THE EFFECT OF FINANCIAL MANAGEMENT, FINANCIAL TECHNOLOGY, AND SOCIAL CAPITAL ON MSME PERFORMANCE IN WEST JAKARTA CITY

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ABSTRACT

Several factors affect the performance of MSMEs, including internal and external factors. The problems faced by MSMEs are related to weak financial management, financial technology, and social capital. These three variables attract the attention of current research and the results of previous studies have not been consistent. This study aims to analyze the effect of financial management, financial technology, and social capital on the performance of MSMEs in West Jakarta. The research population is 108 respondents. The sampling technique uses an online questionnaire. This research is a quantitative research with analysis using SPSS. The research results obtained a significant effect between financial management and social capital on the performance of MSMEs. But the financial technology variable has an effect and is not significant on the performance of MSMEs.

Keywords*: technology finance, social capital, financial management*
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1. INTRODUCTION

Empowerment of Micro, Small and Medium Enterprises (MSMEs) in the midst of globalization and high competition makes MSMEs have to be able to face global challenges, such as increasing innovation of their products or services, human and technological resources and expanding their marketing area. This needs to be done to increase the selling value of MSMEs so that they are able to compete with foreign products which are starting to flood industrial centers in Indonesia. MSMEs are able to reduce unemployment, provide employment, reduce poverty, improve welfare and build national characterSyarifah et al (2020).

To improve the performance and sustainability of MSMEs, strategic efforts are needed, among others, by deepening the knowledge of MSMEs towards financial knowledge so that their management and accountability can be better accounted for. MSME actors must be able to survive and be ready to compete with other MSME actors when MSMEs are growing rapidly by paying attention to their business performance. In order to create good performance, MSMEs must know how to manage their business finances because financial management is an important part, but currently it is still a weakness for most MSMEs.Suindari & Juniariani (2020).

The sustainability of MSMEs in the era of the industrial revolution 4.0 which is also supported by information technology. In the financial sector, there is financial technology that is useful to support financial services. Innovations that can be utilized from financial technology developments in the field of financial services are payment facilities, credit or loan media, savings tools and so onSafitri (2020). The importance of financial technology as well as researchNur Hamidah et al (2020)concluded that financial technology has a significant and significant effect on the performance of MSMEs. Financial technology provides convenience in supporting business activities because it is considered more effective and efficient

There are several previous studies related to the performance of SMEs. Research fromWhella Hertadiani & Lestari (2021) shows that financial management has a significant effect on the performance of MSMEs. HoweverEni et al (2020)in his research obtained different results, in which financial management competence had a significant effect on business continuity in MSMEs and had an effect on efforts to optimize profits on business continuity. Furthermore, research fromWinarto (2020)shows that there is effect and significant relationship between financial technology and MSME performance. Meanwhile, research resultsMulyani & Soenhadji (2020)andSuharyati & Ediwarman (2020)states that the interest in using financial technology has an indirect effect on the performance of MSMEs due to the lack of in-depth understanding of MSME actors regarding financial technology. In addition, there are research results fromWalenta (2019)shows that social capital has a significant effect on the performance of MSME restaurants in Tentena City, Poso Regency. However, according to research fromMahar & Ghumro (2020)in his research stated that one of the dimensions of social capital is that it does not have a significant effect on the

performance of MSMEs. This explains that not all networks in social capital provide services to entrepreneurs to access relevant resources.

2. LITERATURE REVIEW

2.1 Financial Management

Financial management is an activity related to the acquisition, financing and management of assets with several overall objectives. All of these processes are carried out to achieve company profits by minimizing costs, besides that in the use and allocation of funds that are efficient and can maximize company value (Suindari & Juniariani, 2020).

2.2 Financial Technology

According toInfithor et al. (2019)outlines that information technology can assist in completing goal-oriented tasks of business owners. So that statement is in line with the results of his research which shows that information technology has a significant effect on expectations of increased performance.

2.3 Social Capital

Social capital is something that can facilitate access to intellectual, financial and cultural resources that are quite important for the efficiency of business performance. In addition, social capital is also important for entrepreneurs so that they can complement each other in terms of ensuring the effectiveness of their business performance and sustainable competitive advantage.Akintimehin et al., 2019).

