



Determination of financial literacy and financial inclusion on the performance of MSMEs and financial resilience of MSMEs owners

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ABSTRACT

This study aims to analyze the role of financial institutions in improving the performance of Micro, Small and Medium Enterprises (MSMEs). The role of financial institutions is urgently needed to develop Micro, Small and Medium Enterprises (MSMEs). However, conditions in the field still face many problems and difficulties for Micro, Small and Medium Enterprises (MSMEs) and make Micro, Small and Medium Enterprises (MSMEs) not develop so fast. According to the findings of the 2022 SNIK conducted by OJK, the financial literacy index of Indonesians is 49.68 percent in 2022, up from only 38.03 percent in 2019; meanwhile, the financial inclusion index this year reached 85.10 percent, up from 76.19 percent during the previous SNLIK period in 2019. These conditions made the researchers to attend, to see from the point of view of Micro, Small and Medium Enterprises (UMKM) and is expected to be able to overcome the problems and difficulties faced by Micro, Small and Medium Enterprises (UMKM). The study's findings reveal the impact of each factor, including financial literacy, financial inclusion, financial resilience, and micro, small, and medium-sized enterprise (MSME) performance.

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INTRODUCTION

The Indonesia presidency G20 re-emphasized the importance of digital financial inclusion and MSME financing in order to reduce inequality (inequality) due to global uncertainty as a result of the pandemic and geopolitical conditions. This is in line with the spirit Recover Together, Recover Stronger so that economic recovery can be accelerated. For this reason, every country needs a financial inclusion framework to encourage digitalization which has an impact on increasing productivity, as well as an inclusive and sustainable economy, especially for MSMEs, youth and women. At the same time, it is necessary to strengthen MSME financing guidelines. This was raised in the 2nd Global Partnership for Financial Inclusion (GPMI) Plenary Meeting organized by the



Indonesian G20 Presidency, led jointly by the Bank of Italy as the co-chair as well as BI and the Ministry of Finance as a whole. hybrid on 12-13 May 2022 in Nusa Dua, Bali. (Bank of Indonesia, 2022).

The Financial Services Authority (OJK) will repeat its 2022 National Financial Literacy and Inclusion Survey (SNLIK) to assess the level of financial education in Indonesia. From July through September of 2022, a total of 14,634 respondents aged 15 to 79 will take part in SNLIK 2022 across 34 provinces and 76 cities/regencies. The same techniques, parameters, and indicators as 2016 and 2019's SNLIK 2022 are employed, including the Financial Literacy Index (which measures financial literacy via parameters related to knowledge, skills, beliefs, attitudes, and behavior) and the Financial Inclusion Index (which measures financial inclusion via usage parameters). The SNLIK statistics for 2022 reveal that the financial literacy index in Indonesia has risen to 49.68% from 38.03% in 2019. Although this year's SNLIK period only reached 76.19 percent, the financial inclusion index increased to 85.10 percent this year. From 38.16% in 2019 to 35.42% in 2022, this demonstrates a narrowing of the chasm between literacy and participation rates.

Soetjipto (2020) explains that several countries such as Japan and England emphasize the importance of having an adequate level of financial literacy as a prerequisite for increasing financial well-being. Financial literacy is very important for MSME owners because financial literacy can empower MSMEs about various sources of funding and skills that will equip MSMEs to weigh their options in seeking financing to optimize their financial structure. According to the Financial Services Authority (2021), financial literacy is knowledge and skills that influence a person's behavior and quality in making decisions and managing finances to achieve prosperity. Andriyani and Sulistyowati (2021) defines financial literacy as a person's or society's understanding of how to manage their own finances according to the situation and conditions being faced. The article (Ardila, 2020) conveys that an understanding of financial literacy is very useful and helps MSME Owners in the financial management process, utilizing financial services, designing financial plans, and making decisions related to their business. In the article (Aribawa, 2016) explains that the provision of MSME Owners in the form of understanding good financial literacy will also encourage MSME Owners to make good decisions so that they can develop their business over time. Hilmawati and Kusumaningtias (2021) explains that a high level of financial literacy makes a business Owner tend to be more competitive because they are able to overcome the information constraints they experience.

