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The Effect of Financial Literacy and Financial Inclusion on Micro Small Medium Enterprises (MSME) Financial Performance and Competence as Moderating Variables (Case Study at BTPN Syariah KCP Hamparan Perak)

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Abstract - The results of this study indicate that partially financial literacy has a significant effect on MSME Financial Performance. Partially, the financial inclusion variable has a significant effect on the MSME Financial Performance. Partially, the competency variable has a significant effect on the MSME Financial Performance. Competence can moderate the effect of financial literacy on the financial performance of MSMEs. Competence can moderate the effect of financial inclusion on the financial performance of MSMEs.

Keywords - Financial Literacy, Financial Inclusion, Competence, Financial Performance.

I. Introduction

The company's financial performance is the result of many decisions made continuously by management. Therefore, to assess the financial performance of a company, it is necessary to involve an analysis of the cumulative financial and economic impacts of decisions and consider using a comparative measure, one way to assess the efficiency of the financial performance of a business in financial management is by analyzing financial statements.

Financial performance is a description of the economic results that can be achieved by the company at a certain time through the company's activities. These activities are recorded and summarized into information that can be used as a medium to report the state and position of the company to interested parties, especially creditors, investors, and the company's management itself.

MSME Financial Performance is the result of work achieved as a whole and compared with the work results, targets, targets or criteria that have been determined in advance and have been mutually agreed upon in a business entity with asset and turnover criteria that have been determined in the law.

One of the problems faced by MSMEs is the problem of performance. The importance of performance issues, considering that performance indicates the level of profit earned by MSMEs. If the level of profit is high, then MSMEs can develop their business even better. Conversely, if the level of profit is low, then MSMEs are on the verge of bankruptcy. Every organization that carries out business activities will expect to always get the best performance results even though the global situation will always fluctuate.. MSMEs as organizations that carry out business activities will also have the hope of having good and increasing performance so that the goals of MSMEs will be achieved.

Many factors affect the performance of small companies including the influence of internal and external factors (Wang and Wong, 2004). Success depends on the ability to manage these two factors through analysis of environmental factors as well as the formation and implementation of business strategies. According to Haeruman (2000) the factors that affect the financial performance of SMEs are financial literacy, management, organizational and technological capabilities, entrepreneurial competence, wider access to capital, transparent market information, other production input factors, and a healthy business climate that support innovation, entrepreneurship, and business practices as well as fair competition.

Anggraeni (2015) financial literacy affects a person's way of thinking about financial conditions and influences strategic decision making in terms of finance and better management for business owners. The ability to manage the finances of business owners is indeed very necessary for business performance and business continuity.The increase in financial literacy causes individuals to make financial reports of their businesses more often. This study found that entrepreneurs who more often produce better financial reports will have a high level of business performance.

With good financial literacy, entrepreneurs are able to use their skills in finance in making various decisions that are right for their companies so that they can improve their business performance (Muraga and John, 2015). The indicators of financial literacy arebasic financial knowledge, savings and loans, Insurance, Investment (Lestari, 2019).

Suryana (2006:5) suggests that entrepreneurial competence is defined as "Knowledge, skills, and individual abilities that directly affect performance because entrepreneurs are people who are always oriented to their business performance.

According to Soegoto (2009:9) entrepreneurial competence owned by business owners is very important because competence shows the knowledge of business owners about managing and developing strategies both financial and management in managing their business to improve their business performance in achieving goals.

Based on the formulation of the problem above, the objectives of this study are as follows: To find out, test, and analyze the effect of financial literacy on the financial performance of MSMEs under the guidance of Bank BTPN Syariah Medan. Knowing, testing, and analyzing the effect of financial inclusion on the financial performance of MSMEs in MSMEs assisted by Bank BTPN Syariah Medan. Knowing, testing, and analyzing the effect of financial literacy and financial inclusion on the financial performance of MSMEs at MSMEs assisted by Bank BTPN Syariah Medan. Knowing, testing, and analyzing the competence of moderating the relationship of financial literacy to the financial performance of MSMEs at MSMEs assisted by Bank BTPN Syariah Medan. Knowing, testing, and analyzing the competence of moderating the relationship of financial inclusion on the financial performance of MSMEs at MSMEs assisted by Bank BTPN Syariah Medan.

II. RESEARCH METHODS

The scope of research

Researchers conducted this research in BTPN Syariah assisted MSMEs because: access to the BTPN Syariah office is difficult to reach because there are still some MSMEs that are located very far from the location of BTPN Syariah so that MSMEs are difficult to get services from BTPN Syariah so that the development of these MSMEs cannot develop properly.

