

## THE EFFECT OF FINANCIAL LITERACY ON THE INCOME OF CULINARY SMES IN TANA TORAJA REGENCY THROUGH PERFORMANCE

Cipta Golda<sup>1</sup>, Manuel A.Todingbua<sup>2</sup>, Johannes Baptista Halik<sup>3</sup>

<sup>1,2,3</sup> Prodi Manajemen, Universitas Kristen Indonesia Paulus, Makassar, Indonesia

Email : [ciptagolda37@gmail.com](mailto:ciptagolda37@gmail.com)

**Keyword:** financial literacy, UKM, Income, performance

**Abstract:** According to the Tana Toraja Central Statistics Agency, the number of culinary SMEs in Tana Toraja Regency continues to grow, in line with increasing economic activity in the area. However, this growth has not been accompanied by optimal financial management by business actors. One of the main obstacles for SMEs is low financial literacy. The aim of this research is to find out how financial literacy influences income through the performance of culinary SMEs in Tana Toraja Regency. This research uses a quantitative method with a sample size of 96 obtained using a purposive sampling technique. Hypothesis testing was carried out by analyzing the path coefficient and the results obtained showed that financial literacy had an influence on income through performance. However, Tana Toraja Regency Culinary UKM have not been able to optimally apply the knowledge they have gained through financial literacy, so suggestions are given to the district government and related parties to hold outreach and education regarding financial literacy and financial management for UKM players.

**Informasi Artikel:** Diterima: 20-12-2024, Disetujui: 22-12-2024, Dipublikasikan: 25-12-2024

### I. INTRODUCTION

Small and Medium Enterprises (SMEs) have a very important role in supporting economic growth, both at the national and local levels. SMEs are not only the main drivers of the economy, but also act as providers of employment and facilities for the community to improve their standard of living. According to the Tana Toraja Central Statistics Agency, the highest economic growth in Tana Toraja Regency in 2023 in terms of production is the wholesale and retail trade sector worth 1.33%, this number continues to increase in line with the increasing economic activity in the area. However, this growth has not been accompanied by optimal financial management by business actors. One of the main obstacles for SME actors is low financial literacy. Financial literacy is a set of individual skills and awareness in managing finances to make effective decisions with all personal and business financial resources (J. B. Halik et al., 2023; J. B. Halik & Halik, 2024).

In Tana Toraja Regency, the problem of financial literacy is one of the main inhibiting factors for the growth of SMEs. The lack of understanding of financial planning, as well as the ability to manage business cash flow is often the main cause of less than optimal business financial management. A good understanding of financial concepts will enable SMEs to manage financial resources more efficiently, make the right investment decisions, and avoid detrimental financial mistakes (J. B. Halik et al., 2022). This can encourage increased business income, because good financial management usually results in greater profits. Therefore, financial literacy is one of the key factors that can improve business performance and, ultimately, increase SME income (Yakob et al., 2021).

Tana Toraja Regency has quite a large economic potential through the MSME sector (Yusniar Mendo et al., 2021). However, many culinary MSME actors in Tana Toraja Regency still face limited access to financial information, coaching, and adequate resources. This limited financial knowledge often causes business actors to be unable to manage capital and profits properly (M. Y. Halik et al., 2023). Research shows that good financial literacy can help business actors improve the efficiency of financial management, thus having a positive impact on business performance (August Todingbua et al., 2019; Kaya & Golda, 2024). Business performance itself covers various aspects, such as productivity and customer satisfaction. Optimal performance is an important foundation in supporting the growth of MSME income (Surya et al., 2021). Therefore, a deep understanding of the relationship between financial literacy, performance, and income is very relevant. That is why researchers are interested in conducting research on "THE INFLUENCE OF FINANCIAL LITERACY ON THE INCOME OF CULINARY MSME ACTORS IN TANA TORAJA REGENCY THROUGH PERFORMANCE".

## II. METHODS

In this study, the author uses quantitative research methods. Data sources consist of secondary data and primary data. Secondary data refers to information obtained from SME Actors in Makale City and from data from the Tana Toraja Statistics Agency. Meanwhile, primary data is taken from observations, questionnaires, and interviews and Documentation of SME Actors in Makale City, Tana Toraja Regency (Sugiyono, 2017). Respondents or samples to be used are Culinary SME actors in Makale City. Determination of the number of samples is carried out using the Lemeshow calculation method because the population in this study is unknown (Singarimbun, M & Effendi, 2008). From this calculation, the results obtained were 96. The sample was then selected to be the object of this study using a non-probability sampling technique (Yusuf, 2017), especially purposive sampling. Hypothesis testing is carried out by analyzing path coefficients, which reflect the parameter coefficients and the significance value of the t-statistic. The significance of the estimated parameters provides an overview of the relationship between variables in the study. The calculation process for data analysis in this study is assisted by

computer software, such as SMART-PLS version 4.0 (Ghozali & Latan, 2015; Hair et al., 2021; Haryono, 2017).

