

The Influence of Financial Inclusion, Financial Literacy and Financial Behavior on Company Performance in MSMEs in Makassar City

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Abstract

This study aims to analyze the effect of financial inclusion, financial literacy, and financial behavior on company performance in the MSME study in Makassar. Company performance is an achievement (result) obtained through human resources with the division of activities in the form of tasks, roles and responsibilities to achieve company goals. Seeing the potential of micro, small and medium enterprises which are very promising but neglecting financial management is the phenomenon behind this research. This study uses an associative approach. The population and samples are 30 micro, small and medium enterprises in Makassar City. The research data is primary data from respondents which are then analyzed using multiple linear regression techniques. The results of the study using multiple linear regression show that financial inclusion has no significant and positive effect on company performance. Financial literacy has a significant and positive effect on company performance. Financial behavior has no significant effect on company performance.

Keywords: *Financial Inclusion, Financial Literacy, Financial Behavior, and Company Performance (MSME Businesses)*

INTRODUCTION

After China, India and the United States, Indonesia is the country with the most population (Wikipedia, 2023). Indonesia suffers from a number of problems, including unemployment and poverty, due to its large population. Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in the structure of the Indonesian economy because they make a large contribution to Gross Domestic Product (61.1%), employment (97.1%), and exports (14.4%) (BI, 2023). Bank Indonesia as the Central Bank seeks to make the best contribution to continue to increase the role of MSMEs in the economy.

In order to measure the financial literacy and inclusion index of the Indonesian people, the Financial Services Authority (OJK) again conducted the 2022 National Financial Literacy and Inclusion Survey (SNLIK). The 2022 SNLIK results showed the Indonesian people's financial literacy index was 49.68 percent, an increase compared to 2019 which is only 38.03 percent. While the financial inclusion index this year reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, which was 76.19 percent (OJK, 2022).

Understanding and knowledge of financial inclusion and literacy is very important for MSME actors. This is because financial inclusion and literacy affect financial management which will have an impact on the performance and sustainability of MSMEs (M. Kusuma, D. Narulitasari, 2021).

In South Sulawesi Province, Makassar City is one of the cities which is the center of the regional economy. Makassar City is home to various companies, including micro, small, medium and large enterprises. Makassar City is the top ranked district/city out of 24

districts/cities in South Sulawesi with a contribution of 35.29% to the province's Gross Regional Domestic Product (GDP) South Sulawesi Provincial Statistics Center, 2020). The Makassar City Central Bureau of Statistics reported that there were 70 medium-sized business units operating in the city until 2019. Although these companies have contributed to economic progress, it is undeniable that they still face a number of challenges that limit their business. The phenomenon in Makassar City reveals that relatively limited access to financial information in financial institutions is still the main obstacle for micro, medium and medium enterprises. This is because it may be difficult for micro, small and medium enterprises to meet all loan requirements. Another obstacle to the growth of micro, small and medium enterprises is the lack of skills and knowledge of human resources, as well as simple financial management and reporting that do not follow accounting knowledge.

Based on the problems above, the purpose of this research is to know that financial inclusion has an effect on company performance in Makassar city, to know that financial literacy has an effect on company performance in Makassar city and to know that financial behavior has an effect on the performance of MSMEs in Makassar city.

RESEARCH METHODS

Data Collection Method, Population and Sample

This research uses Quantitative Research Methods, Data Collection Methods use Primary Data. The data collection method used is data obtained using a questionnaire. This questionnaire was then distributed directly by the researcher to all respondents, namely owners or managers of medium-sized businesses. The population in this study were micro, small and medium enterprises in the city of Makassar. The sample chosen in this study were 30 Micro, Small and Medium Enterprises located in Makassar City.

RESEARCH VARIABLE

Dependent Variable (Y), The indicators are: (1) Being able to reduce predetermined production costs or lower. And Able to achieve targeted profits. (2) Able to introduce new products in a timely manner, Able to offer new products according to customer perceptions, Able to achieve market share with product innovation and Able to meet customer needs.

