Improving The Performance of Informal MSMES Determinate by Digital Financial Inclusion and Digital Financial Literacy

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Abstract. The purpose of this study is to examine and analyses the magnitude of the contribution of increasing digital financial inclusion and increasing digital financial literacy to efforts to increase the employment of Informal MSMEs. The data used is primary data with a closed questionnaire instrument using online media. The study method used is quantitative method. The population of this study is MSMEs in the Bandung City area, where the sample used was 129 Informal MSME actors using a simple random sampling technique because respondents were homogeneous. The data were analysed descriptively and hypothesis testing using analysis path (SPSS version 23.0). Has a result of the study concluded that digital financial literacy has an influence on digital financial inclusion, and digital financial dilution has an influence on the performance of Informal MSMEs, and digital financial iterations have an influence on the performance of Informal MSMEs through digital financial inclusion.

Keywords: Digital Financial Inclusion, Digital Financial Literacy, Performance of Informal MSMES

1. Introduction

MSMEs or Micro, Small and Medium Enterprises have an important and planned role in the national economy [1]. MSMEs contributed to an increase in gross domestic product (GDP) by 61.07% or IDR 8,573.89 trillion. However, in reality there are various problems faced by MSME entrepreneurs in increasing their business, one of which is the lack of capital both in the amount and source of funds [2]. Indonesia has a Financial Services Authority to help finance businesses for business actors, namely the OJK. In 2014, OJK issued Circular Letter No.1 / SEOJK.07 / 2014 about the employment of education in demand to improve financial literacy to consumers then the public, the implementation of instruction carried out must be based on 4 principles, namely inclusive, systematic and measurable, ease of access and collaboration [3].

Inclusion and financial literacy are interesting to study because the Indonesian National Financial Literacy Survey (SNLKI) in 2019 exposed Indonesia's financial literacy index at

38.03% and financial inclusion guide at 76.19%. This shows that the Indonesian people in general don't appreciate well the characteristics of countless financial products and services presented by formal financial service organizations, even though financial literacy is an important skill in the context of community empowerment, individual welfare, consumer protection, and increasing financial inclusion.

Financial literacy greatly marks a person's way of thinking about financial conditions and influences strategic decision making in relationships of finances and well management for business owners. The capability to manage the finances of business owners is definitely very essential for business performance and business continuousness. These problems show that financial literacy and financial inclusion will not present themselves. This is because financial literacy facilitates the effective use of products and helps business actors develop the best financial skills and products according to their needs, these conditions are a condition to increase financial inclusion [4].

Good digital financial literacy is expected to pave the way for people to get better bank access services. Relationship between digital financial literacy and digital financial inclusion [5]. It can be concluded that if the financial literacy activity is good, it will be in line with financial inclusion. Financial inclusion is required by MSME players to get opportuneness in every business progression. One of the secondary factors of a professional is capitalization. Shows that financial inclusion has a significant result on the performance of MSMEs [6]. The reality of financial inclusion is predictable to be able to influence financial behaviour, especially SMEs in making decisions so that the performance of these MSMEs can advance [7]. Financial literacy is needed by MSME players, especially in the development of formulating their business financial statements. Financial literacy has a significant effect on the performance of MSMEs [8]. The impact of financial literacy on the performance of MSMEs [9].

Constructed on the above phenomenon, we can see that there is still a lack of digital financial literacy then digital financial inclusion in the informal MSME environment which has resulted in the performance of Informal MSMEs being less than optimal, especially during a pandemic like today. So, this is an interesting thing to be raised as a research topic. The resolve of this study is to inspect and analyses the influence of digital financial literacy on digital financial inclusion which has an impact on the presentation of Informal MSMEs. The focus of this study that is different from the previous research is analysing digital financial literacy, digital financial inclusion and the performance of Informal MSMEs with primary databases, and the research unit was conducted on MsMEs in the Informal sector in the Bandung City area.

