The Effect of Financial Literacy and Financial Management on SME Business Performance in Gowa Regency

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Abstract

The purpose of this study is a type of quantitative research with the aim of determining the effect of financial literacy and financial management on the business performance of SMEs in Gowa Regency. This sample was taken as many as 51 respondents from the number of SMEs without limiting those registered in Disperindag Gowa. The type of data used in this study is quantitative data obtained from questionnaires distributed to SMEs and related to the problem under study. Data collection is carried out by observation and distribution of questionnaires. In this study, the data source used in data collection is primary data. The research instrument used in this study used the Likert scale. Based on the results of data research using the Statistical Package for the Social Science (SPSS) version 29 regarding the influence of financial literacy and financial management on SME business performance in Gowa Regency which has been discussed from the previous chapter, the author draws an important conclusion, namely financial literacy and financial management have a positive and significant effect on SME business performance.

Keywords: Financial Literacy, Financial Management, SME Business Performance

INTRODUCTION

Financial management according to Rebin Sumardi and Suharyono, (2020: 2) can be interpreted as the overall activities related to the business of planning, seeking and allocating funds to maximize the efficiency of company operations. Financial management consists of two words that have their respective meanings and are united into a complete whole. Management is a process or framework that involves guiding or directing a group of people toward goals, organizational goals, or tangible goals

Small and Medium Enterprises (SMEs) in Indonesia are very important to the economy because they can create jobs, increase income, spread development results, and improve people's welfare. With its continued growth, SMEs will surely provide employment opportunities to society in the future. Therefore, this entrepreneurship really provides good development potential for the future.

Implementing a business for each individual, it is required to have knowledge and abilities about finance or finance to control finances efficiently and effectively, therefore financial literacy is very important for an entrepreneur. Having financial literacy can make a person in making a decision must be based on information about financial literacy to minimize the possibility of being misled by financial problems. (Singh, 2019).

Financial management is also one of the biggest problems for SMEs, because if financial management does not run well, SMEs will decline in performance and difficult access to financing. Risnaningsih (2017: 42) and Wijayangka (2020) as quoted by Rumbianingrum said

that financial management is one aspect that is often ignored by some SMEs, especially in the application of financial management principles and good management.

Based on the background and initial survey conducted that based on observations seen by the author where the importance of financial literacy and financial management to SME business performance in Gowa Regency shows where people who have SMEs do not understand financial literacy and financial management so that their business does not last long. Thus, the author is interested in conducting research entitled "The Effect of Financial Literacy and Financial Management on SME Business Performance in Gowa Regency."

RESEARCH METHODS

This study used a quantitative approach using primary and secondary data sources. The population in this study consisted of 51 SMEs drawn from the Gowa District Trade and Industry Office. as many as 51 respondents from the number of SMEs without limiting to those registered in Disperindag Gowa. This is because there are many considerations such as limited time, resources, and very long distances. The technique used in this study used questionnaires using Likert scales.

RESULTS AND DISCUSSION

A. Analysis of Respondent Characteristics

The purpose of this study is to analyze matters related to respondents' ideology which includes gender, and age.

a. Gender

The gender of respondents was grouped into two, namely male and female. To be clearer, it is presented in the form of a table as follows.

Table 1 Characteristics of respondents by sex

Gender	Sum	Percentage
Man	16	31,4%
Woman	35	68,6%
Total	51	100%

Based on the gender characteristics of respondents in the table above, it can be seen that there are 16 male respondents with a percentage of 31.4% and 35 female respondents with a percentage of 68.6%. Most of the respondents in this study were female respondents by 70%.

b. Age

Table 2 Characteristics of respondents by age

Age	Number of Respondents	Percentage
18 – 27th	13	25,5%
28 – 37th	16	31,4%
38 – 47th	17	33,3%
>47th	5	9.8%
Total	51	100%

Based on the age characteristics of respondents in the data table, it can be seen that respondents aged 38-47 years are 33.4% due to this age of productive age towards the elderly in conducting business

activities in Gowa Regency.

B. Research Instrument Test

A study will be said to be valid if all regulations in this study meet the standards of validity and relatedness tests

1. Validity Test

Validity test is a test that shows the extent to which measuring instruments to measure the object to be measured, validity tests are used in measuring whether or not a questionnaire data is valid. If r counts > r table or a significant value > 0.05 then the item is declared valid, and vice versa. To find R, calculate using the formula df = N-2.

Based on table 4.6 showing all variable items with r count > r table with a significant >0.05, it can be concluded that all items are valid so that they can be used as research instruments.

