

The Effect of Islamic Financial Inclusion and Literacy on the Productivity of MSMEs: Case Study in Probolinggo

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Abstract

Looking at the large contribution of MSMEs to GDP growth, namely 0.2%, it can be seen that the market in this sector is supported by a fairly large portion of the workforce, reaching 96.92%. However, the low productivity of MSMEs is a concern because the input produced is not commensurate with the output produced. This research aims to investigate and understand the productivity problems faced by MSMEs (Micro, Small and Medium Enterprises) in Probolinggo, especially in Mayangan sub-district. This research covers aspects such as financial inclusion and financial literacy, with a focus on sharia approaches. This was done to understand the impact of sharia financial inclusion and sharia financial literacy on the productivity of MSMEs in the region. The study employs quantitative research methods and utilizes primary data obtained from respondent-filled questionnaires. The population consists of MSMEs in the Mayangan District, with 30 respondents selected through Probability Sampling. Then the data is processed using multiple linear regression analysis techniques using the SPSS (Statistical Package for Social Sciences) program. The results of this study indicate that Islamic financial inclusion and Islamic financial literacy have a significant effect on the productivity of MSMEs. This is evidenced by the result of the coefficient of determination analysis where the variables of Islamic financial inclusion and Islamic financial literacy affect MSMEs productivity by 84,3% and the remaining 15,7% is explained by other variables not included in this study.

Keywords: Islamic financial inclusion, Islamic financial literacy, MSMEs productivity

Introduction

In the current era of globalization, one of the steps that a country must take to improve its economy is trade, both micro and macro. According to Bappenas Indonesia's economic growth rate in 2023 increased by 0.2% to 5.03%. According to Suhariyanto, head of the Central Bureau of Statistics, the micro, small, and medium sectors are the highest sources of economic growth, followed by large and retail stores. This economic growth has a direct effect on increasing employment. The Coordinating Ministry for Economic Affairs of the Republic of Indonesia reported that employment from small and medium enterprises (MSMEs) reached 96.92 percent of the national workforce. This shows that MSMEs also have a significant effect on unemployment.

Considering the significant contribution of MSMEs to GDP growth, which is 0.2%, and the market share of this sector, which reaches 99.99% and is supported by a fairly high portion of the workforce, reaching 96.92%, this shows that the productivity of MSMEs is low because the amount of input is still not proportional to the output produced by MSMEs. Meanwhile, in the growth of MSMEs, an increase in productivity is very important because the results of the increase are needed for the growth of MSMEs.

One of the problems that often hinders the growth of MSMEs is financial. Limited capital can prevent MSMEs from growing. This goal is achieved by improving

access to financial services for the community and Micro, Small and Medium Enterprises (MSMEs).¹ Financial inclusion is an effort to make the financial system more accessible to all levels of society, which will encourage economic growth so that MSMEs can help reduce poverty in Indonesia.² Lack of financial literacy is a further problem that hinders the growth of MSMEs. Lack of knowledge and understanding of the existence of financial institutions is also a further problem. Islamic financial literacy aims to increase the knowledge, understanding, and role of the community in the use of Islamic financial goods and services.³

Currently, Islamic finance is growing rapidly, supported by the development of Islamic financial institutions and companies that offer products and services based on Sharia concepts. In the development of Islamic finance at the national level, much progress has been made, including regulations, supervisory systems, and public awareness of Islamic financial services.⁴

By 2022, there were 1,153,576 small and medium enterprises (MSMEs) in East Java.⁵ One of the cities that has many MSMEs is Probolinggo. The number reached 69,187 MSMEs in 2022, according to the Probolinggo Central Bureau of Statistics.⁶ In accordance with the Central Statistics Data above, the Probolinggo area, which has a large number of MSMEs, namely in the Mayangan sub-district, which amounts to 10,226 MSMEs. By the background of study above, this research aims to investigate the influence of sharia financial literacy and inclusion on the productivity of MSMEs in Probolinggo City both separately and simultaneously.

Literature Review and Hypothesis Development

This research discusses two main concepts: Islamic financial inclusion and Islamic financial literacy, and how both affect the productivity of Micro, Small and Medium Enterprises (MSMEs) in Probolinggo. To understand the theoretical framework and empirical context of this topic, the literature review is divided into two parts: the theoretical framework and previous researches.

