MSME Performance in FinTech Era:
Financial Literacy, Peer to Peer Lending,
and Financial Attitudes

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Abstract. This research aims to analyze the effect of financial literacy, peer-to-peer lending (P2P), and financial attitudes on the financial performance of MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta. Methodology The data were gathered by the distribution of questionnaires. The sample size with saturated sampling procedures gets 60 respondents. Descriptive analysis and multiple linear regression analysis are the data analysis procedures used in this study through the SPSS type 23 program. The findings of financial literacy, peer-to-peer lending, and financial attitudes perceived by MSMEs affect financial performance in managing their finances. The implications and suggestions for research are explained in this article

Keywords: Financial Literacy; Peer to Peer Lending; Financial Attitude; Financial Performance.

1   Introduction

In Indonesia, MSMEs must be recognized. Even in 2023, MSMEs are considered heroes who have overcome the downturn caused by the pandemic. MSMEs become heroes by opening up business opportunities and employment opportunities (Viska, 2023). MSMEs make a significant contribution to the Gross Domestic Product (GDP); in 2020, the contribution to GDP was 61.97% (Zakawali, 2022), and in 2022, MSMEs again contributed 60.3% (Hindranto, 2022). Apart from that, MSMEs also help absorb 97% of the labor market (Hindranto, 2022; Zakawali, 2022). Therefore, empowering MSMEs is very meaningful for increasing Indonesia's economic development. It has been proven that MSMEs are able to survive in critical conditions (Zakawali, 2022).

The revival of MSMEs is crucial for Indonesia because MSMEs are at the forefront of driving economic recovery ((Hindranto, 2022; Zakawali, 2022). In encouraging MSMEs, we need to know what the main difficulties are for MSMEs to develop. These difficulties include raw materials, capital, marketing, competitors, and energy (Pardede & Kurniawan (2023). For this reason, it is necessary to prepare MSME players to become more digital in marketing and finance (Mawarsari, 2023).

The challenge of sources of capital for MSMEs is that there is a need for credit to provide capital to overcome this problem. Several studies illustrate that overcoming this capital can be done with Fintech (Indriana et al., 2022; Syafitri & Latifah, 2023). Meanwhile, preparing actors with fintech requires providing them with financial literacy because apart from the many advantages of fintech, fintech is also prone to fraud (Lestari, 2023). Moreover, the presence of financial literacy, digital literacy, and entrepreneurial skills in MSME players will enable MSMEs to survive and maintain their sustainability during the pandemic (Yanto et al., 2022). Apart from financial literacy, it is also necessary to understand the relationship between financial attitudes because financial attitude influences a person in making decisions for the future and responding to the desire to deepen financial literacy (Mustafa et al., 2023). Furthermore, financial literacy and attitude can increase MSMEs' performance. (Rahadjeng et al., 2023).

Research that links the three factors, namely financial literacy, financial technology,

and financial attitude, to MSME performance has yet to be conducted. Besides, previous research linking financial literacy, financial technology, and financial attitude still needs to be explored due to erratic and varying results. Therefore, this research aims to provide support to the fintech literature by examining these three factors that influence MSME performance.

2   Hypothesis Development

2.1   MSME performance in fintech era

The performance of MSMEs is always a concern, especially because MSMEs are the driving force for the country's economy, not only in Indonesia but also in all countries worldwide. In the digital era, including fintech as part of the factors that ensure the sustainability of MSMEs is very positive. According to research by Darma et al. (2020), the presence of fintech in MSMEs will support the sustainability of MSMEs by increasing efficiency and convenience, creating a new marketplace, and providing financial solutions. Moreover, research by Pratama et al. (2023) revealed that MSME players who increasingly understand financial literacy and the use of digital payments will improve the sustainability of MSMEs in the digital era. Additionally, using information and financial technology also improves MSME performance (Anik et al., 2022).

