



The Influence of Financial Literacy, Financial Inclusion, and Financial Attitude on MSME Performance with Financial Self-efficacy as Intervening Variables During the Covid 19 Pandemic

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Abstract. This research was carried out on Micro, Small, and Medium Enterprises (MSMEs) in the Culinary Sector of Medan City registered at the Medan City Cooperatives and SMEs Service. This study aims to analyze the Effect of Financial Literacy, Financial Inclusion, and Financial Attitude on MSME Performance with Financial Self Efficacy as Intervening Variables During Covid 19 Pandemic in the Culinary Sector in Medan City. This quantitative research employed an explanatory research approach, which aims to explain the causal relationship between the research variables. The number of samples in this study was 86 respondents. Following the formulated hypothesis, in this study, the analysis of inferential statistical data was measured using the SmartPLS (Partial Least Square) software. Based on the tests that have been carried out, the direct effect significance test shows that the independent variables (Financial Literacy, Financial Inclusion, and Financial Attitude) had a positive and significant effect on the dependent variable (MSME Performance and Financial Self Efficacy). And based on the indirect effect of Financial Self Efficacy as an intervening variable, Financial Literacy and Financial Inclusion variables had a significant effect, while the Financial Attitude variable had no significant impact.

Keywords: Financial Literacy · Financial Inclusion · Financial Attitude · MSME Performance · Financial Self Efficacy

1 Introduction

Micro, Small, and Medium Enterprises (MSMEs) are productive businesses owned by individuals or business entities. MSMEs are always associated as a sector that has an essential role in national economic development because most of the population can live from small business activities both in the traditional and modern sectors. The development of MSMEs in the current era has increased yearly in various regions in all cities in Indonesia. One of them is the city of Medan, which also has a vital role in economic growth in North Sumatra (Sumut).

The subjects of this research are the owners of micro, small and medium enterprises (MSMEs) in the city of Medan. Therefore, the ability to manage MSMEs is still at an average level. This is evident from the number of MSMEs in Medan, which is closed. With the policies set by the government, nothing else can cause the impact of a decrease in turnover for MSME actors in the city of Medan when the PPKM (Social Restriction) policy is enacted. This causes traders to experience a decline in the number of buyers. Many MSMEs suffer losses and close their businesses. This is supported by a survey by the Central Statistics Agency of North Sumatra Province on MSMEs in the city of Medan.

During the COVID-19 pandemic, many MSME actors experienced a decrease in income. Furthermore, the number of MSME actors in the city of Medan has not been able to manage their finances properly, this can be seen from several MSME actors who do not have future financial planning, and it is scarce to find those who make budgets for their needs or just record financial expenditures. In addition, there is a low motivation for MSME actors to continue to improve their ability to manage their business finances. MSMEs actors are also easy to think satisfied with their current business performance. They have not thought about increasing their capacity in financial management because they feel that their performance is quite good and their business continues to run without problems even though MSME actors do not make budget planning and control over finances. This is supported by a presurvey of researchers on 50 MSME actors in the city of Medan (Fig. 1).

There is a research gap shown by several studies regarding the Effect of Financial Literacy, Financial Inclusion, and Financial Attitude on MSME Performance and Financial Self Efficacy in Table 2.

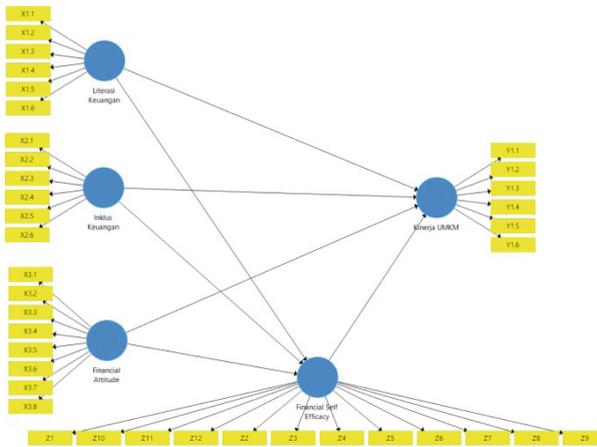


Fig. 1. Path Charts By Value Loading Factor

2 Result and Discussion

2.1 Analysis of Outer Model

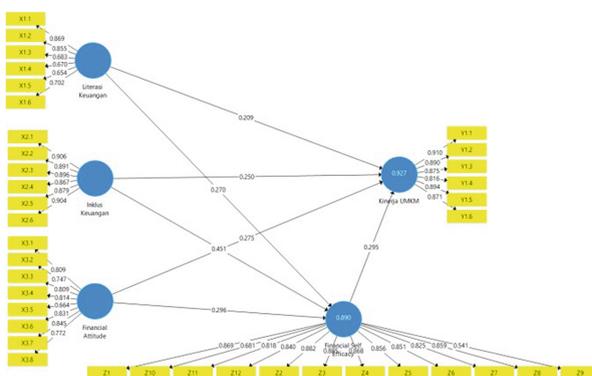
In the evaluation of indicator measurements, there are individual item reliability checks, composite reliability, average variance extraction, and discriminant validity.