### III. RESULT AND DISCUSSION

#### Respondent Characteristics

**Table 1:** Respondent Characteristics

Variable	Category	Frequency	%
<b>Gender</b>	Male	44	42,8%
	Female	52	54%
<b>Business Age</b>	< 1 year	9	10%
	1–5 years	17	18%
	5–10 years	24	25%
	> 10 years	47	48,9%
<b>Monthly Turnover</b>	Small	6	5%
	Medium	25	25%
	Large	60	60,2%
<b>Total Assets</b>	Small	6	5%
	Medium	42	40,8%
	Large	39	38%

*Source: Processed primary data (2024)*

The study was conducted on SMEs in Makale District, Tana Toraja Regency, totaling 96 sample units. The sampling used the Lameshow Formula. Based on the results of the study, 54% or 52 respondents were female, 42.8% or 44 respondents were male. Of the 96 sample business units, 48.9% or 47 business units had been running their businesses for over 10 years. 25% or 24 business units were aged between 6-10 years, 18.8% or 17 business units were aged between 1-5 years. The remaining 8.3% or 9 business units were under 1 year old. The characteristics of respondents based on monthly onset were 5% or 6 business units generating a relatively small monthly turnover, 25% or 25 business units generating a relatively moderate monthly turnover. The remaining 60.2% or 60 business units generate a monthly turnover that is classified as large. Based on the total characteristics of the aspects, the results obtained are 10.2% or 10 business units that have a total asset that is classified as small, 40.8% or 42 business units whose assets are classified as medium, and 38% or 39 business units whose assets are classified as large.

**Outer Model Test**

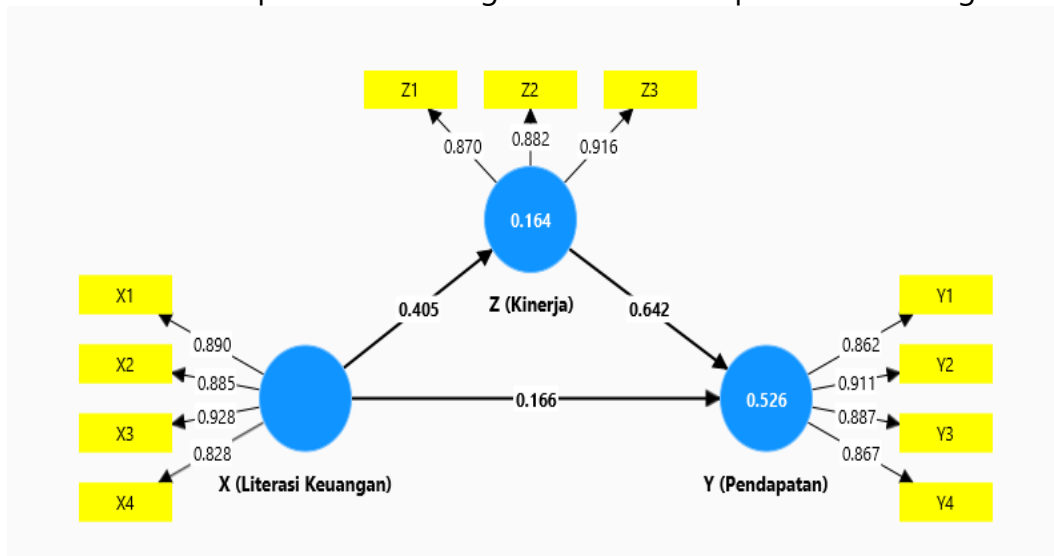
Table 2. Outer Loading Results

Variable	Item	Outer Loading Value	Outer Loading Value Limits	Decision
<b>Financial Literacy (X)</b>	Item 1	0.890	0.7	Valid
	Item 2	0.885	0.7	Valid
	Item 3	0.928	0.7	Valid
	Item 4	0.828	0.7	Valid
<b>Income (Y)</b>	Item 1	0.862	0.7	Valid
	Item 2	0.911	0.7	Valid
	Item 3	0.887	0.7	Valid
	Item 4	0.868	0.7	Valid
<b>SMEs Performance (Z)</b>	Item 1	0.870	0.7	Valid
	Item 2	0.882	0.7	Valid
	Item 3	0.961	0.7	Valid

Source: Data processed with SmartPLS (2024)

The outer model test aims to ensure that the measurement model used meets the validity and reliability requirements so that it is suitable for use as a measuring tool. From the table above, it can be seen that all item loading factor values (outer loading) are above 0.7. So these items are declared valid (Ghozali, 2021; Hair et al., 2019; Haryono, 2017).