2.4 MSME performance

MSME performance is a criterion for the success of a business in achieving its goals. Company performance is related to the organization's strategic goals, customer satisfaction and contribution to the economy. So, performance is related to doing work, the results of work and about what is done and how to do it(Wahyudiati & Isroah, 2018)
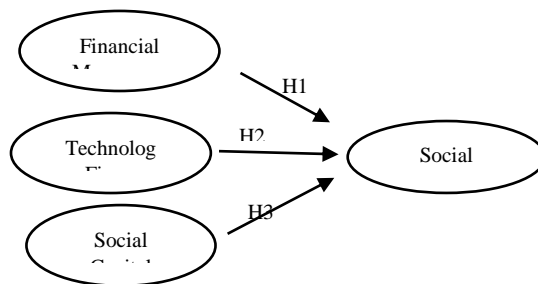
3. METHOD

Judging from the type of data, the research approach used is a type of quantitative data because the data presented is related to numbers and the analysis uses statistics. Quantitative research is research based on the philosophy of positivism which is used to examine certain populations or samples(Sugiyono, 2019). This research was conducted on MSME actors in West Jakarta with the population in this study being MSME owners in West Jakarta. The total MSME population in West Jakarta is 289,370(Halim, 2021). Based on the calculation results obtained from the slovin formula, it is known that the number of samples is at least 100 people.

The data collection technique in this study was by filling in the questionnaire method*On line*. In this study, researchers used primary data. The data uses SPSS analysis. Things tested in SPSS are validity test, reliability test, classic assumption test (normality test, multicollinearity test and heteroscedasticity test), multiple linear regression analysis, F test and T test.

3.1 RESEARCH RESULT

3.1.1 Descriptive Analysis

The data in this study were obtained by distributing questionnaires to 108 respondents. The distribution of the questionnaires was carried out by distributing them via Google form to MSME actors who were sampled in this study. From the results of filling out the questionnaire, the majority of respondents were 68.5% male and 31.5% female. Judging from the age of the respondents in the age range 16-20 years (67.6%), age 21-25 years (25.9%), age 26-30 years (1.9%) and age> 31 years (4.6 %) indicates MSME owners are dominated by the age of 16-20 years. If seen from the education of respondents in elementary school (0%), junior high school (0.9%), vocational/high school (20.4%) and > S1 (78.7%). For the types of businesses established by respondents, namely trade (61.1%),

services (26.9%) and production (12%) with weekly income of IDR 0 – IDR 499,000 (34.3%), IDR 500,000 – IDR 999,000 (30,

Table 1. Weekly Income

Total Income	Amount	Percentage
IDR 0 – IDR 400,000	37	34.3%
IDR 500,000 – IDR 999,000	33	30.6%
IDR 1,000,000 – IDR 1,499,000	15	13.9%
>IDR 1,500,000	23	21.3%

Source: processed data (2022)

3.1.2 Validity Analysis

Provisions for testing the validity test according toProf. Dr. Sugiyono (2016)The conditions that must be met for this test are that it must have criteria such as:
   a.   If $r \geq 0.30$, then the question items from the questionnaire are valid,
   b.   If $r \leq 0.30$, then the question items from the questionnaire are invalid.

Table 2. Validity Test
Financial Management

NO	Statement	Person Correlation	Critical Value	Information
1	Q1	0.451	0.30	VALID
2	Q2	0.633	0.30	VALID
3	Q3	0.700	0.30	VALID
4	Q4	0.630	0.30	VALID
5	Q5	0.672	0.30	VALID
6	Q6	0.710	0.30	VALID
7	Q7	0.631	0.30	VALID
8	Q8	0.605	0.30	VALID

Source: processed data (2022

Table 3. Validity Test
Technology Finance

NO	Statement	Person Correlation	Critical Value	Information
1	Q1	0.522	0.30	VALID
2	Q2	0.574	0.30	VALID
3	Q3	0.508	0.30	VALID
4	Q4	0.528	0.30	VALID
5	Q5	0.536	0.30	VALID
6	Q6	0.446	0.30	VALID
7	Q7	0.553	0.30	VALID
8	Q8	0.685	0.30	VALID
9	Q9	0.674	0.30	VALID
10	Q10	0.650	0.30	VALID

