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The Influence of Financial Inclusion, Financial Literacy, and Financial Technology on The Financial Performance of MSMEs in Gunungkidul District

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ABSTRACT

This study looks at how the financial performance of MSMEs in Gunungkidul Regency is affected by financial inclusion, financial literacy, and financial technology. Purposive sampling is the research methodology employed in this study. The R^2, T, and F-Tests are used in this study for test hypotheses. The study's findings show that the financial success is significantly and favorably impacted by the financial inclusion variable, with a regression coefficient value of 6,675 and a significance value of 0,0000 < 0,05. As evidenced by its value of 6,242 and significance value of 0,0000 < 0,05; the financial literacy variable has a significant and favorable impact on financial performance. Financial technology also has a significant and beneficial impact, with a value of 3,187 and a significance value of 0,002 < 0,05.

INTRODUCTION

In addition to making a significant contribution to a nation's or region's income, micro, small, and medium-sized enterprises (MSMEs) also significantly lower the unemployment rate, because the nature of MSMEs is a type of work based on a large amount of labor, and in this business, business owners. MSMEs can use a lot of labor that is still unemployed (Kusuma, Narulitasari dan Nurohman, 2021). To increase entrepreneurs in Indonesia, it is necessary to have an entrepreneurial spirit, which can be realized through the knowledge and experience of entrepreneurs (Rahmawati dan Aroningtias, 2024).

An MSMEs is a type of small business that is operated by a few individuals whose founding was motivated by their own initiative (Pusporini, 2020). MSMEs or Micro, Small and Medium Enterprises are a form of community economy that is small in scale and medium in size. MSMEs are currently experiencing growth, with an increasing number of. The Indonesian economy will benefit from this upward trend. However, there are problems with MSME players, with limited resources in the field of technology, many MSMEs still make payment transactions in cash or cash, so this requires buyers to come to make transactions, This occurs as a result of a lack of knowledge about how financial services might employ advanced technology to grow their business in the payment system. Then for the second problem that I found, namely the absence of a bookkeeping system in the business, there are still several MSME actors who run their businesses without doing bookkeeping to determine the profit and loss in their business, because in their business, they only focus on the profit they get.

Financial inclusion has become an important talking point in discussions at the international and national levels. As an effort to urge economic improvement and eliminate poverty, the existence of a financial inclusion program can help the community in completing their work because with this financial inclusion program the financial system is more accessible to the community so that this financial inclusion program is needed (Putri, Goso, Hamid, & Ukkas, 2022). Financial literacy is necessary for each person's interests and needs, but it also affects a nation's business and economic development Choerudin *et al.* (2023). So the progress of a country's development is characterized by public awareness of the importance of the role of financial literacy in the financial sector. Based on research conducted by (Yuniarti et al., 2023) claimed that MSME’s financial performance is greatly impacted by financial literacy.

According to Aliyudin (2020) a separate goal, with the existence of this financial technology it is very clear that it can help the community, they can easily utilize financial products and with this Fintech can facilitate the transaction process. As suggested in Putri *et al.* (2022) The financial performance of young business owners in North Luwu is significantly improved by research financial technology. According to Reysa *et al.* (2022) Financial performance, broadly speaking, is an endeavor by each individual to measure and evaluate any accomplishment attained in producing profits or gains in order to see how the prospects, progress, and development that have been attained in a corporation can be observed. It is said to succeed when it has achieved the main points and goals that have been set.

MSMEs are essential for promoting regional economic expansion, including in Gunungkidul Regency, where the majority of the population relies on the small and medium business sector. However, many MSMEs still face obstacles in financial management due to low access to formal financial services, limited understanding of financial literacy, and uneven adoption of financial technology. Considering the importance of these three aspects, this study focuses on MSMEs in Gunungkidul Regency in order to obtain a more contextual picture. This study analyzes the influence of financial inclusion, financial literacy, and financial technology on the financial performance of MSMEs in the region.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Financial Inclusion

According to Otoritas Jasa Keuangan (2021) The ability of the population to access financial products and services in official financial institutions in accordance with their needs and capabilities to achieve a welfare state is known as financial inclusion.