2. Literature Review

MSMEs are small community businesses whose establishment is based on someone's initiative [10]. The result of a progression that refers to and is measured over a certain period of time based on predetermined requirements or agreements [11]. Financial Literacy is the ability to recognize the knowledge as well as skills to achieve financial resources to achieve well-being [12]. Financial Inclusion is a development of guaranteeing admittance to adequate financial and acclaim services at an affordable cost [13].

3. Method

The type of study used is quantitative research using descriptive research methods and fricative research methods. The objects in this study research are Digital Financial Literacy, Digital Financial Inclusion, and Informal MSME Performance. The data bases in this study

used primary data, which were composed from the dissemination of questionnaires and literature studies. The data collection technique uses the Simple Random Sampling (SRS) technique with a population of 190 MSMEs and a sample obtained from the solving formula with a significance level of 5% as many as 129 MSMEs. In business activities, performance is an important factor, therefore the performance of a business is always sought to continue to increase. In improving their performance, obstacles are often encountered, for example, such as limited access for MSMEs to banks, and lack of knowledge about financial literacy activities owned by MSME owners. Constructed on the explanation above, a suggestion be able to formulated for example follows:
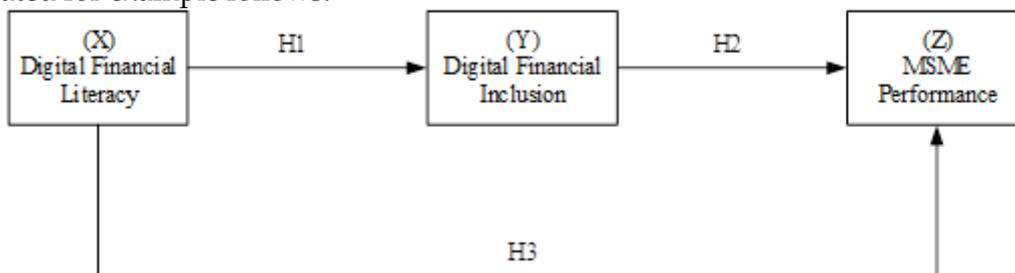

Figure 1. Hypothesis

4. Results and Discussion

4.1 Validity Test

Validity is used to measure the grade of correctness between the data that actually occurs in the object and the data composed by the researcher to find the validity of an item, we correlated the score of the item with the total of these items. The minimum condition to be careful a valid instrument item is its rationality index value ≥ 0.3. Using SPSS 2 3.0 software, the description of the outcomes of testing the validity and reliability of instrument on each variable is as follows:

1) Validity of Digital Financial Literacy (X)

Table 1. Recapitulation Validity test of The Digital Financial Literacy

No	Degree of Choleration	Valid Index	Information
1	0,398	0,3	Valid
2	0,884	0,3	Valid
3	0,883	0,3	Valid
4	0,856	0,3	Valid
5	0,887	0,3	Valid
6	0,884	0,3	Valid

Looking at the table above, we can see that the correlation levels from six question items on variable the Digital Financial Literacy (X) has a score greater than the validity index of 0.3. This can be concluded if all of these questions are valid so that the instruments on the Financial Literacy (X) variable used in this study have six question items.

2) Validity of Digital Financial Inclusion

Table 2. Recapitulation Validity test of The Digital Financial Inclusion

No	Degree of Choleration	Valid Index	Information
1	0,627	0,3	Valid
2	0,725	0,3	Valid
3	0,722	0,3	Valid
4	0,842	0,3	Valid

5	0,776	0,3	Valid
6	0,774	0,3	Valid
7	0,376	0,3	Valid
8	0,757	0,3	Valid

Looking at the table above, we are be able to see that the correlation level from eight question items on variable the Digital Financial Inclusion (Y) has a score greater than the validity index of 0.3. This can be concluded if all of these questions are valid so that the instruments on the Financial Inclusion variable (Y) used in this study have eight question items.