MSMEs, which generally do not meet the requirements for banking services (non-bankable), often face difficulties in accessing credit or financing and other services from banking institutions. To overcome this obstacle, it is necessary to develop a model that can connect the world of banking, which operates on the principle of prudence (prudential banking), with the capital needs of MSMEs. According Ya'qub (2017), one way to bridge this gap is to implement an Islamic inclusive financial system, which can provide MSMEs with easier access to banking services without

¹ Yulita Zanaria, "Pengaruh Pemahaman Fintech dan Inklusi Keuangan terhadap Produktivitas UMKM di Kota Bandar Lampung", *Journal The 4th Febenefecium Business and Economics Conference in Utilizing of Modern Technology*, Vol. 2 No. 4, (2021), p. 84.

² Setyani Irmawati, Delu Damelia, and Dita Wahyu Puspita, "Model Inklusi Keuangan pada UMKM Berbasis Pedesaan", *Journal Economics and Policy*, Vol. 5 No. 62, (2013), p. 154.

³ Anriza Witi Nasution, "Analisis Faktor Kesadaran Literasi Keuangan Syariah Mahasiswa Keuangan dan Perbankan Syariah", *Journal Equilibrium Ekonomi Syariah*, Vol. 7 No. 1, (2019), p. 45.

⁴ Otoritas Jasa Keuangan, *Sejarah Perbankan Syariah*, (<https://www.ojk.go.id>).

⁵ Bumialumni, *Koperasi dan UMKM*, (<https://bumialumni.com>).

⁶ Badan Pusat Statistik Kabupaten Probolinggo, *Jumlah Usaha Kecil Menengah 2020-2022*, (<https://probolinggokab.bps.go.id>).

compromising strict financial principles.⁷

Islamic financial literacy refers to an individual's understanding of financial concepts in accordance with sharia principles and the ability to manage financial resources in accordance with Islamic teachings. According to Muhammad (2023), this literacy includes knowledge about Islamic financial products, skills in managing finances, and attitudes in applying Islamic principles in everyday life.⁸ Good financial literacy enables MSME owners to make wiser financial decisions, utilize sharia financial products, and improve the sustainability of their business.

MSME productivity is measured by their ability to produce optimal output with existing input. This productivity is often influenced by access to financial resources and good financial management skills. According to Rumondang (2020), the wider financial inclusion and good financial literacy can improve social welfare, health, and education to achieve higher standards of living and significantly improve the operational efficiency and competitiveness of MSMEs.⁹

The relationship between Islamic financial inclusion and MSMEs productivity

Micro, Small and Medium Enterprises (MSMEs) are defined as small and medium enterprises (MSMEs). MSMEs are productive businesses owned by individuals or business entities that qualify as micro-enterprises. MSME entrepreneurs need financial inclusion to thrive. It can help them gain access to easier financial services.¹⁰ Islamic financial inclusion and micro, small and medium enterprises (MSMEs) are two aspects that complement each other. These two elements cannot be separated, and optimal development of both can improve the quality of economic growth. Islamic financial inclusion is a financial service system specifically designed to meet the needs of community groups who do not deserve banking services (unbankable), so that they can participate in development and become more productive.¹¹

$H_1 =$ Islamic financial inclusion has a Positive Effect on MSMEs productivity

The relationship between Islamic financial literacy and MSMEs Productivity

Islamic financial literacy is a person's ability to understand financial knowledge, skills and attitudes in managing financial resources in accordance with Islamic teachings. Apart from that, Islamic financial literacy is also an obligation for every Muslim, because this contributes to achieving Al-Falah (success) in this world and the hereafter.¹² If there are no financial statements, it will be difficult to determine

⁷ Muhammad Ya'qub, "Pengembangan Perekonomian Masyarakat melalui Inklusi Keuangan Syariah", *QIEMA (Qomaruddin Islamic Economy Magazine)*, Vol. 5, No. 1, (2019), p. 91.

⁸ Muhammad, Abdul Hadi Sirat, E. Hartaty Hadady, "The Effect of Islamic Financial Literacy on the Decision to Use Islamic Banking Services in the City of Ternate with Religion as a Moderating Variable", *Jurnal Manajemen Bisnis*, Vol. 10, No. 1, (2023), p. 178.

⁹ Ida Rumondang, Inka B. Yusgiantoro, and Jelita Sarah Rofifa, "Effects of Information and Communication Technology on Financial Inclusion: Evidence Across Emerging and Developing Countries", *Financial Services Authority Working Paper*, (2020), p. 19.

