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Submission date: 22-Jun-2026 01:43PM (UTC+0900)

Submission ID: 2987534503

File name: 8_similarity_120_Nurazizah_rev.docx (213.96K)

Word count: 1590

Character count: 10067

The Influence of Financial Literacy and Financial Inclusion on the Performance of MSMEs in the Culinary Sector in West District

Abstract

This study examines the partial impacts of financial literacy and financial inclusion on the performance of culinary micro, small, and medium enterprises in the West Padang District. A quantitative research methodology was employed, with data collected through standardized questionnaires. The population comprised 1,922 culinary MSMEs in West Padang District, from which a sample of 95 respondents was selected using the Yamane formula. The data were analyzed via multiple linear regression in SPSS version 26. The statistics demonstrate that financial literacy substantially affects MSME performance, while financial inclusion does not. The results demonstrate that improving financial literacy among MSME participants is crucial for improved business performance, especially profitability. The study emphasizes the importance of improving financial literacy to enable more effective financial decision-making and encourage optimal use of financial services.

Keyword: Financial Literacy, Financial Inclusion, MSME Performance

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are essential for fostering regional economic development, especially in the burgeoning culinary industry of Padang Barat District (Alivia et al., 2022). In practice, many MSME owners face significant challenges in financial management, including a lack of understanding of financial recordkeeping, financial planning, and the use of formal financial services. These circumstances result in suboptimal financial decision-making, hence compromising overall corporate performance (IKP Diskominfo Kota Padang, 2025).

These concerns illustrate that financial literacy and financial inclusion are critical components requiring attention in MSME development. Financial literacy refers to an individual's ability to understand and manage finances effectively (Ismanto et al., 2020), whereas financial inclusion concerns the availability of formal financial services (Demirgüç-Kunt et al., 2022). Prior research produces varied outcomes. Research conducted

by Ardiyanto et al. (2025), Septiani & Wuryani (2020), Martono & Febriyanti (2023), Sulistiyo et al. (2022), and Fajri et al. (2021) indicates that financial literacy substantially improves MSME performance. In contrast, Ma'arif & Ramadhan (2025) conclude that financial literacy does not have a substantial impact on MSME performance. Moreover, the outcomes of financial inclusion differ depending on the conditions and attributes of the business proprietors. Studies conducted by Rani & Desiyanti (2024), Amin & Pamungkas (2022), Jumady et al. (2022), Suryanto et al. (2024), and Puspitasari & Astrini (2021) demonstrate that financial inclusion has little impact on MSME performance. Martono & Febriyanti (2023) assert that financial inclusion exerts a substantial impact. This contradiction indicates a continual deficiency in the execution of financial empowerment programs.

This research addresses these challenges by investigating the impact of financial literacy and financial inclusion on MSME performance in the ready-to-eat culinary sector in Padang Barat

District, using primary data collected directly from business owners. This study aims to conduct an empirical examination of the factors influencing MSME performance and to provide a foundation for improved decision-making.

This study seeks to evaluate the impact of financial literacy and financial inclusion on the performance of MSMEs in the ready-to-eat food sector in Padang Barat District.

METHOD

This research employed a quantitative methodology to evaluate the influence of financial literacy and financial inclusion on the performance of MSMEs in the ready-to-eat food sector within Padang Barat District. The study comprises 95 respondents, all of whom are owners of MSMEs, picked from a total population of 1,922 individuals utilizing the Yamane method. The researcher executed the study from November 2025 to January 2026 in the Padang Barat District of Padang City, West Sumatra, to obtain primary data directly from business operators.

The researcher conducted the study in multiple systematic phases, commencing with

an initial observation to identify challenges in financial management and the use of formal financial services. Following the creation of research instruments focused on specific factors and the dissemination of questionnaires, the researcher conducted validity and reliability assessments to ensure data consistency. The study employed multiple linear regression analysis using SPSS version 26 to assess the impact of each independent variable. The concluding phase entails analyzing the results using t-tests to assess the significance of the impact, which ultimately serves as the basis for drawing conclusions and offering strategic recommendations for MSME stakeholders.

