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The Impact Of Financial Literacy And Locus Of Control On The Success Of Msmes

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Abstract

This research aims to explore the impact of financial literacy and locus of control on the success of Micro, Small and Medium Enterprises (MSMEs) in Palopo City. The research method used was quantitative, with the research subjects being MSMEs actors in Palopo City, with a total of 300 respondents. Data was collected from the results of distributing questionnaires, and data analysis was carried out using the multiple linear regression method. Research data processing uses IBM SPSS Statistics 20 software. The research results show that financial literacy has a positive and significant influence on the success of MSMEs, while locus of control also has a positive and significant impact on the success of MSMEs.

Keywords: Financial Literacy; Locus of Control; Success of MSMEs.

1. Introduction

Since its inception, MSMEs have focused on increasing economic growth, encouraging global economic development based on principles, and increasing employee productivity by providing a variety of services, including products that support growth. MSMEs have long played an important role in creating jobs, economic progress, and providing various products and services to society. MSMEs have the potential to reduce poverty by creating employment opportunities for individuals with limited levels of education and skills, as well as providing the necessary infrastructure. It is important for MSMEs to be assessed regularly to ensure business continuity, success in innovation, employee and customer management, and financial management are important aspects in this evaluation process..With this, MSMEs show their focus on sustainable development and innovation. [1].

The increasing growth in MSMEs has made competition in the business world increasingly fierce, so the role of business owners becomes crucial in ensuring business continuity. One of his responsibilities is to make the right decisions in financial management and financial management behavior. MSMEs often face various challenges from rapid economic changes, rising inflation, as well as internal problems such as inefficiencies in currency exchange. Even though they have an important role in the Indonesian economy, MSMEs often do not maximize their financial management, [2].

Two aspects that are the center of attention in terms of MSMEs are locus of control and financial literacy. Financial literacy includes understanding and skills in managing financial aspects related to business. MSME owners with a high level of financial literacy are usually able to make more precise and efficient financial decisions, and manage risks better. Financial behavior is an important asset in achieving financial stability. Financial behavior includes steps in managing finances, so financial behavior is closely related to financial literacy. The availability of literacy is part of financial behavior which is believed to have a positive impact on individual financial stability because adequate financial literacy can reduce waste in financial management. Having financial literacy through education and being involved in the financial system can be an important means of supporting sustainable economic growth [3]. By increasing financial literacy, it is believed that it can advance MSMEs, MSME players will better understand the basic concepts of financial products as well as better ways of planning and managing finances. In financial management and financial management behavior, there are a number of issues that are the focus of attention of MSME players, such as issues related to attitudes towards finance, [4]. The better a person's financial knowledge, the better their business management will be. Having good financial literacy allows individuals to make informed decisions about their own finances, as well as reducing the likelihood of experiencing financial problems [5].

Apart from financial literacy, one psychological aspect that is considered to influence the success of MSMEs is locus of control. Locus of control is a person's belief in their own fate, where what happens to them is believed to come from the control they have [6] and isbehavior in which individuals attribute various events in their lives to factors or forces beyond their control.*Locus of Control*related to individual beliefs in controlling their own actions, in this context locus of control is a factor that encourages a person to control themselves in financial management behavior, for example the ability to control themselves in saving money and regulating consumption behavior [7]. If an MSME player has high self-confidence and self-control, this can influence improving business performance. The concept of locus of control measures the extent to which individuals feel they have control over their own destiny. Internal locus of control indicates an individual's belief that they have influence and control over the events in their life. In contrast, external locus of control describes the belief that external factors are more powerful in determining outcomes.

In the current era of globalization, the success of Micro, Small and Medium Enterprises (MSMEs) in Palopo City is very dependent on financial literacy and the locus of control of MSME actors. Financial literacy involves understanding financial concepts, while locus of control reflects the extent to which MSME owners feel they have control over their lives and business decisions. The combination of these two factors is crucial for understanding and improving the performance of MSMEs at the local level. Although financial literacy and locus of control are recognized as important in the MSME context, research that combines the two specifically in the MSME context is still limited. So, the aim of this research is to examine the influence of financial literacy and locus of control on the success of MSMEs, emphasizing how these two factors interact to influence the performance of small and medium scale businesses. With a deeper understanding of the role of financial literacy and locus of control in success of MSMEs, it is hoped that this research can provide more complete insight into the factors that can influence the growth and success of small and medium scale businesses.

The results of this research can also be a basis for developing more effective training and support programs for MSME owners, as well as designing policies that focus more on increasing financial literacy and developing a positive locus of control. The main objective of this research is to investigate in depth how financial literacy and locus of control impact the success of MSMEs in Palopo City. Therefore, it is hoped that this research will provide a more comprehensive understanding of the factors that can influence the growth and success of small and medium-sized businesses.