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This financial inclusion tries to eliminate various forms of obstacles or barriers to community access in using financial services that are already supported by existing infrastructure. According to Ozili (2021) there are several relevant theories where the situation has a relationship with an event (context) of financial inclusion, namely the theory of economic beneficiaries, the theory of inclusive finance, Understanding the significance of appropriate access to financial services and its beneficial effects on economic growth, poverty alleviation, personal empowerment, and financial stability is made possible by the theories of financial sustainability and financial inclusion.

Financial Literacy

Otoritas Jasa Keuangan (2021) Financial literacy is defined as the information, abilities, and convictions that influence attitudes and behavior to enhance the quality of financial management and decision-making in order to attain wealth. As stated by Otoritas Jasa Keuangan (2017) public knowledge about financial literacy has become something that must be owned by the community in everyday life, so that it can become an ability that can make people survive in the world of work or life skills that need to be owned by every individual in living daily life for a long time. According to Gunawan & Chairani (2019) Financial management and financial literacy go hand in hand since the more literate a person is, the more adept they will be at handling their money.

Financial Technlogy

A new financial service that makes use of technology is called intech to enhance financial activities, claim Yahaya dan Ahmad (2019). In Sijabat, Hutajulu dan Sihombing (2019) research explains that the financial industry runs its business through modern technology to provide the best service for its consumers. Not only that, the financial industry utilizes opportunities from these technological advances as a strategy to develop its business or business.

Financial Performance

Lestari, Purnamasari dan Setiawan (2020) assert that a the financial performance of a business reflects its success, which is evident from the outcomes of the several activities the firm engages in. Financial performance serves as a gauge for the extent to which a company has carried out all activities under financial regulations.

Hypothesis Development

The Impact of Financial Inclusion on MSMEs' Financial Results in Gunungkidul

The development of a stable financial system that benefits all societal levels is a hallmark of the impact of financial inclusion on good financial performance. Through its intermediaries, financial institutions contribute significantly to the advancement of economic growth, income equality, poverty relief, and financial system stability. A fast- growing financial industry is not always closely related to adequate access to financing.

The study's findings Natsir, Supriaddin dan Putera (2023) declare that in their research if financial inclusion (X2) partially has a positive and significant effect on the financial performance of young entrepreneurs in Kendari City. This is also supported by research Zs *et al.* (2023) which states that financial inclusion significantly affects the financial performance of MSME partners and those under the guidance of Bank Indonesia's Bengkulu Provincial Representative Office. Based on the aforementioned explanation, research can be developed:

H_1*: *Financial inclusion has a favorable effect on the financial performance of MSMEs in Gunungkidul.

The Effect of Financial Literacy on the Financial Performance of MSMEs in Gunungkidul

Financial performance is significantly impacted by financial knowledge, the more advanced an entrepreneur's understanding of finance, the higher their financial performance will peak. The work of an entrepreneur is the leading factor deciding an entrepreneur's success or failure, hone enterprise need human, social, financial three major types of capital, and these three kinds of capital can be the three kinds of efficient resource provided for successful business. Business owners who are financially literate are better equipped to create business plans, start financial plans, and make wise investment choices. According to research by Mulyanti dan Nurhayati (2022), MSME's financial performance is impacted by financial literacy. This is supported by research Putri *et al.* (2022) which claims that young entrepreneurs' financial performance in North Luwu Regency is greatly impacted by financial literacy. The following hypothesis can be developed based on the information presented above:

H_2*: *Financial literacy has a favorable effect on the financial performance of MSMEs in Gunungkidul.

Financial Technology's Impact on MSMEs' Financial Performance in Gunungkidul

Fintech refers to any company using the internet, mobile devices, software, and technology to solve a problem or offer a service for individuals and businesses in finance. In research Zs *et al.* (2023) declared that MSME Partners' financial performance benefits from financial technology, with assistance from Bank Indonesia's Bengkulu Province Representative Office. Research by Natsir, Supriaddin dan Putera (2023) supports this supports this. It asserts that the financial performance of young business owners in the city of Kendari is significantly and partially improved by financial technology.

