The Role Of Literacy In Managing Financial Technology

Rahmawaty Arifiani (rahmawaty@stieb-perdanamandiri.ac.id)
STIEB Perdana Mandiri

Abstract

The purpose of this study is to examine how financial management practices, through their mediation by financial literacy and financial technology (fintech), affect business performance. This study employs a quantitative research design with Sobel tests for mediation testing and covariance-based partial least squares (PLS) testing techniques. Users of "Halofina" located throughout the Bandung City region were given surveys both offline and online as part of the data collection process. Purposive sampling techniques were used to choose samples from the population, which consisted of all users of the "Go Halofina" application. There were 92 research subjects in total. The following findings are based on research: First, fintech significantly improves the performance of businesses. Second, the performance of businesses is significantly improved by financial literacy. Third, the performance of businesses is significantly improved by financial management practices. Moreover, it is demonstrated by the fourth and fifth assumptions that financial literacy and fintech significantly improve financial management behaviour. Financial management practices are shown to mitigate the impact of fintech and financial literacy on company performance in the sixth and seventh hypothesis.

Keywords: Fintech, Financial Literacy ,Financial Management Behavior, Business Performance

Introduction

It is imperative that MSMEs maintain strong company performance in all domains—financial and non-financial—in order for them to endure and weather the current crisis. According to R. Arifiani (2021) business performance is the accomplishment of putting an activity programme or policy into practice in order to realise an organization's vision, mission, goals, and objectives as stated in strategic planning. There are two components to this business performance measurement: financial and non-financial (R, Arifiani, 2023).

Fintech has come in many forms, like Halofina, to match the changing needs of people's lives. These days, information technology users lead fast-paced lives. particularly given the current pandemic scenario, which necessitates a complete reduction in physical activity. Furthermore, the existence of fintech can reduce issues with payments and buying and selling operations. Put differently, fintech facilitates the

efficiencies and economy of purchasing, selling, and payment systems while maintaining their effectiveness (R, Arifiani, 2022).

The financial industry is experiencing a rapid advancement in technology innovation, which means that everyone in the public, including MSMEs, needs to become more financially literate by learning about and comprehending every financial decision, service, and product they use. This is to make sure that MSMEs are not harmed and may fully benefit from financial access, especially fintech. According to R. Arifiani (2020), financial literacy is the awareness, information, skills, attitudes, and behaviour required to make wise financial decisions that will last over time and eventually lead to one's own financial well-being. According to his studies, financial literacy significantly affects how well a corporation performs. Actors will find it easier to understand how money works in the present and how big of an impact it will have in the future if they possess strong financial literacy. As a result, MSMEs require deliberate measures to increase their performance and sustainability (R, Arifiani, 2019). Business actors, such as major corporations, can enhance their management and responsibility by improving their business's performance and sustainability through the acquisition of more sophisticated financial information (R, Arifiani, 2020).

Entrepreneurs who possess sound financial literacy are better equipped to withstand and even outperform the economic strain brought on by the pandemic. This skill includes handling the financial aspects of their company. The way entrepreneurs handle their finances will depend on how they react to the financial challenges they encounter (R, Arifiani, 2022). In reference to the variables influencing financial management behaviour, it is said that secondary agents and financial knowledge have an impact. It asserts that a person's conduct is determined by their intentions or objectives, which are influenced by a number of variables. One of them is sound information that makes gaining more financial literacy possible. A person with

sufficient financial knowledge can use that knowledge to make wise financial management decisions. In the meanwhile, secondary agents and fintech may have an impact on how people handle their money.

The following is a statement of the research gap based on the completed literature review: The primary interest in this study is the selection of MSMEs in the retail area, namely those that utilise Halofina and are MSG members, as this topic is still rarely studied. Other than that, no other study that has used financial management behaviour as a mediator to examine the impact of fintech and financial literacy on business performance has been found, as far as researchers are aware.

