

The Effect of Financial Literacy and Financial Access to the Performance of SMEs (Small and Medium Enterprises) in the Trade Sector of Padang City

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Abstract — This study aims to empirically examine the effect of financial literacy on the performance of SMEs by using financial access as a mediating variable. The object of this study was the small and medium-sized enterprises of the trade sector in Padang City. The sample in this study amounted to 120 respondents selected based on purposive sampling method. Hypothesis testing was done using Structural Equation Modeling (SEM) analysis with the STATA version 12.0 program. The results of this study indicate that Financial Literacy has a significant effect on the performance of SMEs and Financial Access has a significant effect and mediates partially the relationship between Financial Literacy on SMEs Performance.

Keywords - Financial Literacy, Financial Access, SME Performance.

I. INTRODUCTION

Over the past few decades, scientists and policy makers in both developed and developing countries have realized that the financial literacy of entrepreneurs is very important for the formation and sustainability of small enterprises (Wise, 2013). This is because entrepreneurs operate in dynamic environments then financial markets are more competitive and complex portfolios. Entrepreneurs will be vulnerable to information asymmetry if the complexity in financial markets is not commensurate with the growth of financial literacy owned by entrepreneurs (Barte, 2012). When financial literacy skills among entrepreneurs are low, this will be a barrier to achieving business success.

At the macroeconomic level, small enterprises are the backbone of the economy. Small and Medium Enterprises (SMEs) have an important role for economic development and encourage Indonesia's economic growth. With the existence of the SMEs sector, unemployment due to a workforce that is not absorbed can start a business through the creation of new jobs for the Indonesian population.

As a prime mover of economic growth, SMEs provide employment and market relations in various sectors, promote innovation, reduce poverty and contribute to Gross Domestic Product (GDP) in both developed and developing countries (Cole et al. 2010). Based on data from the Ministry of Cooperatives and SMEs (2016), the contribution of SMEs to Gross Domestic Product (GDP) in Indonesia is 60.34%.

In addition, SMEs have also helped absorb domestic workers with contributions that increased from 96.99% to 97.22% in the last 5 years. The proportion of SMEs that is more than 80% has made SMEs to be one of the supporters that has the existence of economic effectiveness in Indonesia.

Although Indonesian SMEs take a very potential role in the national economy. Yet, in reality there are still many problems that confront in its development. One of the problems faced by SMEs today is a problem related to business management. Abor and Quartey (2010) stated that SMEs often experience delays in their development, this is due to various conventional problems that are not completely resolved (closed loop problems), such as capacity issues of Human Resources (HR),

ownership, financing, and marketing. This makes it difficult for SMEs to compete with large companies.

Therefore, strategic efforts are needed to improve the performance and sustainability of SMEs. One of the ways that can be done is to enrich the knowledge of SMEs on financial literacy so that their management and accountability can be accounted for better (Aribawa, 2016). A survey conducted by the Financial Services Authority (2016) revealed that financial literacy understanding of the Indonesian population was only 22%. Bank Indonesia (2016) also revealed that SMEs in Indonesia had knowledge of the level of financial literacy in relatively low business management. Whereas the number of SMEs in Indonesia is the largest compared to other countries, but Indonesia is a country with a low level of financial literacy, FSA (2016).

Other than that, in this regard relating to business performance and growth, it is also necessary to strengthen SME's financial access to the banking sector with several banking programs such as: lending, branchless banking, and savings, as well as financial education which is expected to improve business performance. This is because access to finance can provide more resources, provide working capital, encourage innovation and stronger corporate dynamism, increase entrepreneurship, encourage more efficient asset allocation and increase the company's ability to take advantage of growth opportunities (Beck et al. 2006).

But in developing countries, the majority of informal businesses have limited access to financial services that have many factors contribute to this. Lack of financial literacy has been identified as one of the factors limiting financial access (OECD, 2012). Without broad access to financial services, credit or business capital constraints will make it difficult for small enterprises to expand their businesses to increase profitability.

