

## **Analysis of the Effect of Financial Literacy and Financial Technology on the Sustainability of Micro, Small and Medium Enterprises (MSMEs) in the Tourism Village of Kota Pari Mangrove Forest, Pantai Cermin District**

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### **Abstract**

The problem that occurs in the Kota Pari Village community is the lack of knowledge related to finance, especially in terms of *Financial Literacy* and *Financial Technology*. *Financial Literacy* is very important in everyday life. The higher the level of financial literacy in each individual, it will encourage an increase in financial performance. Entering the industrial revolution 5.0, many challenges and opportunities are presented. One of them is the existence of innovations in the financial sector, namely *Financial Technology (Fintech)*. Fintech is present with the aim of facilitating services for the community to carry out economic activities more effectively and efficiently. The purpose of this study was to analyze the effect of Financial Literacy and Financial Technology (Fintech) on the business sustainability of micro, small and medium enterprises (MSMEs) in Kota Pari Village. The population in this study were all MSMEs in Kota Pari Village. The success of this implementation is expected to have a positive impact on the economic development and welfare of the Kota Pari Village community.

### **Keywords:**

Financial Literacy, Financial Technology, and MSMEs

## INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have an important role in improving the regional economy and the economy of a country. MSMEs have proven to have an important role in overcoming the economic recession due to and the impact of the *Covid-19* pandemic in 2020 until now, where many large companies have gone bankrupt, while MSMEs have been able to survive the crisis conditions. In addition, this sector is able to increase the per capita income or Gross Domestic Product (GDP) of the community because it is able to absorb quite a lot of labor. Indonesia is a country that has the most MSME industry players. MSMEs are one of the potential job expansions to overcome unemployment and poverty. Development in terms of creating direct employment opportunities in the form of independent work, micro-enterprises, or small businesses. Based on data from the Ministry of Cooperatives and SMEs (2021), the number of MSMEs currently reaches 64.2 million with a contribution to GDP of 61.07% or IDR 8,573.89 trillion. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total workforce and can raise up to 60.4% of total investment. Kota Pari Village, Pantai Cermin Sub-district, is one of the villages directly adjacent to the Malacca Strait, making Kota Pari Village one of the marine tourism destinations, besides serving a beautiful beach atmosphere, it also serves seafood food from the sea. Administratively, the population of Kota Pari Village is recorded at  $\pm 2860$  people. In addition to beach attractions, Kota Pari Village also presents ecotourism in the form of honey guava plantations and pandanus coconut nurseries which have a distinctive taste and fragrance typical of pandanus, as well as producers of processed seafood such as home industries for making belacan, kecepe shrimp, and paname shrimp. Kota Pari Village has several marine tourism objects such as pondok permai beach, woong rame beach, pearl 88 beach, kuala dewi indah beach, woong pulo beach, perjuangan beach and dua rasa beach, where each beach offers a different natural atmosphere.

One of the factors that influence the development of MSMEs is *financial literacy*. Seeing the current economic conditions, financial literacy is becoming increasingly important. Individuals need basic financial knowledge and skills to manage financial resources effectively for their lives, especially for MSME players who often make decisions, especially those related to their business finances. *Financial Literacy* has become a special concern in various countries. This is because each country wants to form a mindset of its people to have a quality financial mindset and be good at managing their finances. That way it is expected to have a positive impact on the development of the Indonesian economy.

In addition to *Financial Literacy*, another factor that influences the development of MSMEs is *Financial Technology*. The growth of technology in Indonesia today is increasing very fast and rapidly. Not only in Indonesia but throughout the world also



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feel the growth of technology and technological changes can change quickly and significantly. With the continued development of technology in Indonesia and around the world, currently there is a new innovation that has succeeded in influencing all technology and has entered various sectors, one of which is the financial sector.

The financial sector is an important sector for economic growth in Indonesia, this has resulted in the financial sector continuing to develop according to the needs of the community. Recently, a technological innovation in the financial sector, namely *Financial Technology*, has emerged.

Some of the positive impacts that will arise when using *fianacial technology* are the ease of buying and selling transactions, making insurance claims, improving living standards and so on. *Financial Technology* can also issue a money loan system in an easy and transparent way. Where the Indonesian people can also find out how many percent of interest or installments must be paid. *Financial technology* has been implemented and is very beneficial to the development of digital finance in Indonesia.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 1. Micro, Small and Medium Enterprises (MSMEs)

A medium-sized enterprise is a profit-making trading business that is established by an individual or a business that is not a subsidiary or part of another business, held either directly or indirectly with a large enterprise or a small enterprise with a lot of net proceeds or sales profit.

