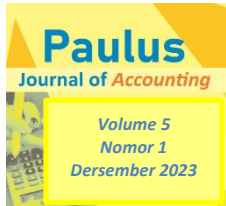


THE INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL MANAGEMENT ON THE PERFORMANCE OF SMEs IN MAKASSAR CITY

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e-ISSN 2715-7474

p-ISSN 2715-9892

Informasi Artikel

Tanggal masuk

12 Juni 2023

Tanggal revisi

30 Agustus 2023

Tanggal diterima

03 Desember 2023

Kata Kunci:

Financial Literacy¹

Financial Management²

MSMEs³

Abstract: This study aims to evaluate the effect of Financial Literacy and financial management on the performance of Micro, Small and Medium Enterprises (MSMEs) in Makassar City. The population of this study is all MSMEs in which are registered with the Cooperatives and Micro, Small and Medium Enterprises Office of Makassar City, with a total number of MSMEs that are still active in 2021 as many as 715 businesses. The sample selection was carried out using the Purposive Sampling technique, namely selecting samples based on consideration certain. Data collection in this study was carried out through questionnaires and documentation. The collected data were analyzed using descriptive quantitative analysis methods, instrument tests (validity and reliability), classical assumptions, and hypothesis testing which included simple regression, t test, and partial coefficient of determination (r^2). The results showed that financial literacy partially had an effect positive and significant impact on MSME financial management in Makassar City. This means that a good understanding of financial literacy can contribute to improving more effective financial management for MSMEs in Makassar City.



INTRODUCTION

The main goal of economic development is to improve people's living standards, and to achieve this goal, the government refers to regulations that have been formulated to develop industries which are the main source of income for the country. One sector of economic growth that has great potential to provide income is Micro, Small and Medium Enterprises (msmes), therefore, the government implemented strategies to empower and increase MSME growth (Guntur et al., 2019).

Makassar City, South Sulawesi Province, is a center of economic activity that is of interest to business actors to develop their business or businesses. Activities in various economic sectors encourage the increase of Micro, Small and Medium Enterprises (msmes). SME businesses, especially the culinary sector, are mushrooming and spreading everywhere. Many business actors from outside Makassar are interested in opening a culinary business in Makassar City. The Makassar City Office of Cooperatives and smes noted that in 2019 around . 16,492 MSME actors and in 2020 there will be around 172,643 MSME actors in Makassar City. The increasing existence of msmes requires efforts to develop and empower business actors to improve MSME performance, especially in financial management. The ability to understand basic financial concepts helps business actors to manage their business finances well. Financial management capabilities, for example those related to financial reporting are a problem for the government . Especially related agencies to find out the development of msmes in general in Makassar City.

There are still business actors who do not understand how to prepare financial reports, making it difficult to measure the development of MSME performance in Makassar City.

LITERATURE REVIEW

Financial Literacy

According to Annamaria Lusardi (2008) "Financial literacy is an understanding and knowledge of basic financial concepts, including money management, financial decision making, investment, insurance, and financial planning for the future." Annamaria Lusardi, an economist and professor at Dartmouth College, defines financial literacy as an understanding of financial aspects that are fundamental and important in everyday life. This includes knowledge of how to manage money, make smart financial decisions, and plan personal finances for the future (Halik et al., 2023).

Financial management

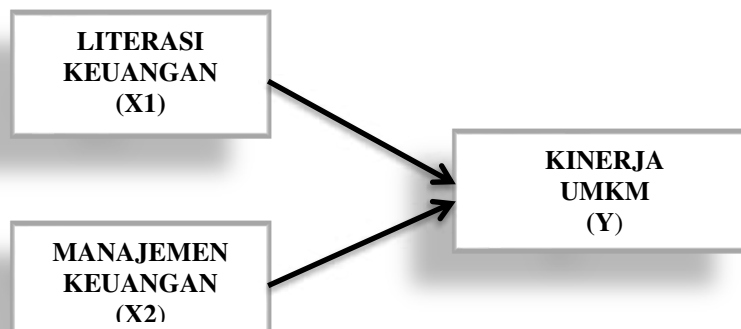
Brigham and Houston (2019) "Financial management is the process of making decisions about using a company's financial resources to achieve company goals efficiently and effectively." Brigham and Houston, authors of well-known textbooks on financial management, define financial management as a decision-making process that includes planning, organizing, controlling, and supervising the use of a company's financial resources. The goal is to achieve company goals in an efficient and effective way .

