

The Effect of Financial Literature and Islamic Work Motivation on the Performance of Food Micro, Small and Business Enterprises (MSMEs) in Makassar City

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are one of the business sectors that can encourage economic growth. But in reality, MSMEs have various problems, namely the problem of financial and non-financial limitations. In addition, there are challenges faced by MSMEs, such as increasingly fierce competition requiring competent resources. This study aims to determine the effect of financial literacy and Islamic work motivation on MSME performance. This research is multiple regression analysis. The population and sample in this study were 7 Food SMEs in Makassar City. Data collection techniques are documentation, interviews and questionnaires. The data analysis technique in this study is quantitative using multiple regression analysis used to examine the effect of independent variables (financial literacy and Islamic work motivation) on the dependent variable (SME performance). The results showed that partially financial literacy had a positive and significant effect on the performance of MSMEs, while Islamic work motivation had a negative and insignificant effect on the performance of MSMEs.

Keywords

financial literacy; Islamic work motivation; MSME performance



I. Introduction

Micro, Small and Medium Enterprises (MSMEs) are a source of livelihood for many people and are able to provide jobs for those who are educated and have low skills and are able to reduce poverty (Agyapong, 2010). MSMEs are one of the business sectors that are able to encourage economic growth. But in reality, MSMEs have various problems, namely the problem of financial and non-financial limitations. Financial literacy is the ability to manage funds for the future. Therefore, financial literacy is very important for the performance of MSMEs. Good financial literacy can minimize the occurrence of economic decisions on emerging economic and financial issues. Financial literacy is very important for MSMEs, especially to increase MSME growth. Previous literature states that the importance of financial literacy for MSMEs as in the research of Muraga & John (2015) which states that companies with good financial literacy will certainly be able to utilize knowledge in the financial sector in making the right decisions in improving their business performance.

In general, MSMEs often experience delays in their business development. This is due to various conventional problems that have not been completely resolved, such as problems of human resource capacity, ownership, financing, marketing, and various other problems related to business management, making it difficult for MSMEs to compete with large companies (Abor and Quartey, 2010).

In addition, there are challenges that must be faced by MSMEs, such as increasingly fierce competition that requires competent resources. MSMEs need to increase competitiveness as a creative and innovative industry, improve standards, design, and quality of their packaging products, to make them more attractive, to win the competition. TQM is expected to be used to improve the performance of SMEs. Actually, the performance of MSMEs can be seen from the performance of employees involved in business activities. For this reason, improving employee performance needs to be considered.

Humans in their habitual activities have the enthusiasm to do something as long as they can produce something that is considered by themselves to have a very valuable value, the purpose of which is clear for sure to carry on their life, a sense of peace, a sense of security and so on (Matoyo, 2005).

Islam emphasizes that work is part of the effort in fulfilling world affairs which can be considered as a rewarding worship if the conditions determined by the Shari'a are met. Allah Subhanahu wa Ta'ala says which means: "When the prayer has been fulfilled, then you are scattered on the earth; and seek the bounty of Allah and remember Allah much so that you may be successful." (Surah Al Jumuah: 10).

II. Review of Literature

2.1 Financial Literacy

According to Remund (2010), financial literacy is knowledge of all basics about finance, being able to understand financial concepts, and utilizing this financial knowledge as decision making for individuals or individuals or companies. Furthermore, based on the OECD (2012), financial literacy is a fairly dominant factor in economic growth and financial stability of a country. Good financial literacy can minimize the occurrence of economic decisions on emerging economic and financial issues. Meanwhile, Lusardi (2012) states that financial literacy consists of a number of abilities and knowledge about finances owned by a person to be able to manage or use a certain amount of money to improve his standard of living. Financial literacy is closely related to behavior, habits and the influence of external factors.

According to Chepngetich (2016), financial literacy includes the ability to manage MSMEs in calculating the interest rates for funds submitted to businesses by lenders and how they calculate and manage their profits to repay their loans.

