

The Influence of Financial Literacy, Financial Inclusion, and People's Business Credit Financing (KUR) on The Profitability of MSMEs Among PT Pegadaian City Palembang Customers

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ABSTRACT

Purpose: This research is conducted to determine the effect of financial literacy, financial inclusion, and the People's Business Credit (KUR) financing on the profitability of MSMEs among customers of Pegadaian in Palembang City.

Research Methodology: The study used 100 PT Pegadaian customers in Palembang City selected purposively. Data were collected via questionnaires and analyzed using the Statistical Package for the Social Sciences (SPSS).

Results: Financial literacy shows no effect, financial inclusion negatively affects, while KUR financing positively and significantly increases MSME profitability among Pegadaian customers.

Conclusions: The study found that financial literacy had no significant effect, financial inclusion negatively affected MSME profitability, while KUR financing had a positive and significant impact, emphasizing the need to strengthen literacy and inclusion programs.

Limitations: The study focuses only on PT Pegadaian customers in Palembang City and examines MSME profitability based on financial literacy, inclusion, and KUR financing.

Contribution: This research can contribute to providing references for further research activities, especially for researchers interested in conducting more in-depth studies in this field.

Keywords: *Financial Literacy, Financial Inclusion, People's Business Credit (KUR) Financing, Profitability of MSMEs, Pegadaian Customers*

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1. Introduction

One important component in encouraging economic development in an area can be measured by the development and number of Micro, Small, and Medium Enterprises (MSMEs) in the area. This is supported by a lot of literature that states that Micro, Small, and Medium Enterprises (MSMEs) play an important role in job creation, innovation, and economic growth (Al-Azzam & Charfeddine, 2022; Beck & Demirguc-Kunt, 2006; Charfeddine & Zaouali, 2022). Data from the Palembang City Cooperatives & MSMEs Department explains that currently the number of MSMEs has reached 101,903, whereas in 2019 there were only 32,285, experiencing a slight increase in 2020 to 40,130. On the other hand, there are still hundreds of MSMEs that are not registered with the Palembang City Cooperatives & MSMEs Service. With the development of the world of business and entrepreneurship in the current global era, financial literacy has become something that everyone must master to realize the importance of this issue for business development. Financial literacy influences the selection, use, and management of company financial assets, as well as the effectiveness of financing decisions and strategies (Agyapong & Attram, 2019).

Financial literacy cannot be separated from financial inclusion, which is also the most important component for society, especially MSMEs. However, the growth of MSMEs is hampered by many factors, including a lack of managerial skills and inaccessibility of external funding (Mabula & Ping, 2018). Therefore, non-bank financial institutions are one of the choices of the majority of MSME players in running their business, so the government plays an important role in making non-bank financial institutions more inclusive for MSME players. This is, of course, inseparable from the government's support and important role in involving bank and non-bank financial institutions to help increase the profitability of MSMEs through the provision of capital funding, such as People's Business Credit (KUR) financing. According to the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, there are many business entities and/or business groups that have productive and viable businesses but do not yet have additional collateral or are feasible but unbankable (kur.ekon.go.id).

The Indonesian government has provided access to PT Pegadaian in KUR distribution from 2022 until now to expand the reach of financial inclusion to communities in areas that are unbankable. The following is data related to the Outstanding Loan (OSL) People's Business Credit (KUR) financing that has been provided by PT Pegadaian Regional Office III Palembang to MSMEs in Palembang City for 2022-2023.

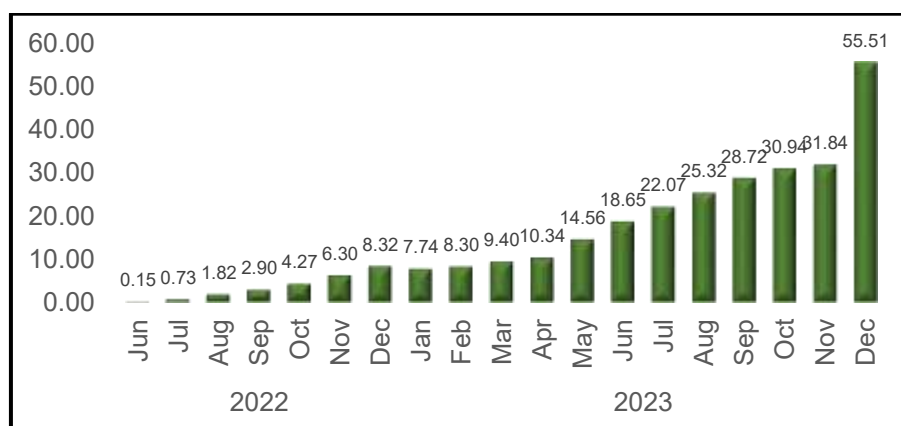


Figure 1. OSL KUR Pegadaian in Palembang City 2022-2023

Source: PT Pegadaian (2024)