MSME performance

Based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) in Abduh (2017:11), the business world in Indonesia is divided into micro, small and medium enterprises and large enterprises. Micro businesses are definitively owned businesses while large businesses are businesses that are larger than medium businesses.

Arroyo and Bague (2019) "The performance of MSMEs is a measure of the results and achievements of micro, small and medium enterprises in achieving their business goals, such as sales growth, profitability, market share, and a positive impact on the local economy." Arroyo and Bague, in their research on SMEs, defines the performance of SMEs as a measure of the results and achievements of micro, small and medium businesses in achieving their business goals. It covers various indicators, such as sales growth, profitability, market share, and the positive impact that MSMEs have on the local economy in which they operate.

Conceptual framework



hypothesis

Hypothesis 1:

It is suspected that financial literacy has a significant positive effect on the performance of MSMEs

Hypothesis 2:

Allegedly Financial Management has a significant positive effect on the performance of SMEs

RESEARCH METHODS

The analysis was carried out using a quantitative approach with the aim of identifying the effect of financial literacy and financial management on the performance of MSMEs in the culinary sector in the city of Makassar. A total of 100 culinary UMKM business actors were determined as research samples. Data collection was carried out through questionnaires, and data analysis was carried out using multiple linear regression methods with a significance level of 0.05 .

RESULTS

The validity test aims to ensure that the research instrument truly reflects the intended concept and measures the variables relevant accurately . the following table describes the results of the validity test of the variables of financial literacy, financial management and msme performance.

Validation Test

NO	Statement	r count	r table	Ket
1	X1.1	0.466	0.195	Valid
2	X1.2	0.658	0.195	Valid
3	X1.3	0.507	0.195	Valid
4	X1.4	0.484	0.195	Valid
5	X1.5	0.516	0.195	Valid
6	X1.6	0.531	0.195	Valid
7	X1.7	0.643	0.195	Valid
8	X1.8	0.451	0.195	Valid
9	X1.9	0.531	0.195	Valid
10	X1.10	0.429	0.195	Valid
11	X1.11	0.436	0.195	Valid
1	X2.1	0.703	0.195	Valid
2	X2.2	0.435	0.195	Valid
3	X2.3	0.683	0.195	Valid
4	X2.4	0.685	0.195	Valid
5	X2.5.	0.445	0.195	Valid
1	Y. 1	0879	0.195	Valid
2	Y.2	0893	0.195	Valid
3	Y.3	0.851	0.195	Valid

4	Y.4	0898	0.195	Valid
5	Y.5	0.883	0.195	Valid
6	Y.6	0.756	0.195	Valid
7	Y.7	0.877	0.195	Valid

Source: Statistical data processing

The reliability test was carried out to measure whether or not the questionnaire used in a study was consistent. An instrument is said to be reliable (solid) if it has a Cronbach Alpha of more than 0.70 (Imam Ghozali, 2016:48). The results of the reliability test of this study can be seen in the following table:

Reliability Test		
Variable	Cronbach Alpha	N of Items
Financial literacy	0.740	11
Financial management	0.745	5
MSME performance	0.869	7

The results of the reliability test showed that all variables, financial literacy, financial management, and MSME performance, had a cronbach alpha above 0.7, thus it was concluded that all of the research instrument variables were reliable.

Classic assumption test

a) Normality test

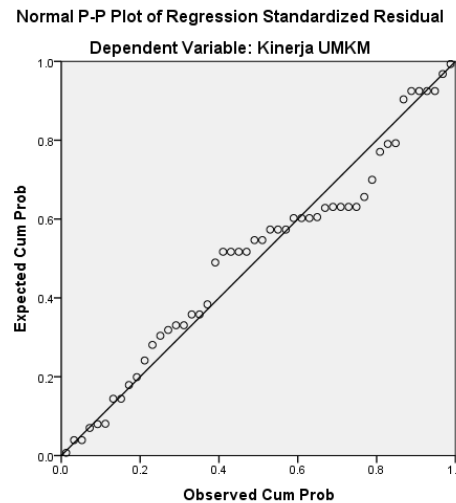
Normality test is used to check whether the observed data is normally distributed. The normal distribution is an important assumption in many methods statistics, including regression analysis, hypothesis testing, and confidence intervals. If the data follows a normal distribution, then some statistical methods will give results which is more accurate. The normality test in this study used the Kolmogorov-Smirnov Test method to test normality by comparing the data distribution with the normal distribution.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		100
Normal Parameters ^{a,b}	Means	.0000000
	std. Deviation	.83083558
Most Extreme Differences	absolute	.127
	Positive	.127
	Negative	-.117
Test Statistics		.127
asympt. Sig. (2-tailed)		.064 ^c
a. Test distribution is Normal.		