¹⁰ Kusumaningtuti S. Soetiono Cecep Setiawan, *Literasi dan Inklusi Keuangan Indonesia*, (Depok: PT Raja Grofindo Persada, 2022), p. 9.

¹¹ Tegar Wahyu Sutanto dan Tetty Widiyastuti, "Peran Inklusi Keuangan Berkaitan dengan Produktifitas UMKM yang menjadi Agen 46 PT Bank Negara Indonesia (Persero) Tbk Kantor Cabang Blitar", *Jurnal Penelitian Manajemen Terapan (PENATARAN)*, Vol. 5, No. 2, (2020), p. 120.

¹² Diky Rahmansyah, et. al., "the Role of Sharia Financial Innovation and Literacy for MSME

production prices and calculate profits and losses. Every cost detail recorded in the financial report will also help MSMEs in calculating profits and losses.¹³

$H_2 =$ Islamic financial literacy has a Positive Effect on MSMEs productivity

The simultaneously relationship of Islamic financial inclusion and literacy to MSMEs productivity

Financial literacy influences a person’s perspective on their financial situation and influences strategic decision making in financial aspects, as well as improving financial management for business owners.¹⁴ Meanwhile, financial inclusion is an effort to eliminate all types of barriers, both price and non-price, to access to financial services, so that people can improve their quality of life.¹⁵

$H_3 =$ Islamic financial inclusion and literacy has a positive effect simultaneously on MSMEs productivity

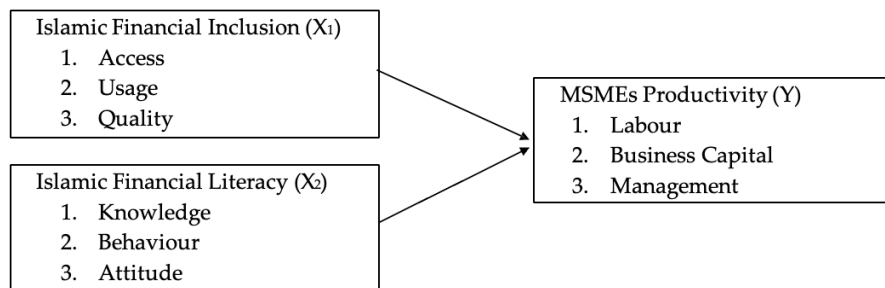


Figure 1. Research Framework

Source: Processed by Researchers

Methodology

This research uses quantitative research with questionnaire method data collection technique that is carried out by giving a set of questions or written statements to respondents to answer through Google Forms to collect data from respondents with a five-scale Likert scale was used, with a minimum score of 1 and a maximum score of 5, this is because the advantage of this questionnaire tool is that they can express their feelings in the form of agreement to a question. This research use Probability Sampling with the determination of the number of samples developed by Roscoe.¹⁶ This research use Multiple linear regression analysis is the analysis technique used. It determines how much effect two or more independent variables have on one dependent variable and then uses the independent variables to predict the dependent variable using the statistical program for social science 26 called SPSS 26 because it can help with statistical data processing.

Actors in Increasing Profitability”, *Sharia Oikonomia Law Journal*, Vol. 1, No. 2, (2023), p. 128.

¹³ Ibid., p. 7.

¹⁴ Hidayatulloh, “Pengaruh Inklusi Keuangan, Literasi Keuangan, dan Kemampuan Menyusun Laporan Keuangan terhadap Kinerja Keuangan UMKM Kabupaten Tegal”, *Doctoral Dissertation*, (Universitas Pancasakti Tegal, 2020), p. 8.

¹⁵ R. N. Septiani and Wuryani, “Pengaruh Literasi Keuangan dan Inklusi Keuangan terhadap Kinerja UMKM di Sidoarjo”, *Doctoral Dissertation*, (Udayana University, 2020), p. 12.

¹⁶ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif dan R&D*, Cet. 10, (Bandung: CV. Alfabeta, 2010), p. 119.

