

## The Influence of Financial Literacy, Financial Inclusion and Fintech Payment Development on The Performance Of MSMEs in Pare District

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### Abstract

**Research Aim :** The growth of MSMEs is very rapid every year, where the rapid growth of MSMEs, business owners need to increase their knowledge in finance, utilize financial institutions as a tool for business development and also need to keep up with growing technological growth. So this study aims to find out about the effect of financial literacy, financial inclusion and the development of fintech payments on the performance of MSMEs in Pare.

**Research Method :** This study uses an associative quantitative approach with a sample of 90 MSMEs engaged in the food and beverage sector and using fintech payments in Pare District. Samples will be collected by distributing questionnaires to informants with various terminals that have been tested for validity and reliability. Then to test it using multiple linear regression test with the SPSS application. And the acquisition of research results showing that financial literacy, financial inclusion and the development of fintech payments have a positive influence on the performance of MSMEs.

**Research Finding :** The results of this study state that the performance of MSMEs is influenced by financial literacy, financial inclusion and the development of fintech payments.

**Keywords :** Financial Literacy, Financial Inclusion, Fintech Payment, Performance of MSMEs

## 1. Introduction

Micro, Small and Medium Enterprises (MSMEs) currently have quite significant developments and influences on the Indonesian economy. Based on information from the Ministry of Cooperatives and SMEs, it is stated that the total number of MSMEs now reaches 64.19 million with a contribution to GDP of 61.97% [1]. This shows that MSMEs in Indonesia are growing rapidly and are currently also supported by technological developments that help increase promotion and sales through platform digital. This development has accelerated during the pandemic for the last 3 years, where there was a policy social distancing which requires people to reduce their mobility, including in terms of buying and selling and also in terms of suggested payments cashless. With this, MSMEs are required to take advantage of this technological development by providing their products through food and goods delivery

services and providing online payments cashless. There is innovation fintech can help business actors to make it easier to gain access to financial products and increase financial literacy. Business people can use fintech as business financing in order to develop the business, increase sales and bring in consumers [2]. Thus the performance of an MSME will also experience development if it can take advantage of the above in managing the business. Performance is the ability of a business to meet targets, and in performance measurement it can be seen from the level of success or results that have been achieved from a business. Performance can be measured through several indicators, namely profit growth, number of customers, number of sales and total assets [3].

Even though MSMEs have experienced great development in innovation that can affect business performance, these MSMEs are still difficult to develop their business. The remaining problems faced by MSMEs are, for example, problems with the quality of human resources, ownership, funding, marketing, and others, so that MSMEs are still difficult to compete against large industries. MSMEs are short-term businesses where business decision making can be seen from the work of MSMEs. In order to provide increased work results from MSMEs for the long term, strategic efforts are needed such as increasing the knowledge of MSME owners in financial management so that later MSME owners can manage, organize their finances to improve their business performance [4]. Several factors influence the performance of MSMEs, for example, financial literacy, financial inclusion and development fintech payment.

Financial literacy itself can be referred to as an activity or activity that provides increased insight, financial management skills and confidence that business actors need to have in order to improve their business. Therefore, business actors must equip themselves with financial literacy or an understanding of finance, whether managing finances independently or through banks, making investments and so on. In this way, business actors can become intelligent and knowledgeable people so that later they can run their business well and develop their business. Financial literacy can be measured through several indicators, namely general financial knowledge, savings and loans, insurance and investing [5]. With this financial literacy, it can make MSME performance better as well as managing their finances and growing the profit level of MSMEs, therefore financial literacy is an important key for business owners. So it can be said that the existence of financial literacy for business owners has an impact on improving financial performance. As according to [6] financial literacy has a positive effect on the work results of MSMEs. What can be concluded is that good financial literacy for business owners can improve the results of their business work.

The next factor is financial inclusion, financial inclusion is an activity that is useful for reducing various barriers that affect the use and utilization of financial services by an institution. Where this financial inclusion can make it easier for business actors to find information and get informative financial services, without requiring to pay a lot of money. This financial inclusion can be used by business actors to get assistance in developing their business. Financial inclusion can be measured through several indicators, namely availability of access, use of financial service products, quality, and welfare [3]. This financial inclusion can affect the work results of MSMEs, where business owners use banking products and services as things that are used to develop their business. In the research conducted [3] said that financial inclusion has an influence on the development of MSME work results, where this is supported by findings on one indicator which has an average of 3.11 which is in the sufficient category.