As of December 31, 2023, the number of active financing at PT Pegadaian Regional Office III Palembang to business actors in Palembang City is 11,733 MSMEs, with an increase of 1,196 customers until June 30, 2024. Specifically, the KUR financing distributed by PT Pegadaian to business actors in Palembang City has reached 5,979 customers or around 5.9%. However, this requires further examination regarding the benefits of the People's Business Credit (KUR) program, especially the distribution by PT Pegadaian in Palembang City, which should be in line with and in accordance with the government's initial goals and intentions, namely advancing and encouraging the performance of

MSMEs. This is because, if we look at company data, as of December 31, 2023, there was an NPL of 0.92% for financing distribution to MSME customers in Palembang City, but this has increased to 3.55% as of June 30, 2024. Based on data from monitoring and assistance from the PT Pegadaian Micro Team to Palembang City MSME customers, it was found that the NPL was high because 45.08% of customer businesses were in loss/declining, and 43.81% of customer businesses were closed/bankrupt. Additionally, 1.27% of customer businesses were fictitious, and 0.32% of customers' businesses moved, so they could not make financing installment payments. From the data, it can be concluded that only 9.53% of customers' businesses run smoothly, and the majority of bad credit is caused by financing that is not on target.

There are previous studies related to financial literacy, financial inclusion, and people's business credit (KUR) financing. Yuliani, Fuadah, and Taufik (2019) in their research on the people of Palembang City found that financial knowledge had a significant effect on financial literacy. Research conducted by Lakuma, Marty, and Muhumuza (2019) shows that increasing access to financing has a positive impact on the growth of MSMEs in Uganda. This is different from research conducted by Iqbal and Subhan (2022), which found that the role of micro financing at Bank Syariah Indonesia Sarolangun Branch Office on MSME businesses had little effect on increasing customers' business income. Therefore, this research aims to refine and clarify previous research by re-conducting research on the influence of financial literacy, financial inclusion, and KUR financing. Based on the data above, the author is interested in conducting research entitled "The Influence of Financial Literacy, Financial Inclusion, and People's Business Credit Financing (KUR) on The Profitability of MSMEs among PT Pegadaian City Palembang Customers"

2. Literature review and hypothesis/es development

2.1 Theory of Reasoned Action (TRA)

According to Ajzen (1980), the theory of reasoned action (TRA) explains a person's behavioral intentions or individual intentions, which are formed from social norms and individual attitudes towards behavior. This theory connects beliefs, attitudes, intentions, and behavior. The theory of reasoned action was expanded and modified by Ajzen (1980) and was named the Theory of Planned Behavior. The core of this theory includes three components, namely: beliefs about the possible outcomes and evaluation of the behavior (behavioral beliefs), beliefs about the expected norms and motivation to fulfill these expectations (normative beliefs), as well as beliefs about the existence of factors that can support or hinder the behavior and awareness of the strength of these factors (control beliefs).

In the context of financial literacy and inclusion, TRA suggests that individuals who perceive financial management as valuable (positive attitude) and who experience social support from peers, family, or institutions (subjective norms) are more likely to engage in sound financial practices. Kijkasiwat (2021) confirmed that TRA helps explain MSME owners' willingness to adopt financial literacy training and access digital banking services when motivated by both internal attitudes and social encouragement. Similarly, Bailusy, Amarullah, and Ikbal (2023) found that entrepreneurs' behavioral intentions toward formal financial institutions depend significantly on perceived behavioral control—later developed into the Theory of Planned Behavior (TPB) (Ajzen, 1980).