2.2 Islamic Work Motivation

Motivation is very important for employees so that the work that has been assigned can be carried out properly in accordance with the company's operational standards. Motivation theory has attempted to address the problem of motivation from various points of view, each presenting a different concept of the term. However, all seem to discuss the same fact, that motivation is an aspect that arouses, directs, and integrates one's behavior.

In understanding work motivation in Islam, it is necessary to understand the function and position of work. Working or earning a living in Islam is an obligation and worship that has the aim of meeting the needs of everyday life (Pramandhika, 2011). According to Ahmad (2007:198) the work motivation possessed by Muslims to produce a work and provide excellent service to their organization does not only come from the idea of fulfilling their own needs, increasing mobility, but more fundamentally, namely increasing the standard of living or services of an organization. Nation

The motivation for work in Islam is to earn a living which is part of worship. Rahmat (2010) also said that work motivation in Islam is not to pursue a hedonistic life, nor to status, let alone to pursue wealth at all costs.

2.3 MSMEs Performance

MSME performance is the result of work achieved by an individual and can be completed with the individual's tasks within the company and in a certain period, and will be linked to the size of the value or standard of the company that the individual works (Aribawa, 2016).

According to Aribawa (2016) performance is the success of an organization that realizes strategic and predetermined goals with the behavior expected by an organization on a performance produced by an MSME well, it will be stronger to become the backbone of the economy and will play an increasingly important role in the national economy.

III. Research Method

3.1 Research Approach

The approach used in this research is a quantitative and scientific approach, namely thinking to solve problems systematically, empirically, and controlled with numbers.

3.2 Population and Sample

The research population in this research is micro, small and medium enterprises (MSMEs) which are engaged in the culinary food business. The sampling technique is random sampling. The sample can be seen in the following table:

Table 1. Research Sample

No	Type of UMKM	Amount
1	Usaha Pisang Epe	2
2	Usaha Ayam Bakar,	2
3	Usaha Coto Makassar	2
4	Usaha Kue Tradisional	1
	Number of Sample	7

Source: processed data (2022)

3.3 Data Collection Technique

The methods that will be used to collect data in this research are:

1) Library research

This information can be obtained through books, the internet, and scientific publication journals, both the data needed and the similar studies used in developing the methods and analysis in this research.

2) Interview

In this case the author will collect data by means of direct dialogue with SMEs to obtain the information needed in this paper.

3) Observation

In this case, observations were made by distributing questionnaires to respondents

3.4 Data Analysis Method

Methods of data analysis used in this study were descriptive statistical analysis, classical assumption test and multiple regression analysis using SPSS version 25 software.

a. Descriptive Statistical Analysis

Descriptive statistical analysis aims to describe a summary of research data such as mean, standard of variation and others. Descriptive statistics are used to describe the results of the SPSS statistics for this study. The data studied are grouped into MSME performance, Financial Literacy and Islamic Work Motivation.

b. Normality Test

The normality test is carried out to avoid bias, the data used should be normally distributed. This normality test tests the independent variable data (X) and the dependent variable data (Y) to see whether the regression model used is good or not. A good regression model is to have a normal data distribution or not normally distributed.

To find out whether the independent and dependent variables are normally distributed, the Normal Probability Plot and Kolmogorov-Smirnov test can be carried out with the following conditions:

1. Normal Probability Plot: the scatter plot graph shows that the data spreads around the diagonal line which shows the variables are normally distributed.
2. One Sample Kolmogorov-Smirnov test: in the non-parametric test table the K-S sample shows the value of each Asymp.Sig variable. (2 tailed) is greater than 0.05 (probability level) then it meets the requirements of the normality test

If the significant value of each variable to be studied is from 0.05 or $p < 0.05$ in the One Sample Kolmogorov-Smirnov test table or on the scatter plot diagram, it can be said that the variables are normally distributed.

c. Classic Assumption Test

1. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between independent variables. If the independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between independent variables is equal to zero.

2. Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model occurs when the variance inequality from the residuals of one observation to another is fixed, then it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is homoscedasticity or there is no heteroscedasticity test. The analysis of the heteroscedasticity assumption test of SPSS output through a scatterplot graph between Z prediction (ZPRED) which is the independent variable (X axis = Y prediction result) and the residual value (SRESID) is the dependent variable (Y axis prediction - Y real) and can be concluded as below:

- a) Homoscedasticity occurs when the scatterplot of data processing points between ZPRED and SRESID spreads below or above the origin (point O) on the Y axis and does not have a regular pattern.
- b) Heteroscedasticity occurs if it has a regular pattern, either narrowing, widening or wavy.

d. Multiple Regression

Analysis Method The analytical method used to assess the wide variability and in this study is multiple regression analysis. Multiple regression analysis was used to examine the effect of the independent variables (financial literacy and Islamic work motivation) on

the dependent variable (SME performance). SPSS software version 25.0 is used as a tool in calculating multiple regression analysis. The regression model developed to test the hypotheses that have been formulated in this study are as follows:

$$KU = a_0 + \beta_1 LK + \beta_2 MKI +$$

Information:

KU: MSMEs Performance

a₀: Constant

LK: Financial Literacy

MKI: Islamic Work Motivation

Analysis of the regression results is carried out through the following steps:

1. Multiple correlation analysis (R)

Multiple correlation analysis is used to determine the relationship between two or more dependent variables simultaneously. According to Sugiyono (2007), the guidelines for providing the interpretation of the correlation coefficient are as follows:

0.00 - 0.1999 = Very Low

0.20 - 0.399 = Low

0.40 - 0.599 = Medium

0.60 - 0.799 = Strong

2. Multiple correlation analysis (R)

Coefficient of Determination Analysis (R²) Determination analysis is used to determine the percentage of the contribution of the influence of the dependent variable simultaneously. If R is equal to 0, then there is not the slightest percentage of the contribution of influence that is given independently to the dependent variable. On the other hand, if R is equal to 1, then the percentage of independent influence on the dependent variable is perfect or the variation of the independent variable used in the model explains 100% of the variation in the dependent variable.

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e. Hypothesis test

According to Srihartanto (2008) to prove the hypothesis previously proposed, the following test tools are used:

1. T. Statistical Test

The t statistic test basically shows how far one independent variable is individually. (Ghozali, 2011:98) T-test can be done by looking at the significant probability t of each variable there is an output of regression results using SPSS. If the significance probability value is less than 0.05, it can be said that there is a strong influence between the variables between the independent variables on the dependent variable. So the conclusion drawn is to look at the significance with the following conditions:

If $p > 0.05$: Then H_0 is rejected.
 If $p < 0.05$: then H_0 is accepted.
 As for the following test criteria:
 If T count $>$ T table : Then H_0 is rejected
 If T count $<$ T table: Then H_0 is accepted

2. F Statistic Test

The f statistic test basically shows whether all independent or independent variables included in the model have a joint effect on the dependent / dependent variable (Ghozali, 2011:98).

IV. Results and Discussion

4.1 Results

Table 2. Descriptive Statistics Test Results

Descriptive Statistics			
	Mean	Std. Deviation	N
MSME Performance	3.8000	.64291	7
Literacy_Financial	3.8000	.84853	7
Islamic Work Motivation	4.3143	.10690	7

Based on table 2 above, it can be seen that the observation data became 7 samples. In addition, it can be seen that the performance of MSMEs has an average of 0.38. With a standard deviation of 0.64291. From these data it can be seen that the performance of MSMEs is classified as good because it is below 2.5.