World Bank (2016) defines financial inclusion as access to financial products and services to meet community needs, including payments, savings, transactions, credit, and insurance. Financial Services Authority Regulation No. 76/POJK.07/2016 on Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and/or the Community defines financial inclusion as access to financial institutions, products, and services that meet community needs and capabilities to improve people's welfare. SNKI (Bank Indonesia's National Financial Inclusive Strategy) defines financial inclusion as a person's right to access maximum financial services in a timely, informed, affordable, and convenient manner. (Yusri, 2022) in his article said that financial inclusion arises in conditions where not all people can access economic resources, while they still have to meet their needs. Discrepancies can occur when there is community powerlessness in accessing the financial system. The role of financial inclusion is needed for MSME Owners, one of which is related to capital. Financial inclusion has a role in accessing financial services to make it easier for the community, including MSME Owners, to run their business (Hilmawati & Kusumaningtias, 2021). Discrepancies can occur when there is community powerlessness in accessing the financial system. The role of financial inclusion is needed for MSME Owners, one of which is related to capital. Financial inclusion has a role in accessing financial services to make it easier for the community, including MSME Owners, to run their business (Hilmawati & Kusumaningtias, 2021). Discrepancies can occur when there is community powerlessness in accessing the financial system. The role of financial inclusion is needed for MSME Owners, one of

which is related to capital. Financial inclusion has a role in accessing financial services to make it easier for the community, including MSME Owners, to run their business (Hilmawati & Kusumaningtias, 2021).

The Center for Financial Inclusion (2021) defines financial inclusion as access to relevant financial instruments such as finance, savings, insurance, and payments. The Center for Financial Inclusion defines quality access as ease, reach, suitability, protection, and community services. The availability of services or financial needs is able to provide assistance to MSME Owners to meet capital adequacy. Financial inclusion, according to Yanti (2019), removes all price and non-price obstacles to public access to financial services.

The term resilience is defined differently according to each perspective. Described by (Gunderson & Holling, 2022) resilience is defined from socioecological theory as a system that will become resilient if the system can function properly even after facing disturbances. The article (Reeves & Whitaker, 2020) describes resilience as a strength in a company's adaptive form to situations and conditions of financial stress and to thrive in changing circumstances. From a business perspective, Resilience requires adaptive capacity, which refers to the potential one has to fulfill goals or act independently, this was stated by (Folke et al., 2010).

The ability to weather changes in one's income or the value of one's assets is what's meant by "financial resilience," as defined by Klapper et al. (2015). Financial resilience, as defined by Salignac et al. (2019), is "the capacity to access and utilize appropriate, acceptable, accessible, and supportive internal capabilities and external resources when individuals or families experience financial difficulties". Barbera et al. (2017) said that achieving strong financial resilience requires good financial knowledge, such as being able to place money in accordance with the appropriate posts. Financial literacy is the term used to describe the ability to handle one's financial affairs. Financial resilience is not only influenced by income.

RESEARCH METHOD

The method used in this study is the Systematic Literature Review which is commonly referred to as the systematic literature review research method is one of the methods in research that identifies, assesses, and interprets the problems that exist in a topic problem, and to answer research questions that have been explained (Saputra, M.R., & Herlina, N. 2021)..

The sources of information used in this study were taken from research results that have been published in online journals consisting of reputable national and international journals. In carrying out the research, the researcher searches for research journals published in electronic media or the internet by using Google Scholar, Mendeley, and ScienceDirect with the keywords: financial literacy, financial inclusion, MSME performance and financial resilience. The documentation method is the data collection method used in this study. The data that has been obtained from various sources is collected in one document used to answer the problems that have been formulated.

Journal criteria taken in this study are:

1. Journal publication timeframe is 7 years (2017-2023)
2. International journals and national journals
3. Full text original research article
4. Journal contents regarding literacy relations kfinance, financial inclusion, MSME performance and MSME sustainability

From the definitions made in this study, 5 research questions, abbreviated as RQ, emerged. According to Thuan (2019) several characteristics that must be met by an RQ, these characteristics include:

1. A statement of curiosity or there is a question word in the statement made.
2. Obtained through an iterative and systematic process that is influenced by the scientific background of the researcher



3. Directing research activities.

4. Stimulate discussion regarding the results obtained or the estimated results to be obtained

Based on the above shared information, as well as the characteristics, the following is a proposed conceptual model for how to construct research questions or RQ.

RQ1 Effect of Financial Literacy on MSME Performance

RQ2 Effect of Financial Literacy on Financial resilience

RQ3 Effect of Financial Inclusion on MSME Performance

RQ4 Effect of Financial Inclusion on Financial resilience

RQ5 The Effect of Financial Literacy on MSME Financial Inclusion

The research questions or RQ above are described in the form of a conceptual model as follows.