Empirical studies further support this framework. Khan and Siddiqui (2019) found that TRA successfully predicts small business owners' adoption of digital financial services in Malaysia, emphasizing that attitudes and social influences significantly determine financial behavior. Similarly, Octasyva, Noor, and Soehadi (2021) demonstrated that subjective norms play a crucial role in shaping entrepreneurs' intentions to use formal financing channels. In addition, Oshora, Desalegn, Gorgenyi-Hegyessy, Fekete-Farkas, and Zeman (2021) observed that social approval from networks and perceived trust in financial institutions enhance the willingness of micro-entrepreneurs to participate in inclusive financial programs. These findings align with Ajzen (1980) assertion that behavioral intention acts as a bridge linking beliefs and actual behavior. In Indonesia's MSME context, TRA provides a strong behavioral lens for understanding how cultural norms and community expectations affect entrepreneurs' financial inclusion and literacy practices. Social trust, collective values, and local perceptions of debt ethics often determine whether MSME actors translate their financial knowledge

into practical decisions. Thus, TRA offers theoretical support for the relationship between financial literacy, inclusion, and profitability in this study—showing that economic behavior is not merely rational but also socially constructed and normatively guided.

2.2 Behavioral Finance

Financial behavior is reflected in a person's attitude in making financial planning, starting from the stages of determining financial goals, preparing a financial budget, and making effective financial decisions by utilizing all products and services from financial services industry companies (Yuliani et al., 2019). According to Andriana and Thamrin (2021), financial management behavior is related to four things, which can be described as follows:

- a. Financial Planning: The initial process of planning the use of money to measure the needs required by an individual in the future.
- b. Financial Budgeting: The activity of budgeting or planning expenses within a certain period according to the funds available.
- c. Financial Evaluation: Measurement and improvement activities of financial plans that have been carried out, where the use of money must be ensured to be appropriate and allocated properly in accordance with the initial planning.
- d. Financial Control: Efforts made to control the funds owned so that they can be utilized optimally in accordance with the planned objectives.

Behavioral finance provides an alternative explanation to traditional financial theories by emphasizing that financial decisions are not always rational but are influenced by psychological, emotional, and cognitive biases (Barberis & Thaler, 2003; Ricciardi & Simon, 2000). In the context of MSMEs, decision-making related to saving, borrowing, and investment is often shaped by behavioral tendencies such as overconfidence, loss aversion, mental accounting, and herd behavior (Kahneman & Tversky, 2013). These biases can affect how entrepreneurs interpret financial information, evaluate risk, and respond to financial incentives such as KUR financing programs. Entrepreneurs with high overconfidence may overestimate their ability to manage loans, leading to excessive borrowing or inefficient fund allocation. Conversely, loss-averse entrepreneurs tend to be overly cautious, avoiding credit or investment opportunities that could improve profitability (Golman, Hagmann, & Loewenstein, 2017). Mental accounting may cause MSME owners to separate business and personal finances irrationally, reducing overall financial efficiency. Herd behavior is also common when business owners follow peer financial practices without sufficient analysis, which can lead to collective financial distress.

Empirical research by Lusardi and Mitchell (2014) and Madi and Yusof (2018) shows that integrating behavioral aspects into financial literacy programs significantly improves financial decision-making and business performance. When MSME actors are trained to recognize and manage their cognitive biases, their financial literacy becomes more functional, translating knowledge into better financial outcomes. Behavioral finance thus acts as a moderating lens explaining why financial literacy does not always lead directly to profitability — knowledge alone is insufficient without behavioral discipline. For financial inclusion and credit access, behavioral factors also play a critical role. Low trust in financial institutions, fear of debt, or misunderstanding of loan terms may discourage participation in formal financial systems (Chawla, Russell, White, & DeVaney, 2023). Therefore, inclusion programs should not only provide access but also address psychological and cultural barriers that affect borrowing behavior. In the case of PT Pegadaian's KUR distribution, behavioral mentoring — such as coaching on budgeting discipline and debt management — could help MSMEs utilize credit more effectively and sustain profitability.

2.3 Financial Literacy

Based on Financial Services Authority Regulation Number 03/POJK.03/2023 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers and the Community, financial understanding consists of knowledge, skills, and beliefs which are influenced by attitudes, beliefs, and behavior that need to be improved. The quality of decision-making and management, and financial prosperity. OJK (2021) states that financial literacy is knowledge, skills, and confidence,

which influence a person's attitude and financial behavior to improve the quality of decision-making and financial management in order to achieve prosperity. This knowledge and understanding are aimed at making effective decisions and improving the financial well-being of individuals and society. Without adequate financial knowledge, individuals cannot choose the right savings or investment products and are at risk of experiencing fraud (Ruwaidah, 2020).