RESULTS AND DISCUSSION

RESULTS

Data Characteristics and Eligibility

This study used data collected from 95 owners of micro, small, and medium enterprises in the ready-to-eat food sector in Padang Barat District. Before the analysis, the researcher performed validity and reliability assessments on the study tools.

Table 1. Financial Literacy Validity Test (X1)

Statement Item	Total Score	R Table	Information
X1.1	0.850	0.1698	Valid
X1.2	0.909	0.1698	Valid
X1.3	0.769	0.1698	Valid
X1.4	0.933	0.1698	Valid
X1.5	0.920	0.1698	Valid
X1.6	0.872	0.1698	Valid
X1.7	0.503	0.1698	Valid
X1.8	0.634	0.1698	Valid
X1.9	0.506	0.1698	Valid

Source: Data processed by SPSS 26

Table 2. Financial Inclusion Validity Test (X2)

Statement Item	Total Score	R Table	Information
X2.1	0.742	0.1698	Valid
X2.2	0.865	0.1698	Valid
X2.3	0.801	0.1698	Valid
X2.4	0.766	0.1698	Valid

Source: Data processed by SPSS 26

Table 3. MSME Performance Validity Test (Y)

Statement Item	Total Score	R Table	Information
Y.1	0.804	0.1698	Valid
Y.2	0.822	0.1698	Valid
Y.3	0.653	0.1698	Valid
Y.4	0.497	0.1698	Valid
Y.5	0.752	0.1698	Valid
Y.6	0.705	0.1698	Valid
Y.7	0.834	0.1698	Valid
Y.8	0.717	0.1698	Valid

Source: Data processed by SPSS 26

¹² The validity test findings indicate that all statement items provide correlation values exceeding the r-table value of 1.698, therefore affirming their validity.

Table 4. Reliability Test

Variables	Cronbach's Alpha	Cut Off	Information T
Financial Literacy	0.915	0.60	Reliabel
Financial Inclusion	0.797	0.60	Reliabel
MSME Performance	0.868	0.60	Reliabel

Source: Data processed by SPSS 26

The reliability test findings indicate that all variables produce Cronbach's Alpha values over 0.60, hence affirming their dependability.

Therefore, the study equipment is suitable for additional analysis.

Classical Assumption Test

Before conducting the regression analysis, the researcher conducted traditional assumption tests to verify that the regression model met the criteria for robustness.

Table 5. Normality Test

Variables	N	Kolmogrov-smirnov	Sig.	Information
Unstandardized Residual	95	0.060	0.200	Normal

Source: Data processed by SPSS 26

The normality test results indicate a p-value of 0.200, which is above 0.05, indicating that the data are normally distributed.

Table 6. Multicollinearity Test

Independent Variables	Tolerance	VIF	Information
Financial Literacy (X1)	0.812	1.231	There is no multicollinearity
Financial Inclusion (X2)	0.812	1.231	There is no multicollinearity

Source: Data processed by SPSS 26

The results of the multicollinearity test reveal that the tolerance value exceeds 0.10 and the Variance Inflation Factor (VIF) is below 10,

thus affirming the lack of multicollinearity among the independent variables.

Heteroskedastisitas

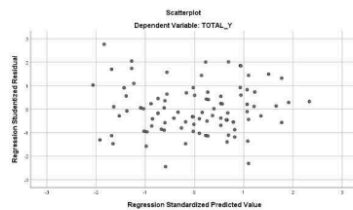


Figure 1. Test Scatterplot

Source: Data processed by SPSS 26

The heteroscedasticity test results indicate that heteroscedasticity is absent in the study model.

