The Effect of Financial Literacy, Financial Inclusion and Fintech Payment on The Performance of UMKM in Bandar Lampung City

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	ABSTRACT
	Research to see financial technology, financial inclusion, and financial literacy in influencing the performance of MSMEs in Bandar Lampung City. The population in this research is MSMEs in Bandar Lampung, the sample size is calculated using the Slovin technique, resulting in 100 MSME respondents. Primary data was collected through questionnaires, and the results of the questionnaire will be tested using SPSS 27 with a multiple linear approach. This study found that financial inclusion, financial literacy, and financial technology can positively influence the performance of MSMEs partially and simultaneously.
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INTRODUCTION

MSMEs play an important role in generating economic growth, creating jobs, and ensuring business sustainability. In Indonesia, the contribution of MSMEs is very significant in absorbing labor, increasing GDP, and serving as an economic support for low-income communities. Based on data from the Ministry of Cooperatives and SMEs (2018), it explains that MSMEs absorb 117 million workers (97% of the business sector) and contribute 61.1% to GDP, while large businesses only contribute 0.01%. Although MSMEs continue to grow, the Covid-19 pandemic in 2020-2021 has hampered their growth. According to the Ministry of Cooperatives and SMEs, declining sales, difficulty obtaining raw materials, distribution obstacles, and difficulties in capital are the main problems. In addition, the shift in promotional media to online platforms faces obstacles due to technological limitations, while demand and production processes are disrupted. These problems affect the financial performance of MSMEs, so solutions and strategies are needed to improve financial performance so that MSMEs can survive until 2023.

Performance refers to people, teams, or organizations achieving strategic goals through acceptable behavior. According to Fahmi (2018), financial performance is an assessment of how well a company manages its money in accordance with applicable regulations. Performance is also related to initiatives to promote customer engagement, organizational tactics, and economic contributions (Indriyati, 2021). Financial literacy, financial inclusion, and financial technology have all been shown to impact performance.

Financial literacy and financial success are closely related, especially in terms of financial management and decision-making (Fadilah et al., 2022). Fajri et al. (2021) explains that financial literacy is an individual or organization's understanding of basic financial concepts, including the ability to make informed decisions based on financial facts. Individuals and organizations with higher financial literacy can better manage debt, investment, and cash flow, all of which are essential for financial success (Martono & Febriyanti, 2023). According to the Financial Services Authority (OJK), strengthening financial management standards and decision-making based on knowledge and skills will result in better financial attitudes and behaviors, which will benefit each individual.

Furthermore, financial inclusion plays an important role in driving the performance of MSMEs. Martono and Febriyanti (2023) define financial inclusion as the capacity of the community to access and use important financial services such as insurance, loans, and savings flexibly, safely, and reliably. According to Yanti (2019), financial inclusion requires initiatives to eliminate barriers to the use of financial facilities. Financial inclusion, according to Lumenta & Worang (2019), is the process of gaining access to financial services by eliminating a number of barriers. According to Bank Indonesia's SNKI, financial inclusion is seen as a right that everyone has, complete with fast, effective, and informative services that take into account human values.

Financial technology (fintech), or digital technology-based financial services, is another factor that influences the success of MSMEs. One definition of fintech is progress in financial transaction services (Alifah, 2022). Fintech, as explained by Ivashcenko et al. (2018), is a movement in financial services that makes them easier to access and use. According to Fadilah et al. (2022), fintech is a rapidly growing sector with various business strategies. The goal of fintech is to make it easier for consumers to make transactions and obtain financial goods, which will increase access to financial services, increase funding efficiency, and benefit corporate actors (Ansori, 2019). The presence of Fintech in Indonesia which provides digital payment services, loans, and financial

management has significant development potential for MSMEs (Muzdalifa et al., 2018).

The use of financial technology (fintech) among MSMEs in Bandar Lampung shows a rapidly growing positive trend, especially in facilitating access to capital, payments, and financial records. Many MSMEs have started to switch to fintech because of its ease in obtaining capital compared to conventional banking which requires collateral and strict requirements. Fintech enables a faster and more practical loan application process, supporting the development of MSME businesses.