The third factor is development fintech payment. The development of technology at this time is very fast where it occurs because technology is also developing every day and has penetrated into various fields, one of which is the financial sector [2]. Financial technology itself is an existing technology and supports a variety of financial services. Development fintech currently provides various application innovations in financial services such as payment instruments, loan tools, and others which are currently in the digital age. As already explained where fintech has various innovations in financial services which can also be interpreted as industries or entities that combine technology services with financial services as a result of being able to provide financial services that are more comfortable and also easy to use. Fintech itself is divided into four main sections namely the financing section, the asset management section, the payment section (payments) as well as functions fintech another. E-wallet also included in the classification of digital payment transactions, so that this digital wallet can make it easier for residents to make payments made in non-cash using application systems such as OVO, Dana, Gopay, and QRIS [7].

Fintech payment can be measured through several indicators, namely relative usefulness, ease of use, service credibility and social influence [8]. With development fintech payment this will affect the performance of an MSME in sales growth and the number of customers, because customers will be facilitated in making transactions and customers are given other payment options besides cash payments. Based on research conducted by [9] revealed that namely digital payment has an effect on business income and has many positive impacts on business owners and the businesses they run.

MSMEs must experience changes and improvements every year accompanied by the development of thoughts from business owners and the technology provided at this time. So that MSMEs can improve their business performance in order to make their business experience an increase both in terms of financial or increase in customers. Thus the aim of this research is to identify to what extent the performance of MSMEs is influenced by financial literacy, financial inclusion and development fintech payment. The scope of this research is to examine MSMEs in Pare District with businesses engaged in the business sector food and beverages and use fintech payment.

### **1.1 Statement of Problem**

Based on the introduction above, the formulation of this research problem includes:

1. Does financial literacy affect the performance of MSMEs?
2. Does financial inclusion affect the performance of MSMEs?
3. Is development fintech payment effect on the performance of SMEs?

### **1.2 Research Objectives**

The objectives of this research are as follows:

1. To test and analyze the effect of financial literacy on MSME performance.
2. To test and analyze the effect of financial inclusion on MSME performance.
3. To test and analyze the effect fintech payment on the performance of SMEs.

## **2. Method**

The research method used is an associative quantitative approach, in which this approach searches for relationships between two or more variables. This research examines the relationship of each variable and data will be presented in a structured and credible manner.

There are four variables that will be used for testing, in the independent (independent) variables there are three variables, namely, financial literacy with parameters of general financial knowledge, savings and loans, insurance and investments [5]. Financial inclusion with indicators of availability of access, use of financial service products, quality and welfare [3]. Development fintech payment with indicators of relative usefulness, ease of use, service credibility and social influence [8]. Whereas in the dependent variable there is the performance of MSMEs with indicators of profit growth, number of customers, number of sales and total assets [3].

This research will use primary data types, which means primary data are answers received by respondents through distributing questionnaires. In order to measure the primary data, the researcher uses a scale likert 1-5. With point 1 Strongly Disagree, point 2 Disagree, point 3 Neutral, point 4 Agree, point 5 Strongly Agree. The questions in this questionnaire will be arranged according to the indicators for each variable. To distribute the research questionnaire then used platform prepared by google that is google forms where this method is used to collect sample data that will be used in this research. The distribution of the questionnaire will be carried out during December 2022.

The population of this study is SMEs located in Pare District with a total of 1,257 SMEs food and beverages [10]. The population data will be calculated using the formula slovin and produce a sample of 252. Due to this study to obtain a sample using purposive sampling so that the sample obtained was 90 SMEs. Purposive sampling itself is a technique for determining samples that have certain criteria that have been set by researchers to be used as research objects, as in this research the sample determined is MSMEs operating in the agricultural sector food and beverages and using fintech payment [11].

Each question in this questionnaire will be tested for validity and reliability. Where the validity test is used in measuring each question item so that it can be seen whether it is valid or not while the reliability test is an analytical tool used to ensure that respondents are consistent with the answers to each question item in the questionnaire. The analysis technique uses multiple linear regression analysis, where this technique functions to see the effect on three variables, namely financial literacy ( $X_1$ ), financial inclusion ( $X_2$ ) and development fintech payment ( $X_3$ ) to the performance of MSMEs in Pare District ( $Y$ ). Because this research uses multiple linear analysis, it means that classical assumption testing is needed. There are three types of classical assumption tests that will be used in this research, namely the normality test, multicollinearity test and heteroscedasticity test. These three types of tests are used because the research was carried out at one time in December 2022.

### 3. Results and Discussion

The results of the distribution of questionnaires that have been carried out to MSMEs in Pare District have obtained data for 90 respondents.