Micro, Small and Medium Enterprise Units

Micro, small and medium enterprises (MSMEs) can increase employment and provide various economic services to the community. MSMEs can drive economic growth, increase community income, and contribute to national stability.¹⁷ It is further explained in Article 6 of Law No. 20 of 2008 regarding the criteria for MSMEs in the form of capital are as follows:

1. The criteria for Micro Enterprises are as follows:
 - a. Having a net worth of at most Rp. 50,000,000.00 (fifty million rupiah), excluding the land and building of the place of business.
 - b. Having annual sales revenue of at most Rp. 300,000,000.00 (three hundred million rupiah)
2. The criteria of a Small Business are as follows:
 - a. Having a net worth of more than Rp. 50,000,000.00 (fifty million rupiah) up to a maximum of Rp. 500,000,000.00 (five hundred million rupiah), excluding the land and building of the place of business.
 - b. Having annual sales revenue of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000.00 (two billion five hundred million rupiah)
3. The criteria for medium-sized enterprises are as follows:
 - a. Having a net worth of more than Rp. 500,000,000,000.00 (five hundred million rupiah) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah), excluding land and buildings of the place of business.
 - b. Having annual sales of more than Rp. 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of Rp. 50,000,000,000.00 (fifty billion rupiah).¹⁸

Islamic Financial Institutions

Islamic financial institutions differ from conventional financial institutions in terms of their objectives, mechanisms, powers, scope and responsibilities. Islamic financial institutions aim to achieve the socio-economic goals of society in accordance with Islamic Law.¹⁹ There are also some other views that say Islamic economics is an economy based on Islamic provisions. Which looks at the banking system without usuary, payment of *zakat*, *mudharabah* and *musharakah* companies. The purpose of Islamic banking is simply to provide banking and financial facilities that are in line with the will of Islam.²⁰

Islamic Financial Inclusion

Islamic financial inclusion means gaining access to various Sharia products, services and institutions to fulfil the needs of the community. In other words, Islamic

¹⁷ Sony Hendra Permana, "Strategi Peningkatan Usaha Mikro, Kecil, dan Menengah (UMKM) di Indonesia", *Journal Aspirasi*, Vol. 8 No. 1, (2017), p. 96.

¹⁸ *Ibid.*, p. 159.

¹⁹ Andri Soemitra, *Bank dan Lembaga Keuangan Syariah*, (Jakarta: Prenadamedia Group, 2009), p. 29.

²⁰ Veithzal Rivai and Antoni Nizar Usman, *Islamic Economics and Finance*, (Jakarta: PT Gramedia Pustaka Utama, 2012), p. 29.

financial inclusion explains how people can access Islamic products, services and institutions.²¹

Financial inclusion consists of several indicators, namely:

1. Access indicators reflect the depth of coverage of financial services, such as the penetration of bank branches in rural areas or demand-side barriers that customers face to accessing financial institutions, such as cost or information.
2. Usage Indicators measure how clients use financial services, such as the regularity and duration of the use of financial products/services over time.
3. Quality Indicators explain whether financial products and services meet consumers' needs, the range of options available, and clients awareness and understanding of financial products and services.²²

Islamic Financial Literacy

Islamic financial literacy relates to a person's ability to use their financial knowledge, skills, and attitudes to manage financial resources in accordance with Islamic teachings. The purpose of Islamic financial literacy is to improve the quality of financial decision-making and change one's attitude and behaviour in managing finances so that one can determine and utilize financial institutions according to one's needs and abilities.²³

Several components/dimensions are measured in financial literacy, namely:

1. Financial knowledge: is education about the procedures for managing personal finances to face the future with economic independence. As for the measurement, namely general knowledge of personal finance, savings, knowledge of Islamic investment, Islamic insurance, knowledge of Islamic savings and financing.
2. Financial behaviour: a person's ability to plan, budget, manage, search and store daily financial funds. For measurement, it can be seen from four things, namely debt management, cash flow management, saving, and investing.
3. Financial attitude: is a state of mind, income, and judgment about finances. The measurement is the attitude towards money and future planning.²⁴

MSMEs Productivity

Production is the ratio of output to input, which consists of labour, materials, energy, and other inputs and other resources used to produce the product. In simple terms, productivity is a measure or index that measures the output of goods or services relative to inputs. Improving productivity must be well-planned and systematic so that it is successful in the company.²⁵

²¹ Eny Latifah, "Inovasi Produk Halal pada Islamic Microfinance Institutions dalam Mendukung Inklusi Keuangan untuk Memenuhi Kebutuhan UMKM dan Milenial," *Journal Al Musthofa: Journal of Shariah Economics*, Vol. 3, No. 1, (2020), p. 14.