The interpretation of micro, small and medium enterprises according to Law No.9 of 1999 and due to the atmosphere of very significant progress amended to Law No.20 Article 1 of 2008 related to Micro, Small and Medium Enterprises, the definition of UMKM is as follows:

1. A Micro Enterprise is a *profitable* business owned by an individual that meets the criteria of a Micro Enterprise as stipulated in the law.
2. A Small Business is a self-developed *profitable* trading business, conducted by an individual or organization that is not an agent of an industry owned, possessed or as one of the direct or indirect parts of a large business or medium-sized business that already fits the character of a Small Business as in this Law.

3. A medium-sized enterprise is a self-developed *profitable* trading business carried out by an individual or a business that is not part of an industrial agency owned, authorized, or part of directly or indirectly with a small business or a large business with a net figure or net sales profit per year as stipulated in this Law.

4. A Large Business is a *profitable* trading business carried out by a business field with an annual net output or sales profit figure exceeding the size of a medium-sized business, which includes businesses of the nation, belonging to the nation, or belonging to organizations, joint venture businesses, and immigrant businesses that conduct economic business in this country.

Businesses are Micro businesses, Small businesses, Medium businesses, and Large businesses that carry out trading activities in the country and reside in the country. carry out trading activities in this country and reside in this country.

Based on the above understanding, it can be concluded that micro, small and medium enterprises or MSMEs are general terms in economics that indicate a productive business owned by individuals or business entities that have met the criteria as micro enterprises. As regulated in legislation No. 20 of 2008.

Based on research conducted by Budiarto (2015), it can be concluded that the indicators used in business development are characterized by:

- 1) Experienced an increase in turnover
- 2) Implement financial records and flow of goods
- 3) Improving efficiency
- 4) Experienced an increase in assets

## 2. Financial Literacy

Based on a number of literature, there are various definitions of *financial literacy*. In research (Waluyo & Maria, 2019) *Financial literacy* can be summarized as a person's ability to manage a fund to achieve economic security in the future, based on short-term and long-term decisions, so that better financial management can be realized. In general and in a broad sense, *financial literacy* is the ability of individuals to make decisions in terms of their personal financial arrangements. Financial literacy or financial knowledge is an important aspect in everyday life to direct each individual in using financial instruments and products and being able to make the right decisions.

According to the Financial Services Authority (OJK, 2016), the objectives of *financial literacy* are as follows:



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- 1) Can improve the ability to make effective financial decisions.
- 2) Can change attitudes and behaviors in financial management for the better, so that they can utilize and determine institutions, products and services that suit their needs and desires.

Financial literacy has an important role in business, not only for business actors but also for financial institutions.

Business actors who initially only save money in the cupboard after knowing and understanding about the financial services industry products, they will save or save money in the bank, so it is also beneficial for financial institutions because one of their products is in demand by business actors.

### 3. Financial Technology

Information technology has now become a necessity and has become part of an inseparable activity process in human life, the development of information technology has a significant impact on people's lives, both individuals and organizations. *Financial technology (Fintech)* is a combination of technology and financial features or it can also mean innovation in the financial sector with a touch of modern technology (Pribadiono, 2016).

Information technology in the financial sector is used to help people access financial products and services. Innovation in the field of information technology provides opportunities for us to carry out financial activities anywhere, anytime, easily, and safely. Information technology innovation in the field of financial services is *Fintech*, namely *Financial technology* which means innovation in providing financial services, (Wiyono & Kirana, 2020).

*Financial technology* is a new financing scheme which is the result of the combination of the *financial* field with technology. *Financial technology* emerged along with the changing trends of human life currently dominated by users of information technology and the insistence on a practical life. Financial technology has replaced the usual business scheme so modern (Rahardjo, 2019).

## METHODS

### *Population and Sample*

Population is an abstraction that includes: objects / subjects that have special values and characteristics chosen by researchers to study and then draw a conclusion.



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The population contained in this study are MSME actors. In this study, the sampling technique used by researchers was to use the simple random sampling method. The definition of *simple random sampling* put forward by (Sugiyono, 2017) is the taking of sample members from a population that is carried out randomly without regard to the strata in the population.

### ***Data Collection***

Data collection techniques are systems that researchers use to obtain data in a study. The system that is carried out in order to obtain data, namely Questionnaires (questionnaires). The questionnaire technique (questionnaire) is a system of collecting data that is done through a system of asking several recorded questions to respondents to give their responses. (Sugiyono, 2015). The questionnaire system was chosen in this study to get a thorough and direct illustration of these MSMEs.

### ***Measurement and scale items***

The questionnaire conducted in this study is to collect data through a list of questions that have been carefully arranged using Likert Scale research measurements. The Likert scale is a scale based on the summation of respondents' attitudes in responding to questions related to indicators of a concept or variable being measured.

