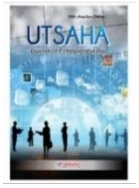

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The Role of Fintech and Financial Literacy on MSME Performance:
Study on F&B MSMEs in Surabaya

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ABSTRACT

The role of fintech may pose a good impact on MSMEs and society in carrying out financial transactions and services digitally, easily and quickly. This requires improving inadequate financial literacy to encourage inappropriate financial decisions and avoid fraud or loss of funds from using fintech. This condition can play a big role for MSME players and society in economic growth which is able to apply digital technology well. The purpose of this study is to analyze and determine whether financial technology influences MSME players' financial literacy and performance, as well as how financial technology affects MSMEs' performance indirectly through financial literacy. This research sample was taken using purposive sampling, with the criteria being MSMEs that sell food and beverage products and those that have used financial technology products. There were 100 MSME units used as samples in the research obtained from the Surabaya City Cooperatives, SMEs and Trade Department. Research data collection uses a questionnaire and the data analysis technique for this research uses path analysis. The findings of the research indicate that financial literacy may moderate the impact of financial technology on the performance of food and beverage MSMEs in Surabaya and has a noticeable beneficial impact on MSMEs' performance. This explains that increasing adaptation to the use of financial technology needs to be supported by increasing financial literacy by MSME players to have the ability to enhance MSMEs' performance.

Keywords: *F&B MSMEs, Financial Literacy, Financial Technology, MSMEs Performance*

INTRODUCTION

Technological development has become a dynamic concept that can be applied in various fields, including finance. The entry of technology into finance is an innovation that can support business actors to optimize the management of the business they run. By definition, financial technology or fintech is a financial service that adopts innovative technology to meet important needs in the future (Dapp, 2014).

Fintech services have contributed to the Indonesian economy, especially during the COVID-19 pandemic. The fintech industry is able to support a positive contribution to economic growth of 0.45 percent and Indonesia's gross domestic product (GDP) of more than IDR 60 trillion (Maulana et al., 2022). During the COVID-19 pandemic, the fintech sector, peer to peer loans or online loans, is the most popular (Shalmont & Dominica, 2022). Based on information from the Financial Services Authority (OJK), loan distribution until October 2021 while the pandemic was still ongoing was IDR 67 trillion or 53.63% of the total loan distribution made. Distribution of loan funds to the production sector (Laoli, 2022).

One MSME that plays great role in economic growth is in the food and beverage sector. By 2023, the food and beverage industry will account for 39.10 percent of the GDP of the non-oil and gas industry and 6.55 percent of the GDP of the entire country (Harianto, 2024). This condition explains the large role of the food and beverage sector in national economic growth and is a sector whose readiness needs to be considered to be able to implement industrial transformation 4.0 which is able to implement digital technology well.

Several previous studies have conducted research on the relationship between these three variables. Research conducted by Lontchi et al. (2023) explained that fintech and financial literacy have a positive influence on the performance of MSMEs, apart from that financial literacy also has a mediating role in the influence of fintech on the performance of MSMEs. These results explain the role of financial literacy in ensuring that MSMEs can make good use of fintech so that financial management becomes better and the performance of MSMEs increases. Different results were shown in research Fitria et al. (2021) which explains that financial literacy does not have a significant effect on the performance of MSMEs. These results explain that the financial literacy knowledge possessed by MSME actors does not have an impact on the growth of MSME performance. Research conducted by Gunawan et al. (2023) explained that the development of fintech and financial literacy plays a role in determining MSMEs performance. The disparities in research findings are explained by a number of prior studies regarding the relationship between financial technology or fintech, financial literacy and the performance of MSMEs. The difference in the results of this study is also one of the reasons for conducting this research to review the relationship between these three variables.

Based on explanation above, the aim of this research is to analyze and determine the influence of financial technology on the financial literacy of MSME players, the influence of financial technology on MSME performance, the influence of financial literacy on MSME performance, as well as the influence of financial technology on MSME performance through financial literacy. Based on the explanation above, the development of financial technology with financial literacy has an influence on the performance of MSMEs. Additionally, the performance of MSMEs, which are crucial to the expansion of the national economy, followed both patterns.

