

The Influence of Financial Literacy, Fintech Peer To Peer Lending, and Payment Gateways on the Financial Performance of MSMEs in Medan City

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Abstract

UMKM often experiences delays in its development, some of the problems that often occur are the difficulty of obtaining financing, being left behind by the pace of technology and the lack of financial literacy. The purpose of this study is to find out whether there is an influence from financial literacy, Fintech peer to peer lending and payment gateways on the financial performance of MSMEs in Medan City. This study uses primary data, the primary data in this study were obtained from distributing questionnaires. The total population in this study was 90 thousand business actors. The sampling technique used purposive sampling method. The method used in this research is descriptive quantitative method. This study uses primary data obtained from respondents' answers through interviews and distributing questionnaires. The analytical method in this study uses partial least square structural equation modeling (PLS-SEM) analysis. The results of this study indicate that financial literacy has a positive and significant effect on financial performance, Fintech Peer to Peer Lending has a positive and significant effect on financial performance, and Payment gateway has a positive and significant effect on the financial performance of MSMEs in Medan City. Implication.

Keywords: financial literacy; fintech peer to peer lending; payment gateway and msme financial performance.

Received: 1 June 2023

Revised: 3 August 2023

Accepted: 21 August 2023

1. Introduction

In Indonesia, Micro, Small and Medium Enterprises (MSMEs) play an important role for the pace of the economy as a way to accelerate regional development (Rumbianingrum & Wijayangka, 2018). Based on Law no. 20 of 2008 concerning MSMEs, micro, small and medium enterprises are sectors that play a significant role in providing employment. The Indonesian Ministry of Cooperatives and SMEs said that when viewed from the number of units, MSMEs have a market share of around 99.99% (62.9 million units) of all the number of businesses in Indonesia, but large businesses are only able to contribute as much as 0.01% (5,400 units) (Tanjung, et al., 2022). Meanwhile, micro businesses are able to absorb as much as 107.2 million workers or (89.2%), and small businesses are as much as 5.7 million or 4.74%, and for medium businesses around 3.73 or 3.11% while large businesses only able to absorb about 3, 58 million souls. This means that overall MSMEs are able to absorb around 97% of the total national workforce (Kasendah & Wijayangka, 2019; Tanjung et al., 2022).

However, MSME actors often experience problems, including the difficulty of obtaining financing or loan funds for capital, causing MSME to not have a large increase. As a result, limited capital often becomes an obstacle for MSME actors in developing their businesses and expanding their business networks. Rahardjo said that there are around 60 million units of MSMEs and only because of that, strategic ways are needed in order to improve the financial performance of MSMEs, efforts can be made to overcome these obstacles by providing MSME actors with knowledge about finance (Rahardjo, et al., 2019; Tanjung, 2021).

In the book *Financial Literacy and Inclusion in Indonesia*, Soetiono and Setiawan explain that financial literacy is a significant predictor of setting financial goals for business managers (Soetiono, 2018). Rahardjo also said that

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knowledge of financial products and services plays an important role in increasing MSME actors' understanding of the various types of financial products and services offered with the hope that their use can contribute to business development.

Therefore, in order to increase public knowledge, skills and confidence in finance, OJK as the regulator has created a program to increase financial knowledge called the Indonesian National Strategy for Financial Literacy (SNLKI) (OJK, 2021). In this program, OJK targets certain groups of people, one of which is MSME. Judging from the results of a survey related to financial literacy and inclusion in 2016 OJK, North Sumatra's position in terms of financial literacy is still below the Riau Archipelago and Aceh Provinces. Even though for the level of financial inclusion North Sumatra outperformed all provinces in the 5th region of SUMBAGUT or ranked 4th nationally after DKI Jakarta, Yogyakarta and Bali. Then in 2019 North Sumatra's financial literacy level was 44.36% and financial inclusion was 93 (Idawati & Pratama, 2020; Iman, et al., 2019; Putri, et al., 2022)

In addition, one of the ways to improve the financial performance of MSMEs is by utilizing technology. Technological developments have greatly influenced today's lifestyles, such as the development of technology-based businesses. This changing situation has prompted the emergence of a new business model which is now referred to as Financial Technology. Fintech is a form of software-based financial service in providing services by utilizing computer programs and other similar technologies (Mutiarra, et al., 2022; Nasution, et al., 2022; Wardani & Darmawan, 2020).

