

The Influence Of Financial Literacy And The Use Of Information Technology On The Net Profit Margin Of Msmes In Palopo City

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are a means for the majority of society to fulfill their living needs. Financial literacy and the use of information technology are very important factors in improving the performance of a business entity. This research aims to determine the influence of financial literacy on net profit margins and the influence of information technology on the net profit margins of micro, small and medium enterprises in Palopo City. This research is quantitative research conducted on MSMEs in Palopo City in the food and beverage sector. This research used purposive sampling with a sample size of 80 MSMEs. The data analysis technique used in this research is multiple linear regression analysis with the help of the SPSS program. The results of the research are that financial literacy and information technology have a positive and significant effect on the net profit margin of MSMEs in Palopo City.

Keywords: Financial Literacy; Information Technology; Net Profit Margin of MSMEs.

1. Introduction

The growth of Micro, Small and Medium Enterprises (MSMEs) in Indonesia is growing rapidly and making a significant contribution to the expansion and acceptance of new workers, as well as forming Gross Domestic Product (GDP) and a business safety net system for low-income communities in carrying out productive economic activities. This phenomenon is in line with the objectives of MSMEs regulated in Law Number 20 of 2008, namely to encourage business growth and development in order to strengthen the national economy based on the principles of fair economic democracy.

The role of Micro, Small and Medium Enterprises (MSMEs) shows a vital contribution to Indonesia's economic growth, including in Palopo City. Palopo City, which is one of the rapidly developing areas in South Sulawesi Province, recorded data from the Palopo City Cooperatives and MSMEs Service, showing that there are 11,022 MSME units in the city. This figure is a very valuable asset in supporting economic progress in Palopo City. The responsibility of the government and other stakeholders is very necessary to ensure the continuity and development of MSMEs in this city. Micro, small and medium enterprises (MSMEs) continue to develop rapidly and have a significant influence in Palopo City.

Based on 2020 BPS data regarding the development of MSMEs, there are a very significant number of MSME actors in nine sub-districts in Palopo City. With a total workforce absorption of 13,337 people. According to information from the Palopo City Cooperatives and MSMEs Service, Wara District is the largest contributor to MSMEs in Palopo City, reaching around 41.60% of the total existing MSME units. The strategic factor of Wara District, is that it is located in the city center with a supportive crowd, making it the main focus for MSMEs, especially in the culinary snack business sector. The existence of well-known busy places in Wara District, such as the Central Market, Pancasila Square, and

along Jalan Jenderal Sudirman, Palopo City, is the main attraction which is visited every day by buyers, especially in the field of culinary snacks.

Nationally, there were 11,022 Micro, Small and Medium Enterprises (MSMEs) units registered in Palopo City during 2020, contributing around 50 percent of the total businesses in the city. Apart from playing a role as a driver of the national economy, MSMEs have also succeeded in absorbing labor with an absorption rate of 97.22 percent, which has had an impact on reducing the unemployment rate. In terms of investment, MSMEs also play a significant role, contributing as much as 50 percent of the total direct investment value. Considering how crucial the role of MSMEs is in supporting society and their contribution to the Indonesian economy, especially in absorbing labor, it is important to pay more attention to the continuity of MSME businesses.

However, it is noted that the average MSME actor has a low level of literacy and understanding of business risk management. According to research conducted by Hilmawati & Kusumaningtias (2021), the financial literacy level of MSME players is in the low to medium category. Therefore, there needs to be continuous efforts to increase this literacy so that it can support the business continuity of MSME players.

Understanding and knowledge of financial literacy is a very important aspect for Micro, Small and Medium Enterprises (MSMEs). The level of financial literacy is closely related to financial management, as stated by Hafidza (3023). This is caused by the impact of financial literacy on the performance of MSMEs, as stated by Hilmawati & Kusumaningtias (2021). Therefore, MSMEs need to implement strategic efforts to achieve superior performance and business sustainability.

