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The Effect of Business Capital and Financial Inclusion on Financial Performance of MSMEs in Malang Culinary Sector

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Abstract
The purpose of this study is to analyze business capital and financial inclusion on the financial performance of micro-enterprises. The analytical tool used in this study is multiple linear regression analysis using SPSS 25. The population of this study is the culinary sector micro-enterprises that are in the Karangploso District data 2022. The sample determination in this study used total sampling with a total sample of 109 micro-enterprises in the culinary sector. The results show that business capital and financial inclusion simultaneously have a positive and significant impact on the financial performance of micro-enterprises. Partially, business capital has a positive and significant effect on the financial performance of micro-enterprises and financial inclusion has a positive and significant effect on the financial performance of MSMEs.

Keywords*— business capital, financial inclusion, financial performance, MSMEs*

Abstrak
Tujuan penelitian ini untuk menganalisis modal usaha dan inklusi keuangan terhadap kinerja keuangan usaha mikro. Alat analisis yang digunakan dalam penelitian ini yaitu analisis regresi linier berganda dengan menggunakan SPSS 25. Populasi dari penelitian ini adalah usaha mikro sektor kuliner yang berada di data Kecamatan Karangploso tahun 2022. Penentuan sampel dalam penelitian ini menggunakan total sampling dengan jumlah sampel sebanyak 109 usaha mikro sektor kuliner. Hasil menunjukkan bahwa secara simultan modal usaha dan inklusi keuangan berpengaruh positif dan signifikan terhadap kinerja keuangan usaha mikro. Secara parsial bahwa modal usaha berpengaruh positif dan signifikan terhadap kinerja keuangan usaha mikro dan inklusi keuangan berpengaruh positif dan signifikan terhadap kinerja keuangan usaha UMKM.

Kata kunci: modal usaha, inklusi keuangan, kinerja keuangan, UMKM

INTRODUCTION

The performance of Micro, Small and Medium Enterprises (MSMEs) is an important matter in increasing business and business competitiveness. When MSMEs have good performance, MSMEs can compete with larger companies. Generally, performance is used as an indicator in measuring the condition of the company during a certain period. Good performance will increase efforts to be better (Sedarmayanti, 2008). This sector has a significant role in the national and regional economy.

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In general, the performance of MSMEs often experiences a decline or delay due to various unresolved problems, including problems with inadequate human resources, financing, marketing, intense competition, poor technology and problems in finance. Therefore, efforts are needed to improve the performance of MSMEs, especially financial performance. Financial performance can evaluate the efficiency and effectiveness of MSMEs in generating profits, measurement of financial performance can be seen from the prospects for growth and financial development of MSMEs from relying on existing resources. MSMEs are said to be successful if the company has achieved a certain performance. (Hery, 2016).

Business capital is one of the basics in building a business and is generally one of the obstacles. Capital is obtained from own capital or loan capital. Limited own capital can be assisted by additional capital from making loans to banks, but loans are difficult to obtain because of bank requirements. MSMEs are individual or small group businesses with capital from a limited number of owners. Limited own capital can be helped by making loan capital such as loans to banks. Financial inclusion includes four elements, namely expanding financial access, availability of financial products and services, use of financial products and services, as well as improving the quality of the use of financial products and services themselves (Financial Services Authority, 2017). In research by Habibi et al (2022), financial inclusion has a positive and significant influence on the performance of MSMEs, but this is inversely proportional to research conducted by Hilmawati & Kusumaningtias (2021) which states that financial inclusion has a negative and insignificant influence on the performance of MSMEs. This will have the effect that if there is an increase in financial inclusion then performance will increase and vice versa.

Access to financial services or financial inclusion has become an interesting topic in the development of MSMEs which are considered to be one of the policy tools that promote economic growth and stability (Soederberg, 2013). Financial inclusion is a program to make people, especially the lower-middle class understand and use banking services, namely access to credit capital (Wahid, 2014). The SNLIK results show that the financial inclusion index in 2022 reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, which was 76.19 percent. Financial inclusion in Indonesia has increased every year, but this does not cover the fact that many people or MSMEs have not implemented financial inclusion due to a lack of access and knowledge about financial inclusion. In Habibi et al's research (2022) stated that financial inclusion has a positive and significant effect on MSMEs performance but is inversely proportional to research conducted by Hilmawati & Kusumaningtias (2021) which stated that financial inclusion has a negative and insignificant effect on MSME performance. This will affect if there is an increase in financial inclusion then performance will increase and vice versa.