Population and Sample

Population

There are 508 MSME units in Hamparan Perak sub-district that are being assisted by BTPN Syariah Medan. The following are the details of the SMEs in Hamparan Perak Sub-district which are being fostered by BTPN Syariah Medan.

Sample

Determination of the number of samples taken as respondents using the Slovin formula in Sugiyono (2013, p. 158) as follows, p.

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{N}{N.e^2 + 1}$$

$$\frac{508}{508.0{,}1^2 + 1}$$

$$n = 83$$

Based on calculations *Slovin* above, the number of samples in this study were 83 units of MSMEs that were fostered by the BTPN Syariah Medan bank.

Data Collection Techniques

The data used is primary data, namely data obtained directly from the sample. The data collection methods used in this study are as follows: literature study and questionnaires.

Data analysis technique

The data analysis method used in this research is quantitative data analysis method. Quantitative data analysis method is a data analysis method that uses the calculation of numbers which will later be used to make a decision in solving problems and the data obtained is analyzed using theories that are generally applicable, so that conclusions can be drawn and test whether the formulated hypothesis can be accepted or rejected, while the analytical tools used in this study include:

1. Regression Analysis

The data that has been collected is then analyzed using statistical analysis tools, namely:

a) Multiple linear regression analysis (multiple regression analysis).

Y = α + β1X1 + β2X2 + Ɛ

b) Regression analysis with moderating variables (Moderated Regression Analysis).

In this study, the method used to perform regression testing with moderating variables is Moderated Regression Analysis or interaction test. (Ghozali, 2014) declare Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains an interaction element (multiplication of two or more independent variables) with the following equation formula:

Y = α + β1X1 + β2X2 + β3X3 + β4X1X3 + β4X2X3 +Ɛ

(Sugiyono, 2017)

Information :

Y = performance

α = Constant

1-β3 = Regression Coefficient

X1 = financial literacy

X2 = financial inclusion

X3 = Competence

X1-X3 = Interaction between financial literacy and commitment

X2-X3 = Interaction between financial inclusion and commitment

Ɛ = Error Term, which is the level of estimator error in the study.

2. Hypothesis Analysis

According to Sugiyono (2013), "Hypothesis is a temporary answer to the research problem formulation". Based on the conceptual framework developed, the hypotheses in this study are as follows:

1. Financial literacy affects the financial performance of SMEs.
2. Financial inclusion has an effect on MSME Financial Performance.
3. Financial literacy and financial inclusion affect the financial performance of MSMEs.
4. Competence moderates the relationship between financial literacy and MSME financial performance.
5. Competence to moderate the relationship of financial inclusion to the financial performance of SMEs.

a) Partial Test (t-test)

The t-test basically shows how far the influence of one independent variable partially or individually in explaining the variation of the dependent variable.

1) Ho is accepted = If the value of tcount < ttable, then, which means that there is no influence between the independent variable and the dependent variable.
2) H1 is rejected = If the value of tcount > ttable, then, which means that there is an effect of the independent variable on the dependent variable.
3) The significance level used is 5% or 0.05 df = n-2, in other words if P (probability) > 0.05 then it is declared insignificant, and vice versa if P < 0.05 then it is declared significant (Juliandi, Irfan & Manurung, 2014)

b) Determinant Coefficient Test (R^2)

Determinant coefficient test is done to see how much influence the independent variable has on the dependent variable. This test is done by looking at the value of the determinant coefficient. According to Sugiyono (2009) if the determinant coefficient is 0, then there is no relationship between the independent variable and the dependent variable. Conversely, if the determinant coefficient is 1, then there is perfect attachment between the independent variable and the dependent variable.

III. Results And Discussion

Multiple Linear Regression

The results of the interpretation of the regression analysis obtained with the help of SPSS Version 24 software use the form of an equation, where the equation or model contains the constants and regression coefficients obtained from the results of data processing that has been done previously. The regression equation that has been formulated later with the help of the SPSS program, data processing is carried out so that the final equation is obtained as follows:

Table 1. Multiple Linear Regression

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	9,287	2,463		3.770	.000
	X1	.293	.108	.394	2,701	.008
	X2	.418	.064	.581	6.554	.000

Based on table 1 above, the multiple linear regression equation in this study is as follows:

$Y = 9.287 + 0.293X1 + 0.418X2$

Information:

Y = MSME Financial Performance

a = Constant

X1 = Financial Literacy

X2 = Financial Inclusion

The explanation of the above equation is:

1. In this regression model, the constant value listed is 9,287. It can be interpreted if the independent variables, namely financial literacy and financial inclusion, are assumed to be equal to zero. Each addition to financial literacy and financial inclusion in one unit, the MSME Financial Performance variable will increase by 9,287.
2. The regression coefficient value of b1 is 0.293 which shows the positive influence of the financial literacy variable. In this study, it can be interpreted that for each additional financial literacy variable by one unit, it will increase performance by 0.293.
3. The regression coefficient value of b2 is 0.418 which shows the positive influence of the financial inclusion variable. In this study, it can be interpreted that for each additional financial inclusion variable by one unit, the MSME Financial Performance will increase by 0.418.