### ***Research Hypothesis Testing***

Descriptive statistics are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations (Sugiyono, 2017).

This analysis will describe the characteristics of respondents and describe the variables of *financial literacy*, *financial technology*, and MSME development.

The following is an operational definition of the variables used in the study by drawing conclusions from the definition of variables and conditions in the research site, namely:

**Table.3.1**  
**Operational Definition**





No	Variables	Definition	Indicator	Likert Scale
1	MSME business development (Y)	Micro, Small and Medium Enterprises are growing very rapidly both in industry and individuals who are now not only in demand by parents but also young people as jobs. (Budiarto, 2015)	1. Increased Turnover 2. Financial records and flow of goods 3. Improved efficiency 4. Increase in assets	1 - 5
2	Financial literacy (X1)	Financial literacy is a financial knowledge to make financial decisions effectively and efficiently (Latifiana, 2017)	1. Basic knowledge of Financial management 2. Credit Management 3. Savings Management 4. Investment	1 - 5
3	Financial technology (X2)	Financial technology is a measure to achieve better economic welfare, because it is considered fast, practical, and efficient. (Hutabarat, 2018)	1. Ease of 2. Fintech knowledge 3. Effectiveness 4. Interests	1 - 5

## Results

### Respondent Overview

Kota Pari Village is one of the villages that borders directly with the Malacca Strait, making Kota Pari Village one of the marine tourism destinations. In addition to serving a beautiful beach atmosphere, it also serves sea food from the sea. In addition to beach tourism objects, Kota Pari Village also presents

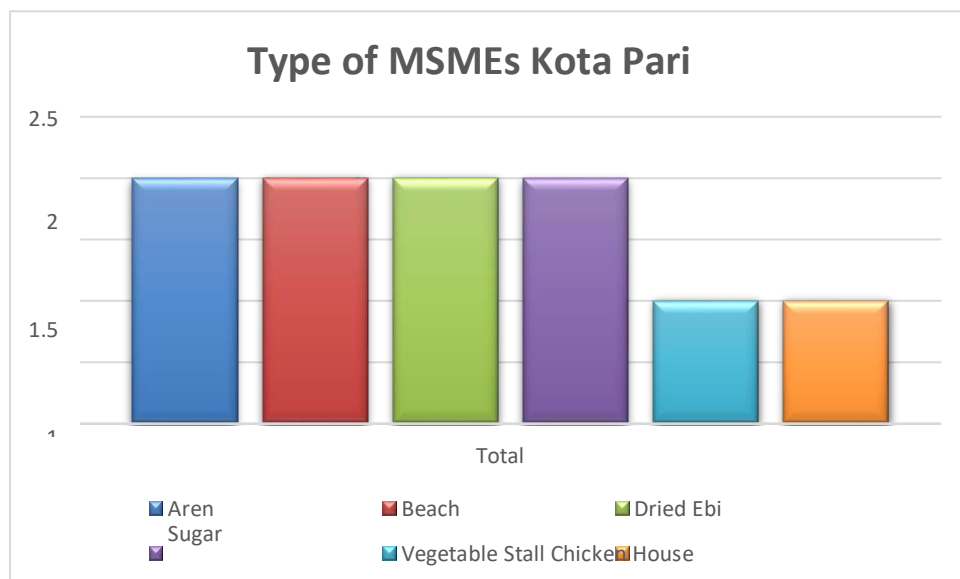


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ecotourism in the form of honey guava plantations and pandan coconut nurseries which have a distinctive taste and fragrance typical of pandan. Kota Pari Village has several marine tourism objects such as Pondok Permai Beach, Woong Rame Beach, Mutiara 88 Beach, Kuala Dewi Indah Beach, Woong Pulo Beach, Perjuangan Beach and Dua Rasa Beach, where each beach offers a different natural atmosphere. The products produced by the people of Kota Pari Village are :1. Brown sugar made from coconut tree water. 2. Terasi Made from Kecepai Shrimp which has a distinctive aroma. Where these products are still managed traditionally that have been passed down from generation to generation.

The respondent data in this study are MSME actors in Kota Pari Village, Pantai Cermin District, Serdang Bedagai. This research was conducted through interviews or interviews with resource persons. Based on the results of research observations, it is known that the types of MSMEs in Kota Pari Village are as follows:



Source: Researcher's primary data, 2024

Figure 4.1 Types of MSMEs in Kota Pari Village

Based on the graphical data above, the types of MSMEs in Kota Pari Village and their numbers can be seen. The data shows that the types of MSMEs in Kota Pari Village are Terasi and Fishermen MSMEs. Indeed, Kota Pari Village is a village located very close to the beach, which automatically means that many of its residents have livelihoods as fishermen and MSMEs processed from the sea.