Below the author presents an image of Structural Equation Modeling



Source: Primary data processed with SmartPLS (2024)

**Hypothesis Testing**

Analysis is conducted to determine whether there is a significant influence between the independent variables and the dependent variables. Hypothesis testing is conducted by evaluating path coefficients, which reflect the parameter coefficient value and the level

of significance based on statistics. Basis for determining decisions: (based on the T Statistic value with a significance level of 0.05) (Hair et al., 2019)

- Ho is accepted if T Statistics < 1.96 (No effect)
- Ho is rejected if T Statistics ≥ 1.96 (Influence)

Basis for decision making: (based on significance value) (Haryono, 2017)

- If the P Value > 0.05 then H0 is accepted (No influence)
- If the P Value ≤ 0.05 then H0 is rejected (There is influence)

The results of the hypothesis test can be tabulated as follows:

**Table 3.** Results of Direct Effect Hypothesis Test

Hypotheses		Std Coefficient Value	T Statistic	P-value	Description
H1	Financial Literacy → Income	0.090	1.848	0.065	Not Supported
H2	Financial Literacy → Performance	0.095	4.280	0.000	Supported
H3	Performance → Income	0.076	8.415	0.000	Supported

Source: Primary data processed with SmartPLS (2024)

**Table 4.** Results of Indirect Effect Hypothesis Test

Hypotheses		Std Coefficient Value	T Statistic	P-value	Description
H4	Financial Literacy → Performace → Income	0.065	4.005	0.000	Mediating

Source: Primary data processed with SmartPLS (2024)

## Discussion

### 1.The Influence of Financial Literacy on the Income of Culinary SMEs in Tana Toraja Regency

Based on the results of the study, it was found that Financial Literacy did not have a positive and significant effect on Income. This is because the t-value < t table (1.848 < 1.96) or P values < 0.065 (0.065 > 0.05). Thus, the first hypothesis stating "Financial Literacy has a positive and significant effect on the Income of Culinary MSME Actors in Tana Toraja Regency" was not proven and was declared rejected. The insignificant effect of Financial Literacy on the Income of Culinary MSME Actors in Tana Toraja Regency in this study may be caused by several things such as, MSME Actors still have a low level of financial literacy. They may not fully understand financial concepts such as budget management,

investment, or financial recording, so that financial literacy does not have a direct impact on their income.

## **2. The Influence of Financial Literacy on Performance**

Based on the results of the study, it is known that Financial Literacy has a positive and significant effect on Performance. This is because the t-count value  $>$  t table ( $4.280 > 1.96$ ) or P values  $< 0.05$  ( $0.000 < 0.05$ ). A positive coefficient value means that the effect is positive, namely if the understanding of Financial Literacy increases, Performance increases.

## **3. Impact of Performance on Income**

Based on the research results, it is known that Performance has a positive and significant effect on Income. This is because the t-count value  $>$  t table ( $5.415 > 1.96$ ) or P values  $< 0.05$  ( $0.000 < 0.05$ ). A positive coefficient value means that the effect is positive, namely if Performance increases, Income also increases.

## **4. The Influence of Financial Literacy on the Income of Culinary SMEs Through Performance**

Based on the results of the study, it was found that Financial Literacy has a positive and significant effect on Income through Performance. This is based on the Indirect effect test which obtained a P value of less than 0.05 ( $0.000 < 0.05$ ).

Judging from the P value, the indirect effect of Financial Literacy (X) on Income (Y) through Performance (Z) is 0.000. Because the value is less than 0.05, it can be concluded that Financial Literacy has an effect on Income through Performance. From the Total Effect output, it is known that the effect of Financial Literacy (X) on Income (Y) is significant ( $0.000 < 0.05$ ) so that there is a pseudo-mediating effect.

Financial literacy does not directly increase income, but through increased performance. When someone has good performance due to wise financial management, the result is higher income. Understanding the importance of financial management often encourages individuals to achieve income targets through increased performance, either through hard work, innovation, or efficiency.

## **IV. CONCLUSION**

Based on the results of the research that has been conducted, the following conclusions can be drawn:

1. There is no positive and significant influence between financial literacy on the income of culinary SMEs in Tana Toraja Regency. Although SMEs have knowledge about finance, they do not use this knowledge to make decisions that have an impact on increasing income.

2. There is a positive and significant influence between financial literacy on the performance of culinary SMEs in Tana Toraja Regency. Financial literacy allows SMEs to make more rational and informed decisions regarding fund allocation, financial planning, and risk management. These better decisions can improve business competitiveness and sustainability, which in turn has a positive effect on performance.
3. There is a positive and significant influence between performance and income of Culinary SMEs in Tana Toraja Regency. Good performance, such as operational efficiency and effective management, allows SMEs to optimize existing resources, reduce waste, and increase productivity. This has a direct impact on increasing income because better management can produce more output at lower costs.
4. There is a positive and significant influence between financial literacy on the income of Culinary SMEs in Tana Toraja Regency Through Performance. Financial literacy does not directly increase income, but through increased performance. When someone has good performance due to wise financial management, the result is higher income. Understanding the importance of financial management often encourages individuals to achieve income targets through increased performance, either through hard work, innovation, or efficiency.