H_3*: *Financial technology has a positive effect on the financial performance of MSMEs in Gunungkidul.

RESEARCH METHODS

The nature of the research used in this study is quantitative research. In and of itself, quantitative research is a methodical way to solving problems using numerical data. According to Sugiyono (2022), Using research instruments to collect data, quantitative research is a technique used to examine a population or sample in a particular study. With quantitative or statistical analysis of data with the goal of verifying preconceived notions. Data analysis is conducted to analyse or test hypotheses using questionnaire data. Using IBM SPSS Statistics software, multiple linear regression analysis was the data analysis method employed in the study.

DATA ANALYSIS RESULTS & DISCUSSION

Validity and Reliability Testing

If r-count > t-table, the validity test can be deemed valid. The financial inclusion variable in this study has an r-count value between 0,841 and 0,905, and its r-table value is 0,1506, the financial literacy variable has an r count value of 0,871-0,901; and the financial technology variable with an r-count value of 0,863-0,925; which means that all variables have an r-table value. Meanwhile, in the reliability test, it is said to be reliable if the Cronbach's alpha value is above 0,60. The Cronbach's alpha for the financial inclusion variable is 0.955. The financial literacy variable has a Cronbach's alpha of 0.955. The financial technology variable has a Cronbach's alpha of 0.954. The financial performance variable's Cronbach's alpha is 0.961. It may be inferred from this data that every variable has been deemed reliable.

Table 1. Cronbach's Alpha Reliability Testing

Variables	Based on Standarized Item	Critical Value	Description
Financial Inclusion	0,955	0,6	Reliable
Financial Literacy	0,955	0,6	Reliable
Financial Technology	0,954	0,6	Reliable
Financial Performance	0,961	0,6	Reliable

Source: Primary Data Processed (2024)

Classical Assumption Test

The results of the classical assumption test data are shown in Table 2, from which it can be inferred that since the VIF value is less than 10 and the tolerance value is greater than 0 and 1, there is no multicollinearity in this study. Furthermore, this study does not exhibit heteroscedasticity, as evidenced by the fact that every value of the independent variable heteroscedasticity test is above the 0,05 significant level. If the Kolmogorov-Smirnov value is 0,200; which is greater than 0,05; the normalcy test can also be passed.

Table 2. Classical Assumption Test

Model	Variable	Collinearity Statistics		Kolmogorov -Smirnov	Heteroscedasticit y
		Tolerance	VIF	Sig.	Sig.
1	Financial Inclusion	0,891	1,123	0,200	0,564
	Financial Literacy	0,176	5,676		0,366
	Financial Technology	0,181	5,512		0,32

Source: Primary Data Processed (2024)

Considering the findings of the conducted analysis, all tests of validity, reliability, and classical assumption tests show adequate results and are according to the standards that have been set. Thus, it can be concluded that the research instrument has met the eligibility requirements for use in further analysis. Therefore, the next stage in this research process is to test the previously formulated hypothesis.

Hypothesis Testing

Next, table 3 below displays the findings of the hypothesis test:

Table 3. Multiple Linear Regression Analysis Results

Variable	Unstandardized Coefficients		Standardized Coefficients	t	sig.
	B	Std. Error	Beta		
(Constant)	1,272	0,501		2,54	0,012
X1.1	0,363	0,054	0,374	6,765	0,000
X1.2	0,456	0,073	0,415	6,242	0,000
X1.3	0,246	0,077	0,197	3,187	0,002

Source: Primary Data Processed (2024)