Therefore, the insignificance of financial literacy's effect does not imply its irrelevance but rather points to ineffective translation of knowledge into practice. To enhance impact, PT Pegadaian and related agencies should strengthen practical-based financial education, combining classroom sessions with mentoring, business simulation, and digital financial tools. As OJK (2021) emphasized in its National Financial Literacy Strategy (SNLKI 2021–2025), literacy programs should not merely increase awareness but must also build skills and confidence to apply financial principles in real business contexts. In future studies, integrating digital financial literacy—the ability to use online financial platforms for savings, loans, and accounting—may provide a stronger predictor of MSME profitability. Mutiara (2023) found that MSME actors with high digital literacy levels exhibited better performance and financial independence. Thus, upgrading literacy from theoretical knowledge to digital and behavioral competence is critical for improving the financial sustainability of MSMEs.

Financial literacy refers to an individual's knowledge, skills, and confidence to make effective financial decisions that improve their economic well-being. It encompasses understanding financial concepts such as saving, budgeting, credit management, and investment (Lusardi & Mitchell, 2014). For micro-entrepreneurs and MSME owners, financial literacy directly influences how they plan business budgets, assess credit options, and manage cash flow. A lack of financial knowledge often leads to poor decision-making, over-indebtedness, and inefficiency in capital utilization. Empirical research demonstrates that financial literacy is a key determinant of business sustainability and profitability. Yakob, Yakob, BAM, and Rusli (2021) found that higher levels of financial literacy among MSME owners in developing economies lead to improved performance through better financial control and risk management. Similarly, Aritonang, Sadalia, and Muluk (2022) observed that financial literacy significantly affects MSME financial behavior and decision-making, particularly in accessing formal financial services. Graña-Alvarez, Lopez-Valeiras, Gonzalez-Loureiro, and Coronado (2024) also confirmed that small business owners with strong financial understanding exhibit higher success rates and greater business survival.

In Indonesia, the OJK (2021) emphasized that improving financial literacy among MSMEs is a strategic necessity to support financial inclusion and reduce vulnerability to informal lending practices. Thus, integrating financial literacy training with government credit programs like KUR enhances MSME profitability and resilience. Financial literacy not only strengthens financial management competence but also serves as a behavioral driver influencing entrepreneurs' intention to use formal financial services—a central premise supported by the Theory of Reasoned Action (TRA).

2.4 Financial Inclusion

According to OJK (2021), financial inclusion is the need and ability of society to access various institutions, products, and financial services in order to improve society's welfare. From the point of view of Demirgüç-Kunt and Singer (2017), financial inclusion can be called a process by which individuals can effectively access and use appropriate financial instruments and services of various types. Financial inclusion is very functional in reducing economic disparities in various regions. It is hoped that wider access to financial institutions will improve the economy at all levels of society. The World Bank (2014) formulated that financial inclusion is easy access to financial products that can be used by individuals and business units, which can be useful and affordable to meet needs in a responsible way. Of course, financial understanding is very useful for MSME players to make it easier to manage and access financial products. The availability of services or needs can provide assistance to MSMEs to meet capital adequacy. The main target of financial inclusion is to include the "unbanked" or individuals who do not have a bank account into official services so that they can use formal bank services to save money, make payments, and send money (Mutiara, 2023). A business actor must

understand financial inclusion and have a bank account so that they can access bank services for business needs, such as business capital loans.

Financial literacy refers to the ability of individuals to understand and effectively use financial skills, including personal financial management, budgeting, and investing, to ensure financial stability and business sustainability. According to the Financial Services Authority OJK (2021), financial literacy encompasses knowledge, skills, and confidence that influence financial attitudes and behaviors aimed at improving decision-making quality and economic well-being. Empirical research consistently supports that financial literacy enhances MSME performance and survival. Irjanti (2022) found that owner-managers with higher financial literacy show better financial decision-making and superior business performance in Ghana. Similarly, Elvira et al. (2025) revealed that financial resources combined with high financial literacy significantly drive small firm growth. A recent study by Endriyono, Gunarto, and Murwiati (2025) confirmed that micro-entrepreneurs with strong financial literacy demonstrate greater innovation capability and business competitiveness, which ultimately improves firm sustainability. Moreover, Yeimo, Lewerissa, and Suripatty (2025) emphasized that entrepreneurs' financial literacy significantly contributes to business resilience during economic uncertainty.