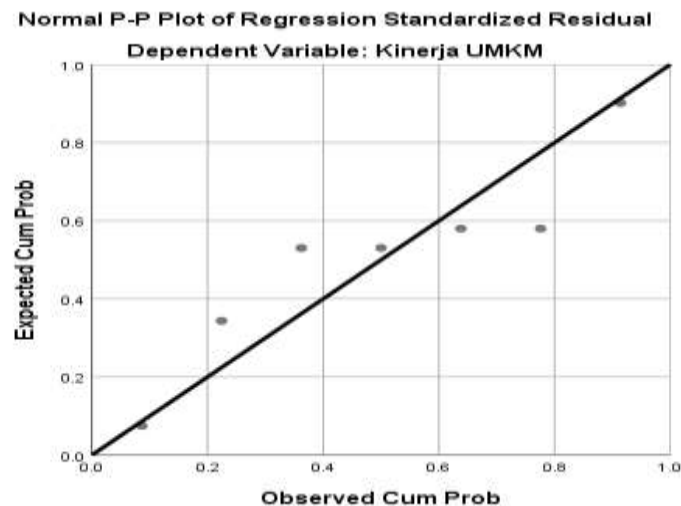


Figure 1. Normality test

Figure 1 above shows that the data is normally distributed, the normal P-P plot graph shows that the data is close to the diagonal line.

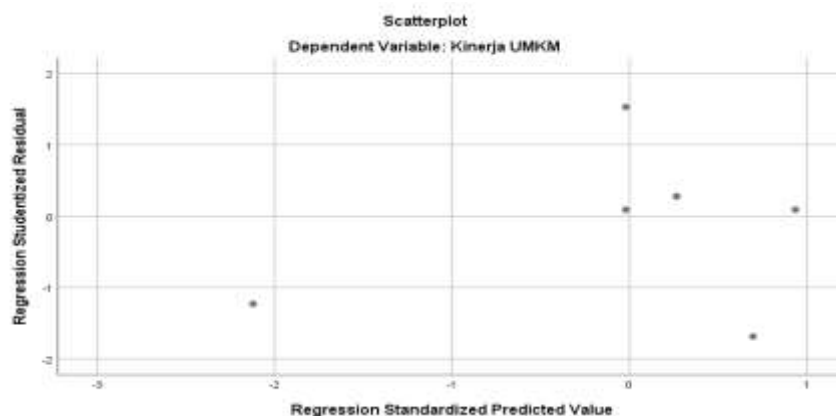


Figure 2. Heteroscedasticity Test

A good regression equation is if there is homoscedasticity where the scatterplot of data processing results between ZPRED and SRESID spreads below or above point 0 on the Y axis and does not have a regular pattern. Based on the scatterplot image below, it can be concluded that the data is spread out and does not form a certain pattern so that there is no heteroscedasticity

Table 3. Multiple Regression Calculation Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1.583	3.000		.528	.626					
Literacy_Finance	.750	.092	.990	8.118	.001	.978	.971	.849	.735	1.360
Islamic Work Motivation	-.147	.734	-.024	-.200	.851	.485	-.100	-.021	.735	1.360

a. Dependent Variable: Kinerja UMKM

Based on the table above, the multiple regression equation can be arranged as follows:

$$\text{Performance UMKM: } 1,583 + 0,750X_1 - 0,147X_2 + e$$

From the multiple regression equation, it is known that the constant value is 1.583 shows a positive (unidirectional) relationship.

The Financial Literacy variable has a coefficient value of 0.750, meaning that if there is an increase in Financial Literacy, the financial performance management is 0.750 assuming the variable is considered constant or fixed, and shows a positive (unidirectional) relationship.