Research conducted by Nunoo et al. (2012) studied the use of financial services in Ghana's SMEs and found that educated entrepreneurs financially more likely accessed and utilized financial services which in turn improved their business performance. In addition, research conducted by Sabana, (2014) also stated that financial literacy had an effect on financial access which ultimately affected the performance of micro-enterprises in Kenya. While Wachira et al. (2012) examined the financial literacy's impact on access to SMEs financial services in Kenya and also found that low financial literacy for business performers would hamper access to financial services.

Data from the Indonesian Ministry of Finance (2015) also mentions that there are around 57.9 million SMEs in Indonesia. Meanwhile, based on FSA data (2015) states that lending to SMEs only reaches 18% of total loans (only Rp. 635 Trillion of the total credit of Rp. 3,500 trillion). According to the FSA, this value is very little compared to the number of SMEs. This means that businesses are still low in accessing and utilizing banking services in developing their businesses.

Padang City is the capital city of West Sumatra Province. Based on data from the West Sumatra Cooperatives and SMEs Office in 2016, there are 501,600 SMEs in West Sumatra in 19 districts and cities. While for the city of Padang itself, there are 74,000 more SMEs spread across 11 districts.

There are various types of SME sectors in Padang City including trade, services, crafts and culinary sectors. However, trade sector SMEs have become one of the superior SME sectors compared to other sector SMEs. As the central city of the government of West Sumatra, Padang City has become one of the central businesses that is driving the growth of trade sector SMEs rapidly. The rapid growth of the trading business indicates that the trade sector SMEs in Padang City have a good performance.

Empirical studies have identified the financial literacy of entrepreneurs as one of the main factors affecting the performance of small enterprise (Njoroge, 2013). This is supported by research conducted by Ariwibawa (2016) which states that financial literacy has a positive effect on the performance and sustainability of SMEs in Central Java. Barte (2012) studied the effect of financial literacy on micro-enterprises in the fisheries sub-sector in the Philippines, which stipulated that low financial literacy for business people will have a negative impact on their businesses. While Olawale and Garwe (2010) in their research in an SME in Africa found that understanding financial literacy did not affect the growth and performance of SMEs.

Based on the description above, the researchers need to conduct the research on financial literacy whether it affects the performance of the SMEs in Padang City. The SMEs sector researched was the trade sector. This study aims to analyze the effect of financial literacy on the performance of SMEs in Padang City which is mediated by financial access.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. Financial Literacy

Financial literacy is closely related to individual or personal financial management which includes investment decisions, funding, and asset management. Financial literacy is very

important to improve living standards and behavior patterns in order to have good planning for the future. Financial literacy is the ability to understand the knowledge and skills to manage financial resources to achieve prosperity (Zinsari, 2014).

According to Warsono (2010) financial literacy is the extent of knowledge and implementation of a person or community in managing his personal finances. The level of a person's financial literacy can be seen from how well the individual is able to utilize financial resources, determine the source of spending, manage risks, manage assets owned, and prepare the security of financial resources in the future if it is not working.

The Association of Chartered Certified Accountants (2014) formulates that the financial literacy concept includes knowledge of financial concepts, the ability to understand communication about financial concepts, the ability to manage personal/ corporate finances and the ability to make financial decisions in certain situations. Meanwhile, according to the Financial Services Authority (FSA), 2013 stated that financial literacy is a series of processes or activities to increase knowledge, confidence, skills and the public at large so that they are able to manage finances better.

The Republic of Indonesia Financial Services Authority (FCA) as an educational implementation agency has a role in improving public finances that has categorized the level of financial literacy of the Indonesian people into four, as follow :

- a) Well literate (21.84%), which has knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, rights and obligations related to financial products and services, as well as having skills in using financial products and services .
- b) Sufficient literate (75.69%), which has knowledge and confidence about financial service institutions and financial products and services, including features, benefits and risks, rights and obligations related to financial products and services.
- c) Less literate (2.06%), which is only having knowledge about financial service institutions, financial products and services.
- d) Not literate (0.41%), which does not have the knowledge and confidence of financial service institutions and financial products and services, and does not have the skills in using financial products and services.