MSMEs in Medan City continue to experience an increase in the use of Fintech, however, there are still many who have not been able to use technological advances, especially micro-enterprises (Khafidloh, et al., 2021; Mulyanti & Nurhayati, 2022). Until today the use of Fintech is increasingly being found in daily activities, but there are still many MSMEs who have not been able to make maximum use of it. Peer to Peer Lending is a Fintech service that provides funding or financing online, where this is usually said to be a bridge between the gap between those who need financing and those who have excess funds. Fintech P2P Lending is very useful because it provides alternative funding for the community and MSMEs in Indonesia (V.A.R.Barao, R.C.Coata, J.A.Shibli, M.Bertolini, & J.G.S.Souza, 2022).

Fintech peer to peer lending provides a loan facility mechanism for MSME actors because the application for financing or loans can be done indirectly (online), MSME actors simply upload the requested documents online. However, this Fintech service has not been used optimally by business people, especially MSMEs due to the lack of financial literacy and difficulties in using technology. In addition to online financing or capital methods, many business actors have also implemented indirect (online) payment methods. Now it's not only E-Commerce that applies this online payment but also has been widely used by other business actors such as MSMEs, platforms that are often used to make indirect (online) payments, for example OVO, GOPAY, DANA and many more. This online payment method is one of various types of Fintech called payment gateways. However, these payment gateways have not been able to be utilized optimally by MSME actors (Tanjung & Ruslan, 2019; Lubis, 2021; Sihite & Cahyono, 2022; Syafitri & Latifah, 2023)

In fact, increasing MSMEs still needs to be done in order to improve the quality and quantity of MSMEs. Increased financial literacy and the use of Fintech can make a major contribution in helping MSME actors to minimize risks that can occur in their management and in making decisions, because of the ease in reaching financial service products and applying for capital financing directly without complicated procedures (Kasendah & Wijayangka, 2019). This research is supported by which states that the results of the study show that Peer to Peer Lending has a positive and significant impact on the Financial Performance of MSMEs. Peer to Peer Lending moderated by financial literacy has a positive and significant influence on MSME performance (Fadilah, Rahman, & Anwar, 2022).

Apart from being able to improve financial performance and business rates for MSMEs, payment gateways or digital payments are also able to influence economic growth in Indonesia, this is in line with research by (Tanjung et al.) said that the digital economy which is carried out daily, such as making online transactions, online purchases and payments, is capable of driving the growth of the digital economy today. So that the digital economy or current technological advances greatly affect the level of the economy, one of which is for MSME business actors and consumers (Kumala, 2022).

In this study, financial performance uses assets, turnover and profits. Financial literacy indicators use financial knowledge, financial behavior and financial attitudes. Meanwhile, Fintech uses indicators that are easy to operate, increase effectiveness and make work easier (efficient). Research on the effect of financial literacy and Fintech on financial performance has been discussed by several previous researchers, however, only a few have discussed this issue in North Sumatra, especially Medan City SMEs. This research is in line with (Lubis, 2021), which states that the results of this study can be seen from the R square value of 70.7%, which means that financial literacy, Fintech peer to peer lending and payment gateways have an effect on the financial performance of MSMEs in Medan City. while 29, 3% is