In Indonesia, Mutiara (2023) found that MSME owners with higher financial literacy—especially digital financial literacy—exhibited greater independence and improved business performance. This finding aligns, who concluded that financial literacy, coupled with access to financial technology, strengthens MSME profitability and sustainability. Therefore, while the present study reports that financial literacy has no significant direct effect on MSME profitability, this insignificance may stem from a lack of practical application rather than absence of financial understanding. Strengthening applied and digital financial literacy training, including mentoring and simulation-based education, is essential for transforming knowledge into practice that enhances MSME resilience and profitability.

2.5 People's Business Credit (KUR)

People's Business Credit (KUR) is part of a government program aimed at supporting the development of cooperatives and small and medium businesses whose businesses are worthy of obtaining credit facilities or financing from creditors but lack the collateral required by creditors (Makki, 2023). The aim of the KUR program is to accelerate the development of primary sectors and empower small-scale businesses, increase accessibility to credit and financial institutions, reduce poverty levels, and expand employment opportunities (Fauziah, 2020). Basically, KUR is working capital and investment credit provided specifically for productive business units through a credit guarantee program. With the KUR program from the government through various national banks, it is hoped that there will be banking education as well as micro, small, and medium economic empowerment for lower middle-class people. The target to be achieved through the community empowerment program with the KUR program is that all business activities of all scales can access capital so that the flow of goods and services will become smoother and can improve community welfare (Najoan, Rares, & Laloma, 2022).

People's Business Credit (KUR) not only serves as a financial instrument but also as a catalyst for MSME empowerment and economic recovery at the local level. Through its accessible loan schemes and low interest rates, KUR enables micro and small business actors to expand production capacity, increase working capital, and strengthen business competitiveness. The success of KUR implementation depends largely on how effectively business actors allocate and manage the funds received to generate long-term profitability. Therefore, in addition to providing capital support, financial mentoring and post-loan monitoring are crucial to ensure that credit is utilized productively. Effective utilization of KUR encourages MSMEs to not only survive but also grow sustainably amid market competition and economic fluctuations.

2.6 Profitability

Profitability is the ability that a company can achieve in a certain period. The purpose of this analysis is to assess the company's ability to gain profits, both in terms of sales, assets, or own capital (Hayat et al., 2021). According to Muhammad Sujai et al. (2022), profitability is the company's ability to earn

profits. The higher the company's ability to earn profits, the greater the return expected by investors. Profitability is the net result of a series of management policies and decisions because it describes the final results of the company's operational policies and decisions. With several definitions related to profitability, it can be concluded that profitability is a company's ability to generate profits during one production period. Profitability helps companies find out the extent of the overall effectiveness of company management. This level of effectiveness is indicated by the large or small level of profit obtained by the company in sales and investment. The better a company's profitability ratio, the better the company's ability to earn profits.

Profitability serves as the most concrete indicator of a business's ability to generate economic value and sustain its operations over time. For MSMEs, profitability not only reflects efficient cost management and revenue generation but also represents the success of overall strategic, financial, and operational decisions. Sustainable profitability indicates that the business has achieved stability in managing expenses, pricing, and sales volume, which in turn enhances resilience against external shocks such as market fluctuations or limited access to financing. Therefore, improving profitability should not be viewed solely as an accounting goal but as a continuous process involving financial literacy improvement, innovation, and effective utilization of financial support programs such as KUR. By maintaining consistent profitability, MSMEs can strengthen their capital base, reinvest in business growth, and contribute more significantly to regional economic development.