2. Methodology

This research uses quantitative methods and the population in this research is Micro, Small and Medium Enterprises (MSMEs) in Palopo City. Based on data from the Palopo City Cooperatives and MSMEs Department, the number of MSMEs recorded has reached 1200 business units. The sampling technique used in this research is simple random sampling where this sampling technique is carried out randomly without paying attention to the levels in the population to be used as sample members [8]. The sample size in this study uses the Slovin formula. The Slovin formula is used to calculate the total sample that will be used in a study so thatthe samples taken are proportional. The Slovin formula is stated as follows:

n=N/(1+Ne^2)

n= 1200/(1+1200(0.1)^2) = 300

To collect data, research usesDistributing the questionnaire was carried out by visiting the respondents directly, then asking about their willingness to fill out the questionnaire and finally explaining the research and the contents of the questionnaire concisely and clearly.. Twenty measurement items related to Financial Literacy, Locus of Control, and MSME Success use a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). TestingThe hypothesis used in this research is multiple linear regression using the SPSS application.

3. Result and Discussion

Validity test

This validity test is used to find out whether each statement in the questionnaire is valid declared valid or not. In this case, it can be seen by comparing the calculated r with r table. If the calculated r is greater than the table r, then the data is stated valid. The following are the results of the validity test of the variables used in this research as follows
following:

Table 1. Validity Test

o.	variable	items	R count	R Table	Information
.	Financial Literacy	X1.1	0.558	0.113	Valid
		X1.2	0.503	0.113	Valid
		X1.3	0.566	0.113	Valid
		X1.4	0.521	0.113	Valid
		X1.5	0.648	0.113	Valid
		X1.6	0.516	0.113	Valid
		X1.7	0.631	0.113	Valid
		X1.8	0.567	0.113	Valid
.	*Locus Of Control*	X2.1	0.725	0.113	Valid

		X2.2	0.664	0.113	Valid
		X2.3	0.685	0.113	Valid
		X2.4	0.693	0.113	Valid
.	Success of MSMEs	Y.1	0.607	0.113	Valid
		Y.2	0.556	0.113	Valid
		Y.3	0.574	0.113	Valid
		Y.4	0.628	0.113	Valid
		Y.5	0.614	0.113	Valid
		Y.6	0.608	0.113	Valid
		Y.7	0.571	0.113	Valid
		Y.8	0.589	0.113	Valid

Source: SPSS Processed Data (2023)

Based on the table above, it can be concluded that all indicators in the questionnaire that have been filled in using the IBM SPSS Statictics 22 application are declared valid because all items have r count > r table

Reliability Test

Reliability test is used to determine the consistency of measurement results. The following are the results of the reliability test for the variables Financial Literacy (X1), Locus of Control (X2), Success of MSMEs
(Y):

Table 2. Reliability Test

o.	Variable	Number of items	Crombach's alpha	information
.	Financial Literacy	8	0.700	Reliable
.	*Locus Of Control*	4	0.635	Reliable
.	Success of MSMEs	8	0.720	Reliable

Source: SPSS Processed Data (2023)

Based on the table above, it shows that Crombach's Alpa for the financial literacy variable is 0.700, the Locus of control variable is 0.635 and the MSME Success variable is 0.720. So all variables in this study were declared reliable because Cronbach's Alpha was > 0.600.

Test the analysis results

Table 3. Analysis Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,290	1,210		2,719	,007
	FINANCE LITERACY	,191	,036	,183	5,254	,000
	LOCUS.OF.CONTROL	1,436	,066	,755	21,732	,000

a. Dependent Variable: KEBERHASILAN.UMKM

Source: SPSS Processed Data (2023)

Based on the table above, the multiple linear regression equation is as follows:

Y= a+b1x1+b2x2+e

=11.485+0.462 x1+0.481x2

Based on the multiple regression equation it can be stated as follows:

1. A constant value of 3.290 means that the value of the MSME Success variable will be 3.290 assuming the Financial Literacy and Locus of Control variables are 0.
2. The financial literacy variable value of 0.191 is positive, meaning that each financial literacy variable will increase by 1%, so the MSME Success variable will increase by 0.191 with the other independent variables remaining constant.
3. The value of the Locus of Control variable is 1.436 and is positive, meaning that each Locus of Control variable will experience an increase of 1%, so the MSME success variable will increase by 1.436 with other independent variables.

T test results

Table 4. Results (t test)

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,290	1,210		2,719	,007
	FINANCE LITERACY	,191	,036	,183	5,254	,000
	LOCUS.OF.CONTROL	1,436	,066	,755	21,732	,000

a. Dependent Variable: KEBERHASILAN.UMKM

Source: SPSS Processed Data (2023)

Based on the results of the coefficients table above, the results obtained are as follows:

1. The significance result of the Financial Literacy variable (X1) is 0.000, where this result is smaller than the significance level of 0.05 or 0.000 < 0.05 and if seen from the calculated t value of 5.254, it is greater than the t table of 1.968 or 5.254 > 1.968. So it can be concluded that there is an influence of Financial Literacy on the Success of MSMEs in Palopo City.
2. The significance result of the variable Locus of Control (X2) is 0.000, where this result is smaller than the significance level of 0.05 or 0.000 < 0.05 and if seen from the calculated t value of 21.732, it is greater than the t table of 1.968 or 21.732 > 1.968. So it can be concluded that there is an influence between Locus of Control on the success of MSMEs in Palopo City.

