

# The Role of Financial Literacy, Use of Accounting Information Systems, Human Resources on SME Performance

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**Abstract:-** The purpose of this study was to determine and analyze the effect of financial literacy on SME performance, the influence of the use of accounting information on the performance of SMEs, and the influence of human resources on the performance of SMEs. This study uses a quantitative approach with the respondents of SME owners in Malang. The object of this research is the owner. UKM in five sub-districts of Malang City, Indonesia. The data collection technique used a survey method with a questionnaire research instrument (questionnaire). The analysis tool used is multiple linear regression. The results of the analysis show that financial literacy, the use of accounting systems, human resources have a significant influence on the performance of SMEs in Malang City.

**Keywords:-** Financial Literacy, Accounting Information Systems, Human Resources, SME Performance.

## I. INTRODUCTION

Small and Medium Enterprises (UKM) are one of the economic drivers of the people in Indonesia. This is because small and medium entrepreneurs originate from home industries which are managed by individuals and small business entities in the economic sector. The growth of SMEs in the flow of globalization and high competition makes SMEs have to face global challenges such as increasing product and service innovation, developing human resources and technology and expanding their marketing area. Small and Medium Enterprises (UKM) have an important role in economic development. During the economic crisis, SMEs are businesses that can withstand crisis shocks and can be saviors, while large-scale businesses are unable to withstand shocks from the economic crisis. Also, UKM can reduce the unemployment rate and a source of income for the middle to lower class society (Nizar 2018).

The variable that is thought to have contributed to the performance of SMEs is financial literacy. The results of previous research related to the effect of financial literacy on SMEs conducted by Wise (2013) concluded that an increase in financial literacy resulted in better financial reports that would have a high level of profitability from loan repayments and for business continuity would be higher. Adomako and Danso (2014) stated that financial literacy has a positive effect on company performance. Aribawa (2016)

concluded that there is an effect of financial literacy on the performance of SMEs. Ratnawati (2016) explains that financial literacy affects the performance of SMEs in Malang City.

Different results are shown by the results of research conducted by Eke and Raath (2013), Olawale and Garwe (2010) that financial literacy does not affect the growth and performance of SMEs. Apart from financial literacy, the Variable on the Use of Accounting Information also contributes to the performance of SMEs. According to Lungu C, et al (2007), one of the most needed information systems is the accounting information system. Based on the SME Law No. 9 of 1995 and Tax Law No.2 of 2007 concerning the Development of SMEs and Cooperatives, the government has emphasized the importance of recording and organizing accounting information for SMEs. With adequate accounting knowledge, SME owners can meet the requirements in applying for credit in the form of financial reports, evaluating performance, knowing the financial position, and other benefits (Warsono, 2010).

According to Permana (2014) who concluded from the results of his research that financial reports, effective planning, decision making did not affect the performance of SMEs while determining the selling price and employee motivation affected the performance of SMEs. Financial literacy and the use of financial information, furthermore, the Human Resources variable also greatly contributes to the performance of SMEs. According to Nawawi (2011) Human Resources are one of the most important factors in business because Human Resources are the key that determines the development of a business. Previous research related to human resources on the performance of SMEs conducted by Santoso et.al (2015) showed that human resources had a positive effect on the performance of SMEs.

## II. LITERATURE REVIEW

### ➤ Financial Literacy

Financial literacy can also be understood as knowledge and ability to manage finances to improve welfare. Meanwhile, personal financial literacy is defined as knowledge of financial concepts. Personal financial literacy includes basic personal finance, knowledge of cash management, knowledge of credit and debt, knowledge of savings and investment, and knowledge of risk (Ratnawati, 2016). Meanwhile, Anjar Faisal (2015) Literacy of Financial

Report Recording is the knowledge that MSME managers record all income and expenditure transactions recorded as part of the financial statements.

#### ➤ *Accounting Information System*

The accounting information system is a system that processes data and transactions to produce useful information for planning, controlling, and operating (Krismiaji, 2015). Abdul Halim & Bambang Supomo (2001) explain three types of management accounting information, namely: (1) full accounting which produces full accounting information, (2) differential accounting which produces differential accounting information, (3) accounting responsibility accounting which produces responsibility accounting information. An information system is a tool for presenting information in such a way that it is useful for the recipient, while the accounting information system is a system that converts business transactions into useful financial information for the wearer (Kusrini & Koniyo, 2007). Information systems can be a strategic force and tool for organizations that provide benefits in terms of promotion and competitiveness (Buhalis, 2004). The adoption of Information Technology provides the ability for MSMEs to provide better services and competitiveness. Information technology is also proven to have a positive impact on organizational performance (Apulu & Latham, 2011).