2.7 *Micro, Small and Medium Enterprises (MSMEs)*

Micro, Small and Medium Enterprises (MSMEs) are businesses that have an asset base that flows between specified boundaries (Tyson, 2023). Based on Law Number 20 of 2008, Article 1 concerning MSMEs, Micro, Small and Medium Enterprises are:

1. Micro businesses are production businesses owned by individuals, legal entities, or individual businesses that meet the criteria for micro businesses according to the provisions of this Law.
2. A small business is a production economic business that stands alone, is not a subsidiary or branch of a company owned or controlled by that company, and is not a direct or indirect part of a medium or large company that meets the requirements of the "small company" criteria as specified in this Law.
3. Medium businesses are productive economic businesses that stand alone, run by individuals or business entities that are not subsidiaries or affiliates of companies owned, controlled, or directly or indirectly part of small businesses or large businesses with net assets or annual sales results as determined by law.

3. Methodology

The subjects of this research were 5,429 MSME customers of People's Business Credit (KUR) in Palembang City as of June 30 2024. Assuming the error rate (e) = 10%, the number of samples that must be used in this research is 100 respondents. The researchers used the technique of distributing questionnaires using convenience sampling. The data analysis method used in this research is quantitative. In this research, the tool used by the author to collect data is a questionnaire. The questionnaire in this study used a Likert scale approach. Data collected from the results of distributing questionnaires will be processed and analyzed to become information. The analytical tool used in this research is simple linear regression analysis using the SPSS (Statistical Product and Service Solutions) data processing tool. Before testing, the data is first converted into interval data using the Method of Successive Intervals (MSI). After that, this research will carry out data quality tests, classical assumption tests, and hypothesis tests to determine the results obtained.

4. Results and discussion

4.1 *Respondent Characteristics*

Table 1. Respondent Characteristics

	Frequency	Percentage
Gender		
Male	42	42%

Female	58	58%
Education Level		
Bachelor	12	12%
SHS	73	73%
JHS	9	9%
Elementary	6	6%
Business Duration		
1 years	4	4%
2 years	14	14%
3 years	8	8%
4 years	6	6%
5 years	17	17%
6 years	7	7%
7 years	4	4%
8 years	6	6%
10 years	19	19%
15 years	4	4%
20 years	5	5%
25 years	3	3%
30 years	2	2%
40 years	1	1%

Based on the table above, it can be concluded that the majority of respondents in this study are female, have a high school education, and have a business age of under 10 years.

4.2 Validity Test

Table 2. Validity Test

Variable	Item Number	R-Table	R-Calculated	Conclusion
Financial Literacy (LK)	LK1	0.196	0.716	Valid
	LK2	0.196	0.770	Valid
	LK3	0.196	0.460	Valid
	LK4	0.196	0.688	Valid
	LK5	0.196	0.798	Valid
	LK6	0.196	0.776	Valid
	LK7	0.196	0.735	Valid
	LK8	0.196	0.662	Valid
Financial Inclusion (IK)	IK1	0.196	0.641	Valid
	IK2	0.196	0.772	Valid
	IK3	0.196	0.849	Valid
	IK4	0.196	0.470	Valid
	IK5	0.196	0.850	Valid
	IK6	0.196	0.888	Valid
	IK7	0.196	0.824	Valid
People's Business Credit (KUR)	KUR1	0.196	0.740	Valid
	KUR2	0.196	0.691	Valid
	KUR3	0.196	0.640	Valid
	KUR4	0.196	0.645	Valid
	KUR5	0.196	0.666	Valid
MSME Profitability (PU)	PU1	0.196	0.780	Valid
	PU2	0.196	0.801	Valid
	PU3	0.196	0.714	Valid
	PU4	0.196	0.765	Valid
	PU5	0.196	0.727	Valid

Variable	Item Number	R-Table	R-Calculated	Conclusion
	PU6	0.196	0.748	Valid

Source : Processed data by SPSS (2024)

Based on the data above, it can be concluded that:

- All statement items in the financial literacy (LK) variable each have an R-Calculated > R-Table value, so it can be concluded that all financial literacy (LK) variable items are valid.
- All statement items in the financial inclusion (IK) variable each have an R-Calculated > R-Table value, so it can be concluded that all financial inclusion (IK) variable items have met the validity criteria.
- All statement items in the people's business credit financing (KUR) variable each have an R-Count > R-Table value, so it can be concluded that all items of the people's business credit (KUR) financing variable have met the validity criteria.
- All statement items in the UMKM (PU) profitability variable each have an R-Calculated > R-Table value, so it can be concluded that all UMKM (PU) profitability variable items have met the validity criteria.