This study examines how financial management practices boost MSMEs' success by acting as a mediating factor between fintech and financial literacy. The purpose of this study is to determine the degree to which business actors' use of fintech and financial literacy as a financial solution during the pandemic can affect the financial performance of their companies from both a financial and non-financial standpoint, through the use of financial management behaviour. It is anticipated that these results will help MSMEs manage their operations.

Literature Review

Appropriate financial resource management, organisation, and allocation can be facilitated by good financial management behaviour, which can reduce the possibility of mistakes. An approach that explains how a person's circumstances can affect their financial decision-making behaviour is called their financial management behaviour (R, Arifiani, 2020). In reality, a number of factors might affect how someone manages their finances. One of these is financial management behaviour, which includes financial literacy. A certain degree of financial literacy is necessary in order to improve one's quality of life and achieve financial success (R, Arifiani, 2022). MSMEs must increase their level of financial literacy in order to lower the possibility of mistakes and improve their financial management. If MSMEs are in a

strong financial position, they can nevertheless maintain or even increase their performance in these uncertain economic times.

In addition, having access to sufficient technology is a crucial element that can help a corporation with its financial management operations. Because fintech makes money management information easily accessible to consumers, including real-time expense and income management, it improves users' financial wellness. Fintech is playing a part in altering people's financial management practices, particularly in light of the Covid-19 pandemic. Due to limitations on their physical mobility, it has been demonstrated that a large number of people frequently access financial activities using mobile phones, including receiving cash transfers via these devices (R, Arifiani et al., 2023).

Fintech and PerformanceBusiness

Research results from Yusuf et al. (2020) looking at consumer perceptions shows that people are actually willing to pay more for the same goods using a debit card than with cash. For MSMEs, this can be an added value to their business because people's consumptive behavior can increase business sales turnover.

H1: Fintech has a positive effect on business performance.

Financial Literacy and Business Performance

Business actors with a strong financial literacy will perform better. Similar to research (R, Arifiani et al., 2020) that looked at many aspects of business performance and discovered a strong correlation between financial literacy and performance. Idawati and Pratama (2020) discovered that there was a positive correlation between financial literacy and business performance. Small firms that are financially literate are better equipped to formulate financial strategies and make judgements about financial services. In order to develop business strategies, start financial planning, and make wise investment decisions, business owners need to have a solid understanding of finance. This is achieved through financial literacy. Businesses with strong financial literacy will be able to react and identify changes in the business, economic,

and financial landscape strategically. This will enable the decisions made to produce creative and well-thought-out solutions for enhancing sustainability and business performance (Dahmen and Rodríguez, 2014). In light of this, it can be said that when business owners in the MSME sector possess sufficient financial literacy, their financial and business decisions will eventually lead to improved development, enhancing their company's resilience to shocks and ultimately improving its overall performance.H2: Financial literacy has a positive effect on business performance

Financial Management Behavior and Business Performance

Traditional financial theory treats financial markets and their participants as rational subjects (R, Arifiani, 2019). In this case, behavior in financial management is influenced by psychological factors and results in financial decisions (Yusuf et al., 2020). Behavior good financial management is an important goal that a person can make to produce a decision (Mindra et al., 2017).

H3: Financial management behavior has a positive influence on business performance

Methods

The type of research carried out in this research is descriptive quantitative. Descriptive quantitative research examines a particular population or sample and collects data using research instruments and statistical data analysis with the aim of testing predetermined hypotheses (Kushendar, 2020). In Figure 1. Describes the conceptual framework of research regarding the influence of financial literacy and fintech on business performance mediated by financial management behavior.

Population and Sample

The population in this study are MSMEs in the Bandung City area that are members of MSG and use Halofina to run their business. Halofina users were chosen because it is an official fintech service used for digital transactions. The retail sector was also chosen because this sector is one of the sectors affected by the Covid-19 pandemic, so it needs to be researched. The

minimum number of samples using the Structural Equation Modeling-Partial Least Square (SEM-PLS) method is 33 samples (Kock and Hadaya, 2018). Therefore, the sample used in this research is large

92. The sampling technique was carried out using purposive sampling by targeting the criteria for retail stores that are members of MSG.