In order to test the validity of the statements in the questionnaire, a data validity test was carried out. Test this data using the approach Pearson Correlation where this approach states if the correlation results of each statement ( $r$  count) are more than the  $r$  table scores, so that it can be said that the statements from this questionnaire are valid and vice versa.

**Table 1. Validity Test Results**

<b>No</b>	<b>Variable</b>	<b>Statement</b>	<b>R Count</b>	<b>R Table</b>	<b>Explanation</b>
1	Financial Literacy (X1)	X1.1	0,643	0,271	Valid
		X1.2	0,709	0,271	Valid
		X1.3	0,604	0,271	Valid
		X1.4	0,561	0,271	Valid
		X1.5	0,464	0,271	Valid
		X1.6	0,678	0,271	Valid
		X1.7	0,627	0,271	Valid
		X1.8	0,527	0,271	Valid
		X1.9	0,4	0,271	Valid
2	Financial Inclusion (X2)	X2.1	0,81	0,271	Valid
		X2.2	0,801	0,271	Valid
		X2.3	0,755	0,271	Valid
		X2.4	0,876	0,271	Valid
		X2.5	0,812	0,271	Valid
		X2.6	0,833	0,271	Valid
		X2.7	0,827	0,271	Valid
		X2.8	0,865	0,271	Valid
3	Fintech Payment (X3)	X3.1	0,839	0,271	Valid
		X3.2	0,881	0,271	Valid
		X3.3	0,858	0,271	Valid
		X3.4	0,896	0,271	Valid
		X3.5	0,927	0,271	Valid
		X3.6	0,924	0,271	Valid
		X3.7	0,793	0,271	Valid

	X3.8	0,761	0,271	Valid	
	Y.1	0,747	0,271	Valid	
	Y.2	0,776	0,271	Valid	
	Y.3	0,725	0,271	Valid	
4	MSME performance (Y)	Y.4	0,777	0,271	Valid
		Y.5	0,817	0,271	Valid
		Y.6	0,782	0,271	Valid
		Y.7	0,901	0,271	Valid
		Y.8	0,827	0,271	Valid

Source: Data Processing 2022

Judging from Table 1 so that related conclusions can be determined, namely the research instrument consisting of variable statements of financial literacy (X1), financial inclusion (X2), fintech payment (X3) and the performance of MSMEs (Y) has a score of r count greater than r table as a result several statements from each parameter have fulfilled the data validity requirements. This reliability test is measured using the cronbach alpha.

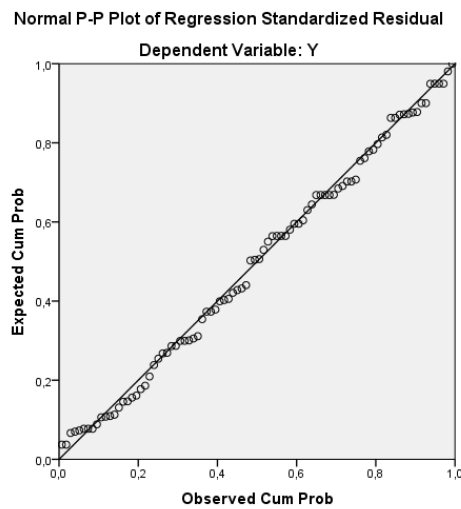
**Table 2. Reliability Test Results**

Variable	Cronbach Alpha	Explanation
Financial Literacy (X1)	0,902	Reliable
Financial Inclusion (X2)	0,926	Reliable
Development Fintech Payment (X3)	0,947	Reliable
MSME performance (Y)	0,913	Reliable

Source: Data Processing 2022

Based on the table above, it can be identified that is the score cronbach alpha of the financial literacy variable (X1) of 0,902. Score cronbach alpha of the financial inclusion variable (X2) of 0,926. Score cronbach alpha of variables fintech payment (X3) of 0,947. And score cronbach alpha of the MSME performance variable (Y) of 0,913. All variables have a Cronbach's alpha value higher than 0.06 so it can be concluded that the data used is reliable.

The normality test can then be used to determine whether the data in the independent variable and dependent variable regression models have a normal distribution or not. Test Kolmogorov Smirnov and normal probability plot graphs are used to determine whether the data in this study follows a normal distribution or not.



Source: Data Processing 2022

**Figure 1. Results of the Probability Plot Test Graph**

Referring to Figure 1, it can be seen that the normal probability plot graph displays graphic data or dots that are scattered along the diagonal line and follow the direction of the diagonal line. This means that the two variables in the independent and dependent regression models are normally distributed.

