

## THE INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL TECHNOLOGY ON FINANCIAL MANAGEMENT OF MSMEs IN AEK KANOPAN CITY

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**Abstract:** The research method used in this research is a quantitative method using an associative approach. The aim of this research is to determine the influence of financial literacy and financial technology on financial management among MSMEs in Aek Kanopan City. The population in this study were MSMEs in Aek Kanopan City. The sample in this study used purposive sampling totaling 76 MSMEs operating in the culinary sector. Data collection techniques used interview techniques and distributing questionnaires. The data analysis technique in this research uses hypothesis testing (t test and f test) and coefficient of determination. Data management in this research uses SPSS (Statistical Package For the Social Sciences) software version 27.00. Based on the analysis obtained, the calculated t value is (7.441) > t table (1.992) and sig 0.001 < 0.05, it can be concluded that Financial Literacy has a positive and significant effect on financial management among MSMEs in Aek Kanopan City. In Financial Technology, the t value is (1.141) < t table (1.992) sig 0.257 > 0.05, so it can be concluded that Financial Technology has no positive and significant effect on financial management among MSMEs in Aek Kanopan City.

**Keywords:** Financial Literacy, Financial Technology, Financial Management

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### Introduction

MSMEs play an important role in the economic development of developing countries. Based on 2023 regional cooperative and SME ministry data, Indonesia has an estimated 65.5 million MSMEs, which amounts to 99% of all business units. MSMEs contribute to Gross Domestic Product (PDP) of around 61%. MSMEs also contribute to workforce absorption reaching up to 97% of the total workforce of the wholesaler. In the 2023-2025 period, the government targets strengthening entrepreneurship and MSMEs to increase economic growth, employment, investment, exports and economic competitiveness so that MSMEs are able to rise to the level of "going global" in the future, to achieve these targets Do it via the steps in the Priortirtas Birdang , namely the development of human resources (HR), increasing access to spatial services, improving non-added MSME products in national and international markets, strengthening partnerships, as well as improving regulations and work that influence the sustainability of MSMEs.

MSMEs are businesses or businesses that are run by middle class and upper class people where the activity of the business results in profits for the business or business conduct.

The profits or income earned by MSMEs are still relatively small, which is something that makes many MSMEs run their businesses only from home. Businesses that are classified as MSMEs are very diverse, such as grocery stores, grocery stores, and other small businesses.

MSMEs are activities that are combined with marketing and trade. Marketing and trade activities should be carried out in accordance with the principles of Islamic sharia. In various ways, Allah SWT has said in the Al-Qur'an surah Al-Baqarah verse 168:

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوتِ  
الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُّبِينٌ

This means: All people, eat what is lawful and good from what is on earth, and do not follow the steps of the devil; because actually the devil is a real enemy for you.

Based on the verse of the Qur'an above, if all Muslims obey what Allah has said then blessings in life will always accompany them. The Indonesian government urges and recommends and even requires MSMEs to understand the importance of the products and services produced having halal certification issued by the Ministry of Religion considering that the majority of Indonesia's population is Muslim. Empowerment and sustainable development must be implemented so that MSMEs not only increase in number but also develop in the quality of their products. Financial technology or financial technology is a financial system that uses technology to produce products, services and businesses that have an impact on financial stability. Financial technology makes economic activities easier. (Didik, 2023)

The main objective of this regulation is to provide facilities for MSMEs to expand access to financial services such as financial technology (fintech). Fintech plays a role in saving time, thought, energy and costs. The application of technology to financial services actually helps people in making transactions, so that people who cannot yet access financial services can take advantage of financial technology. All forms of human activity that aim to make things easier for other humans are a form of worship to Allah SWT. As Allah says in the Qur'an suraah Al-Baqarah verse 185 :

يُرِيدُ اللَّهُ بِكُمْ الْيُسْرَ وَلَا يُرِيدُ بِكُمْ الْعُسْرَ

The meaning: "Allah desires ease for you, and does not desire hardship for you." (QS Al-Baqarah: 185)

The above verse explains how Allah SWT has made it clear that His regulations are to make things easier for humans and not to make things difficult for humans so that Allah SWT has blessed mankind to glorify Allah for His blessings so that people will be grateful.