Other than that, Financial Services Authority (FSA), 2013 also stated that the important mission of the financial literacy program was to educate the Indonesian people in the financial

sector in order to manage finances intelligently, the lack of knowledge about the financial industry could be overcome and the community is not easily deceived into the product investment products that offer high profits in the short term without considering the risks.

To ensure public understanding of the products and services offered by financial institutions, the national financial literacy strategy program launched three main pillars. First, promoting education programs and national financial literacy campaigns. Second, the form of strengthening financial literacy infrastructure. Third, the development of affordable financial products and services. The implementation of the three pillars is expected to realize an Indonesian society that has a high level of financial literacy so that people can choose and utilize financial services products to improve welfare.

Measurement of financial literacy variables in the trade sector SMEs in this study uses measurement indicators that refer to research conducted by Sabana (2014), which the financial literacy consists of indicators of financial management, saving literacy, debt literacy and insurance literacy.

2. Financial Access

Financial Access is defined as the ability of individuals, households, employers and companies to access and utilize various financial services if they choose to do so, (Rojas-Suarez et al, 2010). Financial access is an important determinant of small enterprise performance because it gives them working capital, encourages stronger innovation and firm dynamism, increases entrepreneurship, encourages more efficient asset allocation and enhances the company's ability to take advantage of growth opportunities, (Beck et al. (2006). Providing broad access to finance for viable companies has a significant impact on economic growth.

Financial Access increases financial inclusion and contributes to the deepening of the financial sector and overall economic growth. Financial inclusion aims to attract populations who do not have bank accounts into the formal financial system to enable them to access various financial services including savings, payments, money transfers and credit and insurance (Hannig et al, 2010). Measurement of financial access variables for business performers in this study consists of indicators of account ownership and utilization of services and financial service providers referred to Sabana's research, 2014.

3. SME (Small and Medium Enterprise) Performances

Mutegi et al. (2015) defines the performance of SMEs as the results of work achieved by individuals and adjusts to the role or task of the individual in a company for a certain period of time, which is associated with a certain measure of value or standard of the individual company working. An achievement of the success or failure of organizational goals that have been applied.

Ali (2003) suggested that the performance of SMEs was analyzed using an approach based on the following three assumptions, they are:

- a) Measurement of SMEs performance is often difficult to do quantitatively, due to limited resources (understanding of finance and labor).
- b) Performance measurement generally looks at complex financial indicators, so this does not fully show the actual conditions that occur in the business.
- c) Performance measurement that is often used is relatively only suitable when used for large companies structured in the management of the company. Then a non-cost performance measures approach was formulated to measure the performance of SMEs as a measurement of the financial and non-financial performance of SMEs. With easy measurement (through perception) it is expected to be able to show the true condition of the SMEs.

The SMEs performance measurement instrument used in this study is based on statement instruments that have been used by previous researchers namely Taufiq (2017), in which the performance of SMEs is seen from indicators of sales growth, growth in operating profit, growth in market share and growth in the number of employees.

4. Hypothesis Development

1.1 Financial Literacy, Financial Access and SMEs Performance

Financial literacy is a series of processes or activities to increase knowledge, confidence, consumer skills and the wider community so that they are able to manage finances better (Financial Services Authority). Meanwhile, financial access is defined as the ability of individuals, households, employers and companies to access and utilize various financial services if they choose to do so (Rojas-Suarez et al. 2010).

As one of the important determinants of the performance and growth of small enterprises, financial access has a role in providing resources, working capital, encouraging innovation

and stronger corporate dynamism, increasing entrepreneurship, encouraging more efficient asset allocation and increasing the company's ability to take advantage of growth opportunities (Beck et al. 2006). Providing broad access to finance for viable companies has a significant impact on economic growth.