**Table 3. Kolmogorov Smirnov Test Results**

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		90
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	2,39932830
Most Extreme Differences	Absolute	,047
	Positive	,047
	Negative	-,041
Test Statistic		,047
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>

Source: Data Processing 2022

Table 3. The Kolmogorov Smirnov significance value is 0.200. Because the significance level is greater than 0.05, it is determined that the regression model data follows a normal distribution.

Multicollinearity test is needed to find out whether the independent (independent) variables are correlated or not in the regression model. You can achieve this by comparing the Variance Inflation Factor (VIF) value with the tolerance value. Multicollinearity in the regression model does not exist if the tolerance value is more than 0.10 and the variance inflation factor (VIF) is less than 10, and vice versa [5].

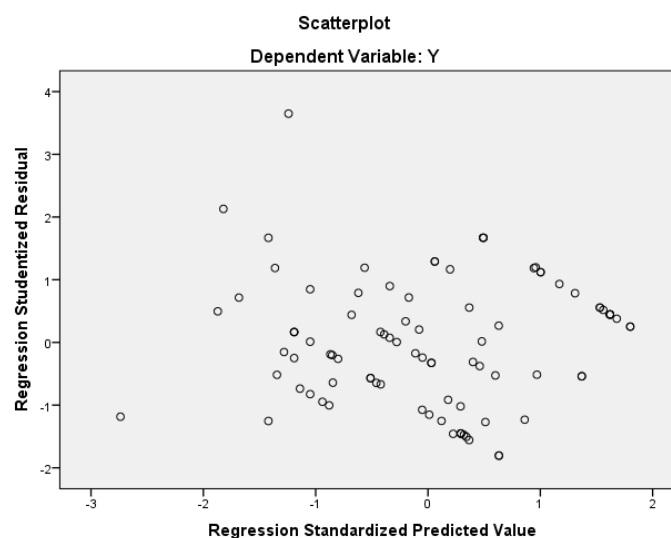
**Table 4. Multicollinearity Test Results**

Variable	Tolerance	VIF
Financial Literacy (X1)	0,623	1,606
Financial Inclusion (X2)	0,529	1,891
Development Fintech Payment (X3)	0,474	2,111

Source: Data Processing 2022

The multicollinearity test results between X1 (financial literacy), X2 (financial inclusion), and X3 (payment fintech development) show a tolerance value greater than 0,10 (Table 4). While all VIF variables are below 10. Therefore, this regression model does not have multicollinearity.

Regression models with homoscedasticity and no signs of heteroscedasticity were considered highly desirable. Tests for heteroscedasticity can provide this information. In the distribution, the presence or absence of heteroscedasticity can be easily seen. If the data points on the scatterplot are randomly distributed without forming any pattern, then it can be concluded that the scenario involves heteroscedasticity.



Source: Data Processing 2022

**Figure 2. Heteroscedasticity Test Results**



Based on Figure 2, it shows that the points have spread randomly. So it can be concluded that in this regression model there is no case of heteroscedasticity. So it is feasible to be used to predict the performance of MSMEs based on input from the independent variables of financial literacy, financial inclusion and development fintech payment.

Furthermore, in order to see the effect of the independent variables on the dependent variable, multiple linear regression analysis is used. The method used is to find the results of the partial test (t test) and simultaneous test (f test). In the partial test (t test) it can be said that  $H_0$  is accepted if the calculated t value is greater than the t table value and the significant value of the t test is less than 0.05 (R. E. Putri et al., 2022). Whereas in the simultaneous test (f test) it is stated that  $H_0$  is accepted if the calculated f value is greater than the f table value and the significant value of the f test is less than 0.05 [7].

**Table 5. Partial Test Results (T Test)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,368	3,623		,101	,919
X1	,079	,105	,069	,745	,459
X2	,442	,121	,367	3,660	,000
X3	,446	,121	,390	3,683	,000

a. Dependent Variable: MSME performance  
Source: Data Processing 2022

From the results obtained in Table 5, the relationship between the independent variables and the dependent variable will be explained as follows:

1. Financial Literacy (X1)

In Table 5 the results of the partial test (t test) of the financial literacy variable shows a coefficient value of 0,069. In this test, the t-count value of 0,745 is obtained, so it is smaller than the t-table value of 1,65251. While the significant value of the t test obtained was 0,459 so it was more than 0,05. So that the financial literacy variable has an influence on the performance of MSMEs but not significant.

