

Improving Financial Performance Through Financial Management, Financial Literacy And Financial Inclusion

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ABSTRACT

Keyword:
Economy;
Finance; MSMEs;
Performance

Micro, Small and Medium Enterprises (MSMEs) are an important part of the economy because they are able to help restore the people's economy from the smallest scale. This research is research that aims to reveal ways to improve financial performance in MSMEs through financial management, financial literacy and financial inclusion in MSMEs. Data collection techniques in this study used literature review, documentation, interviews, and questionnaires. The type of data used in this study uses quantitative data. The sampling technique in this study used a purposive sampling technique. In this study, financial management variables have a positive and significant effect on financial performance, financial literacy variables have a positive and significant effect on financial performance and financial inclusion variables have a positive and significant effect on financial performance. From the results of this study it can be concluded that the financial performance of MSMEs can be improved through improvements in financial management, financial literacy and financial inclusion in MSMEs.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are a source of income and also the country's economic strength because MSMEs contribute to the State's Gross Domestic Product and absorb a large number of workers thereby reducing unemployment. The performance of MSMEs in Indonesia itself still tends to be below MSMEs in several neighboring countries (Sanistasya, Rahardjo, & Iqbal, 2019). In the current conditions, MSMEs often experience unstable and undeveloped conditions, which are exacerbated by the co-19 pandemic. As a result, MSMEs are not ready for these changes, so that many MSME actors experience a decrease in their income, causing them to go out of business or go bankrupt. Given the important role of MSMEs in the economy, MSMEs must receive more attention so that they can rise and develop. The government itself has paid more attention through the National Economic Recovery (PEN) program by adopting several policies including interest subsidies on loans through People's Business Credit (KUR) distributed by banks, MSME credit reconstruction, and guaranteeing MSME working capital of up to 10 billion through PT. (Persero) Jamkrindo and Askrindo (djkn.kemenkeu.go.id).

Based on data from the Department of Trade, Industry and Cooperatives, Small and Medium Enterprises of the Buleleng Regency, some information regarding the development of MSME players in Kalibukbuk Village was obtained. The data presented is data on MSME actors who already have an IMUK permit from 2017 to 2021 which is presented in table 01.

Table 01. Data on Micro and Small Business Permits (IUMK) for Buleleng District

No	Year	Total
1	2017	217
2	2018	297
3	2019	153
4	2020	115
5	2021	69

Source: Dinas Perdagangan, Perindustrian dan Koperasi, Usaha Kecil dan Menengah Kab. Buleleng

Based on these data, it can be explained that there has been a decrease in the number of MSMEs in the Buleleng sub-district from 2017 to 2021. This indicates that MSMEs are experiencing a decline. Kalibukbuk Village itself is one of the villages in the Buleleng District. Judging from the conditions of the geographical area of Kalibukbuk Village, the mobility of the community and being a tourism area means that MSMEs should be able to develop well in Kalibukbuk Village. However, based on the results of interviews with several MSMEs in Kalibukbuk Village, namely Mrs. Wayan Samiadi, Mrs. Eka Sumarianingsih, Mrs. Lila Virayanti, and Mrs. Luh Resi, information was obtained that their business income had decreased, and the pandemic was the worst period until they had stopped business because of difficulties in terms of capital. This is also reflected in the many MSMEs in Kalibukbuk Village who have closed or are unable to continue their business. Other information is that MSME actors have not implemented complete financial records and that part of the business financial capital is used for family needs, especially during the pandemic. Based on the results of an interview with the Head of Kalibukbuk Village, Mr. Ketut Suka, S.Sos, it is true that there has been a decline in income in the MSME sector in Kalibukbuk Village. The decline in income for MSMEs is an illustration of the declining financial performance of MSMEs.

