



**TECHNICAL GUIDANCE FINANCIAL LITERACY AND DIGITAL
LITERACY IN IMPROVING MSME PERFORMANCE
OPTIMIZATION IN LAMONGAN DISTRICT**

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A bstract

Keywords :

Financial Literacy, Digital
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The purpose of this study is to determine the effect of financial literacy and digital literacy on the performance of MSMEs. Further, it is also to know how much financial insight and the application of digitalization technology to MSMEs registered at the Lamongan MSME Outlet, by measuring through several variables used. Additionally, the method used in this study is a quantitative approach with a sample of 100 MSME actors registered members at the Lamongan MSME Outlet, with SEM analysis tools and Smart PLS Version 4.0 test tools. By testing the outer model, inner model, path coefficient test, and hypothesis test. Moreover, the results of this study showed (1) technical guidance Financial Literacy has a significant effect on MSME Performance. (2) technical guidance Digital Literacy has a significant effect on MSME Performance. (3) Financial Literacy and Digital Literacy simultaneously have a significant effect in improving msme performance optimization. Thus, this condition is certainly a priority for MSME players to improve financial literacy and digital literacy. These findings provide information that financial literacy and digital literacy are important elements that can improve the performance of MSMEs respectively.

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INTRODUCTION

With the development of the business world, business and advanced industry in today's global era, financial literacy has become something that people need to master so that they are aware of how important this problem is for business development. Micro, small and medium enterprises (MSMEs) have a very important role in the economy in Indonesia, in efforts to increase economic growth in economic development in Indonesia, as well as opening new job opportunities for the Indonesian people. With the increase and development of MSMEs in Indonesia, it is

hoped that it can open up new job opportunities for the Indonesian people to reduce poverty and unemployment and help increase the growth of Gross Domestic Product (GDP). Because more and more MSMEs continue to emerge, competition between MSMEs is getting tighter. Moreover, after the implementation of the ASEAN Economic Community (AEC), which requires MSME business actors to continue to provide new innovations in order to meet market needs and make Indonesia a market leader in its own country and in ASEAN. Several countries have also conducted research on Financial Literacy. Therefore, in 2013, Indonesia launched 3 strategies to increase Financial Literacy in Indonesia, namely: Education and the National Financial Literacy campaign, Strengthening Financial Literacy infrastructure and developing financial products and services (Setiawan, 2013).

According to the Financial Services Authority (OJK), financial literacy is a series of activities or processes so that the knowledge, confidence, skills of consumers and the wider community increase, with the hope that society will have adequate abilities in the field of financial management. I. Literacy abilities digital is not just a necessity, but has become a lifestyle in the era of the Industrial Revolution 4.0. The Covid-19 pandemic has caused digital transactions to become increasingly popular and needed due to the many restrictions on human activities in all regions in Indonesia. The presence of digital financial services means that people have many choices to access financial services without having to physically come to the office of a financial services institution. One by one, financial service institutions are starting to sell financial products and services digitally. Apart from speeding up service to consumers, this is also to save operational costs. Financial service institutions, especially banks, can save costs because they no longer need to invest in setting up as many physical service offices as they do today (OJK, 2022). With this convenience, many people are switching to using digital financial services because people want everything to be easy and fast to use. The benefits of using digital financial services also greatly influence national income. This is revealed by the use of financial technology, Indonesian economic income has increased to IDR. 25.97 Trillion (Sukirno, 2018).

Referring to Law No. 20 of 2008, MSMEs are a form of trade handled by business entities or individuals which refers to productive economic businesses that are in line with established criteria. Although most MSMEs were able to survive the economic crisis, several business units also experienced bankruptcy due to lack of managerial skills and lack of mastery of financial literacy. With the understanding of Financial Literacy still low and the importance of digital literacy being implemented by MSME business actors in Lamongan to optimize the performance of MSMEs.

RESEARCH METHODS

This research uses the subject of micro, small and medium enterprises (MSMEs). Types of research This uses a type of quantitative research. Data was taken from research questionnaires. This type of research is descriptive using purposive sampling technique. Then a data analysis method was carried out which included measurement tests (*outer model*), structural tests (*inner model*) and hypothesis testing.