Financial technology services such as payment channel usage is a firewall

service that is often used by MSMEs who provide electronic management services for various payment tools. This system also automatically facilitates transaction verification that occurs in buying and selling transactions for MSME players. (Leksono, 2022) Financial technology is an industry that has become popular in the last few years. When people hear the term financial technology, what comes to mind is all the ease and speed in spatial transactions, such as the ease and speed in payments, loans, deliveries, and so on. (Nadia, 2021)

Financial literacy is the ability to understand and master the application of understanding everything about finance such as concepts, risks and skills in a financial context. Having good financial literacy can minimize the occurrence of wrong decisions regarding emerging economic and financial issues. (Fitri, 2024) Individuals need basic knowledge and skills to manage financial resources effectively for the welfare of their lives. Increasingly complex individual needs require people to have financial knowledge that is not limited to language alone, but also applies to knowledge of certain topics or certain types of knowledge. (Dera, 2023)

In this research, the object of this research is MSME actors in Aek Kanopan. The number of MSMEs recorded in the city of Aek Kanopan in Kualuh Hulu sub-district as of February 7 2023 was 426 MSMEs from various sectors. Most of the MSMEs in the city of Aek Kanopan are housewives, students and teenagers. The main problem for MSME actors lies in low literacy or understanding and there are still many MSME actors who are still not literate with technology in running and managing their business finances.

Currently, the condition of MSMEs still has many limitations with various problems that lie in the limitations of human resources, namely those of the MSME actors themselves. Therefore, strategic efforts are needed to improve performance in the sustainability of MSMEs and community welfare. One of the efforts that needs to be made is to expand knowledge of financial literacy and financial technology among MSME players so that financial management can be held accountable by applying correct accounting teachings.

Several of these descriptions have attracted researchers to research further about the extent to which MSME actors understand and apply financial literacy and financial technology to MSME actors in the city of Aek Kanopan, so the author is interested in conducting research with the title: **"The Influence of Financial Literacy and Financial Technology on Financial Management "On MSME Actors in Aek Kanopan City"**.

## LITERATURE REVIEW

"Muliana Dinda Sarir "Analysis of the Influence of Financial Literacy on the Behavior of Financial Technology (FINTECH) Users in Bandar Lampung" This research shows that financial literacy has a significant influence on the User Behavior

of Financial Technology (FINTECH) in Bandar Lampung. With a sig value obtained ( $0.000 < 0.05$ ) thus  $H_0$  is rejected and  $H_a$  is accepted. It is because a person generally has a general understanding of the level of financial knowledge that a person is able to manage their finances with good and wise behavior.

Fitri Suci Wulandari "The Influence of Financial Literacy and Financial Technology on the Financial Behavior of Online Ojek Drivers in the Jambi City Grab Partner Community" This research shows that financial literacy and financial technology have a significant influence on the financial behavior of drivers.

Vinny Kumalasari "The Influence of Financial Technology, Financial Literacy, and Social Capital on Financial Inclusion in MSMEs in Magelang City" This research shows that financial technology, financial literacy and social capital jointly influence financial inclusion.

## METHOD

The research method used in this research is a quantitative method with an associative approach. contains population and sample research designs, data collection techniques, data processing and data analysis techniques.

## RESULT AND DISCUSSION

Administratively, Aek Kanopan City is a sub-district located in Kualuh Hulu District. The area of Aek Kanopan City is 12.33 km<sup>2</sup>, with a population in 2023 of around 14,176 people. The majority of Aerk Kanopan City residents earn their living as plantation entrepreneurs, farmers and traders or starting businesses. One of the livelihoods in Aerk Kanopan City is opening a business or what is usually called a Micro, Small and Medium Enterprise (MSME).

In this study, the number of respondents was 76 MSMEs, of which there were 53 people with female gender and 23 people with male gender.

The number of respondents was 76 MSMEs which could be classified based on age, as vulnerable <20 years, 20-30 years, 30-40 years, 40-50 years. This can be seen in the table below.