RESEARCH METHODOLOGY

This research applied quantitative approach and used primary data sources. Quantitative approach involves utilizing numerical data and statistical methods to analyze various phenomena (Agus et al., 2023). The population used is food and beverage MSMEs in Surabaya. The number of samples used was 100 MSME units obtained from the Surabaya City Cooperatives, SMEs and Trade Office with the criteria of MSMEs selling food and beverage products using technological financial products in the form of loans, payments or fund transfers. The sampling technique was carried out using purposive sampling. Each MSME in the research sample received a physical questionnaire instrument directly from the researcher for the purpose of the data collecting technique. The information obtained from the distribution of the questionnaire is then converted into a Likert scale. The data analysis technique in this research was conducted using path analysis.

RESULT AND DISCUSSION

Validity and Reliability Test Results

The results of the validity tests that have been carried out indicated that each statement used in the research instrument has a calculated r value that is greater than the r table value. These results explain that each statement on the research instrument in this research is a valid instrument and can be continued in further analysis.

Table 1. Research Instrument Validity Test Results

Variable	Indicator	Corrected Item-Total Correlation Values	Table value r	Notes.
Financial technology	X1	0.504	0.197	Legitimate
	X2	0.518	0.197	Legitimate
	X3	0.428	0.197	Legitimate
	X4	0.488	0.197	Legitimate
	X5	0.347	0.197	Legitimate
	X6	0.434	0.197	Legitimate
	X7	0.317	0.197	Legitimate
	X8	0.528	0.197	Legitimate
	X9	0.520	0.197	Legitimate
	X10	0.536	0.197	Legitimate
	X11	0.514	0.197	Legitimate
Financial literacy	Z1	0.579	0.197	Legitimate
	Z2	0.847	0.197	Legitimate
	Z3	0.829	0.197	Legitimate
	Z4	0.775	0.197	Legitimate
	Z5	0.706	0.197	Legitimate
	Z6	0.706	0.197	Legitimate
MSME performance	Y1	0.548	0.197	Legitimate
	Y2	0.721	0.197	Legitimate
	Y3	0.753	0.197	Legitimate
	Y4	0.742	0.197	Legitimate
	Y5	0.657	0.197	Legitimate
	Y6	0.421	0.197	Legitimate
	Y7	0.509	0.197	Legitimate

Source: Analysis Results using SPSS version 25

The Cronbach's Alpha value was taken into consideration when conducting the reliability test. The reliability test results in the table above show that the Cronbach's alpha value is greater than the critical value of 0.6. Therefore, it can be explained that the instruments for each research variable used in the research model are consistent and can be used to explain each research variable.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha Value	Critical Value	Information
Financial Technology	0.613	0.600	Reliable
Financial Literacy	0.837	0.600	Reliable
MSME Performance	0.721	0.600	Reliable

Source: Analysis Results using SPSS version 25

Assumption of Normality

The research results show the significance value of the regression model with the dependent variable financial literacy of 0.141 and the dependent variable of MSME performance of 0.200. So it can be explained that both regression models have normal data distribution because the significance value is greater than the critical value, namely 0.05 for the Kolmogorov-Smirnov test.

Table 3. Kolmogorov-Smirnov Test Results

	Nonstandardized Residues
Regression Model 1 (Financial literacy Dependent Variable)	
Kolmogorov Smirnov Z	0.078
Significance Value	0.141
Regression Model 2 (Dependent Variable on MSME Performance)	
Kolmogorov Smirnov Z	0.068
Significance Value	0.200

Source: Analysis Results using SPSS version 25

Heteroscedasticity Assumption

The results of the significance value of the regression model on the dependent variable financial literacy are 0.500 and the significance value on MSME performance is 0.622, for the financial literacy variable the significance value is 0.356 with the MSME performance variable. These results show that the two regression models have the same variance, because the significance value of each variable is greater than the critical value of the Glejser test, namely 0.05.

Table 4. Glejser Test Results

No.	Variable	Regression Model 1 (Dependent Variable on Financial Literacy)	Regression Model 2 (Dependent Variable on MSME Performance)
		Meaning	Meaning
1	Financial Technology	0.500	0.622
2	Financial Literacy	-	0.356

Source: Analysis Results using SPSS version 25

Autocorrelation Assumption

The autocorrelation assumption is carried out through the Watson Durbin value, both regression models with Watson Durbin values of 1.733 and 1.618. These two values are between -2 and +2, therefore, the two regression models do not experience autocorrelation.