Analysis Techniques

The method in this research uses Structural Equation Modeling (SEM) techniques based on Partial Least Square (PLS). SEM is a statistical technique that is capable of analyzing relationship patterns between latent constructs and their indicators, one latent construct with another, as well as direct measurement errors. SEM allows analysis of several dependent and independent variables directly (Hair et al., 2014). PLS is an analysis that is soft modeling because it does not assume the data must be on a certain scale of measurement, which means the number of samples can be small (under 92 samples). Whereas for testing the effect of mediation using the Sobel test. This test device is used to determine the significance of the indirect relationship between financial literacy and fintech variables on business performance through financial management behavior as mediation.

Results and Discussion
Financial Management Behavior
Data Instrument Test

Table 1
Average Variance Extracted (AVE)

Variabel	Average Variance Extracted (AVE)
Financial literacy	0,445
Fintech	0,544
Behavior	
management finance	0,524
Business performance	0,579

Evaluation Goodness of Fit Model PLS Goodness of Fit – Outer Model Convergent validity

Correlation between reflexive indicator scores and latent variable scores. Convergent

validity is measured using the Average Variance Extracted (AVE) value in the calculation results using Smart PLS. Statistically, convergent validity is determined when the AVE value is more than 0.40. The overall AVE results can be seen in table 5.

Table 2
Hypothesis Testing Results

Relationship between variables	Path Coefficients	P-value
Fintech > Business Performance	0,309	0,003***
Financial Literacy > Business Performance	0,332	0,001***
Financial Management Behavior > Business Performance	0,304	0,011**
Financial Literacy > Financial Management Behavior	0,192	0,029**
Fintech > Financial Management Behavior	0,535	0,000***

Note: *,,*** are significant at alpha levels of 10%, 4%, and 1% Source: Primary Data, Processed (2022)**
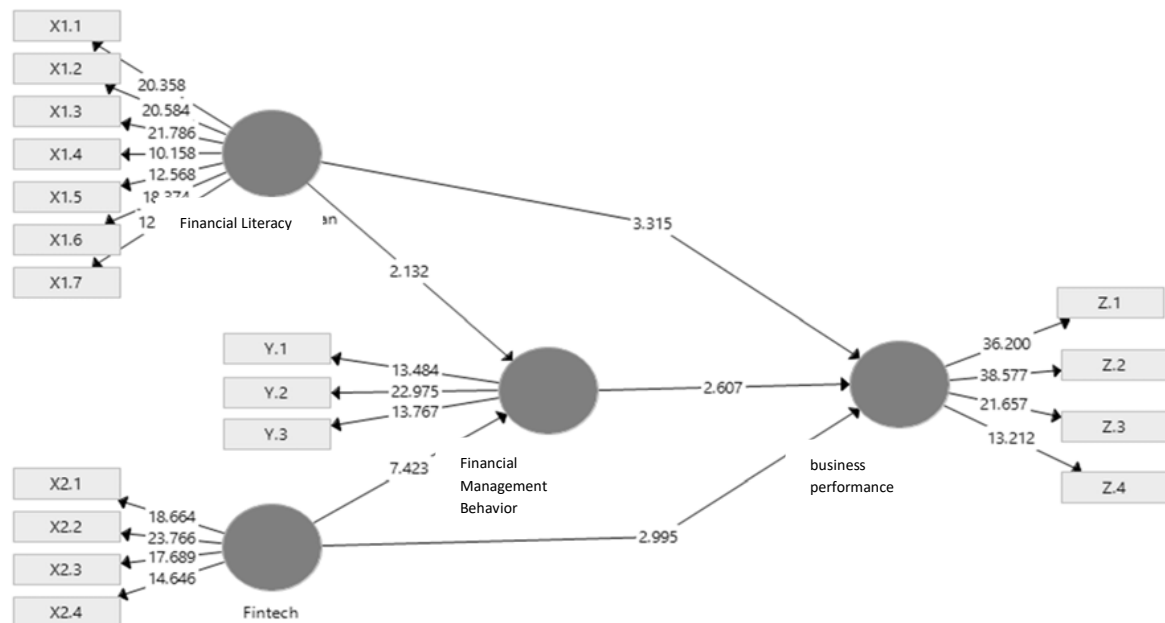
Source: Primary Data, Processed (2023)
Figure 2 *Correlation Coefficient Framework*