influenced by other variables not discussed in this study. Meanwhile, this research contradicts Raynaldi Pangestu's research (2022) in his research which stated that by using the analysis technique the normality test, validity, reliability, coefficient of determination and t test. The results of the t test and the coefficients of the determination show that the use of the Go-Pay payment gateway as a substitute for cash payments at the Salatia coffee shop can improve the company's financial performance but has no effect on the company's non-financial performance. coefficient of determination and t test. The results of the t test and the coefficients of the determination show that the use of the Go-Pay payment gateway as a substitute for cash payments at the Salatia coffee shop can improve the company's financial performance but has no effect on the company's non-financial performance. coefficient of determination and t test. The results of the t test and the coefficients of the determination show that the use of the Go-Pay payment gateway as a substitute for cash payments at the Salatia coffee shop can improve the company's financial performance but has no effect on the company's non-financial performance (Sanistasya, et al., 2019).

Thus, the purpose of this study is to find out whether there is an influence from financial literacy, Fintech peer to peer lending and payment gateways on the financial performance of MSMEs in Medan City. So that in the end it can be seen how much influence each variable has on financial performance and can be used as material for consideration or guidance in order to improve the financial performance of MSMEs, especially in Medan City.

2. Literature Review

2.1 MSME performance

Parameter of the success of a business in achieving its goals. Performance forms a reaction that is closely related to business strategic goals, customer satisfaction, and provides benefits for the economy (Hadyan, Nurleli, & Anandya, 2022). MSME performance is the result or evaluation of work that has been carried out by individuals or groups in the form of tasks and roles within a certain period of time with predetermined standards (Jubaedah & Destiana, 2016). Performance is the result of a process of reference and measurement over a certain period of time based on predetermined regulations or conventions. Performance reflects the skills and abilities of certain positions that affect the award from the company.

2.2 Peer to Peer Lender (P2P)

Peer to Peer Lender (P2P) is a form of credit process between two individuals who do not meet but through the internet without the intervention of financial intermediaries such as banks. According to (Syafitri & Latifah, n.d.) Peer to Peer Lender (P2P) is a variety of internet-based businesses that cover loan needs from financial mediation. This money lending program is intended for small and medium businesses who think that bank credit requirements are too difficult. Peer to Peer Lender (P2P) is cheaper and more efficient than lending through traditional banks. According to Syarifa et al., (2020) peer to peer lenders have the following indicators: (1) Saving time, costs and effort, (2) Convenience of borrowers, (3) Data security, (4) Fast processing, (5) Ease of use, (6) Billing according to schedules and conditions (Nikmatuzaroh, 2019).

2.3 Payment Gateway

Payment Gateway is a form of online payment that explains and authenticates transaction information in accordance with the policies set by the provider (Wulandari, Lazuardi, & Sari, 2022). Payment Gateway is a facility that accepts payments for digital transactions. Payment Gateway runs fully automatically and simplifies the transaction process, and all financial transactions are processed securely and in real time. Electronic-based payment systems are generally known as payment systems that have been recognized by the public in recent years, after the rise of internet commercialization. According to Saputra (2019) said that there are five indicators to measure the use of payment gateways, namely: (1) Ease of operation, (2) Flexible, (3) On time, (4) Ease of work, (5) Right on target, (6) Produce good service. Financial literacy According to Article 1 paragraph (2) of Law No. 11 of 2008 concerning Information and Electronic Transactions, electronic transactions are legal activities carried out using computer networks or other electronic media. Meanwhile, according to Irfan (2020) Financial literacy or electronic commerce is the implementation of buying and selling transaction activities by utilizing digital electronic communication facilities. According to Hanum & Sinarasri (2017) e-commerce has 5 indicators, namely: (1) Benefits in use, (2) Ease of use, (3) Process speed in service, (4) Costs incurred, (5) Appropriateness. electronic transactions are legal activities carried out using computer networks or other electronic media. Meanwhile, according to Irfan (2020) Financial literacy or electronic commerce is the implementation of buying and selling transaction activities by utilizing digital electronic communication facilities. According to Hanum

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3. Research Method and Materials