Table 3 Validity Test Results

Variable	Indicators	R Calculate	R Table	Sig	Information
(X1)	X1.1	0.532	0.275	<0.001	Valid
	X1.2	0.657	0.275	<0.001	Valid
	X1.3	0.581	0.275	<0.001	Valid
	X1.4	0.482	0.275	<0.001	Valid
	X1.5	0.663	0.275	<0.001	Valid
	X1.6	0.656	0.275	<0.001	Valid
	X1.7	0.426	0.275	0.002	Valid
	X1.8	0.603	0.275	<0.001	Valid
(X2)	X2.1	0.443	0.275	<0.001	Valid
	X2.2	0.500	0.275	<0.001	Valid
	X2.3	0.565	0.275	<0.001	Valid
	X2.4	0.492	0.275	<0.001	Valid
	X2.5	0.457	0.275	<0.001	Valid
	X2.6	0.597	0.275	<0.001	Valid
	X2.7	0.528	0.275	<0.001	Valid
	X2.8	0.560	0.275	<0.001	Valid
(Y)	Y.1	0.557	0.275	<0.001	Valid
	Y.2	0.648	0.275	<0.001	Valid
	Y.3	0.753	0.275	<0.001	Valid
	Y.4	0.734	0.275	<0.001	Valid
	Y.5	0.769	0.275	<0.001	Valid
	Y.6	0.759	0.275	<0.001	Valid
	Y.7	0.641	0.275	<0.001	Valid
	Y.8	0.540	0.275	<0.001	Valid

2. Reliability Test

Reliability Test is a test used in showing the determination of the size of measuring devices used by the same person at different times or used by different individuals but at the same time or at different times. In general, all instruments are said to be reliable if the Cronbach alpha value> 0.600.

Table 4 Reliability Test Results

NO	Variable	Number of Items	Cronbach's Alpha	Standard Value	Information
1	Financial Literacy (X1)	6	0,709	0,6	Reliable
2	Financial Management (X2)	6	0,602	0,6	Reliable
3	SME Business Performance (Y)	12	Reliable	0,6	

Based on the data above, it is obtained that all statement items contained in the questionnaire meet consistent and realistic standards because all statements have a value of >0.6.

2. Test Classical Assumptions

The classical assumption test is used to determine whether the measuring instrument used is effective or not. So, before testing a hypothesis we first test the classical assumptions so that we can be sure that multiple linear regression models can be used or not.

a. Normality Test

The purpose of the normality test is a test carried out to see the results of research data whether the norm / close to normal, because good data is data that is almost similar to the normal distribution. The normal distribution test is a requirement for all statistical tests. The normality test can be done using several methods, such as the Kolmogorov Smirnov test. If the probability value > 0.05, the data is declared normally distributed.

Table 5 Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			51
Normal Parametersa,b	Mean		.0000000
	Std. Deviation		2.13123360
Most Extreme Differences	Absolute		.121
	Positive		.121
	Negative		-.058
Test Statistics			.121
Asymp. Sig. (2-tailed)c			.061
Monte Carlo Sig. (2-tailed)d	Sig.		.060
	99% Confidence Interval	Lower Bound	.053
		Upper Bound	.066
a. Test distribution is Normal.			

Based on the results of the normality test in the table above, the significant value is 0.061> 0.05 so that it can be concluded that the research data of all variables are normally distributed.

b. Multicollinearity Test

The multicollinearity test has the purpose of seeing whether or not there are independent variables that have similarities between dependent variables in one model. If the tolerance value < 10 or equal to VIF > 0.10, there are no symptoms of multicollinearity, and vice versa. Multicollinearity test results.

Table 6 Multicolonicity Test Results

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Coefficientsa								
Type		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	9.969	3.715		2.684	.010		
	Financial Literacy	.419	.122	.465	3.427	.001	.573	1.745
	Financial Management	.316	.141	.304	2.237	.030	.573	1.745
a. Dependent Variable: SME Business Performance								

Based on the results of the multicollinearity test above, the tolerance value of the financial literacy variable (X1) and the financial management variable (X2) is 0.573 < 10 and the VIF value is 1,745 > 10 so that it can be concluded that the research variable is free from symptoms of multicollinearity.

c. Heteroscedasticity Test

The heteroscedasticity test is a test whose purpose is to determine whether the regression model creates variance differences from the residual of one observation to another. If the sig value > 0.05, heteroscedasticity does not occur, and vice versa

Table 7 Heteroscedasticity Test Results

		Unstandardized Coefficients		Standardized Coefficients		
Coefficientsa						
Type		B	Std. Error	Beta	t	Sig.
	(Constant)	.032	.063		509	.613
	Financial Literacy	.004	.002	.362	1.976	.054
	Financial Management	-.004	.002	-285	-1.557	.126
a. Dependent Variable: RES2						

Based on the results of the statistical heteroscedasticity test of the glacier test in the table above, the significant value of financial literacy variables (X1) and financial management

C. Statistical Test

Statistical test using multiple linear regression model using SPSS with the following equation results.