But in developing countries, the majority of informal businesses have limited access to financial services which many factors contribute to this. Lack of financial literacy has been identified as one of the factors limiting financial access (OECD, 2012). Without extensive access to financial services, credit or business capital constraints will make it difficult for small enterprises to develop their businesses to increase profitability. Lack of knowledge and access to financial resources has been linked to the inability of companies to achieve goals and manager's inability to take strategic actions (Aribawa, 2016).

Wachira et al (2012) examined the financial literacy's impact on access to financial services in SMEs in Kenya and determined that low financial literacy would hinder access to financial services. Nunoo et al. (2012) also stipulates that the financial literacy increases the utilization of financial services by SMEs in Ghana.

Meanwhile, the performance of SMEs is defined as the results of work achieved by individuals and adjusts to the role or task of the individual in a company for a certain period of time, which is associated with a certain measure of value or standard of the individual company working. An achievement of the success or failure of the organizational goals that have been implemented, Mutegi et al. (2015).

Entrepreneurial financial literacy will affect small businesses by allowing entrepreneurs to differentiate between personal and business finance and enable them to become competent buyers of financial products and services (ACCA, 2014). Financial literacy also allows companies to avoid business failures caused by poor financial management, especially credit management and cash flow management (Berryman, 1983). Low financial literacy is a common drawback among small business owners who contribute to high failure rates among small businesses (Klein et al, 2010). So, with the financial literacy owned by business people will help SMEs in improving performance in the form of better financial planning arrangements in order to be able to maximize the time value of money, improve work efficiency and added value to goods and or services offered so that the benefits obtained by SMEs will get bigger.

In addition, the presence of knowledge and ability in good financial management is expected to encourage businesses to

access finance or use banking services that will help provide working capital for them which in turn will affect the performance of small enterprise.

Research conducted by Del Mel (2008) stipulates that the financial literacy will increase the use of financial products by businesses that will ultimately improve the performance of small businesses in Sri Lanka. Nunoo et al. (2012) studied the use of financial services by Ghana SMEs and found that educated entrepreneurs financially would be more likely to access and utilize financial services which ultimately improved their business performance. Based on the description above, the hypotheses that want to be tested in this study are:

- H1: Financial literacy has a significant effect on financial access.
- H2: Financial literacy has a significant effect on the performance of SMEs.
- H3: Financial literacy has a significant effect on the performance of SMEs through financial access.

III. RESEARCH METHOD

The type of research used in this study was quantitative research. This study aims to determine how the financial literacy affects the performance of the Padang City trade sector SMEs with financial access as an intervening variable. Respondents of this study were small and medium-sized

enterprises performers in the trade sector in the city of Padang with an analysis unit of SME owners or managers. The sample in this study amounted to 120 respondents who were taken using non-probability sampling method with purposive random sampling technique. Data collection was carried out by survey method by distributing questionnaires by measuring Likert scale. The data analysis technique was carried out using the Structural Equation Modeling (SEM) model using STATA vs. 12.0.

IV. RESULTS AND DISCUSSION

1. SEM Assumption Testing

1.1 Validity Test

Calculation of instrument validity was done by looking at the total item correction value which is the result of calculating the validity of the research instrument. An instrument says r count validation is greater than r table which is a standard or reference (r count $>$ r table).

In this study, the table r value was obtained at 0,1509. The data will be valid as long as $ir_corr > r$ table, then the ir_corr value must be $>$ 0,1509 then the new data can be stated to be valid. Following are the results of the validity of each research indicator using STATA:

Based on the validity test above, all indicators of each variable have been declared valid, because all the ir_corr values of the existing indicators have shown a number greater than the value of r table (0,1509).