In general, the development of MSMEs often experiences obstacles, caused by short-term orientation, lack of concept of sustainable innovation, inconsistency in core business activities, and lack of structure in the financial management system. One step that can be taken is to expand the knowledge of MSME players regarding financial literacy, so that financial management and accountability can be improved in line with the business practices of large companies. The ability and understanding of financial literacy is an essential skill and should be possessed by every individual, and should be introduced from an early age.

Increasing knowledge is very important so that Micro, Small and Medium Enterprises (MSMEs) can recognize access to formal finance, including banking services. The high number of people who have not used banking services is caused by several factors, such as the poverty gap, limited MSME financing, high interest rates on micro credit, dominance of banks in the micro sector, and limited distribution channels for financial services. Therefore, financial literacy is considered to support the development of financial skills and products for MSME entrepreneurs, according to their needs. Knowledge of financial literacy is considered a crucial aspect for MSME players because it has the potential to influence financial skills, which in turn influence MSME performance, as emphasized by Amin & Pamungkas (2022).

The use of Information Technology in the Industrial 4.0 era has become a necessity in people's lives. The implementation of Information Technology by business actors provides a significant economic impact through the effective use of IT. Based on recent research findings, it can be concluded that the application of Information Technology can increase the competitiveness of Micro, Small and Medium Enterprises (MSMEs) by improving their

performance and profitability. The use of Information Technology is a supporting factor that can improve the performance of MSMEs, according to research conducted by Farina & Opti (2023). Improving performance in Micro, Small and Medium Enterprises (MSMEs) through the use of information technology is supported by intention and interest factors, as highlighted by Listyani et al. (2019). User intention reflects an individual's desire to use technology with the aim of making it easier to complete work and produce quality information, in accordance with the explanation by Musa et al. (2019). In a business context, the use of Information Technology has become a necessity in the current period. Along with the progress of the industrial revolution 4.0, MSMEs also need to follow these developing trends.

Based on the presentation and Gap Research mentioned, researchers were encouraged to conduct research with the title "The Influence of Financial Literacy and the Use of Information Technology on the Net Profit Margin of MSMEs in Palopo City". To find out whether there is an influence of financial literacy and the use of information technology on the Net Profit Margin of MSMEs in Palopo City.

2. Methodology

The population that is the subject of this research is all Micro, Small and Medium Enterprises (MSMEs) in Palopo City, especially those operating in the food and beverage sector and have used the technology systems available in Palopo City (Yunus et al., 2022). The sample taken for this research consisted of 80 MSME actors who met the specified criteria. Sample selection was carried out based on several criteria which include: 1) MSMEs in the culinary (food and beverage) sector, 2) MSMEs with business capital of less than 100,000,000, 3) MSMEs located in Palopo City, and 4) MSMEs that use Mobile services Banking and QRIS for transactions.

The data collection method used in this research is a questionnaire, where respondents are asked to answer a number of written statements or questions. The questionnaire in this research is prepared based on the variables to be tested, namely Financial Literacy, Information Technology, and Net Profit Margin. All these variables were assessed using a Likert scale consisting of five alternative answers, namely: 1) Strongly Disagree, 2) Disagree, 3) Neutral, 4) Agree, and 5) Strongly Agree.

The data analysis method applied in this research is multiple linear regression using SPSS software. After all the data is collected, the data will be tested using the determinant coefficient test and partial test (t-test). This partial test was carried out using the multiple linear regression analysis method, which aims to evaluate the relationship between the influence of one variable on another variable. Variables that are influenced by other variables are called dependent variables, while variables that influence other variables are called independent variables.

3. Result and Discussion

Research

Validity test

Validity testing is an evaluation process that assesses how good the measuring tool used is in measuring a particular concept or phenomenon. The validity test aims to determine whether data collected through measuring tools, such as questionnaires, can be considered valid or not in reflecting the phenomenon being studied.