Table 5. Durbin Watson Test Results

Model	Durbin Watson Value
Regression Model 1 (Dependent Variable on Financial Literacy)	1.733
Regression Model 2 (Dependent Variable on MSME Performance)	1.618

Source: Analysis Results using SPSS version 25

Multicollinearity Assumption

The multicollinearity assumption test was carried out using tolerance and VIF values. The financial technology tolerance and financial literacy values are greater than the critical value of 0.1 and the VIF value shown is also lower than 10, thus, the dependent variable for MSME performance and the independent variables included in the regression model do not correlate.

Table 6. Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
	Regression Model 2 (Dependent Variable of MSME Performance)	
Financial Technology	0.597	1.676
Financial Literacy	0.597	1.676

Source: Analysis Results using SPSS version 25

F-Statistical Test

The impact of financial technology on the performance of MSME's has a significance value of 0.000. The result of the significance value of the influence of financial technology and financial literacy on the performance of MSMEs is 0.005. Based on these results, financial technology has a major impact on MSMEs' performance at the same time that financial literacy does, as well as both of these factors individually, since it is lower than the critical value of 0.05.

Table 7. F-Statistical Significance Value

Regression Model	F-statistic value	Significance (F-Test)
Financial Technology → Financial Literacy	66.281	0.000
Financial Technology And Financial Literacy → MSME Performance	21.109	0.005
Regression Model	**F-statistic value**	**Significance (F-Test)**
Financial Technology → Financial Literacy	66.281	0.000
Financial Technology and Financial Literacy → MSME Performance	21.109	0.005
Regression Model	**F-statistic value**	**Significance (F-Test)**
Financial Technology → Financial Literacy	66.281	0.000
Financial Technology and Financial Literacy → MSME Performance	21.109	0.005
Regression Model	**F-statistic value**	**Significance (F-Test)**
Financial Technology → Financial Literacy	66.281	0.000
Financial Technology and Financial Literacy → MSME Performance	21.109	0.005

Source: Analysis Results using SPSS version 25

Coefficient of Determination

The results of the regression model on the influence of financial technology on financial literacy show an R square value of 0.403 and the influence of financial technology and financial literacy on the performance of MSMEs shows an R-square value of 0.303.

Table 8. Coefficient of Determination Value

Regression Model	R	R-square	Adjusted R Square
Financial Technology → Financial Literacy	0.635	0.403	0.397
Financial Technology and Financial Literacy → MSME Performance	0.551	0.303	0.289

Source: Analysis Results using SPSS version 25

Statistical T-Test

The results of the partial influence test show that financial technology has a significant positive effect on financial literacy. Financial technology has a significant positive effect on the performance of MSMEs. Financial literacy has a significant positive effect on the performance of MSMEs. These results prove that (H1), (H2) and (H3) are acceptable. These results are shown in the following table.

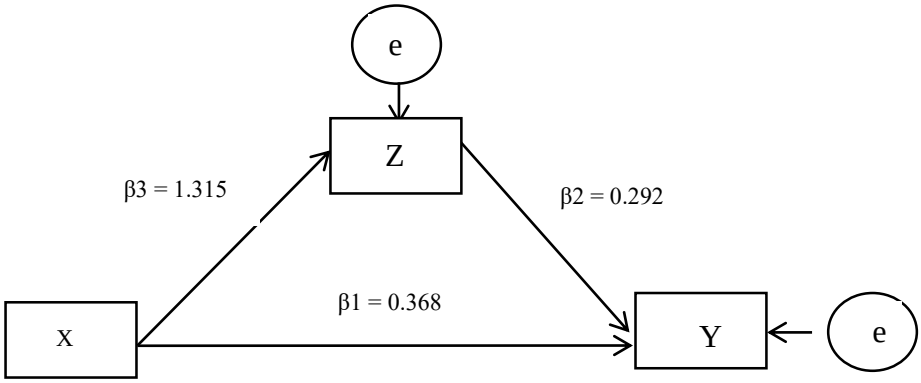
Table 9. Direct Effect Hypothesis Test Results