1.2 Normality Test

In this study, if the test of normality table using Kolmogorov-Smirnov sig value $>$ 0,1, then the data is normally distributed. The Normality Test in this study is as follows:

Table 4.2 Normality test

Smaller group	D	P-Value	Corrected
Res:	0,0989	0,096	
Cumulative	-0,0643	0,371	
Combined K - S	0,0989	0,191	0,162

Source : Primary data processed 2018

Based on the Kolmogorov Smirnov test results show that the residual data obtained follows normal assumptions, based on the output shows the Kolmogorov-Smirnov value was significant at $0,162 > 0,1$. Thus, the residual data is normally distributed and the model has met the assumption of normality.

Table 4.1 Validity test

Item	Item – rest Corr	Alpha	Result
Financial Literacy			
FL1	0,3943	0,8905	Valid
FL2	0,4858	0,8866	Valid
FL3	0,6994	0,8766	Valid
FL4	0,5915	0,8831	Valid
FL5	0,5312	0,8850	Valid
FL6	0,5987	0,8828	Valid
FL7	0,5960	0,8827	Valid
FL8	0,6989	0,8795	Valid
FL9	0,4728	0,8871	Valid
FL10	0,5983	0,8819	Valid
FL11	0,5936	0,8821	Valid
FL12	0,5383	0,8858	Valid
FL13	0,6438	0,8796	Valid
FL14	0,6665	0,8785	Valid
Financial Access			
FA 1	0,2677	0,6973	Valid
FA 2	0,1849	0,7095	Valid
FA 3	0,5093	0,6426	Valid
FA 4	0,2799	0,6962	Valid
FA 5	0,5277	0,6440	Valid
FA 6	0,4282	0,6644	Valid
Performance			
PF 1	0,5338	0,6611	Valid
PF 2	0,3715	0,7168	Valid
PF 3	0,5504	0,6530	Valid
PF 4	0,4504	0,6859	Valid
PF 5	0,3846	0,7048	Valid
PF 6	0,4786	0,6797	Valid

Source : Primary data processed 2018

1.3 Reliability Test

Reliability testing can be seen from Construct Reliability. The expected value for construct reliability is above 0,60. If the resulting value is $> 0,60$, the data can be stated to be reliable, or it can be accepted to be processed. The following are the results of the reliability test of the research data obtained after the test process:

Table 4.3 Reliability test

No	Variabel	Cronbach's Alpha
1	Financial Literacy	0,8905
2	Financial Access	0,7013
3	Performance	0,7225

Source :Primary data processed 2018

Based on the reliability test of all variables using STATA 12.0, the data can be stated to be reliable and can be processed, because the value of Cronbach's Alpha $> 0,60$.

1.4 Structural Model test

R-Square analysis based on data processing with STATA resulted in a coefficient of determination (R-square), namely

the financial literacy of SME performance gave a r-square value of 0,8943, meaning that the variance of SME performance variables can be explained by financial literacy variables of 89% and the remaining 11% is explained by other variables not used in this research model.

While the value of the r-squared variable financial access to the performance of SMEs was 0,5061, meaning that the variance of SME performance variables can be explained by financial access variables by 51% and the remaining 49% is explained by other variables not used in this research model.

2. Hypothesis testing

Analysis of the results of data processing in the SEMs full model stage was carried out by testing the suitability and statistical tests. Data processing results for full SEM model analysis are shown in Figure 4.1 Statistical tests on the effect between variables in Figure 4.1, will be used as a basis for answering the research hypothesis that has been submitted. Statistical test results of processing with Full Model SEM was done by looking at the level of significance of the relationship between variables seen through the probability value (p) of each each relationship between variables.