Business actors can improve their financial performance with the help of financial services and facilities that are easily accessible to MSMEs. The more business actors improve their financial inclusion, the more their financial performance will continue to improve (Putri *et al.*, 2022). The results of the H1 test show that the financial inclusion variable has a positive and significant impact on the financial performance of MSMEs in Gunungkidul Regency (Table 3). According to the data analysis, the calculated t-value of 6,765 > t-table value of 1,653 and the probability value of 0,0000 for the financial inclusion variable are both below the significance level of 0,05. Thus, the variable of financial inclusion (X1) significantly impacts financial performance (Y). This study supports this research finding by (Yuniarti et al., 2023), It claims that financial success is greatly impacted by the financial inclusion variable. This supports the findings of the Natsir, Supriaddin dan Putera (2023) study, It discovered that young business owners' financial performance in Kendari City is greatly and favorably impacted by financial inclusion.

It is critical for business actors to have financial literacy because financial literacy has an impact on improving financial performance. Financial performance will also improve with a high degree of financial management and understanding, ensuring that profits are consistently high (Mulyanti dan Nurhayati, 2022). The results of the H2 test (Table 3) show that the financial literacy variable has a positive and significant impact on the financial performance of SMEs in Gunungkidul Regency. According to the data analysis, the Financial Literacy variable has a probability value of 0,000 and a computed t-value of 6,242 > t-table value of 1,653, which is below the significance level of 0,05. Therefore, the financial literacy variable (X2) significantly impacts financial performance (Y). Research backs this up Zs *et al.* (2023) claiming that financial literacy has a favorable and significant impact on financial performance. The financial success of young entrepreneurs in Luwu Utara Regency is impacted by their degree of financial literacy, per the study of Putri *et al.* (2022). Therefore, finansial performance is greatly influenced by the finansial literacy variable.

Financial Technology or fintech is a company engaged in software and technology that is very modern and provides financial services. In entrepreneurial activities, It is often known that financial technology, or fintech, is a tool for digital payment transactions. Indonesia's banking industry's technological advancements could strengthen the nation's economy (Putri *et al.*, 2022). Technology development in the finance industry or financial technology can be used anytime and by anyone, especially by business actors, as it has many functions that can be utilised. For example, fintech can provide ease for business actors in the payment process, thereby improving financial performance. According to the findings of the third hypothesis test of this research, the Financial Technology variable significantly and favorably affects financial performance (Table 3). The Financial Technology variable's computed t-value of 3,187 > t-table value of 1,653 and probability value of 0,002 are below the 0.05 significance level, according to the data analysis. So, Financial Technology variable (X3) significantly impacts Financial Performance (Y). The study by Natsir, Supriaddin dan Putera (2023), supports this, stating that financial technology significantly improves financial performance to a certain extent. This aligns with the study conducted by Putri *et al.* (2022) which claims that the financial performance of young business owners in Luwu Utara Regency is positively and significantly impacted by financial technology. The F-test findings, as shown in table 4 below, indicate that the regression model constructed has a significance level of 0,000 (p <0,05), meaning that the independent variables added to the model can concurrently describe the fluctuations that occur in the dependent variable in a meaningful way.

Table 4. F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6794,819	3	2264,940	765,044	,000b
	Residuals	550,660	186	2,961		
	Total	7345,479	189			

Source: Primary Data Processed (2024)

CONCLUSION

Financial performance is positively and significantly impacted by each of the independent factors in this study: financial inclusion, Financial technology and financial literacy, according to the results of the data processing and discussion conducted in the previous chapter. This result demonstrates that better financial performance is generated with increasing levels of financial inclusion. Similarly, substantial gains in financial performance are also a result of proper financial literacy and efficient use of financial technology.

As on recommendations for further research, the researcher is aware of several limitations that need attention. One of them is the obstacle in filling out the questionnaire by respondents, which is caused by the large number of respondents and the level of difficulty in understanding the instrument online. Therefore, it is recommended that the distribution of questionnaires in further research be carried out in printed form to facilitate the filling process by respondents. In addition, the number of samples used should be increased in order for the research results are more representative. Future research is also expected to cover a wider area, not limited to just one or two locations, so that the generalization of findings can be carried out more strongly.

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