2.2   Financial Literacy

good Systematic literature review research from Anshika and Singla (2023) answered problems that often occur with the financial literacy abilities of business actors. The results show that the financial literacy abilities of business actors are relatively small throughout almost the entire world. Furthermore, it is necessary to develop the financial literacy skills of actors to improve business performance. Strengthened by several previous studies that stated the better financial literacy of entrepreneurs can help to increase MSME performance and better sustainability (Efendi & Waharini, 2023; Nugroho & Hwihanus, 2023; Pratiwi & Rahayu, 2022).
        Hypothesis 1: Financial literacy has a positive and significant effect on the financial performance of MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta

2.3   Peer to peer lending (P2P)

Jakarta The development of fintech in Indonesia is growing faster, especially those based on peer-to-peer lending (P2P) (Darma et al., 2020). This online P2P is actually similar to loans in general. What makes it different is the use of online-based technology, making the loan process easier for borrowers and lenders. Although this research is still relatively new, several previous studies have investigated this relationship, which supports an increase in MSME performance due to P2P (Desiyanti et al., 2022; Mudmainah & Basuki, 2023).
        Hypothesis 2: Fintech (peer to peer lending) has a positive and significant effect on the financial performance of MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta.

2.4   Financial attitude

Much research on MSME performance linked to the digital era focuses more on financial literacy and financial technology, but more is needed to be linked to financial attitude. Previous research shows that financial attitude is a determining factor for MSME performance (Lestari, 2022).
        Hypothesis 3: Financial attitudes have a positive and significant effect on financial performance in MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta. Setiabudi, South Jakarta.

3   Methodology

3.1   Sample and data collection

The population in this research is MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta, with as many as 60 MSMEs. The type of information used in this research is primary information, which is recapitulated information from the results of questionnaires

distributed in the form of problems overwriting the effect of financial literacy, P2P, and financial attitudes on financial performance on MSME actors in Kuningan Barat Village, Setiabudi District, South Jakarta.

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3.2   Measurement

The variable measurement scale in this research uses an Interval scale. The Interval scale is a scale used to measure the assumptions, behavior, or comments of a person or group related to an event or social phenomenon.

3.3   Data Analysis

The procedure for analyzing the information used in this research is quantitative. The analysis equipment used in this research is multiple linear regression analysis using SPSS information processing equipment. Before carrying out multiple linear regression, the classical assumption test is first tried.

4   Results

4.1   Respondent characteristics

There were 44 males and 16 females. Of these sixty respondents, four were aged between 15-24 years, 13 were between the ages of 25-34 years, 16 were aged 35-44 years, 14 were aged 45-54 years, and the rest 13 were over 55 years old. Respondent's last education: 19 people graduated from elementary school, eight people from middle school, 26 people from high school, five people with bachelor's degrees, and two people with master's degrees. Classification of the length of business: As many as six have had businesses for less than 2 years, there are 12 who have had businesses for around 3-5 years, while there are three entrepreneurs who have started businesses for 6-8 years, ten entrepreneurs have been in business for 9-11 years, ten people have been in business for 12-15 years; finally, there are 19 people who have started a business for more than 16 years.

4.2   Testing the validity of the questionnaire

Data were collected in this study through a questionnaire with a total of 30 questions. Six questions for financial literacy, six questions for fintech peer to peer lending, seven questions for financial attitudes and eleven questions for financial performance. All items have gone through validation tests and are declared valid and reliable.

4.3   Descriptive statistics and correlation test

The correlation test results show that all variables are strongly and significantly related. The average value results show that the respondents' answers are around answer 4, meaning that the respondents agree with almost all statements.

4.4   Test for Normality, Multicollinearity, and Heteroscedasticity

The use of multiple regression with SPSS requires data to be normally distributed, free from heteroscedasticity, and also free from multicollinearity. The test to determine whether the data is normally distributed can be done by several methods. In this study, the Kolmogorov Smirnov (KS) test was chosen. The results of the KS test show the value on the assymp tot is 0.83 and above 0.05, so it can be interpreted that the data is normally distributed, and the normality assumption is fulfilled.

Likewise, the assumption of heteroscedasticity in the data is also fulfilled. The data was tested with the Glesjer test, in which the regression results of the independent variables on the residual absent value did not have a significant value. Then, the data is free from heteroscedasticity. Furthermore, the multicollinearity test by looking at the Variance Inflation Factor (VIF) value in the three independent variables has no value above 10, so it is free from multicollinearity.

