuum line. The markets and employee growth are the next two indicators that agree to the statements made. The profitability indicator and total income are the next two metrics that strongly agree with the statements made. A number of indicators for the financial literacy variable, including borrowing and savings, insurance, investing, and risk management, agree with the available statements. In the meanwhile, the statements are strongly agreed by the basic personal finance knowledge indicator. A number of metrics, including affordable, right on target, and sustainable, agree with the suggested statements for the financial inclusion variable. In the meanwhile, the suggested statements is strongly agreed by the scalable indicator.

Financial literacy was found to have a partial impact on the MSME performance of the MSME owners of Pananjung Market Shophouses based on the partial test (t test) conducted in this study. Secondly, the MSME performance of Pananjung Pangandaran Market Shophouse MSME owners is also partially influenced by financial inclusion. The results of this study's simultaneous test (F test) indicate that financial inclusion and financial literacy have a simultaneous impact on the MSME performance of the MSME owners of Pananjung Market Shophouses.

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