This research is a type of research with a descriptive quantitative methodology. Quantitative research is based on the measurement of quantity or amount (Tanjung, A. A., & Mulyani, 2021). This research is to see the effect of Financial Literacy (X1) with indicators (1) Financial management, (2) savings & loans, (4) Investments, (5) Insurance, Fintech Peer to Peer Lending (X2) with indicators (1) Financing Procedures which is easy, (2) Increased productivity, (3) Fast disbursement process, and Payment Gateway (X3) with indicators (1) Easy to operate, (2) Increased effectiveness, (3) Efficiency in the financial performance of MSMEs in Medan City (Y) with indicators (1) Increased sales, (2) Increased Capital, (3) Increased Profits. The main source used in this study is primary data, where primary data is obtained from distributing questionnaires. The total population in this study was 90 thousand MSME business actors, with a total sample of 46 respondents who were determined using purposive sampling (Santika, 2022). Purposive Sampling is a form of non-random sampling where the sample is determined by the researcher based on (Bi Rahmani, 2016). The time of this research starts from January to May 2023. The analysis technique used in this study is descriptive statistical data and Partial Least Square SEM, which is an analysis used to develop or predict an existing theory. Descriptive method used to obtain a complete and precise description of the research objectives. In this case, a Likert scale is used. This study uses an analysis of the PLS structural model assisted by using SmartPLS 4.0 software. Structural model analysis has several stages: (1) Formulating a structural model theory, (2) Outer model analysis, (3) Inner model analysis, and (4) Hypothesis testing. The research model used in this study is as follows :

$$\eta_1 = \beta_1\zeta_1 + \beta_2\zeta_2 + \beta_3\zeta_3 + \varepsilon \tag{1}$$

(Financial Performance = β_1 Financial Literacy + β_2 Fintech Peer to Peer Lending + β_3 Payment Gateway + Error)

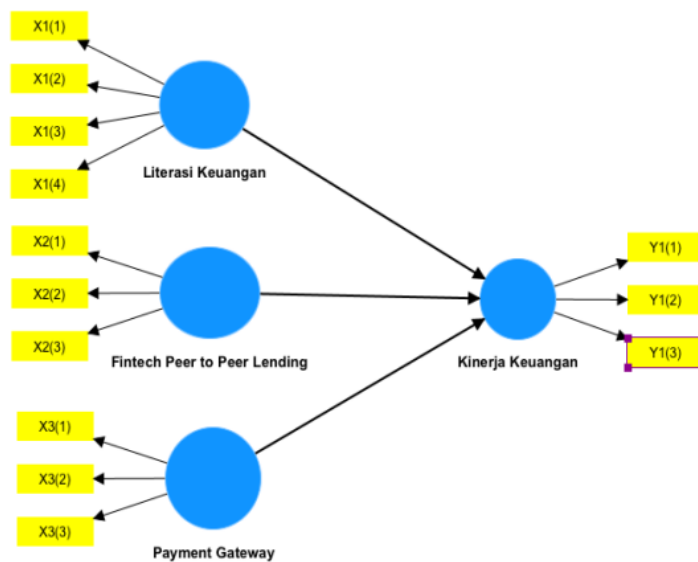


Figure 1. Structural Model Research (in Indonesia)

From Figure 1, it can be seen that this research examines the effect of financial literacy on financial performance, the effect of Fintech peer to peer lending and the effect of payment gateways on financial performance with each indicator.

4. Results and Discussion

4.1 Overview Of Respondents

Below is an overview of the respondents used in this survey based on age, gender, and recent education. For more details, information regarding the general description of the respondents is presented in table 1.

Table 1. General Description of Respondents of MSME business actors in Medan City.