Financial performance is the determination of certain measurements that can be used as a measure of the success of a company or organization to generate profits or profits (Sucipto in Alamsyah, 2020). Financial performance is the most important thing for business people, especially MSMEs, because financial performance is an indicator to find out whether a business or business is going well in the future or not. Financial management, or simply management, encompasses the planning, organizing, directing, and controlling of financial activities, such as fund procurement and utilization within a business. According to Alamsyah (2019) states that if the quality of financial management increases, this financial performance will also increase. Widiyanti (2016) in Septiani & Wuryani (2020) in his research showed results that financial literacy can affect the financial performance of MSMEs. Enhancing financial inclusion supports economic growth by expanding access to financial services for the public, especially MSMEs, and maximizing the financial sector's contribution. Purnomo (2011) in Septiani & Wuryani (2020) shows that financial inclusion can affect the financial performance of MSMEs. To find out and analyze the problems that occur in MSMEs, a study was conducted entitled "Increasing Financial Performance through Financial Management, Financial Literacy, and Financial Inclusion Case Studies on MSMEs in Kalibukbuk Village".

METHODS

This study utilizes quantitative methods, employing quantitative data which is numerical or computable in nature. According to Sugiyono (2018) quantitative data is in the form of questionnaire data and MSME data. Qualitative data is data in the form of words, schemes, and pictures. Qualitative data in this study are data on the names and addresses of MSME business actors. This study draws data from both primary and secondary sources. Primary data sources refer to those that directly provide data to data collectors Sugiyono (2018). This study utilizes primary data gathered from questionnaire responses and secondary data obtained from interviews focusing on MSME challenges. Data collection techniques in this study used techniques of literature review, documentation, interviews and questionnaires.

The questionnaire in this study uses a Likert scale ranging from 1 to 5, where higher values indicate agreement and lower values indicate disagreement. The sample in this study amounted to 87 respondents with a purposive sampling technique. Of the 87 respondents, 55.2% were male. MSME actors are dominated by ages 41-45 with a percentage of 39.1%. The type of business that dominates is services by 55.2%, then trade by 40.2%, and industry by 4.6%.

As for the selection of research samples using several criteria, namely MSMEs that already have business licenses and are officially registered at the Office of Trade, Industry and Cooperatives, Small and Medium Enterprises of Buleleng Regency, MSMEs have been established for more than 3 years, MSMEs and are still actively operating. Research testing instrument using validity test and reliability test. The data analysis technique in this study is the data normality test, namely the non-parametric statistical test is said to be normal if the significance value is ≥ 0.05 . Multicollinearity Test, and Heteroscedasticity Test. Multiple linear analysis is used to examine the relationship between multiple independent variables and the dependent variable. The determination test assesses the model's ability to explain the variance in the dependent variable.

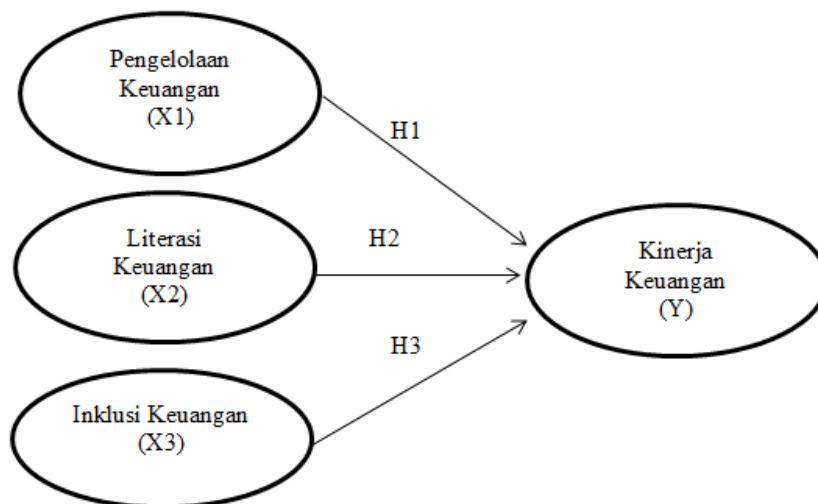


Figure 1. framework

Based on the framework in Figure 01, the hypothesis can be written as follows:

H1: Financial management exhibits a favorable impact on the financial performance of MSMEs located in Kalibukbuk village.

H2: Financial literacy positively impacts the financial performance of MSMEs in Kalibukbuk Village.