Independent Variable (X), The independent variable is the variable that influences or causes the change or the emergence of the dependent (dependent) variable. The independent variables in this study consist of:

Financial Inclusion (X1), The indicators are (1) Knowing financial institutions that can finance businesses, the Internet facilitates access to information, Collaborating with financial institutions, Being able to fulfill terms and conditions and Transactions and disbursement of funds from financial institutions is very easy and fast.(2) using financial products or services. Effective and sustainable financial services can build a business. (3) Financial institutions have guaranteed quality service and consumer protection, quality that provides comfort. (4) Financial services assist in running and developing businesses, products and financial services increase revenue.Financial Literacy (X2), The indicators are: (1) general financial knowledge, knowledge of financial management (2) Separating business money from personal money, being able to calculate income and controlling expenses properly, being able to compile financial reports. (3) Making a budget allocation plan, using money effectively and efficiently

to avoid financial problems, following trends and prioritizing purchases of goods that being sought by consumers, consider carefully when buying something.

Financial Behavior (X3),The indicators are: (1) Recognizing that income is the main factor influencing consumption, There are expenditures for buying goods that are not needed. (2) Always setting aside income every month for saving, Saving funds for unexpected expenses, Knowing that saving will create financial conditions healthy in business. (3) Knowing that investment is a long-term investment, There is long-term planning with investing, Knowing that investment will make the business more mature, focused, and secure.

RESULTS AND DISCUSSION

Description of Respondents

Respondents in this study were 30 owners of small and medium micro enterprises (MSMEs). To see research respondents based on gender, last education, can be seen in the following table:

Description of Respondents by Gender

Table 1. Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Man	9	30.0	30.0	30.0
Woman	21	70.0	70.0	100.0
Total	30	100.0	100.0	

Source: SPSS 22.0 data processing results

Based on table 1, it is known that the majority of respondents were women, namely as many as 21 people (70%) and some were men, namely as many as 9 people (30%).

Description of Respondents Based on Last Education

Table 2. last education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SMA	22	73.3	73.3	73.3
S1	6	20.0	20.0	93.3
S2	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Source: SPSS 22.0 data processing results

Based on table 2, it is known that 22 respondents (73.3%) had a high school education, 6 people (20%) had a bachelor's degree, and 2 respondents (6.7%) had a master's degree. . Based on these results, it is known that the last average education of the respondents in this study was those who had the last education in high school.

Description of Respondents Based on Income

Table 3 : Income

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <1.000.000	7	23.3	23.3	23.3
1.000.000-3.000.000	8	26.7	26.7	50.0

3.000.000-5.000.000	4	13.3	13.3	63.3
>5.000.000	11	36.7	36.7	100.0
Total	30	100.0	100.0	

Source: SPSS 22.0 data processing results

Based on table 3, it is known that respondents who have an income of less than IDR 1,000,000 per month are 7 people (23.3%), those who have an income of IDR 1,000,000-IDR 3,000,000 per month are 8 people (26.7%), 4 people (13.3%) had an income of IDR 3,000,000-IDR 5,000,000 per month, and 11 people (36.7%) had an income of more than IDR 5,000,000 per month. So based on these results it is known that the average respondent in this study has an income of more than IDR 5,000,000 per month.

Description of Respondents by Type of Business

Table 4: Bussiness

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Culinary	12	40.0	40.0	40.0
Health	1	3.3	3.3	43.3
Cosmetics	3	10.0	10.0	53.3
Other	14	46.7	46.7	100.0
Total	30	100.0	100.0	

Source: SPSS 22.0 data processing results

Based on table 4, it is known that the respondents in this study with culinary businesses were 12 people (40%), health businesses were 1 person (3.3%), cosmetic businesses were 3 people (10%), and other businesses were 14 people (46.7%). These other businesses consist of Kpop Merchandise, Forever Young, Dew Fan Rental, Makassar Car Rental, Aisyah Hijab, Vian Shop, Berkah Laundry, Rumi Cell, Harum Laundry, Mix shop, Syakillahh laundry, Refill drinking water depot, and Workshop two son

Description of Respondents Based on Length of Business

Table 5: Length of Business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 1 year	7	23.3	23.3	23.3
1 year	3	10.0	10.0	33.3
2 years	3	10.0	10.0	43.3
3 years	7	23.3	23.3	66.7
4 years	2	6.7	6.7	73.3
5 years	5	16.7	16.7	90.0
>5 years	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Source: SPSS 22.0 data processing results

Based on table 5, it is known that 7 people (23.3%) have had a business for less than 1 year, 3 people (10%) 1 year, 3 people (10%) 2 years, 7 people 3 years (23.3%), 4 years as many as 2 people (6.7%), 5 years as many as 5 people (16.7%), and those who have a business of more than 5 years are 3 people (10%).