2.1.1 Convergent Validity

In measuring how much the existing indicators can explain the dimensions, convergent validity is needed. This means that the greater the convergent validity, the greater the ability of these dimensions to apply latent variables.

2.1.1.1 Reliability Item

Testing the reliability of the item can be seen from the value of the loading factor.



Each indicator is valid to explain each latent variable because all loadings are worth more than 0.5, so there is no need to set them aside.

In composite reliability, the statistic used is Cronbach’s alpha. Cronbach’s alpha measures the lower limit of the reliability value of a construct, while composite reliability measures the reliability value of a construct. If the value achieved > 0.60, then the construction has high reliability (Table 1).

Table 1. Hasil Composite Reliability

Variable	Cronbach’s Alpha
Financial Attitude	0.929
Financial Self Efficacy	0.959
Financial Inclusion	0.958
MSME Performance	0.951
Financial Literacy	0.871

Table 2. Hasil Average Variance Extracted (AVE)

Variable Latent	Average Variance Extracted (AVE)
<i>Financial Attitude</i>	0.622
<i>Financial Self Efficacy</i>	0.666
<i>Financial Inclusion</i>	0.790
<i>MSME Performance</i>	0.766
<i>Financial Literacy</i>	0.535

Average variance Extracted (AVE) describes the amount of variance that an item can explain. Convergent validity is considered good if the standard AVE value is above 0.5. This means that the latent variable can explain the average of more than half of the indicator variance.

2.1.2 Discriminant Validity

The discriminant validity test was assessed based on cross-loading and comparing the AVE value with the square of the correlation between constructs.

Based on Table 3, the discriminant validity value for each variable has a higher correlation with that variable compared to other variables.

2.2 Analysis of Inner Model

2.2.1 GOF Test

See Table 4.

2.2.2 Coefficient of Determination Test

The effect of X1, X2, X3, and Z on Y is 0.927. This shows that the variation in the Y value can be explained by the variation in X1, X2, X3, and Z of 92.7%. In other words, the model is good.

Furthermore, the effect of X1, X2, and X3 on Z with an r-square value of 0.890 indicates that the variation in Z value can be explained by the values of X1, X2, and X3 of 89%.

2.3 Hypothesis Testing

2.3.1 Path Coefficient

See Table 5.

Table 3. *Discriminant Validity*

Indicators	<i>Financial Attitude</i>	<i>Financial Self Efficacy</i>	Financial Inclusion	MSME Performance	Financial Literacy
X1.1	0.743	0.814	0.800	0.847	0.869
X1.2	0.795	0.803	0.731	0.873	0.855
X1.3	0.448	0.560	0.519	0.570	0.683
X1.4	0.472	0.535	0.482	0.520	0.670
X1.5	0.473	0.519	0.441	0.494	0.654
X1.6	0.493	0.524	0.460	0.483	0.702
X2.1	0.685	0.814	0.906	0.807	0.766
X2.2	0.679	0.824	0.891	0.817	0.712
X2.3	0.694	0.761	0.896	0.767	0.640
X2.4	0.670	0.791	0.867	0.766	0.654
X2.5	0.660	0.793	0.879	0.811	0.782
X2.6	0.709	0.785	0.904	0.791	0.696
X3.1	0.809	0.701	0.658	0.730	0.644
X2.2	0.747	0.618	0.521	0.589	0.568
X3.3	0.809	0.682	0.583	0.778	0.711
X3.4	0.814	0.685	0.647	0.705	0.645
X3.5	0.664	0.489	0.412	0.512	0.455
X3.6	0.831	0.791	0.692	0.773	0.666
X3.7	0.845	0.742	0.701	0.765	0.653
X3.8	0.772	0.643	0.562	0.679	0.629
Y.1	0.798	0.837	0.779	0.910	0.789
Y.2	0.802	0.780	0.798	0.890	0.812
Y.3	0.796	0.815	0.833	0.875	0.754
Y.4	0.723	0.786	0.707	0.816	0.737
Y.5	0.834	0.855	0.772	0.894	0.752
Y.6	0.700	0.842	0.794	0.871	0.795
Z.1	0.764	0.869	0.742	0.805	0.701
Z.10	0.551	0.681	0.549	0.592	0.585
Z.11	0.671	0.818	0.663	0.775	0.708
Z.12	0.730	0.840	0.768	0.800	0.776
Z.2	0.784	0.882	0.789	0.818	0.818
Z3	0.745	0.885	0.844	0.847	0.739