F test

F testor simultaneous test is a test used to find out whether independent variables simultaneously influence the independent variable. The basis for decision making is that if the calculated f value > f table or a significant value < 0.05 then the dependent variable has a joint or simultaneous influence on the dependent variable. Here is the F test.

Table 5. F test

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1096,496	2	548,248	482,338	,000b
	Residual	337,584	297	1,137		
	Total	1434,080	299			

a. Dependent Variable: KEBERHASILAN.UMKM

b. Predictors: (Constant), LOCUS.OF.CONTROL, LITERACY.FINANCE

Source: SPSS Processed Data (2023)

The F test is used to test the influence of the independent variables, namely Financial Literacy and Locus Of Control together, on the dependent variable, namely the Success of MSMEs. Based on the table above, the calculated f value for the Financial Literacy and Locus Of Control variables simultaneously is 482.338 > f table, namely 3.03 and a significance of 0.000 < 0.05, it can be concluded that Financial Literacy and Locus of Control simultaneously have a significant effect on the success variable of MSMEs in Palopo City.

Coefficient of Determination R

The coefficient of determination test is used to measure how well the independent variable explains the dependent variable. The coefficient of determination value for the two independent variables is determined by:

Table 6. Results of Determination Coefficient Values

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,874a	,765	,763	1,066

a. Predictors: (Constant), LOCUS.OF.CONTROL, LITERACY.FINANCE

Source: Processed SPSS data (2023)

Based on the results from the table above, the Adjusted R Square value is 0.763. This means that the variables Financial Literacy and Locus of Control have an influence on Financial Literacy, namely 76.3%. Meanwhile, the remaining 23.7% is influenced by variables other than those in this study.

3.1. Result

The Influence of Financial Literacy on the Success of MSMEs

The results of this research show that Financial Literacy has a significant effect on the success of MSMEs. This is proven by the fact that the Financial Literacy variable is significant at 0.000, indicating that the value is smaller than 0.05 (0.000 < 0.05), so H1 is accepted. The calculated t value is 5.254 > t table 1.968, it can be concluded that the Financial Literacy variable has a contribution to the MSME Success variable. The t value is positive, this shows that Financial Literacy is in line with the success of MSMEs.

The Influence of Locus of Control on the Success of MSMEs

The results of this research show that Locus of Control has a significant effect on the success of MSMEs. This is proven by the fact that the Financial Literacy variable is significant at 0.000, indicating that the value is smaller than 0.05 (0.000 < 0.05), so H2 is accepted. The calculated t value is 21.732 > t table 1.968, so it can be concluded that the Financial Literacy variable has a contribution to the MSME Success variable. The t value is positive, this shows that Locus of Control is in line with the success of MSMEs.

3.2. Discussion

The Influence of Financial Literacy on the Success of MSMEs

This is because the participants in this research are Micro, Small and Medium Enterprises (MSMEs) who have large turnover, they have separated personal and business finances, and are considered to have a high level of financial literacy. Based on their responses, the majority agreed to each statement on the financial literacy variable, indicating that the majority of them had a good understanding of financial concepts. Therefore, a high level of financial literacy can increase the success of MSMEs. This situation reflects that a good or bad level of financial literacy can have an impact on how respondents manage their finances, which will ultimately influence the success of the business. This is in line with previous research, namely in research [9] stated that financial literacy helps business owners in making decisions so they can manage MSME finances well.

The Influence of Locus of Control on the Success of MSMEs

Research findings found that Locus of Control had a significant partial effect on the success of MSMEs in Palopo City.MSME players in Palopo City have confidence in a strong Locus of Control, which has a positive impact on the success of their business. They believe that whether their business is successful or not depends on the efforts and steps they take. By having an internal Locus of Control, these MSME players are more active in planning strategic steps, managing risks carefully, and remain committed to achieving their business goals. This is because micro, small and medium entrepreneurs in Palopo City already have the ability to control themselves well over their own establishments. This research agrees with previous researchers, namely research [10] [11] which states thatIndividuals with an internal locus of control have the ability to control events that affect them.

4. Conclusion

Based on the results of the research that has been carried out, it can be concluded that: (1) Financial Literacy and Locus of Control simultaneously have a significant effect on the success of MSMEs in Palopo City; (2) there is a significant influence between Financial Literacy on the Success of MSMEs in Palopo City; (3) there is a significant influence between Locus of Control and the success of MSMEs in Palopo City.

5. Acknowledgement

As a conclusion to this study, we would like to express our heartfelt gratitude to all parties who have contributed to the research on the impact of financial literacy and locus of control on the success of Micro, Small, and Medium Enterprises (MSMEs). We extend our thanks to the respondents who graciously took the time to provide valuable answers in the research questionnaire. Without your participation and contributions, this study would not have been possible. We also want to convey sincere appreciation to the stakeholders of MSMEs in Palopo City who have provided the necessary support and information for the smooth progress of this research. We hope that the findings of this study will make a positive contribution to the development of MSMEs in Palopo City and serve as a useful reference for relevant parties. Once again, thank you for all the support and cooperation that has been given.

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