Table 1. Validity Test Results

Variable	Item	r count	r table	Description
Financial Literacy	X1.1	0,572	0,221	Valid
	X1.2	0,693	0,221	Valid
	X1.3	0,778	0,221	Valid
	X1.4	0,684	0,221	Valid
	X1.5	0,691	0,221	Valid
	X1.6	0,632	0,221	Valid
Information Technology	X2.1	0,651	0,221	Valid
	X2.2	0,659	0,221	Valid
	X2.3	0,603	0,221	Valid
	X2.4	0,686	0,221	Valid
	X2.5	0,757	0,221	Valid
	X2.6	0,783	0,221	Valid
Net Profit Margin	Y1	0,613	0,221	Valid
	Y2	0,773	0,221	Valid
	Y3	0,814	0,221	Valid
	Y4	0,751	0,221	Valid
	Y5	0,672	0,221	Valid
	Y6	0,711	0,221	Valid

Source: Data processed in SPSS 25, 2023

From the results of the validity calculations in the table above, it can be seen that the calculated $r > r$ table is declared valid. This can be seen from the significant value for each statement in the variable > 0.05 , so the statement is said to be valid.

Reliability Test

This research must carry out a reliability test to measure whether or not the questionnaire in the research is consistent or not, which is used to measure the influence of variable X1 on variables X2 and Y.

Table 2. Reliability Test Results

Variabel	Cronbach's Alpha	Batas Reliability	Description
Financial Literacy (X1)	0,754	0,60	Reliabel
Information Technology (X2)	0,780	0,60	Reliabel
Net Profit Margin (Y)	0,809	0,60	Reliabel

Source: Data processed in SPSS 25, 2023

The reliability test results show that the Cronbach's alpha value for the financial literacy variable is 0.754, information technology 0.780, net profit margin 0.809 is greater than 0.60, so the variables in this research can be said to be reliable.

Normality Test

The normality test is applied to check whether the research data has a normal distribution or not. Normality test uses non-parametric Kolmogorov-Smirnov. The value is said to have a normal distribution if the value is > 0.05 and is said to be abnormal if < 0.05 .

Table 3. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		80
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.55897592
Most Extreme Differences	Absolute	.081
	Positive	.081
	Negative	-.078
Test Statistic		.081
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Data processed in SPSS 25, 2023

The normality test results show that the significant value seen from asymp.Sig is 0.200, which means > 0.05 , so the data is normally distributed.

Multiple Linear Regression Test

Multiple Regression Test

Table 4. Multiple Regression Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	10.051	3.396		2.959	.004
Financial Literacy	.388	.106	.371	3.654	.000
Information Technology	.218	.093	.238	2.345	.022

a. Dependent Variable: TTL

Source: Data processed in SPSS 25, 2023

Based on the results of the regression analysis above, the equation obtained is as follows

$$Y = 10.051 + 0.388X_1 + 0.218X_2$$

Based on this equation model, the following can be interpreted:

The constant value is 10.051 with a positive sign indicating that if the financial literacy and information technology variables are considered constant then the Y value is 10.051. The regression coefficient value for variable X1 has a positive value of 0.388. This shows that if X1 experiences an increase, then Y will increase by 0.388 assuming the other independent variables are considered constant. A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. The regression coefficient value for variable X2 has a positive value of 0.218. This shows that if X2 increases, then Y will increase by 0.218 assuming the other independent variables are considered constant. A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.

Simultaneous Test (F Test)

Table 5. F Test Results

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	143.667	2	71.834	10.692	.000 ^b
Residual	517.320	77	6.718		
Total	660.988	79			

a. Dependent Variable: TTL

b. Predictors: (Constant), TOTAL, QTY

Source: Data processed in SPSS 25, 2023

From the table above, it is found that the calculated F value of the financial literacy and information technology variables is 10.692 and $> F$ table 3.114, so it can be concluded that the calculated F value is $> F$ table. So it is concluded that all independent variables simultaneously have an influence on the dependent variable.

Partial Test (T Test)

Table 6. Partial Test (T Test)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	10.051	3.396		2.959	.004
	JML	.388	.106	.371	3.654	.000
	TOTAL	.218	.093	.238	2.345	.022

a. Dependent Variable: TTL

Source: Data processed in SPSS 25, 2023

First hypothesis testing (H1)

Shows that the financial literacy variable has a significant value of 0.000, which is smaller than 0.05. So it can be said that financial literacy has a significant effect on the net profit margin of MSMEs. The t value of 3.654 shows that the influence given is positive on the dependent variable.