4.3 Reliability Test

Table 3. Reliability Test

Variabel	Cronbach Alpha	Conclusion
Financial Literacy	0.853	Reliabel
Financial Inclusion	0.874	Reliabel
People's Business Credit	0.703	Reliabel
MSME Profitability	0.849	Reliabel

Source: Processed data by SPSS (2024)

Based on the table above, it can be concluded that the Cronbach's alpha value for the financial literacy variable is 0.853, financial inclusion is 0.874, people's business credit financing is 0.703, and MSME profitability is 0.849. Therefore, the Cronbach's alpha value for all variables in this research is > 0.6, which indicates that the instruments for the financial literacy variable are reliable.

4.4 Normality Test

Table 4. Normality Test

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		100
Normal	Mean	.0000000
Parameters	Std. Deviation	2.72306027
Most Extreme	Absolute	.070
Differences	Positive	.045
	Negative	-.070
Test Statistic		.070
Asymp. Sig. (2-tailed)		.200

Source: Processed data by SPSS (2024)

The following is the output of the normality test in this research. The data above show that the value of Asymp. Sig. (2-tailed) is 0.200 > 0.05, so it can be concluded that the distribution of the regression model is normal, allowing us to continue testing the next classical assumption.

4.5 Multicollinearity test

Table 5. Multicollinearity test

Model	Collinearity Statistics	
	Tolerance	VIF

	LK	.853	1.173
1	IK	.551	1.817
	KUR	.625	1.601

Source: Processed data by SPSS (2024)

The data in this study show that the VIF value for the financial literacy (LK) variable is 1.173, financial inclusion (IK) is 1.817, and people's business credit (KUR) is 1.601, where the VIF value is <10, which means there is no correlation between the variables, so it does not experience multicollinearity problems.

4.6 Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.251	1.097		1.140	.257
	LK	.070	.037	.199	1.863	.065
	IK	.048	.048	.132	.994	.323
	KUR	-.076	.072	-.132	-1.056	.294

Source: Processed data by SPSS (2024)

Based on the data above, it can be concluded that the sig. for the financial literacy (LK) variable is 0.065, financial inclusion (IK) is 0.323, and people's business credit financing (KUR) is 0.294. Therefore, there is no heteroscedasticity because the sig. > 0.05 means H0 is accepted and Ha is rejected.

4.7 Multiple Linear Regression Test

Table 7. Multiple Linear Regression Test

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	7.216	1.775		4.066	<.001
	LK	-.093	.060	-.116	-1.534	.128
	IK	-.218	.078	-.263	-2.804	.006
	KUR	1.131	.117	.854	9.682	<.001

Source: Processed data by SPSS (2024)

Based on the table of results of the multiple linear regression analysis above, the following equation is obtained:

$$PU = 7.216 - 0.093 LK - 0.218 IK + 1.131 KUR + e \dots \dots \dots (1)$$

Judging from the equation above, it can be explained as follows:

- Based on the multiple linear regression equation above, it is known that the constant value is 7.216, meaning that if the independent variables financial literacy (LK), financial inclusion (IK), and people's business credit financing (KUR) are considered constant, then MSME profitability can be predicted to be 7.216 units.
- The financial literacy (LK) variable in the multiple linear regression model has a coefficient value of -0.093, meaning that if the value of the MSME profitability (PU) variable increases by 1 unit

and the others are constant, then it can be predicted that the value of the MSME profitability variable (PU) will decrease by 0.093.

- c. The financial inclusion variable (IK) in the multiple linear regression model has a coefficient value of -0.218, meaning that if the value of the MSME profitability variable (PU) increases by 1 unit and the others are constant, then it can be predicted that the value of the MSME profitability variable (PU) will decrease by 0.218.
- d. The people's business credit financing variable (KUR) in the multiple linear regression model has a coefficient value of 1.131, meaning that if the value of the MSME profitability variable (PU) increases by 1 unit and the others are constant, then it can be predicted that the value of the MSME profitability variable will increase by 1.131.