²² Kusumaningtuti S. Soetiono Cecep Setiawan, *Literasi dan Inklusi Keuangan Indonesia*, (Depok: PT Raja Grafindo Persada, 2022), p. 112.

²³ Anriza Witi Nasution and Marlyia Fatira, "Analisis Faktor Kesadaran Literasi Keuangan Syariah Mahasiswa Keuangan dan Perbankan," *Jurnal Equilibrium: Journal Ekonomi Syariah*, Vol. 7, No. 1, (2019), p. 45.

²⁴ Kusumaningtuti S. Soetiono Cecep Setiawan, *Literasi dan Inklusi Keuangan Indonesia*, p. 7.

²⁵ Sofjan Assauri, *Manajemen Operasi Produksi Pencapaian Sasaran Organisasi Berkesinambungan*, (Jakarta: PT Raja Grafindo Persada, 2016), p. 19.

MSMEs' productivity is effect by several factors, including:

1. The workforce used in building a developed business is not only relying on a large workforce but also trying to use a workforce with high productivity and a low level of employment absorption. So a high level of skill is needed.
2. The more business capital owned, the more production activities that produce goods and services, which allows for increased productivity. Business capital is a form of financial wealth owned by MSMEs that can produce output either directly or indirectly. Enterprise capital can support the productivity of MSMEs as well as increase their competitiveness when developing their businesses. The size of capital will effect the development of productivity of small and medium enterprises (MSMEs).
3. Management management creates a production operation system, which converts inputs into outputs. Whether the entrepreneur has managed the work well so as to create good productivity for his business, good productivity is important. Can provide the possibility of getting closer to the organization and the goals and objectives to be achieved.²⁶

Result and Discussion

Probability sampling as developed by Roscoe is as follows: If the research conduct multivariate analysis, then the number of sample members should be at least ten times the available three variables (X_1 , X_2 and Y) which are 30 samples of respondents.

1. Respondents Overview

Table 1. Respondents Overview

Age	< 20 Years	-	0%
	21 – 25 Years	-	0%
	26 – 30 Years	6	20%
	31 – 40 Years	11	37%
	41 – 50 Years	13	43%
	> 50 Years	-	0%
	Total	30	100%
Last Education	<SMA/equivalent	10	33%
	D1 – D3	2	7%
	S1 – S3	18	60%
	Total	30	100%
Bank Customer	Islamic	30	100%
	Conventional	-	0%
	Total	30	100%
Net Income Range	300.000.000	14	47%
	300.000.000 – 2.500.000.000	10	33%
	2.500.000.000 – 50.000.000.000	6	20%
	Total	30	100%

²⁶ Ibid., p. 20.

2. Validity Test

Table 2. Validity Test Result

Variable	Statement	R- _{Count}	R- _{Table}	Description
Inclusion	IFI1	0,854	0,361	Valid
	IFI2	0,580	0,361	Valid
	IFI3	0,632	0,361	Valid
	IFI4	0,678	0,361	Valid
	IFI5	0,511	0,361	Valid
	IFI6	0,697	0,361	Valid
	IFI7	0,721	0,361	Valid
Literacy	IFL1	0,824	0,361	Valid
	IFL2	0,599	0,361	Valid
	IFL3	0,625	0,361	Valid
	IFL4	0,535	0,361	Valid
	IFL5	0,596	0,361	Valid
	IFL6	0,830	0,361	Valid
	IFL7	0,420	0,361	Valid
	IFL8	0,670	0,361	Valid
	IFL9	0,658	0,361	Valid
	IFL10	0,493	0,361	Valid
	IFL11	0,824	0,361	Valid
	IFL12	0,558	0,361	Valid
	IFL13	0,672	0,361	Valid
	IFL14	0,467	0,361	Valid
	IFL15	0,633	0,361	Valid
	IFL16	0,670	0,361	Valid
Productivity	P1	0,802	0,361	Valid
	P2	0,780	0,361	Valid
	P3	0,761	0,361	Valid

Source: Primary Data Processed 2023

Based on the bivariate correlation, the whole of value t-count are more than the table (0,361). Therefore it can be concluded that the whole indicator of the question is valid.

3. Reliability Test

Table 3. Reliability Test Result

Variable	Cronbach's Alpa	N of item	Description
Islamic Financial Inclusion	0,790	7	Reliable
Islamic Financial Literacy	0,899	16	Reliable
Productivity	0,674	3	Reliable

Source: Primary Data Processed 2023

The whole of cronbach's alpa is more than then 0,60. Therefore it can be concluded that the whole indicator of the question is valid.