The Effect of Financial Literacy on Business Performance

Testing supported hypothesis 2 and yielded a p-value of 0.001. The hypothesis that financial literacy improves business performance is accepted because the p-value is less than the significance level of 0.001 < 0.04. In the meantime, the path coefficient exhibits a positive influence with a value of 0.332. Therefore, it follows that a business actor's performance will increase with his level of financial literacy.

According to research by Ripo (2022) on research in Cameron, MSME owners' financial decisions can be influenced by their level of financial literacy in terms of managing their financial resources, allocating funds appropriately, choosing suitable investment instruments, and being aware of funding growth that can improve business performance. Increasing knowledge about financial literacy has a substantial impact on the performance of MSMEs since it aids in organizational decision-making, helps organizational, adapt to changes, and helps them seize commercial opportunities (Kulathunga et al., 2020). Sanistasya et al. (2019) discovered a favourable correlation between financial literacy and the success of businesses. Accordingly, it is acknowledged that managerial decision-making and strategic and long-term financial planning both heavily rely on financial literacy (Lusardi and Mitchell, 2014). Consequently, increased financial literacy can result in better business management, which boosts the expansion and effectiveness of the organizational.

The Influence of Financial Management Behavior on Business Performance

Hypothesis 3 was proven through testing and produced a p-value of 0.001. Because the p-value is smaller than the significance of $0.011 < 0.04$, the hypothesis which states that financial management behavior is accepted. Meanwhile, the influence between variables is positive as evidenced by the path coefficient value of 0.304. This means that the better someone is at managing their business finances, the business performance will also increase.

Research by Sucuahi (2013) argues that financial management behaviors such as budget preparation, recording transactions, stock control, workable business plans, reconciliation, savings, and personal finances influence entrepreneurial success among women. Pandey and Gupta (2018) also found that implementing good financial management behavior in a business can improve company operations. Furthermore, Eniola and Entebang (2017) also emphasizes that financial management empowers entrepreneurs with financial skills, which have a significant influence on financial decision making, financial behavior and financial attitudes, regarding making good choices and ultimately achieving maximum company performance.

Conclusion

This study demonstrates that leveraging fintech to assist business operations can enhance MSMEs' financial performance. Fintech makes it easier for businesses to handle their finances. This study demonstrates that fintech can have a major and beneficial impact on how people handle their finances.It has also been demonstrated that financial literacy can enhance business performance. MSMEs can perform their financial management tasks as effectively as possible if they have sufficient financial literacy.

This study also demonstrates how financial management practices can influence both the relationship between fintech and business performance and the relationship between financial literacy and business performance in a positive and significant way. Fintech payments have the potential to improve financial management, facilitate financial management, and boost corporate performance.Based on the study's findings, business actors must always practice prudent financial management and keep up an improvement in their financial literacy in order to sustain and enhance their company success. Aside from that, it is advised that MSME participants fully utilise fintech prospects in their company operations, as this study has demonstrated that doing so can enhance corporate performance.

Researchers have not incorporated the sociodemographic information and business attributes of participants in this study as endogenous variable predictors in the testing model. In order to gain a more comprehensive and varied understanding of company performance, it is therefore plausible that future study would examine the effects of business characteristics (such as firm size and kind) and demographic variables (such as age, gender, and business experience).