Table 2. Moderation Variable Regression Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.001	2,657		3.162	.000
	X1	.860	.485	1.158	3,775	.000
	X2	.819	.651	1.137	3.258	.000
	Z	.896	.710	1.081	4.262	.000
	X1xZ	.202	.016	-1.628	2.277	.002
	X2xZ	.237	.021	-.762	3.597	.000

Y = 4.01 + 0.860X1 + 0.819X2 + 0.896X3 + 0.202X1X3 + 0.237X2X3 +Ɛ

a) Constant of 4.001 shows that if the independent variable (X1, X2, X1Z, X2Z = 0) then the value of MSME Financial Performance is 4.001.

b) β1 = 0.860 shows that every increase in financial literacy will be followed by an increase in MSME Financial Performance of 0.860 with the assumption that other variables are fixed or constant.

c) β2 = 0.819 shows that every increase in financial inclusion will be followed by an increase in MSME Financial Performance of 0.819 assuming other variables are fixed or constant

d) β1 β3 = 0.202 shows that every increase in the competency variable to moderate financial literacy will be followed by an increase in MSME Financial Performance of 0.202 with the assumption that other variables are fixed or constant.

e) β2 β3 = 0.237 shows that every increase in the competence variable to moderate financial inclusion will be followed by an increase in MSME Financial Performance of 0.237 with the assumption that other variables are fixed or constant.

Hypothesis test

Partial Test (Test - t)

Based on table 4 above, the following results are obtained:

1. The significance value for the financial literacy variable is 0.000, which is smaller than the alpha, which is 0.05. Based on the results obtained, H1 is accepted for the financial literacy variable. Thus, partially that the financial literacy variable has a significant effect on the Financial Performance of MSMEs.
2. The significance value for the financial inclusion variable is 0.000, which is smaller than the alpha of 0.05. Based on the results obtained, H2 is accepted for the financial inclusion variable. Thus, partially that the financial inclusion variable has a significant effect on the Financial Performance of MSMEs.
3. The significance value for the competency variable is 0.000, which is smaller than that of alpha, which is 0.05. Based on the results obtained, H3 is accepted for the competency variable. Thus, partially that the competence variable has a significant effect on the Financial Performance of MSMEs.
4. The significance value for the financial literacy variable on MSME Financial Performance moderated by competence is 0.000, which is smaller than the alpha of 0.05. Based on the results obtained, H4 is accepted for the financial literacy variable. Thus, competence can moderate the influence of financial literacy on MSME Financial Performance.
5. The significance value for the financial inclusion variable on the MSME Financial Performance moderated by competence is 0.000, which is smaller than the alpha of 0.05. Based on the results obtained, H5 is accepted for the financial inclusion variable. Thus, competence can moderate the effect of financial inclusion on MSME Financial Performance.

Coefficient of Determination (R-Square)

The coefficient of determination (R^2) essentially measures how far the model's ability to explain the variation of the dependent variable. The following are the results of the coefficient of determination in this study:

This figure identifies that the variables of financial literacy and financial inclusion on MSME Financial Performance are 48.9% while the remaining 51.1% is influenced by other variables outside of research such as management, organizational and technology capabilities, entrepreneurial competence, wider access to capital. , transparent market information, other production input factors, and a healthy business climate that supports innovation, entrepreneurship, and business practices as well as healthy competition.

Discussion

The Effect of Financial Literacy on MSME Financial Performance

The significance value for the financial literacy variable is 0.000, which is smaller than the alpha, which is 0.05. Based on the results obtained, H1 is accepted for the financial literacy variable. Thus, partially that the financial literacy variable has a significant effect on the Financial Performance of MSMEs.