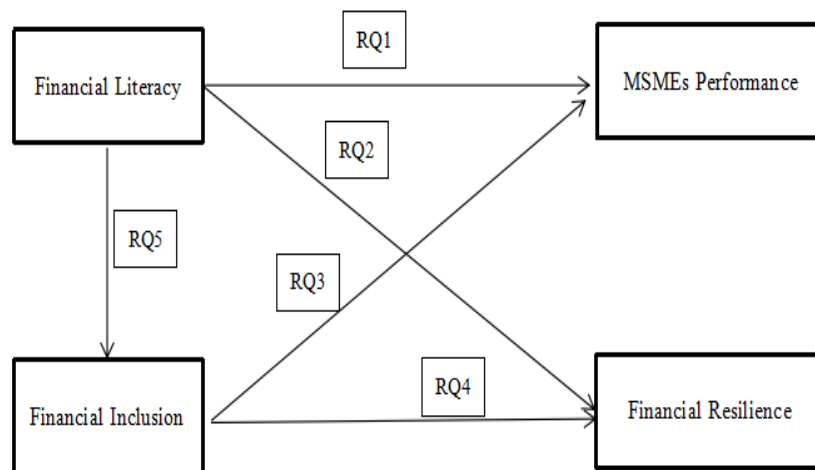


Figure 1. Research framework

RESULTS AND DISCUSSIONS

The Effect of Financial Literacy on MSME Performance

According to Susilo et al. (2022) financial literacy contributes sufficiently to improving the performance of MSMEs, so that it has an influence on the performance of MSMEs. financial literacy facilitates MSME businesses to expand and increase profit growth in Pekanbaru City. This proves that, the knowledge factor (Knowledge), behavior (Behaviors), and attitude (Attitude) Regarding finance owned by MSME Owners in Pekanbaru City, they can improve their performance in the form of growing capital, increasing sales, and even greater profits. According to the article (Rumini & Martadiani, 2020) increasing financial literacy is reflected by the ownership of accounts on behalf of the company, it will automatically be able to improve the performance of MSMEs which is reflected in sales growth in Badung Regency.

RQ1 Effect of Financial Literacy on MSME Performance.

The Effect of Financial Literacy on the Financial Resilience of MSME Owners

Onresearch (Ana Zahrotu et al., 2022) Financial iterations produce financial resilience that varies in every business sector. Even though each business sector has different characteristics in responding to the conditions of the Covid-19 pandemic. This shows that financial resilience during the Covid-19 pandemic is more sensitive to the business sector than the level of literacy of business Owners. (Barbera et al., 2017) convey that in order to achieve strong financial resilience, good financial knowledge is needed, for example, such as being able to place money in accordance with

the appropriate posts. Knowledge in managing finances is then commonly referred to as financial literacy. Financial resilience is not only influenced by income. Individuals must have the ability to manage liquid assets and provide emergency funds in order to obtain strong financial resilience. From a business perspective, resilience requires adaptive capacity, which refers to the potential one has to fulfill goals or act independently, this was stated by (Folke et al., 2010).

RQ2 The Effect of Financial Literacy on the Financial Resilience of MSME Owners

The Effect of Financial Inclusion on MSME Performance

Susilo et al. (2022) shows that financial inclusion has an important role in improving MSME performance, so that it has an influence on MSME performance. Proven indicators of inclusion kfinancial performance in the form of dimensions of access to finance continues to improve through additional capital. While the welfare dimension can be seen that MSME players feel helped because the cost of maintaining accounts at financial services is affordable and the products provided by financial services can increase profits. This shows Financial inclusion on MSME performance is because MSME Owners in Pekanbaru City have access to finance and are able to use related financial access. Timuneno (2023) shows the coefficient value for the financial inclusion variable, the beta coefficient value is positive. This shows the influence of the financial inclusion variable. It can be assumed that any increase in the proportion of the value of the financial inclusion variable will automatically increase the value proportion of financial performance. In research (Melia Kusuma et al., 2021) states that financial inclusion affects the performance of MSMEs. The good level of financial inclusion of MSME Owners makes MSME Owners able to manage their finances better than before the pandemic. A good financial understanding allows MSMEs to carry out their business according to the established program so that cost management can be lower than before the pandemic and able to improve MSME performance and generate business growth.