H3: Financial inclusion has a positive effect on the financial performance of MSMEs in Kalibukbuk Village.

RESULTS AND DISCUSSION

After distributing the questionnaires to 87 respondents, the following results were obtained:

Table 02. Validity Test Results

Variabel	Statement	r count	r Tabel	Information
Financial Management (X ₁)	X1.1	0,926	0,1775	Valid
	X1.2	0,893	0,1775	Valid
	X1.3	0,974	0,1775	Valid
	X1.4	0,904	0,1775	Valid
Financial Literacy (X ₂)	X2.1	0,861	0,1775	Valid
	X2.2	0,963	0,1775	Valid
	X2.3	0,879	0,1775	Valid
	X2.4	0,963	0,1775	Valid
Financial Inclusion (X ₃)	X3.1	0,889	0,1775	Valid
	X3.2	0,896	0,1775	Valid
	X3.3	0,823	0,1775	Valid
	X3.4	0,867	0,1775	Valid
Financial Performance (Y)	Y1	0,940	0,1775	Valid
	Y2	0,936	0,1775	Valid

	Y3	0,913	0,1775	Valid
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Source: Data by the author (2023)

After conducting the validity test, it is evident that each statement possesses an r count value higher than the r table value (r count $>$ r table). Therefore, all statements pertaining to the variables are considered valid.

Table 03. Reability Test Result

Variabel	Cronbach's Alpha	Standard Alpha	Keterangan
Financial Management (X_1)	0,943	0,70	Reliabel
Financial Literacy (X_2)	0,937	0,70	Reliabel
Financial Inclusion (X_3)	0,891	0,70	Reliabel
Financial Performance (Y)	0,919	0,70	Reliabel

Source: Data by the author (2023)

The reliability test results indicate that the financial management variable (X_1) demonstrates a Cronbach's Alpha value of 0.943, exceeding the threshold of 0.70. Thus, it can be concluded that the four questionnaire items related to financial management are reliable. Similarly, the financial literacy variable (X_2) exhibits a Cronbach's Alpha value of 0.937, surpassing the threshold, indicating the reliability of the four questionnaire items. Furthermore, the financial inclusion variable (X_3) showcases a Cronbach's Alpha value of 0.891, meeting the criterion for reliability. Hence, the four questionnaire items associated with financial inclusion are reliable. The financial performance variable (Y) can be seen that the Cronbach's Alpha value is 0.919 and the value is $>$ 0.70, so it can be stated that the three questions used in the questionnaire are reliable.

Classical Assumption Testing

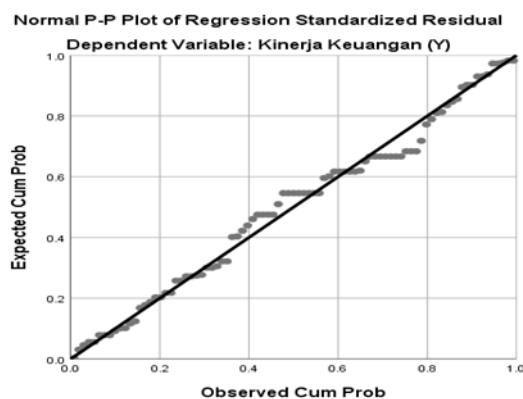


Figure 2. Normalitas Test Result

The data displayed in the diagram adheres to the assumption of normality for the regression model as it follows the diagonal line and is spread around it.

Table 04. Multicollinearity Test Results

Model	Collinearity Statistics		Keterangan
	Tolerance	VIF	
1 (Constan)			
Financial Management (X_1)	0,128	7,784	Bebas Multikolinearitas
Financial Literacy (X_2)	0,149	6,729	Bebas Multikolinearitas

Financial Inclusion (X ₃)	0,376	2,657	Bebas Multikolinearitas
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Source: Data by the author (2023)

The multicollinearity test results indicate that the tolerance values for the financial management variable (X₁), financial literacy variable (X₂), and financial inclusion variable (X₃) are 0.128, 0.149, and 0.376, respectively. These values, greater than 0.10, suggest no significant correlation between the independent variables. Additionally, the Variance Inflation Factor (VIF) values for the financial management variable (X₁), financial literacy variable (X₂), and financial inclusion variable (X₃) are 7.784, 6.729, and 2.657, respectively. As all VIF values are less than 10, it can be concluded that there is no multicollinearity among the independent variables within the regression model.