The culinary business is one of the main drivers of the creative economy in Indonesia because this sector is growing quickly and this sector can increase along with the development of start-up companies. Karangploso is one of the sub-districts in Malang Regency, East Java Province. This subdistrict consists of nine villages. The nine villages in this sub-district are Ampeldento, Bocek, Donowarih, Girimoyo, Kepuharjo, Ngenep, Ngijo, Tawangargo, and Tegalgondo. From data obtained from the Karangploso District MSME Association, it was recorded that the total number of MSMEs was 277 MSMEs, which were divided into several sectors, namely the culinary sector, the service sector, the trade sector and other sectors. In this study, the scope of research is limited to the object of research, namely the micro-enterprises in the culinary sector, Karangploso District. The problem that is still being experienced by micro-entrepreneurs in Karangploso District is business capital, namely slow capital turnover, lack of capital and minimal use of financial products and services. on financial performance.

Business capital has a big influence on the business world because without capital a business will be disabled, so if in the business world business actors do not have capital, it will certainly make running a business difficult. The importance of knowledge about capital in a business is one of the considerations so that business capital can circulate well. The problems still experienced by micro business actors in MSMEs in Karangploso are slow capital turnover, lack of capital and minimal access to the use of financial products and services. This will hinder the running of a business and will affect the good and bad performance of the business. Therefore, the purpose of this study is to determine whether there is an influence on price and product quality on the purchase decision of Aqua in Malang City.

LITERATURE REVIEW

Resource Based View Theory (RBV) is a theory that describes a company can achieve competitive advantage by relying on resources so as to direct the company to be sustainable (Barney & Hesterly, 2015). Knowledge Based View (KBV) theory is very closely related to RBV theory, namely the importance of knowledge in its various forms to resources (Solihin, 2012). Resources consist of business capital, personnel, physical facilities, technology and various organizational supports in creating value for customers.

Performance is the result of work or achievement in quality and quantity achieved by a person or group within an organization to achieve organizational goals in a certain period (Sedarmayanti, 2008). Financial performance is a formal attempt to evaluate the efficiency and effectiveness of a company in generating profits. By measuring financial performance, it can be seen the prospects for growth and financial development of the company from relying on its resources (Hery, 2016). Financial performance indicators include sales growth, capital growth and income/profit growth (Munizu, 2010).

Business capital is important in setting up or running a business, it requires a certain amount of capital in the form of money and labor (expertise). Capital in the form of money is needed to finance all business needs. The amount of capital required depends on the type of business to be run, each of which requires capital within certain limits so that the type of business determines the amount of capital provided (Kasmir, 2010). According to Listiyawan (2011) indicators of business capital are capital structure, utilization of additional capital, barriers to accessing external capital and business conditions after adding capital.

Financial inclusion is a condition when every member of society has access to various quality formal financial services in a timely, smooth and safe manner at affordable costs in accordance with their needs and abilities (Fiscal Police Agency, 2019). Financial inclusion is an interesting topic in global development and is widely used as a policy tool that promotes economic growth and stability (Soederberg, 2013). According to Prastica (2020) indicators of financial inclusion are access to using financial services, availability of financial service products, quality in fulfilling needs, benefits of financial services. Based on the explanation above, it was found that the hypotheses proposed in this study include:

H1: Business capital has a positive and significant effect on the financial performance of MSMEs

H2: Financial inclusion has a positive and significant effect on the financial performance of MSMEs

H3: Business capital and financial inclusion simultaneously have a positive and significant impact on the financial performance of MSMEs

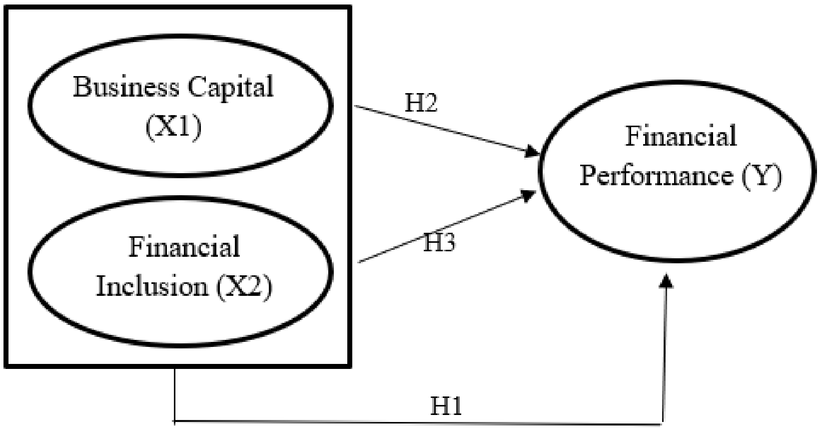

Figure 1. Conceptual Framework

RESEARCH METHODS

The research location was carried out in Karangploso District, Malang Regency, East Java with the object of research being MSME, especially micro businesses in the culinary sector. The population in this study were all micro-enterprises in the culinary sector of Karangploso District which were registered with the Karangploso MSME Association. The sample of this study was 109 micro businesses in the culinary sector using the non-probability sampling technique and the total sampling approach. In this study, data collection techniques used questionnaires and interviews. Variable measurement technique using a Likert scale measurement. The data analysis technique used is multiple regression analysis technique with data processing using SPSS 25 software.