2. Financial Inclusion (X2)

In Table 5 the results of the partial test (t test) of the financial inclusion variable shows a coefficient value of 0,367. In this test, the t-count value was 3,660, so it was greater than the t-table value of 1,65251. While the significant value of the t test obtained is 0,000 so it is less than 0,05. So that the financial inclusion variable has an influence on the performance of MSMEs.

3. Development Fintech Payment (X3)

In Table 5 the results of the partial test (t test) of the development variable fintech payment shows a coefficient value of 0,390. In this test, the t-count value was 3,683, so it was greater than the t-table value of 1,65251. While the significant value of the t test obtained is 0,000 so it is less than 0,05. So the development variable fintech payment has an influence on the performance of MSMEs.

**Table 6. Simultaneous Test Results**

ANOVA<sup>a</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	606,136	3	202,405	33,914	,000 <sup>b</sup>
	Residual	512,353	86	5,958		
	Total	1118,489	89			

- a. Dependent Variable: MSME performance  
 b. Predictors: (Constant), Development Fintech payment, Financial Literacy, Financial Inclusion

Source: Data Processing 2022

Based on the value obtained from the simultaneous test (f test) above, it can be seen that the calculated f value obtained is 33,914. The significant value is only 0,000. The results of the f test state the value of Sig. 0,000 <0,05 and f count 33,91 > f table 2,90, so the hypothesis is accepted. So it can be concluded that the variables in this study simultaneously affect the performance of MSMEs.

The last statistical test is to find the value of the coefficient of determination (R<sup>2</sup>). In general, the value of R<sup>2</sup> is zero and one, if the value of R<sup>2</sup> is close to one, the better the ability of the independent variables (financial literacy, financial inclusion and development fintech payment) in explaining the dependent variable (MSME performance), and vice versa if the value of R<sup>2</sup> is equal to 0 then the independent variables (financial literacy, financial inclusion and development fintech payment) cannot explain the dependent variable (MSME performance).

**Table 7. Test Results for Determination Test (R<sup>2</sup>)**

Model Summary<sup>a</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,736 <sup>a</sup>	,542	,526	2,44082

- a. Predictors: (Constant), Dvelopment Fintech Payment, Financial Literacy, Financial Inclusion  
 b. Dependent Variable: MSME performance

Source: Data Processing 2022

The results of the coefficient of determination test (R<sup>2</sup>) in Table 7 above obtained an R square value of 0,542. This value states that the MSME performance variable can be adequately explained by the variables of financial literacy, financial inclusion and development fintech payment by 54.2%.

The first hypothesis: financial literacy affects the performance of MSMEs. Where in this study it can be proven that there is an influence between financial literacy on the performance of MSMEs. This happens because financial literacy is an important thing that needs to be in a business owner, so that business owners are able to manage their business finances properly so that later it will affect business development and business quality.

The second hypothesis: financial inclusion has a positive and significant effect on the performance of MSMEs. Where in this study it can be proven that there is a positive influence between financial inclusion on the performance of MSMEs. This happens because financial inclusion is something that business owners need to know to help businesses meet their financial needs and also manage business finances well for current and future business needs.

The third hypothesis: development fintech payment has a positive and significant effect on the performance of MSMEs. Where fintech payment considered necessary because it is an alternative payment medium and provides payment options that are practical, efficient, convenient, and economical. Fintech payment need to be in business because to provide convenience for customers and be able to increase the number of customers or retain them.

So in this study the last hypothesis states that financial literacy has an influence on MSME performance and financial inclusion and development fintech payment has a positive influence on the performance of MSMEs. Financial literacy helps in recording finances and managing business finances. Financial inclusion utilizes financial services to manage or store business finances. While development fintech payment help the performance of MSMEs to become more sophisticated, practical and efficient.

#### **4. Conclusion**

For this research, the researcher has conducted analysis and discussion tests, so that conclusions can be drawn about the influence of financial literacy, financial inclusion and development fintech payment on the performance of MSMEs. Where the performance of MSMEs is positively influenced by the financial literacy variable and is positively and significantly influenced by the financial inclusion variable where financial literacy and financial inclusion for business owners will have an impact on the better performance of MSMEs. While development variables fintech payment This has a positive and significant influence on the performance of MSMEs. Where are the businesses that keep up with developments fintech payment will apply it and make the performance of its business grow and have a practical and efficient payment system.

In research conducted by researchers, of course there are still limitations, such as the use of techniques purposive sampling for sample determination then only includes criteria that can be sampled for this study. In addition, in this study to distribute questionnaires to informants was used platform google that is google form so that there are obstacles, for example low response from respondents.

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