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on the Kolmogorov smirnov table, the Asymp . Sig. (2-tailed) is $0.064 > 0.05$, meaning that the residual data is normally distributed. These results can be explained by the results of the Normal Probability Plot graphical analysis.



The PP Plot chart shows that the data is spread out and follows the diagonal line, so it can be concluded that the data is normally distributed .

b) Multicollinearity Test

One common way to detect multicollinearity is to use the Variance Inflation Factor (VIF): VIF measures how much the variance of the regression coefficient increases due to multicollinearity. If the VIF is greater than 5 or 10, then there is an indication of significant multicollinearity. The following are the results of the multicollinearity test:

Model	Collinearity Statistics	
	tolerance	VIF
1 (Constant)		
Financial Literacy	.321	3.114
Financial Management	.321	3.114

a. Dependent Variable MSME Performance

multicollinearity test result table shows that the tolerance value of the financial literacy and financial management variables is $0.321 > 0.10$, while the VIF value on variable Financial literacy and financial management of $3.114 < 10$, therefore concluded that No happening symptom Multicollinearity in the regression model.

c) Autocorrelation Test

Commonly used methods to test autocorrelation are:

Durbin-Watson test: This test provides a statistic to test whether there is a positive or negative autocorrelation in the regression error. Durbin Watson values can be seen in the model summary table

Summary Model ^b

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.962 ^a	.925	.921	.848	1.813

a. Predictors: (Constant), Financial Management, Financial Literacy

b. Dependent Variable: UMKM Performance

Test Durbin-Watson that is with compare mark Durbin-Watson (DW) from results regression with mark Durbin-Watson Table. Procedure the test as following:

It can be seen that the Durbin-Watson value is 1.813 (n=100)

dl = 1.6337 dU = 1.7152

The DW value lies at area $dU < DW < 4-dU$ ($1,715 < 1.813 < 2,285$) Thus it can be concluded that no autocorrelation occurs regression models.

d) Heteroscedasticity Test

A good regression model is a model that does not have heteroscedasticity (Ghozali, 2013). To determine heteroscedasticity in this study using the Glejser test. The basis for decision making in this test is if the significance value is ≥ 0.05 , it can be concluded that there is no heteroscedasticity problem, but vice versa if the significance value is < 0.05 , it can be concluded that there is a heteroscedasticity problem. The results of the heteroscedasticity test were obtained as follows:

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	.504	2,844		.177	.860
	Financial literacy	.074	.074	.143	.996	.324
	Financial management	-.059	.107	-.079	-.549	.585

a. Dependent Variable: ABS_RES

The statistical test results show that the significance value of the financial literacy variable is 0.324 more than 0.05, so is the Financial Management Variable 0.585 more than 0.05. The Glejser test results show that there is no heteroscedasticity between the independent variables in the regression model.

The results above can be explained with a scatterplot graph, where the points formed must spread randomly, spread both above and below the number 0 on the Y axis. If these conditions are met, heteroscedasticity does not occur and the regression model is feasible to use. The results of the heteroscedasticity test using the scatterplot graph are shown in Figure 4.2 below:

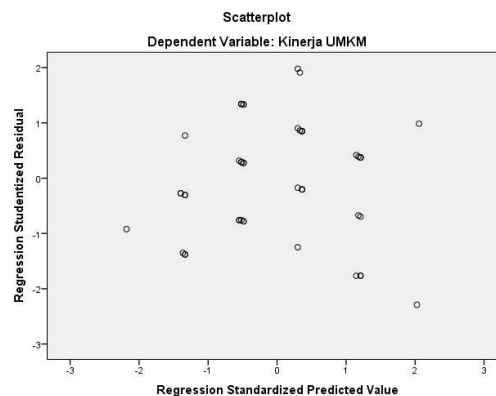


Figure 4.2 Scatterplot Graph

Linear Regression Test Results

a) T test

Results test t can be seen in the table contained in the sig column (*significance*). Basic decision making in determine whether or not there is an influence between the independent variables

and variable bound are as follows;