3) Validity of MSME Performance (Z)

Table 3. Recapitulation Validity test of MSME Performance

No	Degree of Choleration	Valid Index	Information
1	0,830	0,3	Valid
2	0,874	0,3	Valid
3	0,870	0,3	Valid
4	0,739	0,3	Valid
5	0,751	0,3	Valid

Looking at the table above, we can see that the level of correlation level from five question items on variable the MSME Performance(Z) has a score greater than the validity index of 0.3. This can be concluded if all of these questions are valid so that the instruments on the MSME Performance variable (Z) used in this study have five question items.

4.2. Rehabilitee test

The reliability testing on this research instrument uses the Cronbach's Alpha method, because the scale used in this study instrument stands the Likert scale. The results of the instrument reliability test are thought to be reliable if the value of Cronbach's Alpha bigger than 0.7. This assessment uses SPSS like this:

Table 4. Recapitulation of Rehabilitee Test

Variable	Coefficient *Cronbach's Alpha*	R table	Information
Digital Financial Literacy (X)	0,896	0,7	Reliable
Digital Financial Inclusion (Y)	0,851	0,7	Reliable
MSME Performance (Z)	0,870	0,7	Reliable

Regarding on the test results above, it is recognized that the three variables have a Cronbach's Alpha value of > 0.7. This shows that all three variable instruments are reliable and reliable.

4.3. Classical Assumptions Test

1) Digital Financial Literacy (X) on Digital Financial Inclusion (Y) Normality Test

Table 5. Data Normality Test Results Equation 1

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		129
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	4.24508144
Most Extreme Differences	Absolute	.056
	Positive	.056
	Negative	-.054
Test Statistic		.056

Asymp. Sig. (2-tailed)	.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the table above, it is acknowledged that the outcomes of the Kolmogorov-Smirnov test showed a significance have value of 0.200 wherever the figure was greater than 0.05. Thus, data meets the normality test and is distributed normally.

4.4. Multicollinearities Test

Table 6. Data Multicollinearities Test Results Equation 1

	Coefficients[a]		
		Collinearity Statistics	
Model		Tolerance	VIF
1 (Constant)			
DIGITAL FINANCIAL LITERACY (X)		1.000	1.000

a. Dependent Variable: DIGITAL FINANCIAL INCLUSION (Y)

As of the table above, we can see that the tolerance value for variable Digital Financial Literacy (X) is 1,000 and VIF is 1,000. So, it can be resolved that there is no multicollinearity in the two variables because it is in accordance with the standard, namely the tolerance value > 0.10 and the VIF value < 10.

4.5. Heteroscedasticity Test
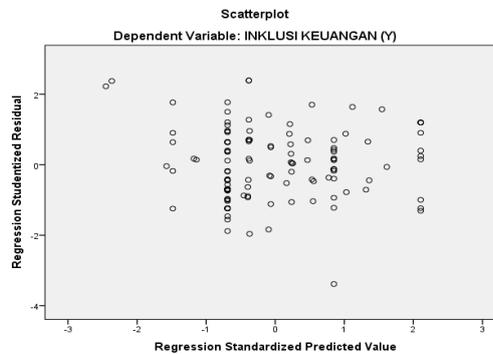
Figure 2. Data Heteroskedasticity Test Results Equation 1

We can see that the points are randomly and evenly distributed both above and below the number / point 0 on the Y axis, therefore it can be decided that there is no retrospectivity in this regression model.

2) Digital Financial Inclusion (Y) on MSME Performance (Z) Normality Test

Table 7. Data Normality Test Result Equation 2

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		129
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.93282875

Most Extreme Differences	Absolute	.081
	Positive	.081
	Negative	-.072
Test Statistic		.081
Asymp. Sig. (2-tailed)		.035[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

According to the table above, it is acknowledged that the outcomes of the Kolmogorov-Smirnov test showed a significance value of 0.035 where the figure was greater than 0.05. Thus, the data meets the normality test and is distributed normally.