Descriptive statistics

Descriptive statistics is a method that describes the condition of a data that is already owned by presenting it in the form of tables, graphic charts, and other forms that are presented in short and limited descriptions to provide useful information. The results of descriptive statistics can be seen in the following table:

Table 6: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Inclusion	30	23	52	37.00	7.428
Financial Literacy	30	16	43	32.83	6.998
Financial Behavior	30	17	38	29.37	5.334
MSME performance	30	18	38	30.27	5.723
Valid N (listwise)	30				

Source: SPSS 22.0 data processing results

Based on Table 6, the financial inclusion variable has a minimum value of 23 and a maximum value of 52. The average respondent's answer is 37.00 and the standard deviation is 7.428. This means that the level of inclusiveness of financial information for medium businesses in Makassar is 37%. This figure is relatively low because <60%. So that financial inclusion which includes ease of access, level of use, quality orientation, and welfare effects still needs to be improved and improved.

The minimum value of the financial literacy variable is 16 and the maximum value is 43. The minimum value indicates that there are indicators with low weight, and vice versa. This variable obtains an average value of 32.83. So it can be concluded that the financial literacy of micro, small and medium enterprises in Makassar is still low. The minimum standard for the quality of financial literacy is 60%, and this research data is below the standard. Therefore, efforts are needed to improve and increase financial knowledge, financial skills, and financial attitudes.

Financial behavior which is also used in this study obtains a minimum score of 17 and a maximum value of 38. Judging from all the respondents' answers the minimum value of the indicator in this block is 17 and some obtain the highest score of 38. The average value of the financial behavior variable indicator is 29,37. This average value means that the aspects of financial behavior which include consumption, savings, and investment are 29%. This is still very low because it is below 60%, so it must be repaired and increased.

Data Quality Test

Validation Test

A validation test was carried out to test the feasibility of the questionnaire by looking at the level of reliability of the questionnaire which is expected to be able to measure variables according to the indicators compiled. The questionnaire is said to be valid if the questions in the questionnaire are able to reveal something that will be measured by the questionnaire. Criteria for testing validity:

- If $r_{count} > r_{table}$, then the questionnaire items are valid.
- If $r_{count} < r_{table}$, then the questionnaire items are not valid

Table 7: Validation Test

Variable	Inquiry Item	r count	r _{table}	Description
Inclusion Finance (X1)	X1.1	0,729	0,361	Valid
	X1.2	0,582	0,361	Valid
	X1.3	0,610	0,361	Valid
	X1.4	0,763	0,361	Valid
	X1.5	0,717	0,361	Valid
	X1.6	0,785	0,361	Valid
	X1.7	0,831	0,361	Valid
	X1.8	0,796	0,361	Valid
	X1.9	0,692	0,361	Valid
	X1.10	0,911	0,361	Valid
	X1.11	0,804	0,361	Valid
Literacy Finance (X2)	X2.1	0,840	0,361	Valid
	X2.2	0,778	0,361	Valid
	X2.3	0,880	0,361	Valid
	X2.4	0,925	0,361	Valid
	X2.5	0,796	0,361	Valid
	X2.6	0,822	0,361	Valid
	X2.7	0,869	0,361	Valid
	X2.8	0,861	0,361	Valid
	X2.9	0,821	0,361	Valid
Behavior Finance (X3)	X3.1	0,880	0,361	Valid
	X3.2	0,436	0,361	Valid
	X3.3	0,908	0,361	Valid
	X3.4	0,781	0,361	Valid
	X3.5	0,903	0,361	Valid
	X3.6	0,899	0,361	Valid
	X3.7	0,868	0,361	Valid
	X3.8	0,914	0,361	Valid
Performance MSME (Y)	Y1	0,779	0,361	Valid
	Y2	0,869	0,361	Valid
	Y3	0,884	0,361	Valid
	Y4	0,864	0,361	Valid
	Y5	0,692	0,361	Valid
	Y6	0,892	0,361	Valid
	Y7	0,905	0,361	Valid
	Y8	0,859	0,361	Valid

Source: SPSS 22.0 data processing results

Based on table 7, it is known that the results of the validity test on the variables of financial inclusion, financial literacy, financial behavior and MSME performance show that all variable indicators are valid because the rcount value is greater than the rtable value, so that all variable indicators are answered statistically correctly by the respondents. Therefore, these answers can be used in this study.

