

(Research Article)

The Influence of Financial Inclusion and the Ability to Prepare Financial Reports on the Financial Performance of Micro Businesses in the Culinary Sector in South Kota District

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Abstract: This study aims to analyze the influence of financial inclusion and the ability to prepare financial reports on the financial performance of micro-enterprises in the culinary sector in South Kota District. This study uses a quantitative method. Data were collected through a questionnaire. Those selected as research samples based on purposive sampling techniques as a specific form of non-probability sampling were 125 respondents from micro-enterprises in South Kota. The data analysis technique in this study used Structural Equation Modeling (SEM) or a structural equation model operated through the Amos 24 program. The results of the study showed that financial inclusion has a positive influence on financial performance. On the other hand, the ability to prepare financial reports has no influence on financial performance. However, simultaneously these two independent variables contribute significantly to financial performance.

Keywords: Financial Inclusion, Ability to prepare financial reports, financial performance

1. Introduction

Global economic uncertainty, exchange rate fluctuations, and formal employment challenges have prompted many individuals to turn to entrepreneurship as an alternative livelihood (Bank Indonesia, 2023). Like Micro Enterprises facing new problems and new opportunities in the era of rapid digitalization. In addition, the aspect of the company's financial performance is crucial for the sustainability of micro businesses. In the research of Mawuntu & Aotama, (2023) said that obstacles in the financial performance of Micro Enterprises are caused by various problems, both internal and external. Some examples include issues related to ownership, human resource skills, understanding of financial statements, limited access to capital credit, and other problems. In addition, Amalia's research, (2018) said that business actors tend to only record the costs of raw materials and sales, ignoring other important components such as operational costs, and other expenses. In addition, the absence of a clear separation between business assets and personal assets, including residence, adds complexity to assessing the actual financial condition of the business.

Micro-enterprises have great potential to drive more equitable and fair economic growth. With the existence of Micro-enterprises, people are more likely to participate in economic activities (Adella & Rio, 2021). One example of a micro-enterprise is in the culinary sector. Micro-enterprises in the culinary sector are increasingly in demand due to various factors that support their growth. One of the basic human needs for food makes the culinary business one of the business opportunities that does not experience crises. This creates a large and sustainable market potential, which makes many entrepreneurs interested in entering this sector, one of which is the development of culinary Micro-enterprises in Gorontalo City.

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As one of the centers of economic activity, South City District is a strategic location for the development of culinary micro businesses because the southern city is also the city center. so that as a business center in the culinary sector, it is expected to not only contribute to community income, but also create jobs.

Table 1 Number of Micro-businesses in the culinary sector in South City

| Ward | Amount |
|-------------------------|------------|
| U II Competition | 71 |
| Biawao | 39 |
| Biawu | 77 |
| UI Competition | 56 |
| B Competition | 78 |
| Total | 321 |

Source: Department of Manpower, Cooperatives and SMEs, Gorontalo City (2023)

Based on the data presented, it can be seen that there are a total of 321 micro businesses in the culinary sector spread across five sub-districts in the South City District, Gorontalo. The distribution of micro businesses in the culinary sector shows interesting variations, with Limba B Sub-district having the largest number of 78 businesses, followed by Biawu with 77 businesses, and Limba U II with 71 businesses. Meanwhile, Limba UI has 56 micro businesses, and Biawao is in last place with 39 businesses. South City District cannot be separated from the dynamics of the development of Micro Businesses. Behind its important role, the financial performance of micro businesses is still a major challenge in the development and sustainability of their businesses (Melgarejo & Oliveros, 2024). According to Menne, (2023:123), financial performance is an assessment of the level of success of a company in managing its financial aspects in accordance with applicable standards and regulations. This analysis is used to measure how effectively the company has implemented appropriate financial principles and practices in its operations.

. Based on the findings in the field, it was found that many micro-enterprises have not shown any improvement in financial performance. One of the factors that causes these micro-enterprises not to increase is the lack of knowledge of micro-entrepreneurs regarding financial products and services and access to capital. According to Yanti, (2019) one of the factors that can affect the financial performance of MSMEs is financial inclusion. A study by Yanti, (2019) proves that increasing financial inclusion has a positive and significant impact on the financial performance of a business. Financial performance is closely related to financial management, because good financial management can benefit a business. In other words, when people have easier access to financial services, they can manage their finances better, which in turn improves the financial performance of their business.

In addition, in the research of Darmawan et al., (2019) it was stated that another factor that affects financial performance, namely the ability to manage finances, is a crucial factor for the success and sustainability of a business. Based on the results of interviews with the head of the SME section in Gorontalo City that have been conducted, apart from the lack of knowledge about financial inclusion, there are other factors that can affect financial performance, namely how to prepare financial reports in accordance with Accounting Standards. Many business actors still use a combination of their personal money to grow their business. One of the significant challenges faced by micro-entrepreneurs in financial management is the tendency not to separate personal finances and business finances (Drexler et al., 2014).

2. Literature Review

Resource Based View Theory

Resource Based View Theory is a theory first expressed by Wernerfelt, (1984). This theory is a strategic method in management that emphasizes the importance of internal company resources and capabilities as the main foundation of competitive advantage. Based on this theory, company resources and capabilities are not just assets, but are the core of the company's competitiveness and overall performance.

Micro Business

Government Regulation of the Republic of Indonesia Number 7 of 2021 Concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, Micro Business is defined as a productive business activity owned by individuals and/or individual business entities that meet the criteria of Micro Businesses as regulated in this Law. Micro business is a type of productive business owned and run by individuals or individual business entities and has the potential to grow.