4.6. Multicollinearities Test

Table 10. Data Multicollinearities Test Results Equation 3

Coefficients[a]

	Collinearity Statistics	
Model	Tolerance	VIF
1 (Constant)		
DIGITAL FINANCIAL LITERACY (X)	1.000	1.000
a. Dependent Variable: MSME PERFORMANCE (Z)		

As of the table above, it can be seen that the tolerance value for the Financial Literacy (X) variable is 1,000 and the VIF is 1,000. So, it can be concluded that there is no multicollinearity in the two variables because it is in accordance with the standard, namely the tolerance value > 0.10 and the VIF value < 10.

4.7. Heteroscedasticity Test
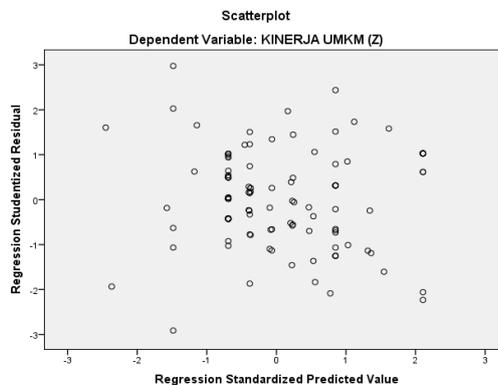
Figure 4. Data Heteroskedasticity Test Results Equation 3

We can see that the points are randomly and evenly distributed both above and below the number / point 0 on the Y axis, so it can be concluded that there is no retrospectivity in this regression model.

4.8. Analysis Path Result

1) Model 1

Table 11. Model Data Test Results 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563[a]	.317	.311	4.261762

a. Predictors: (Constant), DIGITAL FINANCIAL LITERACY (X)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.947	2.069		7.223	.000
	DIGITAL FINANCIAL LITERACY (X)	.736	.096	.563	7.672	.000

a. Dependent Variable: DIGITAL FINANCIAL INCLUSION (Y)

According on the results overhead, a Sig value was obtained. for financial literacy (x) of 0.000 < 0.05, can be thought that the regression of model 1, namely (X) has an influence on the variable (Y). furthermore, in the summary model there is a value of R2 or R Square of 0.317, this designates that the contribution of the impact of the variable (X) on (Y) is 3 1.7%, though the outstanding 68.3% is a influence from additional variables that were non studied.

2) Model 2

Table 12. Model Data Test Result 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.776^a	.603	.596	2.309344

a. Predictors: (Constant), DIGITAL FINANCIAL INCLUSION (Y), DIGITAL FINANCIAL LITERACY (X)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.667	1.332		2.754	.007
	DIGITAL FINANCIAL LITERACY (X)	.564	.063	.609	8.969	.000
	DIGITAL FINANCIAL INCLUSION (Y)	.176	.048	.248	3.652	.000

a. Dependent Variable: MSME PERFORMANCE (Z)

Based on the results above, a Sig value was obtained. for financial inclusion (Y) of 0.000 < 0.05, it can be said that the regression of model 2, namely (Y) has an influence on the variable (Z). furthermore, in the summary model there is a value of R2 or R Square of 0.603, this specifies that the contribution of the contribution of the variable (Y) on (Z) is 60.3%, while the remaining 39.7% is a influence from other variables that are not studied. As for, the value of Sig. for Financial literacy (X) of 0.000 < 0.05, it can be said that the regression of model 2, namely (X) has an influence on the variable (Z). furthermore, in the summary model there is a value of R2 or R Square of 0.603, this designates that the contribution of the influence of the variable (X) on (Y) is 60.3%, though the outstanding 39.7% is a role from other variables that were non studied.
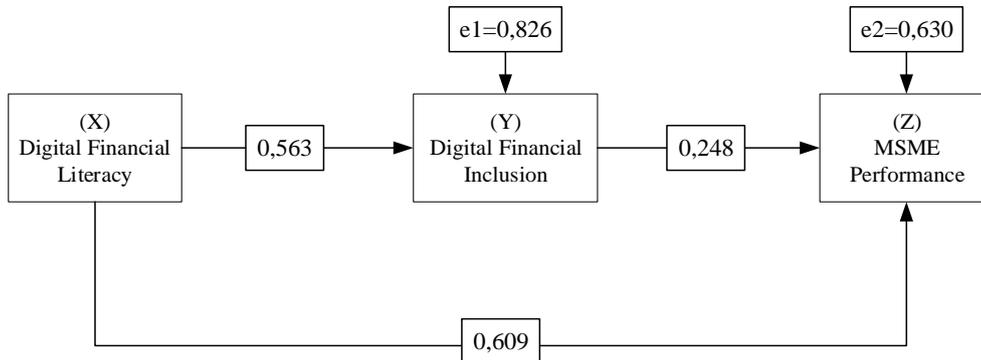
Figure 5. Diagram Result Model 2