Source: processed data (2022

Table 4. Validity Test
Social Capital

NO	Statement	Person Correlation	Critical Value	Information
1	Q1	0.605	0.30	VALID
2	Q2	0.500	0.30	VALID
3	Q3	0.693	0.30	VALID
4	Q4	0.575	0.30	VALID
5	Q5	0.589	0.30	VALID
6	Q6	0.449	0.30	VALID
7	Q7	0.556	0.30	VALID
8	Q8	0.588	0.30	VALID

Source: processed data (2022

Table 5. Validity Test
MSME performance

NO	Statement	Person Correlation	Critical Value	Information
1	Q1	0.592	0.30	VALID
2	Q2	0.553	0.30	VALID
3	Q3	0.654	0.30	VALID
4	Q4	0.589	0.30	VALID
5	Q5	0.570	0.30	VALID
6	Q6	0.593	0.30	VALID
7	Q7	0.591	0.30	VALID
8	Q8	0.540	0.30	VALID

Source: processed data (2022

3.1.3 Reliability Analysis

Table 6. Reliability Test

Variable	Cronbach's Alpha	Information
Financial Management (X1)	0.771	Reliable
Financial Technology(X2)	0.763	Reliable
Social Capital (X3)	0.697	Reliable
MSME Performance (Y)	0.707	Reliable

Source: processed data (2022)

Reliability testing with the Cronbach Alpha Technique(Sugiyono, 2019)used to obtain information about this research whether it can be trusted as a data collection tool and able to reveal actual information in the field. Based on the results of the reliability test in table 2, it shows that all the variables in the study are quite large, namely > 0.60. So it is stated that the variable used is reliable.

3.2 Normality Test

Table 7. Normality Test Results

One-Sample Kolmogorov-Smirnov test	Unstandardized residual
Asymp. Sig (2-tailed)	0.188

Source: processed data (2022)

According toGhozali (2006),the purpose of the normality test is to find out whether each variable is normally distributed or not. The data normality test in this study used the Kolmogorov-Smirnov test for each variable. The research data is said to be normally distributed or fulfill the normality test if the Asymp.Sig (2-tailed) value of the residual variable is above 0.05 or 5%. Based on table 3, the asymp.sig result is 0.188% or 18.8% which is greater than 5%, which means that the residual data is normally distributed.

3.3 Multicollinearity Test

Table 8. Multicollinearity Test

Model	Collinearity Statistics	
	tolerance	VIF
1 (Constant)		
Social Capital	.696	1,437
Financial Technology	.717	1,395
Financial Management	.676	1,479

Source: processed data (2022)

The multicollinearity test aims to test whether the regression model found a correlation between the independent variables. Based on table 6 the test results show that the social capital variable has a tolerance value of 0.696 and a VIF of 1.437. The financial technology variable has a tolerance value of 0.717 and a VIF of 1.395. The financial management variable has a tolerance value of 0.676 and VIF of 1.479. These three variables have a tolerance value of > 0.10 and a VIF value of <10. Thus, it is stated that there is no correlation between the independent variables.

3.4 Heteroscedasticity Test (Park Test)

Table 9. Heteroscedasticity Test (Park Test)

Model	Sig.
Modal_Social	.469
Financial_Technology	.868
Management_Finance	.563

Source: processed data (2022)

The park test is carried out by regressing the residual value (Lnei2) with each independent variable (Lnx1 and Lnx2). The Park test is also a way to see whether heteroscedasticity occurs or not. In this case it is done to strengthen the previous answer by using a different method. Based on the test results show that the dots spread

above or below only. The distribution of data points does not form a pattern. The provisions for testing the heteroscedasticity test are the sig column > 0.05. So, it can be concluded that there are no symptoms of heteroscedasticity.

3.5 R Square test

Table 10. R square test

Summary models

Model	R Square	Adjusted R Square	Change Statistics	
			R Square Change	Sig. FChange
1	.474	.459	.474	.000

Source: processed data (2022)

According toWidarjono (2005),test of the Coefficient of Determination (R-Squared) is a test to explain the magnitude of the proportion of variation of the dependent variable that is explained by the independent variable. In addition, the coefficient of determination test can also be used to measure how well our regression line is.For the provisions on the value of Adjusted R Square may not be minus or equivalent to 0, it means that the relationship between variables is good.