Variable	Coefficient	Std. Error	t-statistics	signature.	Conclusion
The influence of financial technology on financial literacy					
(Constant)	-1,214	0.621	-1.955	0.053	
Financial technology	1,315	0.161	8.141	0.000	H_1 is accepted
The Influence of Financial Technology and Financial Literacy on the Performance of MSMEs					
(Constant)	1.190	0.534	2.230	0.028	
Financial technology	0.368	0.176	2.089	0.039	H_2 is accepted
Financial literacy	0.292	0.085	3.425	0.001	H_3 is accepted

Source: Analysis Results using SPSS version 25

Indirect Influence Test

The path analysis model used to explain this indirect effect is shown in the following figure.



Note:
X = Financial Technology
Y = MSME performance
Z = Financial Literacy

Figure 1. Equation Model of Financial Technology Pathways to MSME Performance through Financial Literacy
Source: Analysis Results using SPSS version 25

The results in the figure above suggest that the coefficient value of the direct influence of financial technology on financial literacy is 1.315. The coefficient value of the direct influence of financial technology on MSME performance is

0.292. The coefficient value of the indirect influence of financial technology on MSME performance through financial literacy is 0.384. Therefore, it can be explained that financial literacy is able to positively mediate the influence of financial technology on the performance of MSMEs, so that H_4 in this research can be accepted.

The Influence of Financial Technology on Financial Literacy

It has been proven that financial technology significantly improves financial literacy in food and beverage MSMEs located in Surabaya, based on the findings of the analysis that was conducted. The results of this research are confirmed by the results of research that has been carried out by Lontchi et al. (2023) which explains that when the benefits of a technology can be felt, then society will utilize the technology so that public literacy regarding technology that can be applied in the financial sector can increase.

The research results show that the most frequently used forms of financial technology services are digital payments and online loans. This is one of the factors that can provide comfort in managing MSME finances so that it has an impact on increasing financial literacy (Morgan & Trinh, 2019).

The Influence of Financial Technology on MSME Performance

The results of the analysis explain that financial technology can improve the performance of food and beverage MSMEs domiciled in Surabaya. These results explain that the use of technology can have an impact on improving the performance of MSMEs for the better. The findings of this research corroborate those previously reported studies conducted by Gunawan et al. (2023) that the use of financial technology can make it easier for MSME managers to determine strategies and innovations in order to aid in the enhancement of MSME performance.

The Influence of Financial Literacy on MSME Performance

The analysis results indicated that financial literacy has significantly improves MSMEs' performance, the higher the financial literacy of MSMEs, the MSMEs can be developed in line with this literacy so that the performance of MSMEs can be improved for the better. The results of this research are in line with the results of research conducted by Gunawan et al. (2023) which explains that MSME owners with good financial literacy can carry out better budgeting and planning so that they can develop more focused MSMEs and have better performance.

The Mediating Role of Financial Literacy on the Influence of Financial Technology on MSME Performance

The results of the analysis show that financial literacy able to mediate the influence of financial technology on MSME performance, that financial literacy can

support MSME owners to experience optimal benefits from the use of financial technology so that it can have an impact on the development of MSME performance. The findings of the research indicated that the mediating role of financial literacy in this research is partial mediation. The findings of this research are consistent with those of Lontchi et al. (2023), which explains that when MSME owners have knowledge of the latest financial innovations and can make good use of them, they are going to be able to support improving the operational and financial performance of MSMEs.

CONCLUSION

Financial technology significantly improves financial literacy in Surabaya's MSMEs operating in the food and beverage industry. These results prove that if MSMEs want to increase their adaptation to the use of financial technology, their financial literacy can increase. The performance of Surabaya's MSMEs in the food and beverage industry is significantly improved by financial technology. These results prove that if MSMEs want to increase adaptation to the use of financial technology, they can support improving MSME performance for the better.

The performance of Surabaya's MSMEs in the food and beverage industry is significantly improved by financial literacy. These results explain that the better financial literacy that MSMEs have can support improving the performance of MSMEs for the better. Financial literacy can positively mediate the influence of financial technology on the performance of food and beverage MSMEs domiciled in the city of Surabaya. These results explain that MSMEs that apply financial technology tend to increase financial literacy which can then support improving MSME performance for the better.

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