Reliability Test

Reliability test is a test conducted to measure the questionnaire which is an indicator of the variable. A questionnaire is said to be reliable if one's answers in the questionnaire are consistent or stable from time to time. The reliability testing technique in this study uses the Cronbach's Alpha statistical test, that is, if the results of the alpha coefficient value are greater

than 0.6, it means that the data has high reliability, can be trusted and used for research. The results of the reliability test can be seen in the following table:

Table 8: Reliability Test

Variable	<i>Cronbach's Alpha</i>	<i>Rule of Thumbs</i>	description
Financial Inclusion	0,914	0,6	Reliable
Financial Literacy	0,949	0,6	Reliable
Financial Behavior	0,932	0,6	Reliable
MSME performance	0,943	0,6	Reliable

Source: SPSS 22.0 data processing results

Based on table 8, which is the result of calculating the Cronbach's alpha value of each variable. The Cronbach's alpha value of the financial inclusion variable is 0.914, greater than 0.6, so the financial inclusion variable in this study has a high degree of reliability. The financial literacy variable has a Cronbach's alpha value of 0.949, greater than 0.6, so that the financial literacy variable also has a high degree of reliability. The Cronbach's alpha value for the financial behavior variable is 0.932 and is greater than 0.6, so the financial behavior variable also has a high degree of reliability. And the MSME performance variable is 0.943 and this figure is greater than 0.6 so that the MSME performance variable also has a high degree of reliability. So that of the four variable indicators can be used in this study.

Hypothesis testing

Hypothesis testing is a decision-making method based on data analysis, both from controlled trials and from observation (uncontrolled). The purpose of hypothesis testing is to establish a basis so as to collect evidence in the form of data in determining whether to reject or accept the truth of the statements or assumptions that have been made. Hypothesis testing can also provide confidence in making objective decisions (HR. Irmawati, 2021). The hypothesis test used in this study are:

Multiple Linear Regression Test

Multiple linear regression tests are used to test the effect of two or more independent variables with one dependent variable. The multiple regression test aims to prove whether there is a functional relationship or causal relationship between two or more independent variables (X) on a dependent variable (Y) (HR. Irmawati, 2021).

Partial test (t test)

Partial test (t test) was conducted to see each effect of one independent variable in explaining the dependent variable. The independent variable is said to be influential if the significance value is <0.05 . The results of the t test can be seen as follows:

Table 9: Partial Test Results (t test) Multiple Linear Regression Models

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.393	3.081		.777	.444
Financial Inclusion	.099	.077	.128	1.279	.212
Financial Literacy	.477	.145	.584	3.292	.003
Financial Behavior	.284	.189	.284	1.499	.146

a. Dependent Variable: Kinerja UMKM

Source: SPSS 22.0 data processing results

Based on Table 9, the multiple linear regression equation can be obtained as follows:

$$Y = 2.393 + 0.099X_1 + 0.477X_2 + 0.284X_3 + e$$

Information:

- Y = company performance
a = Constant
X₁ = Financial inclusion
X₂ = Financial literacy
X₃ = Financial behavior
b₁–b₃ = Multiple regression coefficient
e = Errors

From the equation above it can be explained that:

- 1) A constant value of 2.393 indicates that the independent variables (financial inclusion, financial literacy and financial behavior) are equal to 0, then the company's performance (Y) will change by 2.393.
- 2) The regression coefficient of the financial inclusion variable (X₁) is 0.099 which indicates that every one unit increase in the financial inclusion variable will increase company performance (Y) by 0.099.
- 3) The regression coefficient of the financial literacy variable (X₂) is 0.477 which indicates that every one unit increase in the financial literacy variable will increase company performance (Y) by 0.477.
- 4) The regression coefficient of the financial behavior variable (X₃) is 0.284 indicating that every one unit increase in the financial behavior variable will increase the company's performance (Y) by 0.284.

From Table 9 above, further analysis can be carried out as follows:

- 1) H₁: Financial inclusion has a positive effect on company performance.