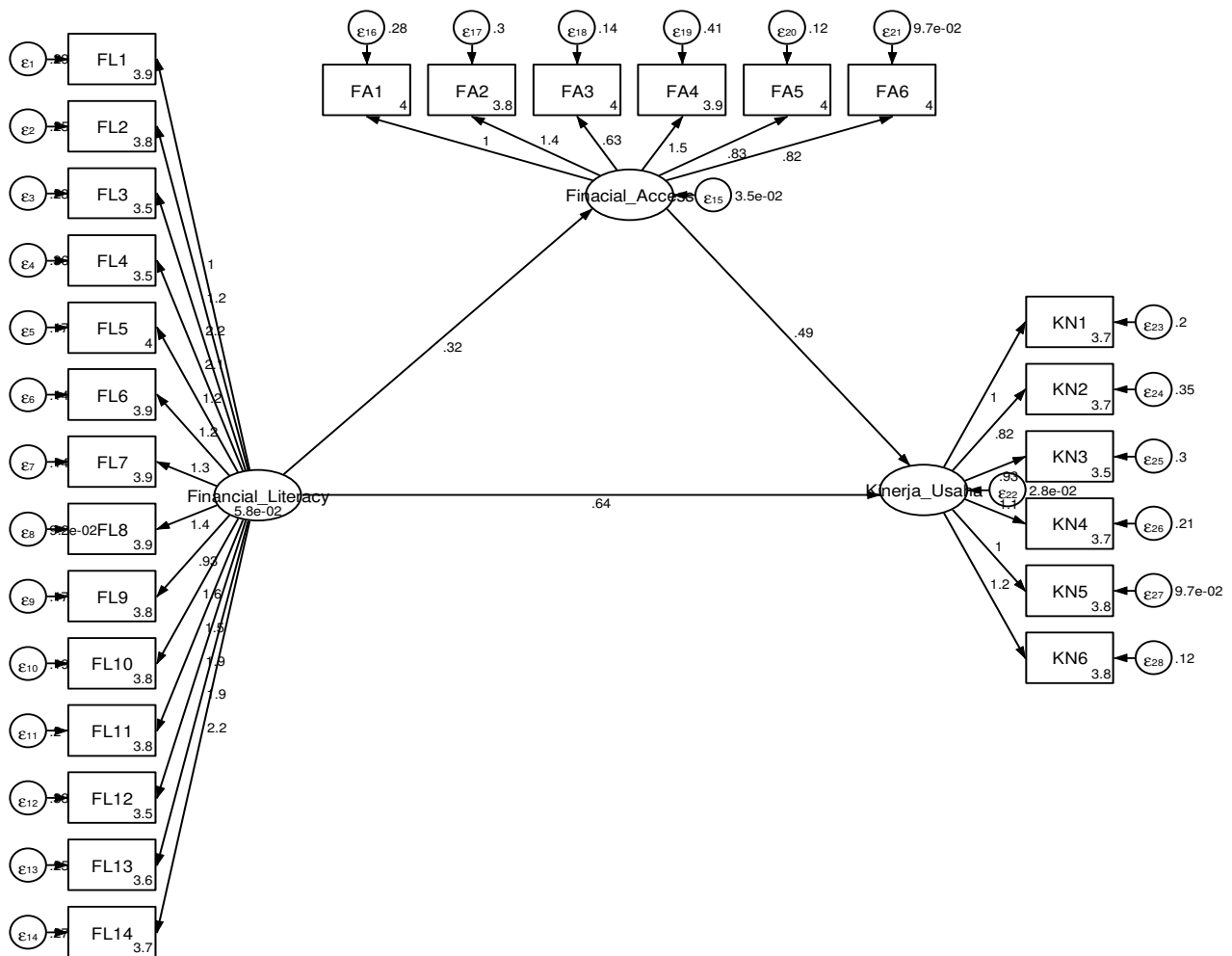


Figure 4.1 Full Model SEM Test Results

Source: Output Stata vs.12.0

The results of full SEM model statistical testing can be seen in table 4.4 as follows:

Table 4.4 *Direct Effects dan Indirect Effects*

	Coef	OIM Std. Err	Z	P> z	Std. Coef
Direct Effects					
Structural					
Financial Access ← Financial Literacy	0,3230825	0,1729222	1,87	0,062	0,3824029
Performance ← Financial Access	0,4898733	0,2530375	1,94	0,053	0,3672983
Performance ← Financial Acces Financial Literacy	0,6392899	0,2121932	3,01	0,003	0,5673366
Indirect Effects					
Structural					
Financial Access ← Financial Literacy	0 (no path)				
Performance ← Financial Acces Financial Literacy	0 (no path)	0,1582695	0,0951292	1,66	0,096
					0,1404559

Total Effects					
Structural					
Financial Access ← Financial Literacy	0,3230825	0,1729222	1,87	0,062	0,3824029
Performance ←					
Financial Access	0,4898733	0,2530375	1,94	0,053	0,3672983
Financial Literacy	0,7975594	0,2386918	3,34	0,001	0,7077925

Source : Primary data processed 2018

Based on table 4.4 above which explained the direct and indirect effects of each variable in this study, the results of testing the hypothesis in this study can be explained as follows:

- a. Hypothesis Testing 1: Financial Literacy has a significant effect on Financial Access.

The estimation parameter of the Financial Literacy relationship to Financial Access showed the coefficient value of 0,323 with a probability value = 0,062 < 0,1. Significance values that smaller than 0,1 indicate that Financial Literacy has a significant effect on Financial Access. This statistical result shows that the proposed **hypothesis 1 is accepted**.

- b. Hypothesis Testing 2: Financial Literacy has a significant effect on SMEs performance.

The estimation parameter of the relationship between Financial Literacy and Business Performance showed a coefficient value of 0,797 with a probability value = 0,001 < 0,1. The significance value smaller than 0,1 indicates that Financial Literacy has a significant influence on Business Performance. This statistical result shows that the proposed **hypothesis 2 is accepted**.

- c. Hypothesis Testing 3: Financial Literacy has a significant effect on the performance of SMEs through Financial Access.

The estimation parameter of Financial Literacy relation to Financial Access showed coefficient value of 0,323 with probability value = 0,062 < 0,1. While the estimation parameter of Financial Access relationship to Business Performance showed a coefficient value of 0,489 with a probability value = 0,053 < 0,1. Significance values smaller than 0.1 indicate that Financial Literacy has a significant effect on Financial Access and Financial Access has a significant effect on Business Performance. With the significance of these two pathways, the mediation effect test can proceed to see the significance and value of the Financial Literacy path coefficient on Business Performance after entering the Financial Access variable as mediation.

Based on table 4.4 it can be seen that the Financial Literacy path coefficient value on Business Performance

after the entry of mediating variables was 0,639 and is significant with a probability value = 0,003 < 0,1. With the still significant Financial Literacy path towards Business Performance after the inclusion of mediating variables and the fall in the Financial Literacy path coefficient on Business Performance from 0,797 to 0,639, indicates that the Financial Access variable mediates partially by 0,158, the effect of Financial Literacy on Enterprise Performance. Therefore it can be concluded that **hypothesis 3 is accepted**, meaning that Financial Access mediates the influence of Financial Literacy on SME Performance.

3. Discussion

1.1 Financial Literacy on Financial Access

The test results from this study indicate that Financial Literacy has a significant effect on Financial Access, so H1 is accepted. This finding proves that the presence of good financial literacy for business performers will increase access or use of financial services. Without broad access to financial services, credit or business capital constraints will make it difficult for small businesses to expand their businesses to increase profitability.

The results of this study are consistent with the results of research conducted by Nunoo et al. 2012 and Sabana, (2014) that financial literacy increased access or use of financial services in Ghana and Kenya SMEs. Similar to the research conducted by Wachira et al. 2012 concerning the impact of financial literacy on access to financial services in Kenyan SMEs and stipulated that low Financial Literacy will hamper access to financial services, as well as research conducted by Mira et al. 2013 regarding challenges that hindered access to credit facilities by women entrepreneurs in Nairobi's Central Business District, Kenya and concludes that lack of information, lack of skills and level of knowledge, lack of collateral needed and the role of socio-culture have a strong and negative influence on access to credit for women.