## References

- August Todingbua, M., Haerani, S., & Ramli, A. (2019). The Influence of Intellectual Capital Small and Medium Enterprises Towards Productivity Through Managerial Skills in Makassar. *Journal of Economics Theory*, 12(1), 1–7. <https://doi.org/10.36478/jeth.2018.1.7>
- Ghozali, I. (2021). *Partial Least Square: Konsep, Teknik dan Aplikasi Menggunakan Smart PLS 3.2.9* (3rd ed.). Universitas Diponegoro.
- Ghozali, & Latan. (2015). *Partial Least Squares, Konsep Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0* (2nd ed., Vol. 1). Badan Penerbit Universitas Diponegoro.
- Hair, J. F., Howard, M. C., & Nitzl, C. (2021). Review of Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R: A Workbook. In *Structural Equation Modeling: A Multidisciplinary Journal* (Vol. 30, Issue 1). <https://doi.org/10.1080/10705511.2022.2108813>
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Halik, J. B., & Halik, M. Y. (2024). Open Innovation And Digital Marketing: A Catalyst For



- Culinary SMEs In Makassar. *Jurnal Manajemen*, 28(03), 588–612. <https://doi.org/10.24912/jm.v28i3.2059>
- Halik, J. B., Halik, M. Y., Latiep, I. F., Irdawati, & Balaba, E. (2022). Pengaruh Literasi Keuangan, Gaya Hidup, Dan Uang Saku Mahasiswa Dalam Pengelolaan Keuangan Pribadi Pada Mahasiswa Universitas Kristen Indonesia Paulus Makassar. *Accounting Profession Journal (Apaji)*, 5(1), 51–67. <https://ojsapaji.org/index.php/apaji/article/view/99>
- Halik, J. B., Parawansa, D. A. S., Sudirman, I., & Jusni, J. (2023). Implications of IT Awareness and Digital Marketing to Product Distribution on the Performance of Makassar SMEs. *유통과학연구 Journal of Distribution Science*, 21(7), 105–116. <https://doi.org/10.15722/jds.21.07.202307.105>
- Halik, M. Y., Todingbua, M. A., Wattilete, L. C., & Somalinggi, E. (2023). ANALISIS LIKUIDITAS PADA PT BANK DANAMON Tbk. *Journal of Marketing Management and Innovative Business Review*, 01(1), 42–47. <https://www.ojsapaji.org/index.php/mariobre/article/view/166>
- Haryono, S. (2017). Metode SEM untuk penelitian manajemen dengan AMOS LISREL PLS. *Luxima Metro Media*, 450.
- Kaya, G. P. S., & Golda, C. (2024). THE INFLUENCE OF FINANCIAL LITERACY AND LIFESTYLE ON THE FINANCIAL MANAGEMENT OF PAULUS CHRISTIAN UNIVERSITY OF INDONESIA PAULUS 2021 MANAGEMENT PROGRAM STUDENTS. *Journal of Marketing Management and Innovative Business Review*, 02(02), 8–14. <https://www.ojsapaji.org/index.php/mariobre/article/view/222>
- Singarimbun, M & Effendi, S. (2008). *Metode Penelitian Survei*. LP3ES.
- Sugiyono. (2017). *Metode Penelitian Kualitatif dan Kuantitatif* (Issue January).
- Surya, B., Menne, F., Sabhan, H., Suriani, S., Abubakar, H., & Idris, M. (2021). Economic growth, increasing productivity of smes, and open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(1), 1–37. <https://doi.org/10.3390/joitmc7010020>
- Yakob, S., Yakob, R., B.A.M., H.-S., & Rusli, R. Z. A. (2021). Financial Literacy and Financial Performance of Small and Medium-sized Enterprises. *The South East Asian Journal of Management*, 15(1), 72–96. <https://doi.org/10.21002/seam.v15i1.13117>
- Yusniar Mendo, A., Yanto Niode, I., Hasim, R., & R. Daud, V. (2021). Economic Potential By Msmes At Coastal Area: Evidence of Bone Balango Regency in Indonesia. *Dinasti International Journal of Education Management And Social Science*, 3(1), 23–34. <https://doi.org/10.31933/dijemss.v3i1.1013>



Yusuf, A. M. (2017). *METODE PENELITIAN: Kuantitatif, Kualitatif & Penelitian Gabungan* (Cetakan ke). Kencana.