However, the adoption of fintech in Bandar Lampung faces challenges such as low digital and financial literacy and dependence on technology that is still new for some business actors. In addition, understanding of the risks of using fintech, such as data security and potential debt, still needs to be improved. Therefore, local governments and financial institutions need to play an active role in educating MSMEs about fintech, in order to ensure that the use of this financial technology is increasingly optimal, safe, and can increase the contribution of MSMEs to the regional economy.

RESEARCH METHOD

Since this study uses a quantitative methodology, data collection must precede data processing using research instruments (Zuchri Abdussamad, 2021). The population of this study includes all MSME actors in Bandar Lampung City, and 100 MSME actor research outputs were selected as research samples. The Slovin algorithm was used for sampling. Questionnaires were given to respondents to collect primary and secondary data. Data analysis was carried out using descriptive statistics, which function to summarize data without making broader generalizations. The collected data were processed using SPSS version 27, with multiple linear regression as the analysis method applied.

RESULT AND DISCUSSION
Description of Research Object

In this study, 100 MSMEs were used as research samples, the types of MSMEs can be explained in the following table.

Table 1.
Types of MSMEs

No.	Types of MSMEs	Amount	%
1	Culinary	84	84
2	Fashion	7	7

3	Craft	3	3
4	Service	6	6

Source: Processed primary data, 2024.

The distribution of MSMEs in this data shows the dominance of the culinary sector with a total of 84 MSMEs or 84% of the total. This indicates the high interest of business actors in the food and beverage sector, which has consistent and broad market demand. Meanwhile, the fashion sector only has 7 MSMEs (7%), followed by the service sector with 6 MSMEs (6%), and the craft sector with the lowest number, namely 3 MSMEs (3%). The dominance of the culinary sector can be linked to more easily accessible market opportunities, while other sectors may require more complex capital, skills, or marketing strategies. The diversity of the number of MSMEs reflects the different potentials and challenges in each sector, which need to be considered in analyzing the influence of financial literacy, financial inclusion, and fintech payments on MSME performance in Bandar Lampung City.

Descriptive Test

Table 2.
Descriptive Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	100	10	25	20.75	3.316
Financial Inclusion	100	14	25	19.88	2,889
Fintech Payment	100	15	25	20.55	2,630
MSME Performance	100	10	24	20.78	1,561
Valid N (listwise)	100				

Source: Data Processed by *SPSS27*, 2024.

The Financial Literacy variable has an average score of 20.75 with a score range of 10 to 25, and a standard deviation of 3.316, indicating a fairly large data variation. Financial Inclusion has an average score of 19.88 with a score range of 14 to 25 and a standard deviation of 2.889, indicating more stable data than Financial Literacy. Fintech Payment has an average score of 20.55 with a score range of 15 to 25 and a standard deviation of 2.630, indicating a fairly uniform data variation. Meanwhile, MSME Performance has an average score of 20.78 with a score range of 10 to 24 and a standard deviation of 1.561, indicating the lowest data variation among other variables. Overall, despite differences in variation, all variables show a high average score, indicating that the majority of respondents have good levels of financial literacy, financial inclusion, use of fintech payments, and MSME performance.

Based on the respondent's answer criteria, the variable recapitulation of the total score and answer criteria is obtained using the following formula:

Table 3.
Distribution of Research Variable Data

No.	Score	Category	X1		X2		X3		Y	
1	21 – 25	Strongly agree	58	58%	35	35%	53	53%	63	63%
2	17 – 20	Agree	30	30%	54	54%	41	41%	32	32%
3	13 – 16	Neutral	10	10%	11	11%	6	6%	5	5%
4	9 – 12	Don't agree	2	2%	0	0%	0	0%	0	0%
5	5 – 8	Strongly Disagree	0	0	0	0	0	0	0	0
Amount			100	100%	100	100%	100	100%	100	100%

Source: Processed primary data, 2024.

1. Based on the table above, 100 MSMEs in the study, 58 MSMEs (58%) stated that they strongly agree with financial literacy, 30 MSMEs (30%) stated that they agree, 10 MSMEs (10%) stated that they are neutral, and 2 MSMEs (2%) stated that they disagree. So it is concluded that the majority of MSMEs stated that they strongly agree. The majority of MSMEs (58%) acknowledge the importance of financial literacy in supporting their performance. This shows that a good understanding of finance is considered essential by MSME actors.