RESULTS AND DISCUSSION

Based on the results of distributing the questionnaires, the characteristics of the respondents are described in the following table:

Table 1. Respondent Demography

Characteristics	Information	Frequency	Percentage
Gender	Male	22	20%
	Female	87	80%
Age	20-25 years	21	19%
	26-35 years	38	35%
	36-45 years	33	30%
	46-50 years	8	7%
	>50 years	9	8%
Level of Education	Elementary school	16	15%
	Junior high school	22	20%
	Senior high school	55	50%
	Assosiate degre (D3)	6	6%
	Bachelor degree (S1)	10	9%
Income Range	2-5 million	21	19%
	6-10 million	66	61%
	11-20 million	12	11%
	21-30 million	7	6%
	>30 million	3	3%

Culinary Type	Heavy meal	50	46%
	Snack	25	23%
	Beverage	14	13%
	Food and drink	20	18%

Source: primary data processed (2023)

From 109 respondents, it was found that the majority of respondents were female as many as 87 respondents, the majority of ages were 26-35 years as many as 38 respondents. People with the majority of high school education levels were 55 respondents, the income range that the MSME earned was the majority of 6-10 million as many as 66 respondents. The most types of culinary businesses, namely heavy food, amounted to 50.

Table 2. Validity Test

Variable	Indicator	Correlation Coefficient (rcount)	r $_{table}$	Description
Business Capital	BC1	0.653	0.1874	Valid
	BC2	0.623	0.1874	Valid
	BC3	0.662	0.1874	Valid
	BC4	0.734	0.1874	Valid
	BC5	0.613	0.1874	Valid
Financial Inclusion	FI1	0.724	0.1874	Valid
	FI2	0.770	0.1874	Valid
	FI3	0.794	0.1874	Valid
	FI4	0.668	0.1874	Valid
Financial Performance	FP.1	0.817	0.1874	Valid
	FP.2	0.853	0.1874	Valid
	FP.3	0.773	0.1874	Valid

Source: primary data processed (2023)

Based on table 2, it can be seen that the calculated r value of each indicator is greater than r table (0.1874). So it can be concluded that all statement items on the questionnaire are declared valid.

Table 3. Reliability Test

Variable	Cronbach's Alpha	Result
Business Capital (X1)	0.653	Reliable
Financial Inclusion (X2)	0.723	Reliable
Financial Performance (Y)	0.743	Reliable

Source: primary data processed (2023)

Based on the table 3, the reliability test results in the table above show that all variables used in this study have a cronbach's alpha value of more than 0.5. Thus, it can be concluded that all variables used in this study are declared reliable. The normality test is used to find out whether the data used in this study is normally distributed or not. The data used can be declared normal if the Kolmogorov-Smirnov significance value shows a significance value > 0.05.

Table 4. Normality Test

Number of Respondents	Value. *Sig*	Information
109	0.200	Normal

Source: primary data processed (2023)

From the results of the normality test performed, it can be seen that the *Asymp. The resulting sig* is greater than 0.05 which indicates that the data used in this study is normally distributed. The multicollinearity test aims to test whether the regression model finds a correlation between the independent variables or not.

Table 5. Multicollinearity Test

Variable	Tolerance	VIF	Conclusion
Business Capital (X1)	0.923	1.083	Non-Multicollinearity
Financial Inclusion (X2)	0.923	1.083	Non-Multicollinearity

Source: primary data processed (2023)

From Table 5, we can find out the results of the multicollinearity test which shows no symptoms of multicollinearity. This is indicated by the *tolerance value* of more than 0.1 and the VIF value below 10. In testing data analysis, researchers conducted multiple linear regression tests with the results in the table 6 as follows:

Table 6. Results of Multiple Linear Regression Analysis

Variable	Regression Coefficient
Constanta	3.905
Business Capital (X1)	0.210
Financial Inclucion (X2)	0.252

Source: Data processed (2023)

Based on the multiple regression equation above, it can be seen that the conclusions are as follows :

$$Y = 3{,}905 + 0{,}210X_1 + 0{,}152X_2 \tag{1}$$

A constant value (α) of 3.905 indicates that if all variables including business capital (X1) and financial inclusion (X2) are 0 or do not change, then the financial performance value is 3.905. The regression coefficient value for the variable business capital (X1) is 0.210 indicating the magnitude of the influence of business capital (X1) on the financial performance assuming other variables are considered constant. The regression coefficient value for the financial inclusion variable (X2) is 0.252 indicating the magnitude of the influence of the financial inclusion variable on the financial performance assuming that other variables are considered constant.