No	Demographics Description	%
1.	Gender	
	Man	41.4 %
	Woman	58.6 %
	Total number	100 %
2.	Last education	
	JUNIOR HIGH SCHOOL	0 %
	SMA/SMK	65.2 %
	Diploma	4.3 %
	Bachelor	26.0 %
	Other	4.5 %
Total number	100 %	
3.	Age	
	15-20 years	18.2 %
	21-25 years	60.6 %
	26-30 years	12.8 %
	31-35 years	2.1 %
	36-40 years	6.3 %
	Total number	100 %

Based on table 1, it can be seen that the female MSME business actors in Medan are more dominant than the male sex, namely 27 people or equal to 58.6%. Furthermore, the age of 21-25 years dominated 30 people or equal to 60.6%. and it can be seen from table 2 that the last education of MSME business actors in Medan City is more dominantly carried out by SMA/SMK graduates, namely 30 people or 65.2%.

4.2 Validity and reliability test results

In this case the validity and reliability tests are used to measure the accuracy of the instrument at the time of the study. As for the results of the validity test of this study are as follows.

Table 2. Validity and reliability test results.

Indicator	Cronbach's alpha	composite reliability (rho_a)	composite reliability (rho_c)	Average Variance extracted (AVE)	Information
Financial Literacy	0.884	0.890	0.928	0.811	Valid
Fintech Peer to Peer Lending	0.878	0.881	0.925	0.805	Valid
Payment Gateways	0.828	0.830	0.889	0.661	Valid
Financial performance	0.853	0.845	0.911	0.775	Valid

Based on table 2, all statement items for financial literacy variables, Fintech peer to peer lending, payment gateway and financial performance is declared valid because the average value is > 0.7. For the results of the reliability test of the financial literacy variable, Fintech peer to peer lending, payment gateway and financial performance, it can be concluded that all statement items are reliable because of the overall value of the variables cronbach alpha is > 0.7. Besides that, to measure the validity of a research, it is necessary to carry out several test stages, namely as follows:

1) *Loading Factor*

Loading factor is the initial stage in testing the validity of a model, the condition for the loading factor is that it must be > 0.7, so that the indicators of each variable can be said to be valid. If there are invalid indicators, they must be removed from the model. To find out the outer model analysis of this research can be seen in the figure 2.

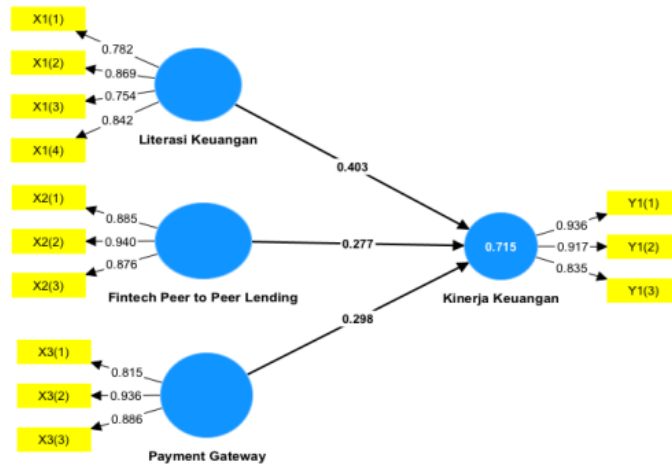


Figure 2. Loading Factor Results

From Figure 2 it can be seen that the value loading factor average > 0.7 for each indicator on the latent variable, it can be concluded that the questionnaire from this study is valid. then the value of the loading factor can be seen in the table 3.

Table 3. Loading Factor Results

Indicator	Financial Literacy	Fintech Peer to Peer Lending	Payment Gateways	Financial performance	Information
X1(1)	0.782				Valid
X1(2)	0.869				Valid
X1(3)	0.754				Valid
X1(4)	0.842				Valid
X2(1)		0.885			Valid
X2(2)		0.940			Valid
X2(3)		0.876			Valid
X3(1)			0.815		Valid
X3(2)			0.936		Valid
X3(3)			0.886		Valid
Y1(1)				0.936	Valid
Y1(2)				0.917	Valid
Y1(3)				0.835	Valid

2) *Average Variance Extracted (AVE)*

Average Variance Extracted (AVE) is the value used in convergent validity testing because the value is obtained from the output convergent validity. In this study, the expected AVE value is > 0.5, and so when viewed from the latent variable constructs, all constructs have a value above 0.5 (or greater than 0.5). For more details, the AVE results can be seen in the table 4.