2. Based on the table above, 100 MSMEs in the study, 35 MSMEs (35%) stated that they strongly agreed with financial inclusion, 54 MSMEs (54%) stated that they agreed, and 11 MSMEs (11%) stated that they were neutral. So it is concluded that the majority of MSMEs stated that they agreed. Most MSMEs (54%) feel that financial inclusion, such as easier access to banking and financial services, has a positive impact. This reflects the importance of the availability of inclusive financial services to support the needs of MSMEs.

3. Based on the table above, 100 MSMEs in the study stated that they strongly agreed with *financial technology.* There are 53 MSMEs (53%) who stated that they agree, there are 41 MSMEs (41%), and there are 6 MSMEs (6%) who stated that they are neutral. So it is concluded that the majority of MSMEs stated that they strongly agree. The majority of MSMEs (53%) stated that financial technology, such as digital payment systems or financial applications, greatly support their efficiency and financial management. The use of fintech is increasingly recognized as important in increasing the competitiveness of MSMEs.

4. Based on the table above, 100 MSMEs in the study, 63 MSMEs (63%) stated that they strongly agreed with MSME performance, 32 MSMEs (32%) stated that they agreed, and 5 MSMEs (5%) stated that they were neutral.

So it can be concluded that most MSMEs stated that they strongly agreed. The majority of MSMEs (63%) considered that financial literacy, financial inclusion, and fintech significantly influenced their performance. This shows that these factors contribute directly to the success of MSMEs.

Multiple Linear Regression Testing

Table 4.
Multiple Linear Regression Results

Coefficients [a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	9.934	1.132		8,778	.000
	Financial Literacy	.090	.040	.191	2.256	.026
	Financial Inclusion	.186	.040	.344	4,662	.000
	Fintech Payment	.257	.050	.433	5.100	.000
a. Dependent Variable: MSME Performance						

Source: Data Processed by *SPSS27*, 2024.

Interpretation

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + e_t$

$Y = 9.934 + 0.090X1 + 0.186X2 + 0.257X3 + e_t$

Interpretation:

Based on the regression analysis, the constant value (*a*) of 9.934 indicates that the performance of MSMEs remains at 9.934 even though the independent variables do not change. Financial literacy contributes 0.090 to MSME performance per unit increase, financial inclusion contributes 0.186, and fintech payments contribute 0.257. Of the three variables, fintech payments have the largest contribution to MSME performance in Bandar Lampung.

Testing the Coefficient of Determination

Table 5.
Results of Determination Coefficient

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.702 [a]	.493	.478	1.128
a. Predictors: (Constant), Fintech Payment, Financial Inclusion, Financial Literacy				

Source: Data Processed with SPSS 27, 2024.

The results of the study show that financial literacy, financial inclusion, and fintech payments have a significant influence on the performance of

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MSMEs in Bandar Lampung, with an R² value of 0.478 (47.8%). This means that the three independent variables are able to explain 47.8% of the variation in MSME performance, while the remaining 52.2% is influenced by other factors not included in this model.

t-test

Table 6.
t-Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	9.934	1.132		8,778	.000
	Financial Literacy	.090	.040	.191	2.256	.026
	Financial Inclusion	.186	.040	.344	4,662	.000
	Fintech Payment	.257	.050	.433	5.100	.000
a. Dependent Variable: MSME Performance						

Source: Data Processed by *SPSS25*, 2024.

1. The performance of MSMEs in Bandar Lampung City has a close relationship with financial literacy, this is proven by the acceptance of the first hypothesis in this research which shows a calculated t value of 2.256 which is greater than the specified t table of 1.984, and a significance value below 0.05.
2. The performance of MSMEs in Bandar Lampung City has a close relationship with financial inclusion, this is proven by the acceptance of the second hypothesis in this research which shows a calculated t value of 4.662 which is greater than the specified t table of 1.984, and a significance value below 0.05.
3. The performance of MSMEs in Bandar Lampung City has a close relationship with financial literacy, this is proven by the acceptance of the third hypothesis in this research which shows a calculated t value of 2.256 which is greater than the specified t table of 1.984, and a significance value below 0.05.