Table 7. Multiple Linear Regression Analysis

Variables	Regression Coefficient (B)	t Count	Sig.
Constant	16.512	5.406	0.000
Financial Literacy (X1)	0.293	4.856	0.000
Financial Inclusion (X2)	0.264	1.406	0.163

Source: Data processed by SPSS 26

Based on table 7, the following regression equation is obtained:

$$Y = 16.512 + 0.293X_1 + 0.264X_2 + e$$

The regression equation indicates that the constant value of 16.512 indicates that, in the absence of financial knowledge and financial inclusion, MSME performance remains at 16.512. The regression coefficient for

financial literacy (0.293) indicates that a one-unit increase in financial literacy improves MSME performance by 0.293 units, holding all other factors constant. The coefficient for financial inclusion (0.264) indicates that a one-unit increase in financial inclusion enhances MSME performance by 0.264 units, all else equal.

Table 8. t-test

Independent Variables	T Count	Sig.	Information
Financial Literacy (X1)	4.856	0.000	Significant Influence
Financial Inclusion (X2)	1.406	0.163	No Significant Impact

Source: Data processed by SPSS 26

Table 7 indicates that the financial literacy variable has a significance value of 0.000, which is below 0.05, indicating a significant effect on MSME performance. This result indicates that enhanced financial literacy will enhance

business performance. The financial inclusion variable has a p-value of 0.163, surpassing 0.05, indicating it does not substantially influence MSME performance.

Coefficient of Determination (R²)

Table 9. Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.544	0.296	0.281	3.251

Source: Data processed by SPSS 26

The analysis indicates that the coefficient of determination (R²) is 0.281, signifying that financial literacy and financial inclusion account for 28.1% of the variance in MSME performance. Conversely, additional variables

external to this study affect the remaining 71.9%.

DISCUSSION

The Influence of Financial Literacy on MSME Performance

The research findings indicate that financial literacy significantly impacts the performance of MSMEs in the ready-to-eat culinary sector in Padang Barat District. This data indicates that enhanced comprehension of financial concepts and management among MSME owners results in improved business performance. Entrepreneurs with robust financial literacy typically maintain meticulous financial records, manage cash flow effectively, and make more accurate financial decisions.

This finding aligns with studies by Ardiyanto et al. (2025), Septiani & Wuryani (2020), Martono & Febriyanti (2023), Sulistiyono et al. (2022), and Fajri et al. (2021), which demonstrate that financial literacy significantly enhances MSME performance. It emphasizes that financial literacy is a crucial element in enhancing business management efficacy. By acquiring a robust understanding, MSME proprietors can mitigate financial risks and consistently enhance firm profitability.

Moreover, the research findings indicate that certain MSME proprietors still exhibit inadequate financial management skills. Consequently, enhancing financial literacy is vital to facilitate firm growth, especially amid escalating market competitiveness.

The Impact of Financial Inclusion on MSME Performance

In contrast to financial literacy, the research findings indicate that financial inclusion does not substantially affect MSME performance. This research suggests that access to formal financial services does not inherently enhance business performance unless firm owners concurrently employ competent financial management skills.

This problem may stem from several factors, including MSME owners' insufficient understanding of financial services, restricted access to information about financial products, and a lack of trust in official financial institutions. Despite the availability of financial services, suboptimal utilization hinders any substantial improvement in corporate performance. These findings correspond with Rani & Desiyanti (2024), who assert that financial inclusion does not substantially influence MSME performance. This scenario indicates that financial inclusion continues to encounter implementation challenges, especially among MSME proprietors with inadequate financial literacy.

CONCLUSION

This study aims to evaluate the influence of financial literacy and financial inclusion on the performance of MSMEs in the ready-to-eat food sector in Padang Barat District. The research findings demonstrate that financial literacy significantly influences MSME performance, but financial inclusion does not exert a notable impact. The findings suggest that business owners' proficiency in financial comprehension and management is the principal determinant of improved business performance, particularly in profitability and sound decision-making. Currently, access to financial services has not yielded optimal results, as MSME owners have not effectively aligned it with proper consumption.

Therefore, stakeholders must emphasize enhancing financial literacy through ongoing education and training, while also improving owners' understanding of financial services to ensure that financial inclusion has a greater

impact. This research serves as a resource for MSME proprietors and relevant stakeholders in developing strategies to enhance business performance, while also laying a foundation for future researchers to investigate other factors affecting MSME performance.

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