1.2 Financial literacy on SME Performance

The results of this study indicate that Financial Literacy has a significant influence on the performance of SMEs, so H2 is accepted. The findings of this study prove that with the existence of knowledge, confidence, and financial management skills possessed by business performers will help SMEs in improving performance in the form of better financial planning arrangements in order to be able to maximize the time value of money and be able improve work efficiency and added value to the goods and or services offered, so that the benefits gained by SMEs can be increased.

A high level of financial literacy, a business performers will optimize the business performance with better and more careful operations so that when a business performer has the ability to have good financial knowledge, it will make it easier to manage his business. This is also supported by Aribawa's research (2016) which stated that if business performers in the MSME sector have good financial literacy skills, then the business decisions and financial management that is produced will lead to growth that improves over time.

This study is also consistent with the results of research conducted by Siekei et al. 2013 which stated training in financial analysis, budgeting and credit management to improve the performance of micro businesses in Kenya. Based on research from Dahmen and Rodriguez (2014) also found that there was a financial literacy effect on SME performance, which is important for businesses to understand how financial literacy affects SME performance, especially in terms of loan repayments. With good financial literacy, the management of business performance will also be good, seen in terms of loan repayments, the higher the level of financial knowledge, the loan repayments will also be managed appropriately and efficiently, so that financial management for production will also be managed well.

1.3 Financial Literacy on SME Performance through Financial Access

The results of this study indicate that Financial Literacy has a significant effect on Business Performance through Financial Access with a probability value of $0,096 < 0,1$, so hypothesis 3 is accepted. This shows that financial access is one of the determinants of the performance of small and medium enterprises. This finding is consistent with the existing literature which showed that access to finance is very important for the performance and growth of small businesses where financial capital provides resources, enabling businesses to experiment with new strategies, develop more innovative

businesses and increase the willingness of businesses to pursue new opportunities.

This finding is consistent with the results of research conducted by Sabana, (2014) which states that financial literacy affects financial access which will ultimately affect the performance of micro-enterprises in Kenya. Likewise with the results of research conducted by Del Mel, (2008) which also states that financial literacy increases the use of financial products which will ultimately affect the performance of SMEs in Sri Lanka and Nunoo et al. (2012) who studied the use of financial services by SMEs in Ghana and found that educated entrepreneurs financially more likely to access and utilize financial services which in turn improved their business performance.

V. CONCLUSION AND SUGGESTION

1. Conclusion

From the results of the research that has been done, some conclusions can be drawn, they are:

- a) Financial Literacy has a significant effect on Financial Access performers in the Small and Medium Enterprises in the trade sector in Padang City. This finding proves that the presence of good financial literacy for business performers will increase access and use of financial services in running their business.
- b) Financial Literacy has a significant effect on the performance of the Small and Medium Enterprises in the trade sector in Padang City. The findings of this study prove that with the existence of knowledge, confidence, and financial management skills owned by business people will help SMEs in improving performance in the form of better financial planning arrangements in order to maximize the time value of money, able to improve work efficiency and added value to the goods and services offered, so that the benefits obtained by SMEs can be increased.
- c) Financial Literacy has a significant effect on Business Performance through Financial Access in the performers of Small and Medium Enterprises in the trade sector in Padang City. This shows that financial access is one of the determinants of the performance and growth of small and medium enterprises.

2. Suggestion

Research on the financial literacy for SMEs especially in the market area is still relatively rare in Indonesia. Most studies look at the relationship or effect of individual or family

financial literacy. In the next research, it is expected that there will be a selection of more samples and a wider sample location so that they can get more accurate results, a strategy to formulate variable measurements on more detailed and accurate research samples so that the results of the research can explain and formulate better results and if possible the addition of a broader variable model such as transaction costs, access to formal credit, selection of funding sources and so on.

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