4. Descriptive Statistical Analysis

Table 4. Descriptive Statistical Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X ₁ .Total	30	23	34	27.70	3.064
X ₂ .Total	30	48	73	59.57	7.016
Productivity	30	9	15	12.00	1.554
Valid N	30				

Source: Primary Data Processed 2023

- a. The Islamic financial inclusion variable has an average value of 27.70 with a standard deviation of 3.064, so the average value is greater than the standard deviation, indicating that the data quality of this variable is good so that the distribution of data shows normal results. Based on the processed descriptive statistics above, financial inclusion has a minimum value of 23, a maximum value of 34 and a sample size of 30 respondents.
- b. The Islamic financial literacy variable has an average value of 56.57 with a standard deviation of 7.017, so the average value is greater than the standard deviation, thus indicating the data quality of this variable is good so that the data distribution shows normal results. Based on the processed descriptive statistics above, financial literacy has a minimum value of 48, a maximum value of 73 and a sample size of 30 respondents.
- c. The MSMEs Productivity variable has an average value of 12.00 with a standard deviation of 1.554, so the average value is greater than the standard deviation, indicating that the data quality of this variable is good so that the data distribution shows normal results. Based on the processed descriptive statistics above, financial literacy has a minimum value of 9, a maximum value of 15 and a sample size of 30 respondents.

5. Classical Assumption Test

a. Normality

Table 4. Normality Test Results

One- Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		30
Normal	Mean	.0000000
Parameter	Std.Deviation	.61610630
Most Extreme	Absolute	0.131
Differences	Positive	0.104
	Negative	-0.131
Test Statistic		0.131
Asymp. Sig. (2-tailed)		0,200
<i>a. Test distribution is Normal</i>		
<i>b. Calculated from data</i>		
<i>c. Lilliefors Significance Correction</i>		

Source: Primary Data Processed 2023

It can be explained that the normality test uses the Kolmogorov-Smirnov test by looking at the Asymp. Sig. (2- tailed) on the test results. It can be seen that the test results in this research value Asymp. Sig. (2-tailed) is 0.200, this result is greater than 0.05. So, the data obtained in this study is normally distributed.

b. Multicollinearity

Table 5. Multicollinearity Test Results

		Coefficients	
Model		Collinearity Statistics	
		Tolerance	VIF
1	X ₁ .Total	0.128	7.800
	X ₂ .Total	0.128	7.800

a. Dependent Variable Productivity

Source: Primary Data Processed 2023

The multicollinearity test results above show that the first for the financial inclusion variable has a VIF (Variance Inflation Factor) value of 7,800 < 10 and a tolerance value of 0.128 > 0.10, so it can be interpreted that there is no multicollinearity problem for the financial inclusion variable. So that it meets the requirements of regression analysis. The second for the multicollinearity test results for the Financial Literacy variable has a VIF (Variance Inflation Factor) value of 7,800 < 10 and a tolerance value of 0.128 > 0.10 so that there are no multicollinearity symptoms in the financial literacy variable.

c. Heteroscedasticity

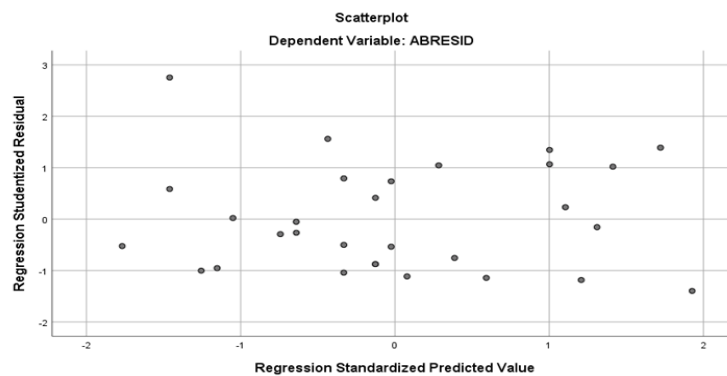


Figure 2. Heteroscedasticity Test Results

Source: Primary Data Processed 2023

The figure above shows the results of testing the scatter plot of this study. They show that there is no clear pattern; the points are scattered from number 0 on the Y-axis to number 0 below it; the data points are not clustered only above or below; the distribution of data points does not form a wavy pattern that widens then narrows again; and as a result, it can be concluded that there is no heteroscedasticity in the regression model, so the regression model is feasible to use.

6. Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	Constant	0.560	1.078		0.520	0.607
	X ₁ , Total	0.159	0.108	0.314	2.471	0.003
	X ₂ , Total	0.137	0.047	0.618	2.901	0.007

a. Dependent Variable Productivity

Source: Primary Data Processed 2023

Through the results obtained from the multiple linear regression test, the results of the multiple linear regression equation are obtained as follows:

1. The constant of 0.560 means that if there are no Islamic financial inclusion variables (X₁) and Islamic financial literacy (X₂) that affect the productivity of MSMEs (Y) is 0.560.
2. The regression coefficient value for the Islamic financial inclusion variable (X₁) is 0.159, meaning that every time there is an increase in the Islamic financial inclusion variable (X₁) by 1%, the productivity of MSMEs will increase by 0.159. Likewise, vice versa if there is a decrease in the Islamic financial inclusion variable (X₁) by 1%, the productivity of MSMEs will decrease by 0.159.
3. The regression coefficient value for the Islamic financial literacy variable is 0.137, which means that every time there is an increase in the Islamic financial literacy variable (X₂) by 1%, the productivity of MSMEs will increase by 0.137. Likewise, on the contrary, if there is a decrease in the Islamic financial literacy variable (X₂) by 1%, the productivity of MSMEs will decrease 0,137.

7. Hypothesis Test

- a. T-Test (Partial)

Table 7. T-Test Results (Partial)

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
	Constant	0.560	1.078		0.520	0.607
1	X ₁ , Total	0.159	0.108	0.314	2.471	0.003
	X ₂ , Total	0.137	0.047	0.618	2.901	0.007

a. Dependent Variable Productivity

Source: Primary Data Processed 2023

- 1) The Islamic financial inclusion variable (X₁) has a positive coefficient value of 2.471 > 2.051 with a significant level value of 0.003 < 0.05, so H₀ is rejected, and H₁ is accepted. So, the Islamic financial inclusion variable (X₁) has a positive effect on MSME's productivity (Y). The result is in accordance with Nugroho's findings in 2021 which revealed that the availability of sharia

banking banking services has a positive influence and has a significant effect on the performance of MSMEs, both performance as measured by number of MSMEs and measured by the number of workers in MSMEs.²⁷

- 2) The Islamic financial literacy variable (X_2) has a positive coefficient value of $2.901 > 2.051$ with a significant level value of 0.007 , so H_0 is rejected, and H_1 is accepted. So, the Islamic financial literacy variable (X_2) has a positive effect on MSME's productivity (Y). The result is in line with Rahmawati's research which found the positive influence of financial literacy with indicators of financial knowledge, financial attitudes and financial behavior on the performance of student-based entrepreneurial businesses.²⁸ The result also supports Suwarsi's research which found Islamic financial literacy plays a crucial and impactful role in the development of MSME businesses. It has a significant positive influence, contributing to 36.1% of the overall business development. Recognizing the critical role that financial literacy plays in the advancement of MSMEs, there is a need to foster greater literacy among those who currently lack it. By enhancing their understanding of Islamic financial principles, MSME operators can make better-informed decisions regarding management and finance, thereby fostering growth and sustainability in their businesses.²⁹

b. F-Test (Simultaneous Test Result)

Table 8. Simultaneous Test Results (F)

ANOVA						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.992	2	29.496	72.346	0.000
	Residual	11.008	27	0.408		
	Total	70.000	29			

a. Dependent Variable: Productivity

b. Predictors: (Constant), X_2 , Total, X_1 , Total

Source: Primary Data Processed 2023

Based on the data in the table above, it can be seen that the result of the f count obtained is 72.346, while the f table is 3.35. Because f count $>$ f table ($72.346 > 3.35$) with a sig value of p-value = $0.000 < 0.05$. So, all independent variables, namely Islamic financial inclusion and Islamic financial literacy, simultaneously affect the dependent variable on MSME's productivity. The result is in accordance with Pranatasari's research which found that Digital Islamic financial literacy and inclusion simultaneously affect the profitability of MSMEs in Bantul Regency.³⁰

²⁷ Muh Awal Satrio Nugroho, "Peran Inklusi Keuangan Perbankan Syariah terhadap Kinerja Usaha Mikro Kecil dan Menengah (UMKM)", *Doctoral Dissertation*, (Universitas Islam Indonesia, Yogyakarta, 2021), p. 143.