The Islamic Work Motivation Variable has a coefficient value of -0.147, meaning that if there is a decrease in Islamic work motivation it will experience a decrease in MSME performance by -0.147 assuming the variable is considered constant or fixed, and shows a negative (opposite) relationship

Table 4. Table of Multiple Correlation Coefficient Test and Coefficient of Determination
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics F Change	df1	df2	Sig. F Change
1	.978 ^a	.956	.934	.16473	.956	43.697	2	4	.002

a. Predictors: (Constant), Islamic Work Motivation, Financial Literacy

b. Dependent Variable: MSME Performance

From Table 3 above, it is also known that the R value is 0.978a. This means that there is a very low relationship between financial literacy and Islamic work motivation on MSME performance

Table 5. F Test Results
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.371	2	1.186	43.697	.002 ^b
	Residual	.109	4	.027		
	Total	2.480	6			

a. Dependent Variable: Kinerja UMKM

b. Predictors: (Constant), Motivasi Kerja Islami, Literasi_Kuangan

From table 5 above, it is known that the F test in 2013 was 43,697 with a significance value of 0.002. Thus, it can be concluded that simultaneously financial literacy and Islamic work motivation have a positive and significant effect on the performance of MSMEs

4.2 Discussion

a. The Effect of Financial Literacy on MSME Performance

Based on the results of the study, the financial literacy variable shows that the result is a significant value of 0.750, this shows that financial literacy has a positive and significant effect on the performance of Makassar City Food SMEs. This means that MSME actors already understand finances and can practice financial management, and can carry out MSME operational activities.

As for the current situation, there are employees who do not understand further about the financial basis, so they work together with other employees. They can do and do financial records if there are accompanying or directives.

With the financial understanding possessed by MSME Owners and MSME Employees, they can find out that sales targets have not been met. This means that MSME owners continue to monitor and evaluate employees and business units. MSME actors can make management decisions in improving their business performance.

MSME employees who are productive work in providing MSME sales turnover, are rewarded by the owner. then their work performance can survive and not decrease because they feel cared for by the MSME owner.

This is in accordance with the research of Lusardi and Bassa Schresberg (2013), which found that financial literacy has a positive relationship to the company's business performance. This is indicated by companies that have a high level of literacy tend to have good performance. This is in line with research (Huston, 2010), that if a company has a high level of financial literacy, it will also have an impact on financial management and

performance of the company. Meanwhile, according to Mac (2010), states that good financial literacy will prevent companies from experiencing financial problems

b. The Influence of Islamic Work Motivation on MSME Performance

Based on the results of the study, the Islamic work motivation variable showed a significant value of -0.147, this shows that Islamic work motivation has a negative and insignificant effect on the performance of Makassar City Food SMEs. This means that Islamic motivation has not been embedded in certain individuals, because MSME actors only work expecting high rewards or profits according to the results of the difficulty level of work, and MSME employees only work without sincerity because they expect rewards from their workplace without thinking about the results of their performance (employee performance) and MSME performance.

MSME owners pay attention to the salary of their employees and sales because if the employee's salary is greater than the sales proceeds, then the MSME will lose. MSME owners pay attention to the wages given to their employees according to standards. It is very rare to find people who work for what they are paid wages or salaries. People going to work must incur costs (transportation costs, consumption costs and other costs). The difference between income and expenses is quite low, so work morale is also getting lower. Likewise, if the payoff is high, the enthusiasm for work will be high. This is based on the high cost of living. and this life will feel more difficult. So the owners of MSMEs can provide bonuses for providing high performance achievements, for example employees achieving sales targets will be given bonuses.

Employees are required to be able to complete their duties and responsibilities effectively and efficiently. If an employee has a high sense of responsibility and a high level of religion, then someone works honestly and feels supervised by Allah SWT.

V. Conclusion

5.1 Conclusion

- 1) Financial literacy has a positive and significant effect on the performance of Makassar City Food SMEs.
- 2) Islamic work motivation has a negative and insignificant effect on the performance of Makassar City Food SMEs. This means that Islamic motivation has not been embedded in an individual MSME actor and an employee.

5.2 Suggestion

- 1) It is better for MSME actors and employees to be more in-depth about business finance
- 2) SMEs should be more enthusiastic in applying work motivation Islam in the MSME environment
- 3) It is better if the next researcher examines in depth the variables studied and expands these variables

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