References

Ananda, G. C., Faried, A. I., & Syaula, M. (2023). The Effect of Financial Literacy and Financial Technology on Financial Performance (Case Study: Desa Kebun Kelapa). *International Journal of Management, Economic and Accounting*, *1*(2), 81-93.

Arifiani, R. (2019). Pengaruh Return On Asset (ROA) Dan Return On Equity (ROE) Terhadap Harga Saham Berdasarkan Closing Price (Studi Kasus Pada Perusahaan Jasa Sub Sektor Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia). *Jurnal Bisnis*, *7*(1), 1-20.

Dimmera, B. G., & Widya, P. R. (2020). The role of financial technology in developing financial literacy of younger generation in the border area. In *Teacher Education and Professional Development In Industry 4.0* (pp. 121-126). CRC Press.

Fardiansyah, H., Rizkia, N. D., Dulame, I. M., & Arifiani, R. (2023). PROFIT SHARING FINANCING FACTORS IN ISLAMIC BANKING. *GEMILANG: Jurnal Manajemen dan Akuntansi*, *3*(2), 94-101.

Farida, M. N., Soesatyo, Y., & Aji, T. S. (2021). Influence of financial literacy and use of financial technology on financial satisfaction through financial behavior. *International journal of education and literacy studies*, *9*(1), 86-95.

Fauzia, I. Y. (2020). Enhancing the literacy of Shariah financial technology for generation X, Y and Z in Indonesia. *Jurnal Minds: Manajemen Ide Dan Inspirasi*, *7*(2), 65-78.

Gautam, R. S., Rastogi, S., Rawal, A., Bhimavarapu, V. M., Kanoujiya, J., & Rastogi, S. (2022). Financial technology and its impact on digital literacy in India: Using poverty as a moderating variable. *Journal of Risk and Financial Management*, *15*(7), 311.

Humaidi, A., Khoirudin, M., Adinda, A. R., & Kautsar, A. (2020). The effect of financial technology, demography, and financial literacy on financial management behavior of productive age in Surabaya, Indonesia. *International Journal of Advances in Scientific Research and Engineering*, *6*(01), 77-81.

Irman, M., Budiyanto, B., & Suwitho, S. (2023). Increasing financial inclusion through financial literacy and financial technology On MSMEs. *International Journal Economics Development Research*, 126-141.

Kulathunga, K. M. M. C. B., Ye, J., Sharma, S., & Weerathunga, P. R. (2020). How does technological and financial literacy influence SME performance: Mediating role of ERM practices. *Information*, *11*(6), 297.

Sembiring, M. S., Suryadi, D., & Arifiani, R. (2022). EFFICIENCY ANALYSIS OF BUILDING PROCUREMENT AND MANAGEMENT PLAN USING THE LIFE CYCLE COSTING METHOD. *Jurnal Ekonomi*, *11*(02), 1538-1544.

Sutaguna, I. N. T., Yusuf, M., Ardianto, R., & Wartono, P. (2023). The Effect Of Competence, Work Experience, Work Environment, And Work Discipline On Employee Performance. *Asian Journal of Management, Entrepreneurship and Social Science*, *3*(01), 367-381.

Wulandari, T., & Arifiani, R. (2019). Analisis Profitabilitas Produk Untuk Mengukur Kinerja Pemasaran UKM Konveksi Rockafella dan Maulidha 77 Purwakarta. *Emerging Markets: Business and Management Studies Journal*, *6*(2), 75-90.

Yusuf, M., Haryono, A., Hafid, H., Salim, N. A., & Efendi, M. (2022). Analysis Of Competence, Leadership Style, And Compensation In The Bandung City Pasar Bermartabat. *Jurnal Darma Agung*, *30*(1), 524-2.

Zaky, M., & Hamidi, D. Z. (2022). The Role of Financial Technology in Improving Financial Literacy for MSME Actors. *KnE Social Sciences*, 257-266.