Table 05. Heteroskedastisitas Test Result

		Coefficients^a				
		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>		
	Model	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
1	(Constant)	1,749	0,520		3,365	0,001
	Financial Management (X ₁)	0,018	0,066	0,079	0,265	0,792
	Financial Literacy (X ₂)	-0,054	0,058	-0,259	-0,928	0,356
	Financial Inclusion (X ₃)	-0,007	0,049	-0,023	-0,133	0,894

a. Dependent Variable: Abs_Res

Source: Data by the author (2023)

The Heteroscedasticity test results indicate that none of the independent variables (financial management, financial literacy, and financial inclusion) in the regression model exhibit heteroscedasticity, as their significance probabilities are all above the 5% confidence level.

Multiple Linear Analysis

Table 06. Multiple Linier Analys Test Result

		Coefficients^a				
		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>		
	Model	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>	<i>T</i>	<i>Sig.</i>
1	(Constant)	1,071	0,860		1,245	0,216
	Financial Management (X ₁)	0,261	0,110	0,359	2,375	0,020
	Financial Literacy (X ₂)	0,252	0,096	0,369	2,631	0,010
	Financial Inclusion (X ₃)	0,176	0,082	0,190	2,151	0,034

a. Dependent Variable: Kinerja Keuangan (Y)

Source: Data by the author (2023)

The regression model shows that the financial management variable (X₁) has a coefficient of 0.261, financial literacy (X₂) has a coefficient of 0.252, and financial inclusion (X₃) has a coefficient of 0.176. This indicates that an increase of one unit in each variable corresponds to an increase in financial performance (Y) for MSMEs in Kalibukbuk village.

Table 07. Determinasi Test Result

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,870 ^a	0,757	0,748	1,384

Predictors: (Constant), Financial Inclusion (X₃), Financial Literacy (X₂), Financial Management (X₁)
Source: Data by the author (2023)

The table demonstrates that the adjusted R-square value is 0.748, indicating that the variations in the financial management, financial literacy, and financial inclusion variables explain approximately 74.8% of the variations in the financial performance of MSMEs in Kalibukbuk village. The remaining 25.2% is influenced by other external and internal factors not considered in this study.

Hypothesis test

Table 08. t Test Result (Parsial)

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients		
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>	<i>T</i>	<i>Sig.</i>
1 (Constant)	1,071	0,860		1,245	0,216
Financial Management (X ₁)	0,261	0,110	0,359	2,375	0,020
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Financial Inclusion (X ₃)	0,176	0,082	0,190	2,151	0,034

a. Dependent Variable: Financial Performance (Y)

Source: Data by the author (2023)

Based on the results of the T test in the table above, it can be explained as follows: The first hypothesis (H1) shows that the financial management variable (X1) has a significance value of 0.020 which is less than 0.05, meaning that the financial management variable (X1) has influence and a direct relationship with financial performance (Y). The results support the second hypothesis (H2) by demonstrating that financial literacy (X2) has a significant and positive relationship with financial performance (Y) since its significance value is less than 0.05. Similarly, the third hypothesis (H3) is supported as the financial inclusion variable (X3) also exhibits a significant and positive relationship with financial performance (Y) with a significance value below 0.05.

CONCLUSION

Currently, many MSMEs have begun to pay attention to the financial performance of their businesses in line with the reduction in the co-19 pandemic and the recovery of the economy. Understand how important the role of financial performance is in determining whether or not their business is growing, whether through funding from the bank, financial management and others. The purpose of this study was to investigate the impact of financial management, financial literacy, and financial inclusion on financial performance. The research findings indicate that all three factors have a positive and significant influence on financial performance. Specifically, financial management, financial literacy, and financial inclusion demonstrate positive and significant effects on financial performance based on the conducted research.

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