4.8 Anova Test (F Test)

Table 8. Anova Test (F Test)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	833.394	3	277.798	36.624	<.001
	Residual	728.172	96	7.585		
	Total	1561.566	99			

Source: Processed data by SPSS (2024)

Based on the table above, it shows that the significance value is smaller than 0.05 ($0.01 < 0.05$), so it can be concluded that each independent variable, namely financial literacy (LK), financial inclusion (IK), and people's business credit financing (KUR), together have the same effect on the dependent variable, namely the profitability of MSMEs (PU).

4.9 Coefficient of Determination Test (R2)

Table 9. Coefficient of Determination Test (R2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731	.534	.519	2.75411

Source: Processed data by SPSS (2024)

Based on the table above, the coefficient of determination test results show an Adjusted R-Square value of 0.519. This indicates that the dependent variable, namely MSME profitability (PU), can be explained by the independent variables, namely financial literacy (LK), financial inclusion (IK), and people's business credit financing (KUR) by 51.9%, while 48.1% is influenced by other variables outside of this research.

4.10 t test (Parameter Coefficient/Regression Slope)

Table 10. t test (Parameter Coefficient/Regression Slope)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.216	1.775		4.066	<.001
	LK	-.093	.060	-.116	-1.534	.128
	IK	-.218	.078	-.263	-2.804	.006

KUR	1.131	.117	.854	9.682	<.001
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Source: Processed data by SPSS (2024)

Based on the table above, the research results for the t-test are as follows:

- Based on the output above, the significance value of the financial literacy (LK) variable on MSME profitability (PU) is $0.128 > 0.05$, so it can be concluded that H_0 is accepted and H_a is rejected, meaning that there is no significant effect between financial literacy (LK) and MSME profitability (PU).
- Based on the output above, the significance value of the financial inclusion (IK) variable on the profitability of MSMEs (PU) is $0.006 < 0.05$, so it can be concluded that H_0 is rejected and H_a is accepted with a standardized b value of -0.197 , meaning that there is a significant effect between financial inclusion (IK) and the profitability of MSMEs (PU), where the direction is negative.
- Based on the output above, the significance value of the people's business credit financing (KUR) variable on the profitability of MSMEs (PU) is $0.001 < 0.05$, so it can be concluded that H_0 is rejected and H_a is accepted with a standardized b value of 1.098 , meaning that there is a significant influence between people's business credit financing (KUR) and the profitability of MSMEs (PU), where the direction is positive.

5. Conclusion

5.1 Conclusion

This research is intended to determine the effect of Financial Literacy (LK), Financial Inclusion (IK), and People's Business Credit Financing (KUR) on the Profitability of MSMEs (PU). Based on the results of the analysis and research findings, as well as the discussions carried out in the previous chapter, the conclusions that can be drawn from this research are as follows:

- Financial literacy (LK) has no significant effect on the profitability of MSMEs (PU). Respondents stated that they were unable to analyze business financial performance periodically. This is caused by a lack of adequate ability and knowledge regarding financial literacy among MSME players.
- Financial inclusion (IK) has a significant negative effect on the profitability of MSMEs (PU). Even though information related to financial services and products is obtained more easily and clearly, the fact is that MSME players are not fully able to obtain these products and services quickly and easily.
- People's business credit financing (KUR) has a significant positive effect on the profitability of MSMEs (PU). Most respondents agreed that People's Business Credit (KUR) is used as a source of business capital to help develop businesses.

5.2 Suggestion

Based on the research results that have been presented, there are several suggestions that can be used in further research, namely as follows:

- PT Pegadaian Palembang City

The results of this research indicate that financial literacy (LK) does not have a significant effect on the profitability of MSMEs. PT Pegadaian Kota Palembang, as a State-Owned Enterprise (BUMN), is expected to provide more effective financial education programs, such as training and counseling regarding financial management and business planning, so that financial literacy (LK) can increase, enabling MSMEs to be more resilient in facing risks and market changes. The research results also show that financial inclusion has a negative effect on the profitability of MSMEs, so it is necessary to evaluate and adjust policies where PT Pegadaian Kota Palembang, as a financial institution provider, must ensure that the products and services obtained by MSME business actors are easy and fast.

- Customers of MSME actors

The research results show the positive influence of People's Business Credit (KUR) financing on the profitability of MSMEs, so it is recommended for MSMEs to use this financing facility wisely. MSME actors must be more proactive in seeking information regarding how to obtain KUR financing funds that suit the needs of business actors, so that they can be used to increase working capital and business expansion through careful planning.

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