4.9. The outcomes of the analysis of the influence of Digital Financial Literacy (X) through Digital Financial Inclusion (Y) on MSME Performance (Z)

According on the data above, it is acknowledged that the direct effect is 0.609. Indirect influence was obtained from 0.563 x 0.248 = 0.139 + 0.609 = 0.748. The results show that the indirect influence > a direct influence of 0.748 > 0.609, this shows indirectly that Digital Financial Literacy through Digital Financial Inclusion has a significant influence on the performance of MSMEs.

4.10. Correlation Coefficient Analysis

Table 13. Correlation Coefficient Analysis Equation Results 1

1) Digital Financial Literacy (X) on Digital Financial Inclusion (Y) Table

Correlations

		DIGITAL FINANCIAL LITERACY (X)	DIGITAL FINANCIAL INCLUSION (Y)
DIGITAL FINANCIAL LITERACY (X)	Pearson Correlation	1	.563**
	Sig. (2-tailed)		.000
	N	129	129
DIGITAL FINANCIAL INCLUSION (Y)	Pearson Correlation	.563**	1
	Sig. (2-tailed)	.000	
	N	129	129

**. Correlation is significant at the 0.01 level (2-tailed).

Judging by the value of Sig. 0.000 < 0.05 then the data correlates, then if you look at the Pearson correlation value of 0.563 then this includes medium correlation (0.40 - 0.599) then the relationship is positive, because the value obtained is positive value.

2) Digital Financial Inclusion (Y) on MSME Performance (Z)

Table 14. Correlation Coefficient Analysis Equation Results 2

Correlations

		DIGITAL FINANCIAL INCLUSION (Y)	MSME PERFORMANCE (Z)
DIGITAL FINANCIAL INCLUSION (Y)	Pearson Correlation	1	.591**
	Sig. (2-tailed)		.000

	N	129	129
MSME PERFORMANCE (Z)	Pearson Correlation	.591**	1
	Sig. (2-tailed)	.000	
	N	129	129

**. Correlation is significant at the 0.01 level (2-tailed).

Judging by the rate of Sig. 0.000 < 0.05 then the data correlates, then if you look at the Pearson correlation value of 0.591then this includes medium correlation (0.40 - 0.599) then the relationship is positive, because the value obtained is positive.

3) Digital Financial Literacy (X) on MSME Performance (Z)

Table 15. Correlation Coefficient Analysis Equation Results 3

Correlations

		DIGITAL FINANCIAL LITERACY (X)	MSME PERFORMANCE (Z)
DIGITAL FINANCIAL LITERACY (X)	Pearson Correlation	1	.749**
	Sig. (2-tailed)		.000
	N	129	129
MSME PERFORMANCE (Z)	Pearson Correlation	.749**	1
	Sig. (2-tailed)	.000	
	N	129	129

**. Correlation is significant at the 0.01 level (2-tailed).

4.11. Coefficient Of Determination Analysis

1) Digital Financial Literacy (X) on Digital Financial Inclusion (Y)
   Kd = r2 x 100% = (0,563)2 x 100% = 31,6%
   According on the calculations above, we can see that the influence of Digital Financial Literacy (X) on Digital Financial Inclusion (Y) is 31.6% while the remaining 6 8.4% is an influence given by additional factors that were not studied in this research.