Look at the test results Average Variance Extracted (AVE) in table 4 it can be said that the average value is > 0.5 which means that all indicators can be said to be valid. because there are no problems with the test convergent validity then the next thing to be tested is the problem related to discriminant validity.

3) Discriminant Validity

Discriminant validity can be tested by looking at the table cross loading, this output is used to test discriminant validity at the indicator level with the condition that the correlation between indicators and their latent variables is $>$ compared to the correlation between indicators and other latent variables (outside the block). For more details can be seen in the table 5.

Table 4. Results Average Variance Extracted (AVE)

Indicator	Average Variance extracted (AVE)	Information
Financial Literacy	0.811	Valid
Fintech Peer to Peer Lending	0.805	Valid
Payment Gateways	0.661	Valid
Financial performance	0.775	Valid

Table 5. Cross loading results

Indicator	Financial Literacy	Fintech Peer to Peer Lending	Payment Gateways	Financial performance
X1(1)	0.782	0.598	0.389	0.602
X1(2)	0.869	0.493	0.658	0.610
X1(3)	0.754	0.405	0.605	0.632
X1(4)	0.842	0.594	0.502	0.681
X2(1)	0.673	0.885	0.549	0.673
X2(2)	0.618	0.940	0.363	0.618
X2(3)	0.560	0.876	0.459	0.560
X3(1)	0.605	0.520	0.815	0.605
X3(2)	0.624	0.416	0.936	0.624
X3(3)	0.636	0.414	0.886	0.636
Y1(1)	0.936	0.652	0.633	0.936
Y1(2)	0.917	0.674	0.603	0.917
Y1(3)	0.835	0.523	0.670	0.835

An indicator can be declared valid if it has the highest cross loading value on the intended latent variable compared to the cross loading on other variable indicators. Table 5 above shows that the cross loading for the indicator on the price variable has a higher construct than the other constructs. Thus, the value of the indicator on the price variable is better than the value of the indicator on other variables.

The reliability test is used to test and guarantee the instrument from the statement that has been used, and see the stability, consistency and capability if used repeatedly.

4) Composite Reliability

To ensure that there are no problems with measurement, the final step is evaluation outer modelis to test the unidimensionality of the model. This unidimensionality test can be carried out using composite reliability and alpha cronbach. For both indicators the cut off point value is 0.7.

Table 6. Composite Reliability Results

Construct	Composite reliability
Financial Literacy	0.928
Fintech Peer to Peer Lending	0.925
Payment Gateways	0.889
Financial performance	0.911

From table 6, it can be seen that all constructs have a composite reliability value of $>$ 0.7, so it can be concluded that the indicators from this study do not have unidimensionality problems in the influence of financial literacy, Fintech peer to peer lending and payment gateways on the financial performance of MSMEs in Medan City and this research questionnaire has been reliable.

4.2 Inner Model Testing

1) The coefficient of determination R (R-Square)

The coefficient of determination R test is used to measure how well the independent variables explain the dependent variable. The coefficient of determination for the two independent variables is determined by:

Table 7. R-Square results

Indicator	R-Square
Financial performance	0.715

From table 7, a coefficient of determination of 0.715 or 71.5% is obtained, this shows that financial literacy, Fintech peer to peer lending and payment gateways are able to explain the financial performance variables of MSMEs in the City while the remaining 28.5% is explained by other variables not examined in this research.