Second hypothesis testing (H2)

Shows that the information technology variable has a significant level of 0.022, which is smaller than 0.05. So it can be said that information technology has a significant

effect on the net profit margin of MSMEs. The t value is 2.345 indicating that the influence given is positive on the dependent variable.

Coefficient of Determination Test (R²)

Table 7. Test Results (R²)

Model Summary^b				
Model R	R Square	Adjusted R Square	Std. Error of the Estimate	
.466 ^a	.217	.197	2.59200	

a. Predictors: (Constant), TOTAL, JML

b. Dependent Variable: TTL

Source: Data processed in SPSS 25, 2023

Based on the table above, the results of the coefficient of determination test above, it can be seen that the R square value is 0.217. This shows that the independent variables, namely financial literacy and information technology, can explain the dependent variable, namely net profit margin of 21.7%, while the remaining 78.3% is explained by other variables from outside the research.

Discussion

The influence of financial literacy on the net profit margin of MSMEs

The results of the first hypothesis test related to financial literacy show that financial literacy has a positive and significant influence on the net profit margin of MSMEs. This finding is supported by analysis of primary data that has been processed, so that the first hypothesis is declared acceptable. This means that the higher the level of financial literacy, the better the technical mastery in running a business, which will ultimately increase the net profit margin of MSMEs. Chepngetich (2016) explains that financial literacy helps in empowering and providing broad knowledge to business actors about financial aspects that are relevant to their business. Financial literacy also helps business people evaluate past financial performance and plan long-term financial decisions in the future.

From the research results above, the respondents' answers to the most dominant dimension in forming the variable (X1) of financial literacy are indicators of savings and investment management with the statement "if I save money or assets as an investment then I will get more income in the future". This means that MSME players can increase financial value, fight inflation and secure finances in the future. This finding is in line with the Resource Based View (RBV) introduced by Barney (1991), which states that resources such as financial literacy can provide added value for businesses in achieving performance and competitive excellence. Therefore, in the context of this research, MSMEs that succeed in adapting financial technology (fintech) effectively show better performance.

The results of this research also receive support from the findings of Sanistasya et al. (2019), which states that financial literacy contributes positively to the performance of MSMEs, and the same findings were also conveyed by previous research by Idawati & Pratama (2020).

The influence of information technology on the net profit margin of MSMEs

From the research results above, the respondents' answers to the most dominant dimension in forming the information technology variable (X2) are the customer service indicator with the statement "I realize that customers are a valuable asset and I try to provide friendly and fast service". This means that MSME players can create long-term relationships between companies and customers which can increase customer loyalty. The findings from the second hypothesis test related to information technology show that information technology has a positive and significant impact on the net profit margin of MSMEs. The primary data that has been analyzed confirms the second hypothesis. This means that by utilizing information technology, MSMEs can keep up with ongoing technological developments, so that they can be more competitive or superior compared to competitors who have a more sophisticated business culture.

The results of this analysis are in line with the Resource Based View (RBV) proposed by Barney (1991), which states that resources such as information technology can be very important added value for businesses in achieving performance and competitive excellence. Therefore, in the context of this research, MSMEs that are able to manage information technology well can improve their business performance.

Research conducted by Suryantini et al. (2020) provide support for this research by stating that information technology has a significant contribution to the Net Profit Margin of MSMEs. This finding is also strengthened by research conducted by Djatikusumo (2016), which states that the use of information technology has an influence on the Net Profit Margin of MSMEs. It is hoped that the use of information technology can help MSMEs in facing competition in today's global market. Research conducted by Aswandy & Mariyanti (2022) also shows that information technology has a significant influence on net profit margin

4. Conclusion

Based on the results of the analysis of the previous discussion, it can be concluded that Financial Literacy has a positive and significant impact on the net profit margin of MSMEs in Palopo City, and Information Technology has a positive and significant impact on the net profit margin of MSMEs in Palopo City. This indicates that the better and more optimal the understanding of MSME players regarding financial literacy and the application of information technology, the performance of MSMEs will also increase.

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