- If the significance value $< \alpha = 0.05$, it can be said that there is influence between the independent variables on the variables bound in a manner Partial.
- If the significance value is $> \alpha = 0.05$, then it can be said that No there is influence between variable free to variable bound.

The results of the T test processed in SPSS are as follows:

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	std. Error	Betas	t
1	(Constant)	.337	.852		.395
	Financial Literacy	.471	.085	.393	5,560
	Financial management	.592	.068	.611	8,646

a. Dependent Variable: UMKM Performance

The coefficient table above shows that:

- The significance value of the financial literacy variable is $0.000 < 0.05$, which means that financial literacy is proven to have an influence on the performance of MSMEs. The value of the beta coefficient is 0.393 meaning that if financial literacy increases by one unit, then the performance of MSMEs will increase by 0.393 assuming other independent variables have a fixed value.
- The significance value of the financial management variable is $0.000 < 0.05$. This proves that financial management has a significant positive influence on the performance of MSMEs. The value of the beta coefficient is 0.611, meaning that if financial management increases by one unit, then the performance of MSMEs will increase by 0.611 assuming the other independent variables are of a fixed value.

b) Determination Coefficient Test

The coefficient of determination (R^2) is used to measure how much big ability variable independent explain variable dependent. The results of the determination coefficient test can be seen in the following model summary table

Summary Model ^b				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.962 ^a	.925	.921	.848

a. Predictors: (Constant), Financial Management, Financial Literacy

b. Dependent Variable: UMKM Performance

Based on the Summary model table above, it can be seen that the R square value is 0.925 or 92%. Which means that the MSME performance variable is affected by variable independent that is Financial literacy and Financial management by 92%. While the remaining 8% is influenced by other variables that are not included in this study.

DISCUSSION

Effect of Financial Literacy on MSME performance

The results of linear statistical tests prove that financial literacy has a significant positive effect on the performance of MSMEs in the city of Makassar. Thus the first hypothesis which states that financial literacy has a significant positive effect on the performance of MSMEs in the city of Makassar has been proven and accepted. Financial literacy includes an understanding of basic financial concepts, including money management, investing, financial planning, debt management, and an understanding of financial risk. Good financial literacy is the key to making wise financial decisions and affecting the performance of Micro, Small and Medium Enterprises (MSMEs). Financial literacy allows MSME owners to understand financial reports such as balance sheets, income statements and cash flow. By understanding financial reports, business owners can track their business' financial performance, identify trends, and make more informed business decisions

The Influence of Financial Management on MSME Performance

The statistical test results prove that financial management has a significant positive effect on the performance of MSMEs in the city of Makassar. The statistical test results show that the significance of financial management on MSME performance $0.00 < 0.05$. These results prove the second hypothesis which states that there is allegedly a significant positive relationship between financial management and MSME performance in the city of Makassar. Financial management is a factor that needs to be considered because it can determine the success or failure of a business performance. Financial management that is not careful or not good can cause business actors to be unable to take preventive and preventive actions against irregularities that may occur in their business activities (Hertadiani & Lestari, 2021). A related study conducted by Romain & Mardani (2021) found a positive and significant effect on financial management on MSME performance. In contrast to the observations made by Ardiyani et al, (2021) financial management does not significantly affect SME performance. According to Khadijah and Purba (2020) financial management includes several indicators including financial planning, recording, reporting, control.

The results of this study prove that financial literacy affects the performance of MSMEs in the city of Makassar. Likewise, financial management has a strong influence on the performance of MSMEs in the city of Makassar. The combination of good financial literacy and effective financial management will help MSMEs improve their business performance. MSME owners who have a solid understanding of the financial aspects of their business can make smarter decisions, manage risks better, and achieve sustainable growth. Thus, investing in financial literacy and Financial management can have a positive impact on success and MSME business continuity.

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