Table 7. Hypotheses Result

Variable	T-Count	T-Stat	Sig.	Note
Business Capital → Financial Performance	3.328	1.982	0.01	Significant
Financial Inclusion → Financial Performance	3.540	1.982	0.01	Significant

Source: Data processed (2023)

Based on table 7 the results of the t test show that the significance value of the influence of working capital is a t count of 3.328 > from t table 1.982 and a significant value of 0.01 <0.05, which means H2 is accepted. it can be concluded that venture capital (X1) has a positive and significant effect on financial performance (Y). The calculated t value of financial inclusion is 3.540 > from t table 1.982 and a significant value of 0.01 <0.05, which means that H3 is accepted, it can be concluded that financial inclusion (X2) has a positive and significant effect on financial performance (Y).

Table 8. F-Test Result

Variable	T-Count	T-Stat	Sig.	Note
Business Capital and Financial Inclusion → Financial Performance	16.302	3.08	0.00	Significant

Source: Data processed (2023)

From table 8 the variable business capital (X1) and financial inclusion (X2) jointly affect financial performance (Y) is a calculated F value of 16.302 > F table value of 3.08 and has a significant 0.00 <0.05, which means H1 is accepted, this proves that the variables of business capital (X1) and financial inclusion (X2) simultaneously have a significant positive effect and affect financial performance (Y).

Table 9. Determinant Coefficient Result

R	R Square	Adjusted R Square	Std. Error of the Estimate
.485[a]	.235	.221	1.637

Source: Data processed (2023)

The coefficient of determination (Adjusted R Square) is 0.221 at 22.1%, which means it is influential but weak. According to Ghozali (2018) a small value means that the ability of the independent variables to explain variations in the dependent variable is very limited, the vulnerable value of the coefficient of determination is 0 – 1. The influence of business capital and financial inclusion variables on financial performance has an effect of 22.1% and the remaining 77.9%. influenced by other variables outside of this study.

The results of the analysis show that the venture capital variable has a positive and significant effect on financial performance so that the first hypothesis (H1) is acceptedCapital is important in creating profits so that capital growth will affect financial performance (Munizu, 2010). In line with the research of Ahmad & Eri (2021) and Abbas (2018) business capital has a positive effect on the financial performance of MSMEs. It can be said that if the micro business actors who become respondents have a good understanding of business capital and capital turnover, then micro businesses will have good financial performance.

The results of the analysis show that the financial inclusion variable has a positive and significant effect on financial performance so that the second hypothesis (H2) is accepted. This is in accordance with the statement This explains that financial inclusion is considered a policy tool that encourages growth and stability in business performance, especially financial performance while reducing poverty (Soederberg, 2013). Communities have access to various quality formal financial services in a timely, smooth and safe manner (Fiscal Policy Agency, 2019). These results are in line with the research by Septiani & Wuryani, (2020) and Hertadiani & Lestari (2021), which means that an increase in knowledge about accessing or using financial inclusion can affect the financial performance of MSMEs. Financial inclusion can determine the growth and stability of micro business financial performance and the knowledge of micro business actors in accessing or utilizing financial services.

The results of the analysis show that the variables of business capital and financial inclusion simultaneously and significantly influence financial performance. Business capital and financial inclusion are related to financial performance, so simultaneously the independent variable influences the dependent variable so that the third hypothesis (H3) is accepted. These results are in line with the research of Mukoffi & As'adi, (2021) there is a simultaneous positive and significant influence between business characteristics, business capital and technological sophistication on MSME performance.

Habibi, et al., (2022) have a significant and simultaneous effect between financial management, financial inclusion and competence on financial performance. Business capital and financial inclusion have a role in influencing financial performance. Important capital in setting up or running a business requires a certain amount of capital in the form of money, the amount of capital needed depends on the type of business being run (Kasmir, 2010). Financial inclusion is a condition where every community has access to financial services to take advantage of financial services Fiscal Policy Agency (2019), by implementing and accessing financial inclusion, micro businesses can know the benefits of financial inclusion which can help in capital to encourage growth and stability of business performance especially financial performance.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that business capital and financial inclusion simultaneously have a positive and significant effect on financial performance in micro-enterprises in the culinary sector, Karangploso District, Malang Regency, which means that the independent variables have a relationship and are accepted for financial performance. Business capital partially has a positive and significant effect on the financial performance of micro-businesses in the culinary sector, Karangploso District, Malang Regency, meaning that the better the business capital, the better the financial performance. Financial inclusion partially has a positive and significant effect on the financial performance of micro-businesses in the culinary sector, Karangploso District, Malang Regency. It can be concluded that financial inclusion is accepted. Financial inclusion can determine the growth and stability of micro business financial performance and knowledge about micro businesses in accessing or utilizing financial services.

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