²⁸ Rina Rachmawati, Anindya Ardiansari, and Hendra Dedi Kriswanto, "Financial Literacy and Its Effect on Business Performance of Student-Driven Entrepreneurship in the Covid-19 Pandemic", *Indonesian Journal of Business and Entrepreneurship*, Vol. 8, No. 3, (2022), p. 383.

²⁹ Aqidah Asri Suwarsi, Aninta Gina Sharfina, and Anisatun Anggraeni, "Portrait of MSMEs' Islamic Financial Literacy and the Impact on Business Development", *Jurnal AFKARUNA*, Vol. 18, No. 1, (2022), p. 228.

³⁰ Devi Pranatasari, Dhidhin Noer Ady Rahmanto, and Ragil Satria Wicaksana, "Digital Islamic Financial Literacy and Inclusion on Profitability of Micro, Small and Medium Enterprises", *Nusantara*

8. Coefficient of Determination (R_2)

Table 9. Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.918	0.843	0.831	0.639
<i>a. Predictors: (Constant), X_2, Total, X_1, Total</i>				
<i>b. Dependent Variable: Produktivty</i>				

Source: Primary Data Processed 2023

Based on the results of multiple linear regression analysis used to test the effect of Islamic financial inclusion on MSME productivity, it was found that the regression coefficient value for variable X_1 (Islamic financial inclusion) was 0.159 with a positive coefficient. This positive coefficient shows that the stronger the influence of Islamic financial inclusion, the higher the productivity of MSMEs. Conversely, the weaker the influence of Islamic financial inclusion, the lower the productivity of MSMEs. The results of testing hypothesis 1 using the t-test show that hypothesis 1 is accepted, namely that there is a significant influence of Islamic financial inclusion on the productivity of MSMEs.

Based on the results of multiple linear regression analysis used to test the influence of Islamic financial literacy on MSME productivity, it was found that the regression coefficient value for variable X_1 (Islamic financial inclusion) was 0.137 with a positive coefficient. This positive coefficient shows that the stronger the influence of Islamic financial literacy, the higher the productivity of MSMEs. Conversely, the weaker the influence of Islamic financial literacy, the lower the productivity of MSMEs. The results of testing hypothesis 2 using the t-test show that hypothesis 2 is accepted, namely that there is a significant influence of Islamic financial literacy on the productivity of MSMEs.

Based on the data in the table 8 above, the calculated f value obtained is 72.346 while the f table is 3.35. Because the calculated f is greater than the f table ($72.346 > 3.35$) with a significant p-value = $0.000 < 0.05$, all independent variables, namely Islamic financial inclusion and literacy, simultaneously have a significant effect on the dependent variable productivity MSMEs.

The results of the coefficient of determination test are obtained. Namely, it is known that the coefficient of determination is found in the *Adjusted R Square value* of 0.843. This means that the ability of the Islamic financial inclusion variable (X_1) and Islamic financial literacy (X_2) to explain the dependent variable, namely MSMEs productivity (Y), is 84.3%, and the remaining 15.7% is explained by other variables not included in this study.

Conclusion

Islamic Financial Inclusion has a positive and significant effect on MSME's productivity. This shows that MSME's productivity will increase significantly if MSME actors are firm and always consistent in using products and services from

Islamic financial inclusion. This is evidenced by the results of the t-test (partial), namely $t_{count} = 2.471 >$ from $t_{table} = 2.051$ with a significant value of $0.003 <$ from $\alpha = 0.05$.

Islamic Financial Literacy has a positive and significant effect on MSME's productivity. This shows that MSME productivity will increase significantly if MSME actors continue to improve Islamic financial literacy. This is evidenced by the results of the t-test on the financial literacy variable (X_2) with a calculated t value of $= 2.901 >$ $t_{table} = 2.051$ with a significant value of $0.007 <$ $\alpha = 0.05$, H_2 is accepted.

Based on the results of the coefficient of determination test, it can be seen that the coefficient of determination is found in the Adjusted R Square value of 0.843. This means that the ability of the independent variables to explain the dependent variable is 84.3%, and the remaining 15.7% is explained by other variables not included in this study.

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