According to Aribawa (2016), strategic ways are needed to improve performance, one of which is financial literacy. Financial literacy is knowledge, beliefs and skills, which influence attitudes and behavior to improve the quality of decision making and financial management in the context of welfare. With this definition, it is hoped that financial service business actors, product consumers and the wider community will not only know and understand financial services but also be able to improve their decision-making abilities so that the more banks trust MSME actors, the more possibilities for MSME actors to expand and invest either in the field of business in which they are involved as well as in other fields. The results of the research were carried out by Sanistasya (2019), Sari (2019), Suryani (2017),

The Effect of Financial Inclusion on MSME Financial Performance

Financial inclusion has an effect on the Financial Performance of MSMEs, this shows that if every MSME already has financial inclusion, the MSME Financial Performance can increase. Financial inclusion is included in the financial literacy program, especially in order to improve the ability of small business actors to use financial services and get a direct impact from financial institutions (Terzi, 2015). According to him, the higher the increase in financial inclusion in SMEs, it will ultimately improve the financial stability of a country. Financial inclusion is a change in the mindset of economic agents about how they view profit and money.

Research conducted by Bongomin (2017) shows that financial inclusion has a significant effect on performanceMSME Finance. The study states that on a large scale, financial inclusion has not been achieved optimally if there is still a problem with asymmetric information on financial services so that it can hinder the success of MSMEs to compete. With good financial literacy and financial inclusion, business actors are able to use their capabilities in the financial sector in making various decisions

Financial Literacy and Financial Inclusion Affect the Financial Performance of MSMEs at MSMEs fostered by Bank BTPN Syariah Medan

In the results of the F test in this study, it is known that the significance value of 0.000 is smaller than the alpha value of 0.05. Thus, it can be concluded that financial literacy has a simultaneous effect on MSME Financial Performance.

According to Haeruman (2000) the factors that affect the financial performance of SMEs are financial literacy, management, organizational and technological capabilities, entrepreneurial competence, wider access to capital, transparent market information, other production input factors, and a healthy business climate that support innovation, entrepreneurship, and business practices as well as fair competition.

Research result (Yanti, 2019) shows that the two independent variables, namely financial inclusion and financial literacy have a positive and significant influence on the performance of MSMEs

Competence to Mediate the Relationship of Financial Literacy to Performance

The variable of financial literacy on MSME Financial Performance moderated by competence is 0.000, which is smaller than the alpha of 0.05. Based on the results obtained, H4 is accepted for the financial literacy variable. Thus, competence can moderate the influence of financial literacy on MSME Financial Performance.

According to Abor and Quartey (2010) MSMEs often experience delays in their development, this is due to various conventional problems that are not completely resolved such as problems of human resource capacity, ownership, financing, marketing and various other problems related to business management. Therefore, strategic efforts are needed to improve the financial performance of MSMEs. One way that can be done is to enrich the knowledge of MSME actors on financial knowledge

Suryana (2006:5) suggests that entrepreneurial competence is defined as "Knowledge, skills, and individual abilities that directly affect performance because entrepreneurs are people who are always oriented to their business performance.

According to Soegoto (2009:9) entrepreneurial competence owned by business owners is very important because competence shows the knowledge of business owners about managing and developing strategies both financial and management in managing their business to improve their business performance in achieving goals.

Competence to Mediate the Relationship of Financial Inclusion to MSME Performance

The financial inclusion variable on the MSME Financial Performance moderated by competence is 0.000, which is smaller than the alpha, which is 0,05. Based on the results obtained, H5 is accepted for the financial inclusion variable. Thus, competence can moderate the effect of financial inclusion on MSME Financial Performance

The competence of MSME HR is important to get attention in order to create a qualified workforce that is able to compete and produce good performance for the achievement of company goals. Entrepreneurial competence is very important to be possessed by an entrepreneur in managing his business to be able to achieve success in his business activities, then entrepreneurial competence is also needed to survive and develop in the midst of increasingly fierce competition because not all entrepreneurs have entrepreneurial competencies.

Suryana (2006:5) suggests that entrepreneurial competence is defined as "Knowledge, skills, and individual abilities that directly affect performance because entrepreneurs are people who are always oriented to their business performance.

According to Soegoto (2009:9) entrepreneurial competence owned by business owners is very important because competence shows the knowledge of business owners about managing and developing strategies both financial and management in managing their business to improve their business performance in achieving goals.

IV. Conclusion

Based on the results of research and discussion in the previous chapter, it can be concluded as follows:

1. Financial literacy affects the financial performance of BTPN Syariah's MSMEs.
2. Financial inclusion has an effect on the Financial Performance of MSMEs fostered by BTPN Syariah.
3. Financial literacy and inclusion affect the financial performance of BTPN Syariah's MSMEs.
4. Competence can moderate the influence of financial literacy on the Financial Performance of MSMEs assisted by BTPN Syariah.
5. Competence can moderate the effect of financial inclusion on the Financial Performance of MSMEs assisted by BTPN Syariah

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