3.6 Multiple Linear Regression Test
3.6.1 F test

Table 11. F test

ANOVA

Model	F	Sig
Regression	33,476	.000

a. Dependent Variable: Employee_Performance

b. Predictors: (Constant), Career Development, Competence, Training

Source: processed data (2022)

The F test is a test of the independent variable on the dependent variable simultaneously. The F test can be said to be significant if the sig value <0.05.The results of the F test in this study can be seen in table 5.Based on table 5, the results of the F test in this study obtained an F count of 33,476 with a probability level of 0,000. it can be concluded that the independent variables on the dependent variable are influential and significant.

3.6.2 Partial Test (t test)

Table 12. Partial Test t

Model	t	Sig.
(Constant)	1,656	.101
Financial Management (X1)	5,464	.000
Financial Technology(X2)	1,334	.185
Social Capital (X3)	3.178	002

Source: processed data (2022)

The t test is used to find out that each independent variable has a significant effect on the dependent variable. With a comparison of the predetermined significance value, which is equal to 0.05 or 5%. If t count is less than 0.05 then the independent variable affects the dependent variable. Based on table 4, the results of the t test for X1 are 0.000, X3 are 0.002, which is less than 0.05.

4. RESULTS AND DISCUSSION
4.1 The Effect of Financial Management on MSME Performance
Financial management is an activity related to the acquisition, financing and management of assets with several overall objectives. All of these processes are carried out to achieve company profits by minimizing costs, in addition to using and allocating funds efficiently and maximizing company value.(Suindari & Juniariani, 2020). The results of testing financial management have a significant effect on the performance of MSMEs. These results indicate that

the average MSME actors in West Jakarta have good financial management skills so as to obtain high MSME performance. Based on the calculation of the t test results with a t-count value of 5,465 with a significance of 0.000 <0.05. This means that the hypothesis in the study of Ha is accepted and Ho is rejected. So there is an effect on the financial management variable on the performance of MSMEs. These results are supported by research Suindari & Juniariani (2020)andWhella Hertadiani & Lestari (2021). In managing a business, good financial management is needed in order to produce good performance as well. In order for the target and business plan to be realized, the business actor must keep a record of financial reports, implement and prepare cash and make good financial planning.

4.2 The Effect of Financial Technology on MSME Performance

Financial technology is a combination of financial services and technology, which forms a business model from conventional to modern, where borrowing, buying and selling and all types of transactions can be carried out without the need to meet face to face. With the emergence of financial technology, problems in terms of payments and buying and selling transactions can be minimized. Financial technology can help payment systems and transactions become more economical and efficient but still effective(Safitri, 2020). The results of the Financial Technology test prove that there is no effect between financial technology variables on MSME performance. Because the results of the t-count test calculation are 1,334 with a significance of 0.185 > 0.05. This means that when MSMEs use financial technology in their business it does not increase their performance. These results are supported by researchMulyani & Soenhadji (2020)andSuharyati & Ediwarman (2020)which states that financial technology has no significant effect on the performance of MSMEs due to the lack of in-depth understanding of MSME actors regarding financial technology.

4.3 The Effect of Social Capital on MSME Performance

According toHongyun et al. (2019)states that social capital is very important for the survival of MSMEs. This statement is in line with the results of his research which shows that social capital has a significant effect on company performance. The results of the study show that social capital affects the performance of MSMEs. MSMEs can gain competitive advantage and achieve sustainable growth for their businesses through social capital on their business performance. Based on the calculation of the t test results with a t-count value of 3,178 with a significance of 0.000 <0.02. This means that the hypothesis in the study of Ha is accepted and Ho is rejected. So there is effect on the social capital variable on the performance of MSMEs. These results are supported by researchYani et al (2020)andHongyun et al (2019)because of building professional relationships with customers to obtain useful commercial information and can help reach a valuable resource. As for researchMaheshwar Prasad Yadav (2018)also states that social capital variables have an effect and are significant on MSME performance.

5. CONCLUSION

The conclusions obtained from the research that has been done before, that is, from each of the variables analyzed, the results show a significant effect between financial management and social capital on the performance of MSMEs. However, the financial technology variable has no significant effect on the performance of MSMEs.

Suggestions from this study are expected for MSME actors, especially in financial management, by starting financial records, as well as utilizing various information technology-based financial management applications and understanding and knowing how to carry out financial management properly so that MSME performance increases.

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