(continued)

Table 3. (continued)

Indicators	<i>Financial Attitude</i>	<i>Financial Self Efficacy</i>	Financial Inclusion	MSME Performance	Financial Literacy
Z.4	0.823	0.868	0.796	0.881	0.833
Z5	0.743	0.856	0.765	0.833	0.744
Z.6	0.696	0.851	0.855	0.794	0.718
Z.7	0.712	0.825	0.687	0.709	0.663
Z.8	0.715	0.859	0.782	0.813	0.725
Z.9	0.373	0.541	0.433	0.387	0.382

Table 4. Average Communities Index

Variable	AVE	R Square
<i>Financial Attitude</i>	0.622	
<i>Financial Self Efficacy</i>	0.666	0.892
Inklus Keuangan	0.790	
Kinerja UMKM	0.766	0.930
Literasi Keuangan	0.535	
Rata-rata	0.676	0.909
GOF	0.62	

Table 5. Result R²

• Dependent R Square	• R Square Adjusted
• <i>Financial Self Efficacy</i> 0.892	• 0.889
• MSME Performance 0.930	• 0.927

2.4 Effect of Financial Literacy on MSME Performance

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.209. The probability value obtained is $0.003 < 0.05$, with a count value of 2,993, and a table value of 1.96, thus t_{count} is greater than the table ($2,993 > 1.96$), so H_0 is rejected (Table 6).

2.5 Effect of Financial Inclusion on MSME Performance

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.250. The probability

Table 6. Path Coefficient Results from Direct Effect

Hypothesis	Original Standard l Deviation Sample n (O) (STDEV)		T Statistics (IO/STDEVl)	P Value s
<i>Financial Attitude</i> → <i>Financial Self Efficacy</i> → Kinerja UMKM	0.086	0.035	2.273	0.132
Inklus Keuangan → <i>Financial Self Efficacy</i> → Kinerja UMKM	0.136	0.049	2.758	0.006
<i>Financial Attitude</i> → <i>Financial Self Efficacy</i> → Kinerja UMKM	0.078	0.035	2.233	0.026

value obtained is $0.007 < 0.05$, with a count value of 2.692, and a table value of 1.96, thus count is greater than the table ($2.692 > 1.96$), so H_0 is rejected (H_a is accepted).

This shows that financial inclusion can improve the performance of MSMEs in the city of Medan during the Covid-19 pandemic, where the availability of financial inclusion for MSME actors will make it easier for MSME actors to run their businesses. It will be easier to develop its business so that the performance of MSMEs will increase.

2.6 Effect of Financial Attitude on MSME Performance

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.275. The probability value obtained is $0.001 < 0.05$, with a count value of 3.238, and a table value of 1.96, thus count is greater than the table ($3.238 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial attitudes can improve the performance of Medan MSMEs during the Covid-19 pandemic, where MSME actors can build or create good things in their businesses. This can also make and even improve the economy and their business for the better. MSMEs business actors will increase. Furthermore, if they can't do/provide good actions, their business will also not run well.

2.7 Effect of Financial Self-Efficacy on MSME Performance

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.295. The probability value obtained is $0.004 < 0.05$, with a count value of 2.881, and a table value of 1.96, thus count is greater than the table ($2.881 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial self-efficacy can improve the performance of MSMEs in the city of Medan during the Covid-19 pandemic. With the confidence of MSME actors in building or creating good things in their business to improve the economy, their business will be good, too. Thus, the business performance of the MSME will increase.

2.8 Effect of Financial Literacy on Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.270. The probability value obtained is $0.001 < 0.05$, with a count value of 3.221, and a table value of 1.96, thus count is greater than the table ($3.221 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial literacy owned by MSME actors can increase the financial self-efficacy of MSME actors, where the level of financial literacy possessed by MSME actors makes MSME actors confident in their operations and easier to manage. In making decisions related to finance, it will be better for the business to develop in a better direction from time to time with the right decisions.

2.9 Effect of Financial Inclusion on Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.451. The probability value obtained is $0.000 < 0.05$, with a count value of 4.770, and a table value of 1.96, thus count is greater than the table ($4.770 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial inclusion can increase the financial self-efficacy of MSME actors in the city of Medan, where the availability of financial inclusion assists MSME actors in accessing existing banking services easily so that MSME actors not only know but can also use the products available in the Banking services. Thus MSME actors will be more confident in using financial inclusion.