#### ➤ *Human Resources*

Ikhsan (2017) adds that the basis for healthy human resource decisions is good human resource information. Human resource information should be made available to human resource managers and line managers in a way that facilitates decision making. Such a concept is called a decision support system. Decision support systems put information for decision making literally in the hands of decision making. Sedarmayanti in Nur Aqla (2016) states that human resources are workers or employees in an organization who have an important role in achieving success. Human resource capacity is the ability of a person

or individual, an organization (institutional), or a system to carry out their functions or authority to achieve their goals effectively and efficiently.

#### ➤ *SME Performance*

Bahiti (2008) SMEs must recognize the resources they have to achieve maximum performance to get benefits in their business. SMEs cannot compete if they only look at cost efficiency but must have knowledge as an added value to compete. Company performance is the result achieved in meeting the internal and external objectives of a company (Lin et al. 2008). Company performance is defined as the achievement of organizational goals regarding sales growth, profitability, and the stock market (Lin et al. 2008). Tsang et al. (1999) performance can be measured through financial performance, customer satisfaction, internal processes, and learning and growth.

### III. METHOD

This research was conducted in UKM in Malang City with five districts of Blimbing, Kedungkandang, Klojen, Lowokwaru, and Sukun. The population of this study was UKM located in Malang City and registered in the Department of Cooperatives and UKM Malang City, amounting to 1,136. The simple random sampling technique is a probability sampling technique in which each respondent has the same opportunity to be selected as the sample. The number of samples in this study was 100 respondents.

### IV. RESULTS

Based on the validity test table, it shows that all items used as a variable measuring tool are declared valid, because the correlation coefficient value is  $> 0.3$ , and the reliability test is expressed in an alpha value greater than 0.60, so all variables are declared reliable.

**Table 1. Validity Test and Reliability Test**

Variable	Item	Correlation Coefficient	Decision	Alfa Cronbrach's	Information
X <sub>1</sub>	X1.1	0.720	Valid	0.741	Reliable
	X1.2	0.801	Valid		
	X1.3	0.814	Valid		
	X1.4	0.714	Valid		
	X1.5	0.511	Valid		
X <sub>2</sub>	X2.1	0.534	Valid	0.799	Reliable
	X2.2	0.715	Valid		
	X2.3	0.730	Valid		
	X2.4	0.446	Valid		
X <sub>3</sub>	X3.1	0.373	Valid	0.865	Reliable
	X3.2	0.668	Valid		
	X3.3	0.831	Valid		
	X3.4	0.708	Valid		
Y	Y1	0.534	Valid	0.899	Reliable
	Y2	0.715	Valid		
	Y3	0.730	Valid		
	Y4	0.446	Valid		

### ➤ *Multiple Regression Analysis*

Multiple regression analysis is used to determine whether there is an effect of financial literacy, the use of accounting information systems, human resources on the

performance of SMEs in Malang. The following table is the calculation result of the multiple regression test with the help of Statistical Package for Social Science (SPSS) 17.0 for the window.

**Table 2. Analysis of Influence Between Variables**

Model	B	Std.error	Beta	t	Sig t
Constanta	0,499	1,315			0,734
Financial literacy	0,375	0,092	0,356	4,071	0,000
Accounting Information Systems	0,326	0,132	0,295	2,465	0,015
Human Resource	0,205	0,101	0,212	2,029	0,045

The results of the analysis of the effect of financial literacy on the performance of SMEs show the t value of 4.071 with a significant level of 0.000, less error rate of 5%. This shows that financial literacy affects the performance of SMEs.

The results of the analysis of the effect of the use of accounting information systems on the performance of SMEs show the t value of 2.465 with a significant level of 0.015 with a smaller error rate of 5%. This shows that the use of accounting information systems affects the performance of SMEs. The results of the analysis of the effect of human resources on the performance of SMEs show the t value of 2.029 with a significant level of 0.045, less error rate of 5%. This shows that human resources affect the performance of SMEs.

## V. DISCUSSION

### ➤ *The Influence of Financial Literacy on SME Performance in Malang City*

The effect of financial literacy on the performance of SMEs in Malang City shows the regression coefficient of 0.356 with a significant level of 0.000, which means that financial literacy has a positive effect on the performance of SMEs in Malang. These results indicate that financial literacy if there is an increase, will produce good financial reports that will have a high level of profitability for higher business continuity. MSMEs as the biggest driver of the informal sector in Indonesia with the highest absorption of workers have an important role in the economic system. According to Cole, Sampson, and Zia (2010), the fastest way to move the economy in emerging markets is to focus on developing the informal sector (MSMEs) which will have an impact on increasing the income level of the middle class. Based on the 2012 PISA: Financial Literacy Assessment Framework (OECD INFE, 2012), it is formulated that financial literacy is a fundamental factor for economic growth and financial stability. From a consumer's point of view, good financial literacy will lead to spending decisions that prioritize quality.