4.5   Hypothesis Test

Three research hypotheses were proposed regarding the direct effect of the three independent variables, namely financial literacy, fintech peer-to-peer lending, and financial attitudes, on financial performance. The research model that proposes these hypotheses gets an F value of 6.184 with a sig value of 0.000. It implies that the model is a viable model. This model can explain 20,9% variants of MSME performance, through financial literacy, P2P, and financial attitude.

Table 1. Multiple Regression Test

Model	B standardized	t	sig
Financial Literacy	0,239	2.050	0,045
Fintech P2P Lending	0,340	2.936	0,005
Financial Attitude	0.271	2.328	0,024
Adj R-Square	0,209		
F	6,184		0,001

Dependent Variable Financial Performance
Source: Data Processing Results

All hypotheses in this study are supported based on test results in Table 1. Hypothesis 1 is supported. This result shows that the understanding of MSME actors' financial literacy must be increased if there is a need to improve MSME performance. Furthermore, the second hypothesis also received support, which provides an understanding that the easier and more useful P2P is, the performance of MSMEs will increase. The final hypothesis, which states that financial attitude is positive and significant on MSME performance, is supported. It is necessary to form a positive attitude regarding finances for MSME actors because this is one factor determining the successful performance of MSMEs.

5   Discussion

These research results are consistent with most scholars stating that financial literacy in MSME actors is pivotal for increasing MSME performance (Aritonang et al., 2022; Meitriana et al., 2022). Therefore, it is always essential to provide education, understanding, and training for MSME players to increase their understanding of financial literacy. A good understanding of financial literacy for MSME players makes it easier for them to make reasonable and appropriate decisions to facilitate the improvement of MSME financial performance (Meitriana et al., 2022). The understanding of financial literacy in this research includes mathematical knowledge, risk management, and financial responsibility. So, it is necessary to improve mathematical skills and risk management and raise awareness of financial responsibility for MSME players. Financial responsibility is important so that MSME players can manage their finances well, "tidak lebih besar pasak daripada tiang" (Sari et al., 2023).

The results of this research support that P2P influences MSME performance improvement. These results are strengthened by similar research, such as research conducted by Desiyanti et al. (2022), with 387 MSME respondents from Sumatra. Moreover, Naysary and Daud (2021) stated that improving MSME performance from P2P will influence improving economic indicators.

The financial attitude of MSME players is one of the three factors studied, the second factor after P2P, which contributes to improving the performance of MSMEs. Research that links the financial attitudes of MSME actors directly influencing the financial performance of MSMEs still needs to be explored. Therefore, this study's results support the financial literature on the relationship between financial attitudes and MSME performance. Future research is expected to confirm this relationship further and also deepen this relationship with other models.

6   Conclusion

The study results prove the effect of financial literacy, fintech peer-to-peer lending, and financial behavior on financial performance in MSME performers in Kuningan Barat Village, Setiabudi District, South Jakarta.

6.1 Conclusion

The study results prove the effect of financial literacy, fintech peer-to-peer lending, and financial behavior on financial performance in MSME performers in Kuningan Barat Village, Setiabudi District, South Jakarta.

6.2 Research implications

The lack of financial literacy skills should be reduced by using various financial zones and processing finances appropriately according to needs. The main goal of financial literacy is to produce citizens so that the public can sort and use financial products and services to increase public prosperity. Financial Technology is an innovation in financial services that initiates technological developments to make financial services and systems more effective and efficient. Financial technology with financial services such as Crowdfunding, mobile payments, and money transfer services have caused a revolution in the startup business and changed consumer attitudes and expectations. Therefore, regulations are needed to protect these matters, including consumer protection.

Apart from providing practical benefits for MSME actors, the results of this research also provide benefits for policymakers such as the government. Based on the results of this research, there is a need for government intervention in socializing, promoting, and continuing to create financial literacy programs for MSME players. Apart from that, the promotion of healthy P2P is continuously monitored by the government.

6.3 Limitations of research and suggestions

This study is limited to one urban; we recommend that further research use a larger sample. Results show that perceived benefits affect financial literacy, fintech peer-to-peer lending, financial attitudes, and financial performance, which need further study.

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