RESULTS AND DISCUSSION

1. Measurement Test (*Outer Model*)
 - a. *Convergent Validity Test*

Table 1 Outer Loadings

| Variable | Indicator | Outer Loading (≥ 0.7) | Information |
|--|-----------|------------------------------|-------------|
| Financial Literacy (X1) | X1.1 | 0.887 | Valid |
| | X1.2 | 0.905 | Valid |
| | X1.3 | 0.856 | Valid |
| Digital Literacy (X2) | X2.1 | 0.872 | Valid |
| | X2.2 | 0.846 | Valid |
| | X2.3 | 0.859 | Valid |
| Financial Literacy and Digital Literacy (X1X2) | X1.1 | 0.790 | Valid |
| | X1.2 | 0.847 | Valid |
| | X1.3 | 0.890 | Valid |
| | X2.1 | 0.846 | Valid |
| | X2.2 | 0.847 | Valid |
| | X2.3 | 0.752 | Valid |
| Optimizing MSME Performance (Y) | Y.1 | 0.898 | Valid |
| | Y.2 | 0.939 | Valid |
| | Y.3 | 0.951 | Valid |

Source: data processed in Smart PLS Version 4.0

Table 1 shows that the results of the validity test using the *Convergent Validity test* show very good quality. Through the results of Smart PLS Version 4.0, the Outer Loadings value for significance for each indicator is still above 0.7. This shows that the validity measure is considered to be of very good quality.

b. *Discriminant Validity Test*

Table 2 Discriminant Validity

| | Financial Literacy | Financial Literacy and Digital Literacy | Digital Literacy | MSME performance |
|---|--------------------|---|------------------|------------------|
| Financial Literacy | | | | |
| Financial Literacy and Digital Literacy | 1,080 | | | |
| Digital Literacy | 0.968 | 1,100 | | |
| Optimizing MSME Performance | 0.962 | 0.951 | 0.921 | |

Source: Smart PLS Version 4.0 (Processed)

From the results of the *discriminant validity test*, it can be seen that each desired construct loading is higher than the loading of other constructs. Financial Literacy has a value of 1.080 higher than other constructs, Digital Literacy has a value of 1.100 higher than other constructs, and optimization of MSME Performance has a lower value, namely 0.921. So it can be said that this data has good *Discriminant Validity*.

c. Reliability Test

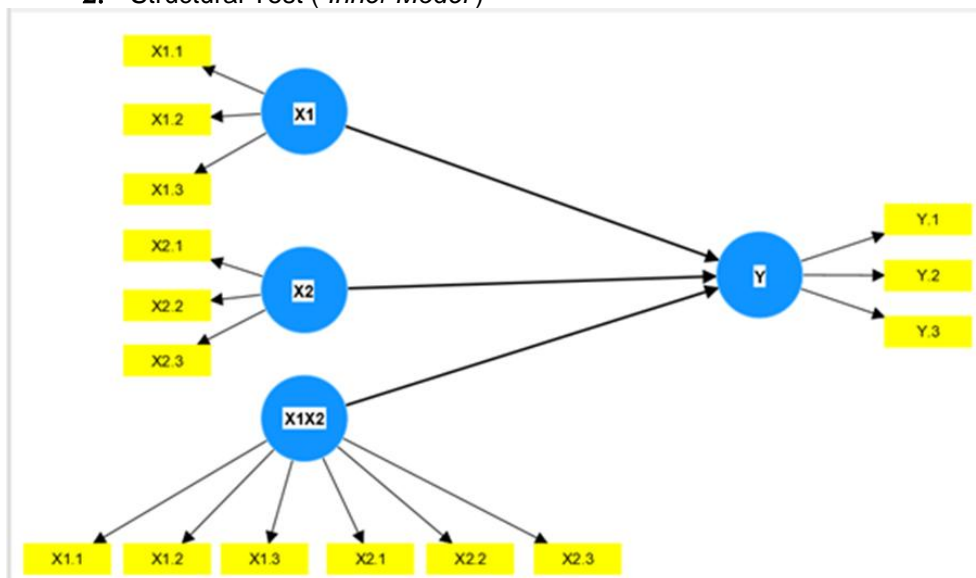
Table 3 Composite Reliability and Crombach Alpha

| Variable | Composite Reability (≥ 0.7) | Crombach Alpha (≥ 0.6) | Information |
|---|------------------------------------|-------------------------------|-------------|
| Financial Literacy | 0.859 | 0.858 | Reliable |
| Digital Literacy | 0.822 | 0.822 | Reliable |
| Financial Literacy and Digital Literacy | 0.912 | 0.909 | Reliable |
| Optimizing MSME Performance | 0.922 | 0.921 | Reliable |

Source: Smart PLS Version 4.0 (Processed)

the Composite Reliability and Crombach Alpha tests, it can be seen that the Composite Reliability value for each variable is more than 0.7 and Crombach Alpha is more than 0.6. So it can be said that this data has reliable Composite Reliability and Crombach Alpha values.