These results are supported by previous research conducted by Ratnawati (2016) that financial literacy affects the performance of SMEs in Malang City. Orton (2007) makes it clear by stating that financial literacy is an inseparable part of a person's life because financial literacy is a useful tool for making informed financial decisions, but

experiences in various countries still show a relatively low level. Byrne (2007) also found that low financial knowledge will lead to incorrect financial planning and bias in the attainment of welfare when they are no longer productive. This result is in line with the research of Ratnawati (2016) Aribawa (2016) and Ida Ayu (2020) which states that financial literacy can show a positive effect on business performance. Financial literacy helps small businesses to acquire the knowledge, skills, and abilities to strategize financially to make financial service decisions and choices. Financial literacy helps business owners to acquire the financial knowledge and skills necessary for them to make business plans, initiate financial plans, and make strategic investment decisions.

### ➤ *The Effect of the Use of Accounting Information Systems on the Performance of SMEs in Malang City*

An effective human resource accounting information system is essential in making sound human resource decisions. This system usually uses computers and other sophisticated technologies to process data that reflect company activities organized in the form of information to facilitate the decision-making process. Human resource accounting information systems need not be complex or computerized. The results of this study indicate that the influence of the Use of Accounting Information Systems on the Performance of SMEs in Malang City shows the regression coefficient of 0.295 with a significant level of 0.015, which means that the use of Accounting Information Systems has a positive effect on the performance of SMEs in Malang City. These results indicate that the use of accounting information systems is needed in developing SMEs. These results are supported by previous research conducted by Warsono (2010), Titis Wahyuni (2016) that with adequate accounting knowledge, SME owners can meet the requirements for applying for credit in the form of financial reports, evaluating performance, and knowing their financial position.

The results of this study indicate a positive influence between the information systems used by SMEs on the performance of UKM in Malang City. These results can be explained by the existence of accounting training that has been attended by SME owners, accounting training is very useful and there are already those who implement or practice in their business as a business evaluation tool in the use of accounting information systems as an effort to improve SME performance. The need for accounting

training as an effort to master technical accounting, increase technical mastery of accounting by following training on accounting, more and more an owner/manager of SMEs in taking accounting training while practicing it will sharpen the ability of owners/managers related to accounting techniques which will make their abilities better. The owner/manager uses the accounting information system.

➤ *The Influence of Human Resources on the Performance of SMEs in Malang City*

The Human Resources competencies needed to face new challenges and the types of organizations in the workplace can be obtained by understanding the characteristics we are looking for in the people who work in these organizations. The quality of human resources plays a very important role in the performance of SMEs, most of the SMEs have grown traditionally and are businesses that have declined in decline. The limited quality of human resources in terms of education, knowledge, and skills greatly affects the management of business management. The results of this study indicate that the influence of human resources on the performance of SMEs in Malang City shows a regression coefficient of 0.212 with a significant level of 0.045, which means that human resources have a positive effect on the performance of SMEs in Malang. These results indicate that human resources need to be developed to increase the productivity of SMEs. These results are supported by previous research conducted by Santoso et.al (2015), Nizar et.al (2018) which states that human resources have a positive effect on SME performance. The quality of human resources plays a very important role in the performance of SMEs, most SMEs have grown traditionally and are a business that has declined and declined. The limited quality of human resources in terms of education, knowledge, and skills greatly affects the management of business management.

## VI. CONCLUSION

Financial aspects and understanding of the use of accounting information systems are important aspects of business activities so that business actors are expected to have them. Financial management and the use of accounting information systems will have various impacts depending on the understanding of business actors. To develop SMEs, it should pay attention to the competence of SME Human Resources involved in running their businesses so that SMEs can exist and can compete better both nationally and globally. This research proves that there is a desire of UKM owners in increasing willingness in financial literacy. , The use of accounting information systems and the quality of human resources will improve the performance of SMEs.

## RECOMMENDATION

This research has implications for improving the performance of SMEs, with the application of an accounting information system, SMEs can compile financial reports so that other implications MSMEs can know and analyze their business performance. It is recommended for the government and related agencies to strive to maintain the

performance of SMEs by always providing policies that relieve SMEs and providing assistance in efforts to improve SME Human Resources (HR) with conscious assistance on financial literacy and use of accounting information systems with several digital programs friendly. There are many government programs in increasing SMEs in Indonesia but not yet comprehensive in implementation, in increasing SMEs, they should pay close attention to the ability and skills of SMEs so that they have better performance.

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