Description	Criteria	Number (of people)	Percentage (%)
Age of MSMEs	Less than 20 years	13	17,1%
	20 – 30 years	39	51,3%
	30 – 40 years	23	30,3%
	40- 50 years	1	1,3%
Amount		76	100%

The number of respondents was 76 MSME actors who could be classified based on how long the MSME business had been running. There were 41 respondents who had been running the business for 1-3 years, 26 respondents for 3-5 years, 9 respondents <5-10 years. The number of respondents was 76 MSME actors who could be classified based on how long the MSME business had been running. There were 41 respondents

who had been running the business for 1-3 years, 26 respondents for 3-5 years, 9 respondents <5-10 years. It is known that the length of business for the majority of Aek Kanopan City MSMEs is 1-3 years. This is related to the assets and income owned by MSME actors which are still relatively low. The number of respondents was 76 MSMEs whose turnover can be classified as determined by Law No. 20 of 2008. MSMEs that have a maximum turnover of IDR 300,000,000 are classified as micro businesses, turnover of IDR 300,000,000-IDR 2,500,000,000 are classified as small businesses. , and a turnover of IDR 2,500,000,000-IDR 50,000,000,000 is classified as a medium business.

Based on the questionnaire that the author has made to respondents in this study, they are:

1. The results of the questionnaire regarding knowledge and understanding of Financial Technology showed that 52.6% strongly agreed, 36.8% agreed, 9.2% disagreed and 1.3% did not agree.
2. The results of the questionnaire regarding planning financial needs to start a business so as to maximize sales with predetermined targets were 31.6% strongly agreed, 67.1% agreed and 1.3 strongly disagreed.
3. The results of the questionnaire regarding recording business profit and loss financial reports in order to ensure that the business has achieved BEP found that 61.8% strongly agreed, 34.2% agreed, 2.6% disagreed and 1.3 did not agree.
4. The results of the questionnaire regarding recording cash receipts as quickly as possible to maximize recording and reporting were 34.2% strongly agreed, 59.2% agreed, 3.9% disagreed, 1.3% disagreed and 1.3 strongly disagreed.
5. The results of the questionnaire regarding making sales budgets, sales expense budgets and making production budgets showed that 52.6% strongly agreed, 42.1% agreed, 2.6% disagreed, 1.3% disagreed and 1.3% strongly disagreed.
6. The results of the questionnaire regarding recording financial reporting in accordance with financial recording standards showed that 57.9% strongly agreed, 35.5% agreed, 5.3% did not agree and 1.3% did not agree.

According to research by the Financial Services Authority (OJK) in the journal, it states that: "Financial literacy is a series of processes or activities to improve the knowledge, beliefs and skills of consumers and the wider community so that they are able to manage finances better." In general, it can be interpreted as "financial literacy is a series of processes or activities to increase the knowledge, skills, confidence of consumers and the wider community so that they are able to manage their personal finances better. (Defia, 2021) Financial literacy is A fundamental factor in economic growth and financial stability for consumers, financial service providers and the government. Financial literacy is the ability of a person or a series of knowledge processors to manage and manage finances effectively.

Financial literacy has a significant positive influence on financial management. There is an intimate relationship between business and financial literacy, namely that business actors who have good financial literacy will be able to run their business carefully. The higher the level of financial literacy will have a positive and significant influence on improving the financial management of MSMEs. (Baiq, 2020)

Financial technology has a positive influence on financial management. The presence of financial technology makes it easier for MSMEs to access various financial services and products that can be accessed via smartphone and can be done practically, easily and effectively. (Wulan, 2023)

Financial literacy and financial technology influence financial management. With a good level of understanding of financial literacy, MSMEs can manage their personal and business finances well and can use financial technology to develop their business. The benefits gained from using financial technology are numerous. serlairn makes all forms of purchases and payments easier and also makes it easier to be more effective and efficient. Bank Indonesia (2020) states that there are several benefits of financial technology, including:

The benefits of financial technology for consumers are:

1. Get better service
2. More choices
3. Cheaper prices.

Manfaat *financial technology* bagi pedagang barang dan jasa adalah :

1. Menyederhanakan rantai transaksi
2. Menekan biaya operasional dan biaya modal
3. Membekukan alur informasi.

The benefits of financial technology for the country are: 1) Encourage the transmission of economic policies; 2) Increase the speed of money circulation thereby improving the community's economy; 3) In Indonesia, fintech is also pushing for the National Strategy for Inclusive Finance/SKNI. (Study, 2021)

## CONCLUSION

Financial technology makes it easier for MSMEs to access various financial services and products that can be accessed via smartphones and is done practically, easily and efficiently. Financial literacy has a positive and significant impact on financial management. There is a close relationship between business and financial literacy. The benefits obtained from using financial technology are numerous. Apart from making all purchases and payments easier, it also makes it easier to be more effective and efficient in time.