2. Structural Test (Inner Model)



Source: Smart PLS Version 4.0 (Processed)

Figure 1 Inner Model

a. R-Square Test

Table 4 R-Square Table

| Variable | R-Square | R-Square Adjusted |
|------------------|----------|-------------------|
| MSME performance | 0.780 | 0.773 |

Source: Smart PLS Version 4.0 (Processed)

Table 4 shows that the R-Square value for the MSME Performance Optimization variable is 0.78. From this it can be stated that the optimization variables Financial Literacy and Digital Literacy can explain the MSME Performance variable by 78%. So it can be concluded that a value greater than 0.67, namely 0.78, can be said to be Strong (Chinn, 1998)

b. *R-Square Test*

Table 5 F-Square Table

| | MSME performance | Information |
|---|------------------|-------------|
| Financial Literacy | 0.055 | Strong |
| Digital Literacy | 0.079 | Strong |
| Financial Literacy and Digital Literacy | 0.065 | Strong |

Source: Smart PLS Version 4.0 (Processed)

Table 5 shows that Financial Literacy in explaining MSME Performance, Digital Literacy in explaining MSME Performance, and Financial Literacy and Digital Literacy simultaneously in explaining MSME Performance are said to be Strong, because the resulting table value is more than 0.35 (Chinn, 1998).

3. Hypothesis testing

Table 6 Path Coefficient

| | Original Sample | Sample Mean | Standard Deviation | T-Statistic ($\geq 1,660$) | P-Value (≤ 0.05) |
|--------|-----------------|-------------|--------------------|------------------------------|-------------------------|
| X1-Y | -3,012 | -2,622 | 1,488 | 2,025 | 0.046 |
| X2-Y | -3,134 | -2,772 | 1,449 | 2,163 | 0.033 |
| X1X2-Y | 6,718 | 5,985 | 2,804 | 2,396 | 0.018 |

Source: Smart PLS Version 4.0 (Processed)

With a significant value = 5% or $\alpha = 0.05$, the formula $T_{table} = (\alpha ; nk)$. So we get $T_{table} = (0.05 ; 100-4) = 0.05 ; 96$, then the T_{table} value = 1.660. If $T_{count} > T_{table}$ or if the $T_{count} < -T_{table}$ then there is an influence between the independent variable on the dependent variable or if the significance value of *P-Value* < 0.05 means there is an influence between the independent variable on the dependent variable. From the test results above, it can be concluded that the following are:

1) Testing H1

Financial Literacy technical guidance has an influence in improving the optimization of MSME performance. The *Path Coefficient* test results show that the significance value = $0.046 < 0.05$ and the $T_{count} = 2.025 > T_{table} = 1.660$, so it can be decided that H_0 is rejected and H_1 is accepted. This means that there is a significant influence between Financial Literacy on optimizing MSME performance.

2) Testing H2

LDR technical guidance has an effect on ROA. The *Path Coefficient* test results show that the significance value is $0.033 > 0.05$ and the $T_{count} = 2.163 < T_{table} = 1.660$, so it can be decided that H_0 is rejected and H_2 is accepted. This means that there is a significant influence between Digital Performance on optimizing MSME Performance.

3) Testing H3

Technical guidance on Financial Literacy and Digital Literacy has a simultaneous effect on optimizing MSME performance. The *Path Coefficient* test results show that the significance value is $0.018 < 0.05$ and the $T_{count} = 2.396 > T_{table} = 1.660$, so it can be decided that H_0 is rejected and H_3 is accepted. This means that there is a simultaneous influence between Financial Literacy and Digital Literacy on optimizing MSME performance significantly.

CONCLUSION

Based on the analysis that has been carried out, the following conclusions can be drawn:

1. Financial Literacy technical guidance has a significant influence in optimizing MSME performance in Lamongan Regency. because in essence Financial Literacy is the initial capital in developing an MSME. If the financial insight they have is greater, the profits of MSMEs will be greater and the higher the Financial Literacy score, the smaller the risk of loss faced by MSMEs so that the profitability of MSMEs will be better.
2. Digital Literacy technical guidance has a significant positive effect on optimizing MSME performance in Lamongan Regency. Digital insight is important to support the development of MSMEs. The use of technology and digital platforms in MSME sales is very effective and reduces costs so that the management of MSME sales levels becomes more efficient and the profitability of MSMEs increases.
3. Technical guidance on Financial Literacy and Digital Literacy simultaneously has a significant effect on optimizing the performance of MSMEs in Lamongan Regency. MSME performance is a benchmark for the development of an MSME. Optimizing the performance of MSMEs can be seen through the production process, financial planning and evaluation which consumers use as a source of information to analyze the condition of MSMEs. This analysis usually uses ratios as in this research, namely Financial Literacy and Digital Literacy, after seeing the results consumers decide to purchase MSME products.

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