4.3 Hypothesis test

1) Coefficient of t-statistics

To test the hypothesis in PLS SEM, it can be done by using the calculated t value (t_o) compared to the t table value (t_α). T-table value with a significance of 5% and degree of freedom (DF) = amount of data (n) – 2 which is 46 – 2 = 44 which is 1.96 (t table) below will show the results of the path hypothesis as follows:

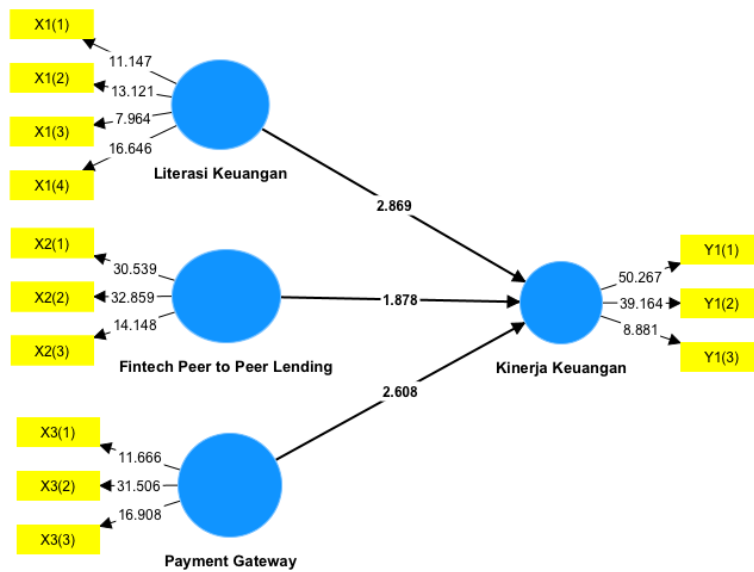


Figure 3. Bootstrapping Result

Based on Figure 3, the t-statistical value of the effect of financial literacy on financial performance is 2,869 > t table of 1.96. This shows that the effect of financial literacy is significant on the financial performance of MSMEs in Medan City. The t-statistic value of Fintech peer to peer lending on financial performance is 1,878 < t table 1.96, this shows that the effect of Fintech peer to peer lending is not significant on financial performance at the 5% level but Fintech peer to peer lending has a significant effect at the 10% level . The payment gateway t-statistic value is 2.608 > t table 1.96, this shows that the payment gateway has a significant effect on the financial performance of MSMEs in Medan City. This is in line with the t-statistic values in table 8.

If seen based on table 8, it can be explained that the financial literacy t-statistic value is 2,869 > t table 1.96, meaning that financial literacy has a significant effect on the financial performance of MSMEs in Medan City. The t-statistic value of Fintech peer to peer lending is 1,878 < t table 1.96, this shows that the effect of Fintech peer to peer lending is not significant on financial performance at the 5% level but Fintech peer to peer lending has a significant effect at the

10% level. The payment gateway t-statistic value is $2.608 > t$ table 1.96, this means that the payment gateway has a significant effect on the financial performance of MSMEs in Medan City.

Table 8.Results t-statistics

Indicator	original sample	Sample Means	Standard Deviation	T Statistics	P Values
Financial literacy (X1)	0.403	0.410	0.140	2.869	0.004
Fintech Peer to peer lending (X2)	0.277	0.282	0.148	1.878	0.060
Payment Gateways (X3)	0.298	0.295	0.114	2.608	0.009

2) *Effect of financial literacy on financial performance*

Based on the results of the financial literacy test, it has a positive and significant influence on the financial performance of MSMEs in Medan City. The results of this study are in line with the research theory by Ida and Dwinta (2010) which states that financial knowledge influences a person's financial management behavior. The results of this study are also in line with the research of Hadyan, Nurleli, & Andayanan (2022) concerning the Effects of Financial Literacy and Organizational Culture on MSME Performance. In this study it was said that the application of financial literacy affects MSME performance, where when the implementation of financial literacy is carried out very well it will increase as well as the ability of the owner in the performance of his business. Furthermore, this research is also in line with research conducted by Septiani & Wuryani (2020) stating that financial literacy has a positive and significant and simultaneous effect on the performance of MSMEs in Sidoarjo. The higher the level of financial literacy, the higher the development of MSME performance in the Sidoarjo region. Looking at the results of the tests and several theories related to this research, it can be concluded that financial literacy is very important and has a positive effect on the financial performance of MSMEs in the city of Medan.