Based on Table 9, it can be seen that the financial inclusion variable has a tcount of 1.279 which is smaller than the ttable of 2.048 with a significance of $\alpha = 0.05$. The significance level of 0.212 is greater than 0.05. Two things can be concluded from these data: first, because the β value is positive, financial inclusion has a positive effect on company performance, so that the first hypothesis test (H₁) is accepted. Second, the effect of financial inclusion on company performance is not significant because tcount < ttable and sig > 0.05. This means that financial inclusion has a positive and insignificant effect on company performance.

- 2) H₂: Financial literacy has a significant positive effect on company performance.

Table 9, shows that the tcount value of the financial literacy variable is 3.292 which is greater than the ttable which has a value of 2.048. Significant coefficient of 0.003 and less than 0.05. These values indicate that tcount > ttable and sig < 0.05, so it can be concluded that financial literacy has a significant and positive effect on company performance. This means that H₂ in this study is accepted.

3) H3: Financial behavior influences company performance.

Based on Table 9, it shows that the tcount value of the financial behavior variable is 1.499 which is smaller than the ttable value of 2.048. A significant coefficient of 0.146 is greater than 0.05. so it can be concluded that financial behavior has no effect on company performance, because the value of tcount <ttable and sig> 0.05. So the third hypothesis (H3) is rejected.

Test the Coefficient of Determination of Multiple Linear Regression Coefficient Models

The coefficient of determination (R²) measures the level of the model's ability to explain variations in changes in the independent variable to the dependent variable. If the R² value is small, the ability of the independent variable to explain the independent variable is very limited (HR. Irmawati, 2021). The results of the determination coefficient test can be seen in the following table:

Table 10: Test Results for the Coefficient of Determination of the Regression Model Coefficient Multiple Linear

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895 ^a	.802	.779	2.690

Source: SPSS 22.0 data processing results

Based on the test results of the coefficient of determination in Table 10, the R² value is 0.802. This figure shows that the company's performance can be described by financial inclusion, financial literacy, and financial behavior of 80.2%. The remaining 19.8% is explained by other variables that have not been examined in this study, such as production strategy or marketing channels.

CONCLUSION

Financial Inclusion Has a Positive Impact on Company Performance

Based on the results of the analysis conducted, it shows that the financial inclusion variable has a positive and insignificant effect on company performance, so the first hypothesis (H1) is accepted. This indicates that financial inclusion has a tendency to improve business performance but in general does not have a major impact. In accordance with the theory of planned behavior that humans are rational beings and use information systematically. This means that financial inclusion has made financial information available to everyone, but when someone's mindset shifts to the idea that financial inclusion has no benefits for improving performance, they will not be motivated to do so. This is because a person's mindset determines whether or not to take action to achieve his goals.

This strengthens research HR. Irmawati (2021) which states that financial inclusion has no significant and positive effect on company performance. In his research, he stated that the wider the disclosure of financial information, the more it encourages an increase in performance. Conversely, the narrower the disclosure of financial information, the slower the rate of performance improvement will be.

Financial Literacy Has a Significant Positive Effect on Company Performance

Based on the results of the analysis conducted, it shows that the financial literacy variable has a significant and positive effect on company performance, so the second hypothesis (H2) in this study is accepted. The existence of financial literacy has significantly assisted financial management and planning as a stage in decision making. This is in accordance with the theory of planned behavior which explains that a person will consider all the consequences of his actions before making a decision. As a result, if corporate actors have financial literacy, it will encourage good financial planning and management. This shows that current attitudes and behavior do not appear suddenly but have undergone reasonable consideration.

This strengthens research HR. Irmawati (2021) which states that if business actors have good financial literacy, their company's performance will improve. The higher the level of financial literacy that is owned, the more it will support the company's performance. Conversely, the lower the level of financial literacy, the more it hinders the company's performance. Financial knowledge, financial ability, and financial attitudes are important in financial literacy.

Financial Behavior Does Not Affect Company Performance

Based on the results of the analysis conducted, it shows that financial behavior has no significant and positive effect on company performance, so the third hypothesis (H3) is rejected. In other words, even though it contributes little to improving company performance, financial behavior has a beneficial impact because it shows the company's financial responsibility.

Good financial behavior will also support business growth and be able to gain competitive advantage. In this condition, the theory of planned behavior has a very important role to identify the factors that make businesses consume, save, and invest. The most basic is that humans make decisions based on rational considerations so that in general it can be identified that business actors consume, save or invest based on pre-made plans. The planning has an important position, because if one makes a plan it will fall into the wrong decision.

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