Financial analysis is the first step in building a good financial foundation, especially in a business like MSMEs. Good financial analysis



should be used for decision making for MSME actors. The process of good financial management is planning, recording, reporting and controlling.

## DISCUSSION

### 1. Financial Literacy

*Financial literacy* can be summarized as a person's ability to manage a fund to achieve economic security in the future, based on short-term and long-term decisions, so that better financial management can be realized. In general and in a broad sense, *financial literacy* is the ability of individuals to make decisions in terms of their personal financial arrangements. Financial literacy or financial knowledge is an important aspect in everyday life to direct each individual in using financial instruments and products and being able to make the right decisions.

One of the financial planning activities is to formulate annual and long-term financial goals and budgets. and long-term financial goals, as well as the financial budget. A budget is a company plan that is compiled in an integrated manner and explained quantitatively during a certain period or according to a predetermined period of time. Based on the results of research observations, the following data can be seen:

Table 4.1 Informants studied on Financial Planning Indicators

No.	Name	Business Type	Industry Field	Business Age
1	Narida	Aren Sugar	Oalahan	8
2	Kurniawan	Beach Tourism	Tourism	15
3	Sumardi	Beach Tourism	Tourism	10
4	Suriyanto	Dried Ebi	Oalahan	5
5	Ismail	Terasi	Processed	7
6	Sutrisno	Vegetable Stall	Trade Business	2
7	Jefrianto	Aren Sugar	Processed	4
8	Jaipuri	Terasi	Processed	2



			d	
9	Suhardi	Chicken Slaughterhouse	Trade Business	2
10	Ahmad	Dried Ebi	Oalahan	6

*Source: Primary Data Researcher, 2024*

From the results of the interviews above, it can be concluded that, on average, MSME actors Village Kota Pari have carried out financial planning, although some of them know the concept and science of financial management and some only understand the concept and science of financial management. who know the concepts and science of financial management and some only understand the division of types of capital and some do not understand. division of capital types and some do not understand.

## 2. Financial technology

*Financial technology* is a new financing scheme which is the result of the combination of the *financial* field with technology. *Financial technology* emerged along with the changing trend of human life nowadays dominated by the use of information technology and the insistence on a practical life. Financial technology has replaced the usual business scheme so modern. *Financial technology* or known as *fintech* is the replacement of cash to non-cash using applications. *Fintech* services can be used when connected to the internet which is accessed via a smartphone, making its use easy and fast. In some literature, there are various definitions of *Financial technology* In general and in a broad sense, *Financial technology* refers to the use of technology to provide financial solutions. Specifically, *financial technology* is a means of applying digital technology to financial intermediation problems. In a broader sense, *financial technology* is defined as an industry consisting of companies that use technology to make the financial system and the delivery of financial services more efficient.

*Financial technology* is also defined as technological innovation in financial services that can generate business models, applications, processes or products with material effects related to the provision of financial services. So *Financial technology (Fintech)* is a combination of technology and economics that can facilitate financial affairs in modern times by *going online* and its development is very rapid because it is considered more efficient fast



and practical. The development of *Fintech* goes hand in hand with the times that began to spoil humans in carrying out financial transactions easily and quickly through the development of technology

## CONCLUSIONS AND SUGGESTIONS

### Conclusion:

Based on the results of data analysis and discussion that has been carried out, it can be concluded that:

1. MSME actors in Kota Pari Village, Pantai Cermin Sub-district, Serdang Bedagai Regency as a whole do not understand and carry out financial management properly and correctly in accordance with science. This happens because of the lack of understanding of business actors and the lack of guidance, training and socialization regarding how to properly manage MSME finances.
2. From the results of the analysis, Kota Pari Village MSME players feel that their businesses can only run locally in the village. However, when analyzed more deeply, Kota Pari village MSMEs have excellent economic growth potential, especially after the co-19 pandemic. However, this must be supported by the authorities.

### Suggestion:

The suggestions and input provided by researchers are as follows:

1. For MSMEs

Make a clear and detailed financial plan. The financial plan should include budgets, expenses, sources of income, and strategies to deal with financial problems that may arise in the future. Separate personal and business finances. It is important to have a separate bank account for your business in order to monitor and separate business and personal expenses. Perform effective inventory management. Make sure you have enough but not excessive inventory, and try to figure out how to manage inventory effectively. Conduct regular financial analysis. Evaluate your financial statements regularly to see if your business is growing or declining, and find out ways to increase income and reduce expenses.

2. For Authorized Officers

It is hoped that the relevant government will be able to organize training on how to properly manage MSME finances so that MSME actors have the knowledge to make financial reports.



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### 3. Next Researcher

Future researchers can make this research as a reference in continuing research with different places, times and objects.

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