2) Digital Financial Inclusion (Y) on MSME Performance (Z)
   Kd = r2 x 100% = (0, 591) 2 x 100% = 34,9%
   According on the calculations above, we are be able to see that the effect of Financial Inclusion (Y) on the performance of msmes (Z) is 34.9%, while the remaining 6 5.1% is an influence given by additional factors that were not studied in this research.

3) Digital Financial Literacy (X) on MSME Performance (Z)
   Kd = r2 x 100% = (0,749)2 x 100% = 56,1%
   According on the calculations above, we can see that the influence of Financial Literacy (X) on THE PERFORMANCE OF MSMEs (Z) is 56.1%, while the remaining 43.9% is the influence given by additional factors that were not studied in this research.

4.12. T-Test (Partial)

1) Results of Testing the Digital Financial Literacy Hypothesis (X) on Digital Financial Inclusion (Y)

Table 16. Equation Partial Test Results 1

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	14.947	2.069		7.223	.000
DIGITAL FINANCIAL LITERACY (X)	.736	.096	.563	7.672	.000

a. Dependent Variable: DIGITAL FINANCIAL INCLUSION (Y)

Based on the results above, a Sig value was obtained. 0.000 where the value is smaller than 0.05, it can be said that there is an influence of the variable X on Y, and counts 7.672 which means it is greater than with a value of 0.1743 which is Ho is rejected and Ha is accepted.

2) Results of Testing the Financial Inclusion Hypothesis (Y) on MSME Performance (Z)

Table 17. Equation Partial Test Results 2

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	8.215	1.570		5.232	.000
DIGITAL FINANCIAL INCLUSION (Y)	.418	.051	.591	8.254	.000

a. Dependent Variable: MSME PERFORMANCE (Z)

Ho: $\beta 2 = 0$, meaning that Digital Financial Inclusion does not affect the performance of MSMEs.

Ha: $\beta 2 \neq 0$, meaning that Digital Financial Inclusion affects the Performance of MSMEs.

Based on the results above, a Sig value was obtained. 0.000 where the value is less than 0.05, then it can be said that there is an influence of the variable Y on Z, and t counts 8.254 which means it is more than t with a value of 0.1743 which is Ho is rejected and Ha is accepted.

3) Results of Testing the Digital Financial Literacy Hypothesis (X) on MSME Performance (Z)

Table 18. Equation Partial Test Results 3

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	6.292	1.174		5.357	.000
DIGITAL FINANCIAL LITERACY (X)	.694	.054	.749	12.732	.000

a. Dependent Variable: MSME PERFORMANCE (Z)

Ho: $\beta 3$ = 0, meaning that Digital Financial Literacy does not affect the performance of MSMEs.

Ha: $\beta 3 \neq 0$, meaning that Digital Financial Literacy affects the Performance of MSMEs.

Based on the results above, a Sig value was obtained. 0.000 where the value is less than 0.05, then it can be said that there is an influence of the variable X on Z, and t counts 12.732 which means bigger than t with a value of 0.1743 which is Ho is rejected and Ha is accepted.

4. Conclusion

According on the results of the study and discussion above regarding the Improving the performance of informal msmes determinate by digital financial inclusion and digital financial literacy, from the tests that have been carried out, it can be concluded that: The test results show that digital financial literacy has a positive influence also significant effect on digital financial inclusion. The test results show that digital financial inclusion has a positive influence also significant effect on the performance of MSMEs. The test results show that digital financial literacy has a positive influence also significant effect on the performance of MSMEs. Last, indirectly there is a significant influence of digital financial literacy through digital financial inclusion on the performance of MSMEs. With the programs supporting digital financial literacy also inclusion held by several parties, MSME actors are expected to already know the importance of these two aspects for sustainability and performance so that they can improve. The next researcher is expected can be develop research related to the advance of MSME performance through digital financial literacy also digital financial inclusion variables, in addition to through other variables that affect it, such as marketing, technology, and others.

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