Based on the results of the research and discussions that have been carried out, it can be concluded that the ability to manage space well will make it easier for someone to meet their daily needs and set aside some money to save to meet future needs.

The results of this validity test tested 76 respondents, and the level of significance was 5%. By looking at the r table, the number of respondents was 76 or  $(df) = 76 - 2 =$

74, so the r table value was 0.2257.

Variabel	Indikator	r count	r tabel	Information
financial literature	X1	0,735	0,2257	Valid
	X1	0,677		Valid
	X1	0,671		Valid
	X1	0,696		Valid
	X1	0,789		Valid
	X1	0,587		Valid
Financial Technology	X2	0,623	0,2257	Valid
	X2	0,710		Valid
	X2	0,751		Valid
	X2	0,667		Valid
	X2	0,720		Valid
	X2	0,547		Valid
financial management	Y	0,823	0,2257	Valid
	Y	0,641		Valid
	Y	0,693		Valid
	Y	0,674		Valid
	Y	0,786		Valid
	Y	0,730		Valid

Source: data processed by SPSS version 27.0

The results of the Validity test that have been carried out show that all item counts of all statements contained in the questionnaire are valid.

Data dikatakan reliabel jika nilai *Cronbach's Alpha* > 0,60. Berikut adalah hasil Uji reabilitas :

Variabel	Cronbach' Alpha	r tabel	Information
financial literature	0,785	0,60	Reliabel
Financial Technology	0,753		Reliabel
financial management	0,821		Reliabel

It is known that the results of the reliability test and each variable show a non-Cronbach's Alpha > 0.60, so it can be concluded that all terms of the statements of each variable in the questionnaire are declared to be reliable.

According to Ghosalir (2011), the t test basically shows how much influence one independent variable has individually in explaining variations in the dependent variable. This decision making was carried out based on a comparison of the significant values that had been applied, namely a range of 5% ( $\alpha=0.05$ ). If the significance of T calculated to be greater than the value of Ho is accepted, this means that the variable has no effect on the dependent variable.

Capital	Unstandardized	Standardized	t	Sig
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		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	0,743	2,085		0,357	0,722
	financial literature	0,846	0,114	0,744	7,441	<0.001
	Financial Technology	0,134	0,117	0,114	1,142	0,257

Source: data processed by SPSS 27.0

Based on the results of the analysis from the table, it is known that the significance value of Financial Literacy (X1) shows  $0.001 < 0.05$ , and the calculated t value is  $7.441 > t$  table 1.992 so it can be stated that  $H_a$  is accepted and  $H_o$  is rejected, meaning that Financial Literacy (X2) has a significant influence on financial management. .

Based on the analysis results from the above table, it is known that the significant value of Financial Technology (X2) shows  $0.257 > 0.05$  and the calculated t value is  $1.142 < 1.992$ , so it can be stated that  $H_a$  is rejected and  $H_o$  is accepted, meaning that Financial Technology (X20) does not have a significant influence on performance financial management.

Analysis of the coefficient of determination is used as a tool to find out how much influence the entire independent variable has on the combined variable. The results of the determination coefficient test can be seen in the table below.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,835 <sup>a</sup>	0,697	0,689	1,697

Source: data processed by SPSS 27.0

Based on the results of the analysis, it can be seen that the coefficient of determination (R-Squarer) is 0.697, this can mean that the independent variables explain or influence the dependent variables as much as 69.7% while the remaining 30.3% is explained by other variables not included in the research model. This. In the research that the author has conducted, financial literacy has a significant effect on the financial management of MSME actors in the city of Aek Kanopan compared to Financial Technology which has no significant effect on the management of MSME actors in Aek Kanopan.

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