RQ3 Effect of Financial Inclusion on MSME Performance.

The Effect of Financial Inclusion on the Financial Resilience of MSME Owners

Findings from a study on how financial education impacts economic stabilitynew, compelling evidence that financial inclusion, regardless of gender and location (rural/urban), significantly contributes to household financial resilience and that savings are a fundamental component of financial inclusion in promoting resilience. Those living in rural areas, as opposed to those living in urban areas, always benefit more from financial inclusion than those living in urban areas, regardless of the measurement technique employed (individual gender). This demonstrates that the degree of financial inclusion in rural areas can have a significant effect on household resilience, even if only slightly increased. This study also reveals striking discrepancies in the results obtained from various financial inclusion strategies. More so than simply owning a bank account or an m-money account and not using them, the ability to save is often more helpful in boosting resilience. According to research (Carlos Sakyi-Nyarko, M.A. (Frendy Astra, 2022) found that "the outcomes of financial literacy have a positive and significant influence on financial resilience with financial behavior as a partial mediator, and the outcomes of financial inclusion have a positive and significant influence on financial resilience with financial behavior as a partial mediator."There is a favorable and significant relationship between financial inclusion and financial resilience, according to the findings of a study (Indrarini & Samsuri, 2022). This suggests that the more people are involved in the financial system, the more secure the economy as a whole will be. Access to financial services is what we mean when we talk about financial inclusion. Those who have access to greater resources are better able to weather economic storms.

The Effect of Financial Literacy on the Financial Inclusion of MSME Owners

An important beneficial influence of financial literacy characteristics on financial inclusion was reported by Bakhtiar (2022). This demonstrates that as financial inclusion expands,

so do the opportunities for MSME Owners, particularly women, to benefit from the knowledge and skills that make up financial literacy. MSME Owners take advantage of the services of various banks that develop financial services by facilitating the reach of their service users. Banks have not only built several branches (offices) in various regions, but have also provided ATM machines in various places that are easily accessible to customers. Not only that, the bank also improves the ease of service they provide to their customers by issuing online services / online financial applications for their customers which can be applied via their respective smartphones. To better equip MSME Owners in Makassar with the information and skills necessary to manage finances, particularly their financial decisions and policies, this endeavor seeks to remove various types of hurdles to the use of financial services by the public (financial inclusion). Additionally, there is a link between financial education and financial technology that facilitates inclusion. To better equip MSME Owners in Makassar with the information and skills necessary to manage finances, particularly their financial decisions and policies, this endeavor seeks to remove various types of hurdles to the use of financial services by the public (financial inclusion). Additionally, there is a link between financial education and financial technology that facilitates inclusion. To better equip MSME Owners in Makassar with the information and skills necessary to manage finances, particularly their financial decisions and policies, this endeavor seeks to remove various types of hurdles to the use of financial services by the public (financial inclusion). Additionally, there is a link between financial education and financial technology that facilitates inclusion. Calculation value in Financial Literacy (X) obtained t-count value of 13.440 and t-table value with dk ($dk = 100 - 2 = 98$) is 1.662, as described in a table (Kusuma, 2019). The t-value (13.440) is more than the t-table (1.662), while the sig-value (0.000) is less than 0.05. Consequently, H1 is approved, whereas H0 is denied. This shows that Financial Literacy has a major impact on people's ability to participate in the financial system. The study found that a connection of 0.600 between financial literacy and success was statistically significant at the 0.000 0.05 level. Ho is shown to be false, indicating a positive and statistically significant relationship between financial education and economic participation. Following (Adhitya & Suarmanayasa, 2022).

CONCLUSION

Previous research that has already conducted a mapping and literature review has led us to the following conclusions: Financial Inclusion affects MSME performance; Financial Inclusion affects the financial resilience of MSME Owners; Financial Literacy affects Financial Inclusion; and Financial Inclusion affects MSME performance. Between financial literacy with financial inclusion is a combination of knowledge and skills financially to help MSME Owners in particular in make choices or decisions related to finance, which increases accordingly development financial inclusion. so that in order to maintain the financial resilience of MSME owners, a combination of knowledge and skills is required in receiving financial literacy and financial inclusion. Future research is expected to be able to describe the effect of financial literacy and financial inclusion of MSME owners on the financial resilience of MSME owners mediated by the intelligence of MSME owners.

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