Discussion

Financial literacy has a positive and significant effect on the performance of MSMEs in Bandar Lampung, which means that the level of understanding and knowledge of MSME owners and managers regarding financial concepts has a direct effect on their business performance, such as budget management, investment, financial planning, and risk analysis, which has a direct impact on their business performance. The higher the financial literacy, the more likely

they are to make better decisions in terms of financial management, improve operational efficiency, and maximize profit potential. In this context, good financial understanding helps MSMEs manage cash flow, utilize financial products, and optimize business financing, which in turn improves their business performance. This positive influence also shows that efforts to improve financial knowledge among MSME actors can contribute to the development and sustainability of their businesses in a competitive market. Research by Asisa et al. (2022), Rani & Desiyanti (2024), and Pahlawi et al. (2024) shows that the performance of MSMEs with financial literacy has a positive relationship and is more stable and innovative in facing market challenges. Therefore, financial literacy is a key factor that can drive the development and sustainability of MSMEs.

Financial inclusion positively and significantly affects the performance of MSMEs in Bandar Lampung, meaning that the extent to which MSME actors can access formal financial services, such as banking, financing, and other financial products, has a significant impact on their business performance. Financial inclusion includes the ability of MSMEs to utilize various financial services, such as loans, savings, insurance, and investments, which enable them to manage capital, expand their businesses, and increase their competitiveness. The greater the access of MSMEs to these financial services, the greater their potential to grow, increase productivity, and improve the quality and quantity of products or services they offer. Therefore, better financial inclusion can support the development of MSMEs by providing wider financing opportunities, increasing financial stability, and enabling them to innovate and expand their markets. Research conducted by Jumady et al. (2022), Liani et al. (2024), and Arrezqi et al. (2024) shows that financial inclusion has a positive and significant effect on MSME performance.

Fintech payment positively and significantly affects the performance of MSMEs in Bandar Lampung, meaning that the use of financial technology (fintech), especially in terms of digital payment systems, Fintech payment has a significant impact on the performance of micro, small, and medium enterprises in the area. Fintech payment allows MSMEs to receive payments more efficiently, quickly, and safely through digital platforms, such as payments using e-wallet applications, online bank transfers, or other electronic payment methods. The positive impact of fintech payment is seen in the increased accessibility and convenience of transactions, which not only make it easier for customers to make payments, but also help MSMEs accelerate cash flow and reduce the risk of decreased income due to late payments. By utilizing fintech payment, MSMEs can reach more customers, including those who prefer non-cash payment methods, and expand market networks both locally and internationally. This, in turn, can improve MSME performance in terms of revenue, operational efficiency, and competitiveness in the market. This study

also confirms the results of previous studies conducted by Abbasi et al. (2021), Lontchi et al. (2023), and Pizzi et al. (2021), which shows that fintech has a positive and significant influence on MSME performance.

CONCLUSION

Based on the results of data analysis, the performance of MSMEs in Bandar Lampung City has a close relationship with financial literacy, this is evidenced by the acceptance of the first hypothesis in this research. The performance of MSMEs in Bandar Lampung City has a close relationship with financial inclusion, this is evidenced by the acceptance of the second hypothesis in this research. The performance of MSMEs in Bandar Lampung City has a close relationship with financial literacy, this is evidenced by the acceptance of the third hypothesis in this research

Some recommendations to improve the performance of MSMEs in Bandar Lampung, such as, first, increasing knowledge about financial management is very necessary. The government or financial institutions can hold training or seminars to equip MSMEs with cash flow management skills, debt management, financial planning, and investment. This step will help MSMEs make wiser decisions in running their businesses. Second, to increase financial inclusion, MSMEs need to get easier access to banking and financing services. Banks and financial institutions can develop financial products that suit the needs of MSMEs, such as micro loans, low-interest financing, and simpler credit application procedures. Third, MSMEs need to be encouraged to adopt efficient and secure digital payment systems, such as e-wallets and online payment platforms. The government or financial institutions can support by providing training on the use of this technology to improve transaction efficiency and expand market reach. In addition, incentives can be provided to encourage MSME collaboration with fintech that offers fast and easy payment solutions.

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