2.10 Influence of Financial Attitude on Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.296. The probability value obtained is $0.017 < 0.05$, with a count value of 2,403, and a table value of 1.96, thus count is greater than the table ($2.403 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial attitudes can increase the financial self-efficacy of MSME actors in the city of Medan during the Covid-19 pandemic, where the better the financial attitude of MSME actors, the better they will be in managing their finances. A good financial attitude can increase confidence in managing various financial behaviors. Individuals who have a good financial attitude will show a good mindset about money, namely their perception of the future, being able to control their financial situation, adjusting the use of money so that they can meet the needs of their family, do not want to spend money and have an ever-growing view of money.

2.11 Effect of Financial Literacy on MSME Performance Through Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.080. The probability value obtained is $0.032 < 0.05$, with a count value of 2.156, and a t-table value of 1.96, thus count is greater than the table ($2.156 > 1.96$), so H_0 is rejected (H_a is accepted).

With financial literacy, MSME actors will be more confident in managing their business, so with their confidence, they will find it easier to make the right decisions in the financial sector for their business. Thus, The business they own will grow so that the performance of MSMEs will increase.

2.12 Effect of Financial Inclusion on MSME Performance Through Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.133. The probability value obtained is $0.007 < 0.05$, with a count value of 2,710, and a table value of 1.96, thus count is greater than the table ($2.710 > 1.96$), so H_0 is rejected (H_a is accepted).

Financial inclusion can improve the performance of MSMEs through the financial self-efficacy of MSME actors in the city of Medan. The availability of financial inclusion assists MSME actors in accessing existing banking services easily so that MSME actors not only know but can also use products available in banking services; thus, MSME actors will be more confident in using financial inclusion, and their performance will increase.

2.13 Influence of Financial Attitude on MSME Performance Through Financial Self Efficacy

Based on hypothesis testing, it is known that financial literacy has a significant effect on the performance of MSMEs, with a path coefficient value of 0.088. The probability value obtained is $0.116 > 0.05$, with a count value of 1.573 and a t-table value of 1.96. Thus count is smaller than the ttable ($1,573 < 1.96$), so H_0 is accepted (H_a is rejected).

This shows that the financial attitude possessed by MSME actors does not create the confidence of MSME actors in managing finances and running their business to make things that are not good in their business and thus can reduce the economy and their business to be less good which in turn, the business performance of MSME actors will be less good.

3 Conclusion

Based on the research results and discussion stated previously, the following conclusions can be drawn.

1. Financial literacy positively affects the performance of Medan City MSMEs during the Covid-19 pandemic.
2. Financial inclusion positively affects the performance of Medan City MSMEs during the Covid-19 pandemic.
3. Financial attitude positively affects the performance of MSMEs in Medan City during the Covid-19 pandemic, where Financial Self Efficacy is an intervening variable.
4. performance of Medan City MSMEs during the Covid-19 pandemic.

5. Financial literacy positively affects the financial self-efficacy of Medan City MSMEs during the Covid-19 pandemic.
6. Financial inclusion positively affects the financial self-efficacy of Medan City SMEs during the Covid-19 pandemic.
7. Financial attitude positively affects the financial self-efficacy of Medan City SMEs during the Covid-19 pandemic, where Financial Self- Efficacy was the intervening variable.
8. Financial literacy positively affects the performance of Medan City MSMEs during the Covid-19 pandemic through Financial Self Efficacy.
9. Financial inclusion positively affects the performance of Medan City MSMEs during the Covid-19 pandemic through Financial Self Efficacy.
10. Financial attitude does not affect the performance of Medan City MSMEs during the Covid-19 pandemic through Financial Self Efficacy.

4 Suggestion

Based on the conclusions above, the suggestions that can be given in this study include:

1. Small and Medium Enterprises players to further improve their knowledge, understanding, and skills regarding finance. In addition to helping Small and Medium Enterprises manage personal finances, it can also help Small and Medium Enterprises manage their business finances so that a good level of financial literacy is expected to improve the performance of Small and Medium Enterprises.
2. In terms of increasing business capital, MSME actors should be more careful in choosing the financial institution with more attention to the interest rate.
3. SMEs are expected to be able to further improve their financial attitude in doing business and to be wiser in managing their income so that better financial management behavior is formed. As is the case in managing revenue and allocating income.
4. according to personal and business needs, understanding the importance of managing the financial systematization of the business owned by making budgets and financial reports, for example, and financial behavior in consumption activities.
5. MSME actors should be more confident in managing their business, especially in developing it by considering financial aspects.
6. For further researchers, it is better to increase the independent variables that are still based on financial management other than those used in this study while still being based on further research.

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