Table 8 Multiple Linear Analysis Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.969	3.715		2.684	.010
	Financial Literacy	.419	.122	.465	3.427	.001
	Financial Management	.316	.141	.304	2.237	.030
a. Dependent Variable: SME Business Performance						

The multiple linear regression analysis equation is informed by the following formula:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + e$

$Y = 9.969 + 0.419 + 0.316 + e$

　　　　Based on table 4.11 with multiple linear regression formulations, it can be explained that the constant value is 9.696, then the relationship of the independent variable causes an increase in the dependent variable. X1 financial literacy with a regression coefficient of 0.419 causes an increase in variable Y, this indicates that higher financial literacy causes higher SME business performance. While the X2 variable of financial management with a coefficient value of 0.316 causes an increase in variable Y, this indicates that the higher financial management causes an increase in SME business performance

D. Test the Hypothesis

a. Test t

A t-test is performed to determine significance. The t test is to test the significance of the relationship between variable X and variable Y. In order for the regression results obtained to be explained the relationship, the regression results will be tested using a t test with a 95% confidence degree ($\alpha=0.05$), a variable is said to be influential when the significant value obtained is smaller than (<0.05). The results of the t-test in the regression equation are as follows:

Table 9 Partial Test Results (Test t)

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.969	3.715		2.684	.010
	Financial Literacy	.419	.122	.465	3.427	.001
	Financial Management	.316	.141	.304	2.237	.030
a. Dependent Variable: SME Business Performance						

Based on the table above, hypothesis testing can be described as follows.

1. Financial Literacy (X1)
It is known that the significant value of the effect of financial literacy (X1) on SME business performance (Y) is 0.001 < 0.05. Financial literacy (X1) has a t-count value of 3,427 > 2,009. So it can be concluded that the variable X1 has a contribution to Y. a positive t value indicates that the variable X1 has a unidirectional relationship with Y. So it can be concluded that financial literacy has a significant relationship with SME business performance.

2. Financial Management (X2)
It is known that the significant value of financial management (X2) to SME business performance (Y) is 0.030 < 0.05. Financial management (X2) has a value, t-count . 2,237 > 2,009. So it can be concluded that the variable X2 has a contribution to Y. A positive t value indicates that the variable X2 has a unidirectional relationship with Y. So it can be concluded that financial management has a significant relationship with the business performance of SMEs.

b. Coefficient of Determination (R2)
The test results of the coefficient of determination (R2) are:

Table 10 Coefficient of Determination

Type	R	R Square	Adjusted R Square	Std.Error of the Estimate	Durbin Watson
1	.702a	.493	.472	2.175	1.976
a. Predictors: (constant), Financial Literacy, Financial Management b. Dependent Variable: SME Business Performance					

Based on the results of the coefficient of determination test in the table above, it shows that the R Square value of 0.493 indicates that the independent variable model in explaining the variation of the dependent variable is strong or very good.

The Effect of Financial Literacy on SME Business Performance
Based on the results of the study, the effect of financial literacy variable X1 on SME business performance, variable Y obtained a calculated t value of 3,427 and significant of 0.001, thus the first hypothesis is accepted, that financial literacy has a positive and significant effect on business performance. This indicates that financial literacy affects the increase in business performance so that it can be concluded that SMEs who have managed finances well will maintain their business performance.

The effect of financial management on SME business performance
Based on the results of the study, the effect of financial management of variable X2 on the business performance of variable Y obtained a calculated t value of 2.237 and a significance of 0.030, thus the second hypothesis is accepted, that financial management has an effect

positive and significant to the business performance of SMEs, it indicates that financial management affects the increase in business performance so that it can be concluded that SMEs who have good financial management can maintain the business performance of these SMEs.

CONCLUSION

Based on the results of research and discussion that have been described so far, several conclusions can be drawn as follows:

1. The results of partial testing of variable X1 financial literacy have a positive and significant effect on SME business performance so that it can be concluded that financial literacy affects the increase in SME business performance.
2. The results of the partial test variable X2 Financial management have a positive and significant effect on SME business performance so that it can be concluded that financial management affects the increase in SME business performance.

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