3) *Effect of Fintech Peer to Peer Lending on financial performance*

Based on the test results, it can be explained that Fintech peer to peer lending has a positive and insignificant effect on the financial performance of MSMEs at a significance level of 5%, but Fintech peer to peer lending has a positive and significant effect at a significance level of 10%. This research is in line with (Lubis, 2021) Fintech peer to peer lending has a positive and significant effect on the financial performance of MSMEs in Medan City. Furthermore, other research states that peer to peer financing affects the productivity of MSMEs and has a significant value (Syarifah, 2019). However, in practice, there are several findings found by researchers based on the results of interviews with business actors, namely interest rates that are too high for Fintech Peer to Peer Lending, causing MSME business actors in Medan City to object to financing or capital through the peer to peer Fintech system lending. The lack of financial literacy related to online-based financing has also caused business actors to not be able to apply the system in their business pace.

4) *Effect of Payment Gateway on financial performance*

From the results of testing the hypothesis it can be explained that the payment gateway has a positive and significant influence on the financial performance of MSMEs in Medan City. it can be seen that the payment gateway t-statistic value is $2.608 > t$ table 1.96, this means that Payment gateway has a significant effect on financial performance and positively affects financial performance with a value of $0.009 < 0.005$, from the test results it can be concluded that Fintech is based on payment gateways or payments directly affect and have significant value to the performance of MSMEs in Medan City. The results of this study are supported and in accordance with the concept of previous research, Financial Technology has a positive and significant effect on the financial performance of UMKM (Putri et al., 2022) Furthermore, this research is also in line with (Lubis, 2021) Payment Gateway has a positive value and significantly influences the Financial Performance of MSMEs in Medan City. This shows that the implementation of payment gateways for MSMEs is very important in order to accelerate the digitalization of the economy.

5) *The Effect of Financial Literacy, Fintech Peer to Peer Lending, and Payment Gateway on the financial performance of MSMEs in Medan City*

Based on the results of the tests and explanations of the three exogenous variables above, they are interrelated, both financial literacy, technological progress and indirect payment methods. Because this is shown in research (Adi et al., 2021) that these three variables affect endogenous variables. The financial literacy variable is a variable as the basis for one's knowledge of finance in managing finances properly, directed and according to what is planned for future business interests, while *Fintech Peer To Peer Lending* are variables related to financing and capital which are closely related to financial literacy and business continuity. Furthermore, the payment gateway variable also has a link between

financial literacy and Fintech in improving the financial performance of MSMEs. Therefore, financial literacy, Fintech peer to peer lending and payment gateways have a positive and significant effect on the financial performance of MSMEs in Medan City.

When viewed from the characteristics of the respondents, the higher the level of education, the better a person's financial literacy will be and when viewed from the age level of respondents who are dominated by productive age, they have quite good knowledge about the progress of the times such as using payment gateways in business and utilizing financial technology to obtain financing. So it can be concluded that financial literacy, Fintech peer to peer lending and payment gateways have a positive and significant influence on the financial performance of MSMEs in Medan City.

5. Conclusion

From the research and discussion that has been discussed, it can be concluded that the results of this study indicate that financial literacy has a positive and significant effect on the financial performance of MSME in Medan City, the payment gateway variable also has a positive and significant influence on the financial performance of MSME in Medan City. While Fintech peer to peer lending has a positive but not significant effect on the financial performance of MSME in Medan City. From these results, it is necessary for policy makers to continue to carry out massive socialization of financial literacy to all MSME in Medan City to increase the digitization index in the economy in Medan City. In addition, it is necessary to have regulations that protect MSME actors in peer to peer lending Fintech activities, so that MSMEs are not trapped in a vortex of online loans with high interest rates. Future researchers are expected to conduct research by increasing the number of respondents and using other methods such as GMM, Seemingly Unrelated Regression.

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