Financial performance

Financial Performance is an evaluation conducted to assess the level of compliance and effectiveness of the company in implementing applicable financial standards and procedures. This process aims to measure how well the company has managed its financial aspects in accordance with the established guidelines (F. Hutabarat, 2020).

Financial inclusion

Financial inclusion involves providing access to a range of safe, convenient and affordable financial services to disadvantaged and vulnerable groups, such as low-income individuals, rural communities and the undocumented, who are often underserved or marginalized from the formal financial sector (FATF).

Ability to prepare financial reports

In the book *Financial Report Analysis* by Fitriana, (2024:3), a financial report is a document that describes the financial condition of a business entity or institution within a certain period of time. Generally, business entities or organizations prepare this report to convey information about their financial performance. The success of a business, including small businesses, depends on financial report data. Economic decisions related to the management of small businesses, such as pricing and market development, can be made with the help of accounting data. Small Business Law no. 9 of 1995 in the Tax Law actually states that small businesses must maintain accounting. (Wahid, 2017)

3. Method

Location and time of research

The location determined by the researcher is in South City District. From the problems that have been determined, the research time will be carried out in October 2024.

Research approaches and data collection techniques

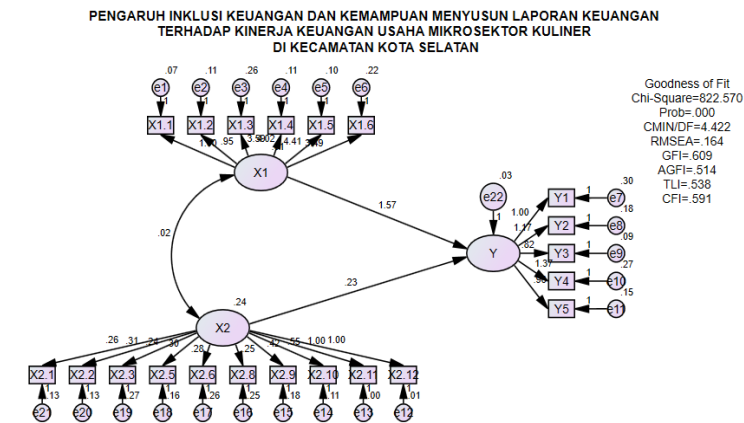
This study applies a quantitative approach, utilizing primary data collected through a survey. Respondents were asked to fill out a questionnaire that was distributed directly. The answers collected were then processed using SPSS software for analysis. The results of this data processing are used as a basis for answering the problems that have been formulated in the study. This type of research is a study using a quantitative method. The object of this study is a Micro Business in the Culinary sector located in the South City sub-district.

In its application, researchers adopted purposive sampling as a specific form of non-probability sampling. Purposive sampling is a sampling technique using a consideration of both size and certain criteria that have been determined before carrying out the research process (Sugiyono, 2013:85). The sample size is taken using the Hair formula. This study uses a statistical analysis technique called Structural Equation Modeling (SEM). According to Hair et al., (2010) that the ideal number of samples ranges from 100 to 200 respondents and can be adjusted to the number of indicators contained in the questionnaire, assuming five times the number of indicators. In this study, the number of indicators used is 25 indicators. Therefore, this study uses the Hair formula: $5 \times 25 = 125$ Samples

4. Results and Discussion

Structural Equation Modeling (SEM) Test

Early stage model testing



construction test were evaluated based on GFI, model criteria and critical values that are in accordance with the data can be seen in the following table :

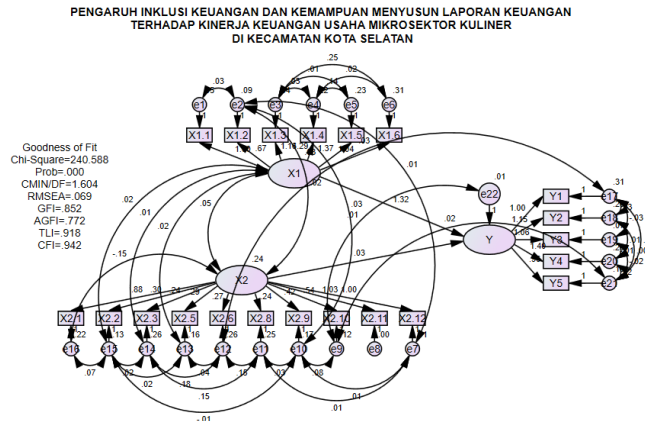
Table 2. GFI Overall Model Evaluation (Initial Stage Test)

| <i>Goodness of Fit Test Index</i> | <i>Cut off Value</i> | Model re- sults | Model evalu- ation |
|---|----------------------|----------------------------|-------------------------------|
| <i>X2 – Chi Square (df =186, α= 0.005)</i> | ≤ 311,346 | 822,570 | <i>Bad Fit</i> |
| <i>Significance Probability</i> | ≥ 0.05 | 0,000 | <i>Marginal Fit</i> |
| <i>RMSEA</i> | ≤ 0.08 | 0.164 | <i>Bad Fit</i> |
| <i>GFI</i> | ≥ 0.90 | 0.609 | <i>Bad Fit</i> |
| <i>AGFI</i> | ≥ 0.90 | 0.514 | <i>Bad Fit</i> |
| <i>CMIN/DF</i> | ≤ 2.00 | 4,422 | <i>Bad Fit</i> |
| <i>TLI</i> | ≥ 0.90 | 0.538 | <i>Bad Fit</i> |
| <i>CFI</i> | ≥ 0.90 | 0.591 | <i>Bad Fit</i> |

Source: Amos 24 (data reprocessed 2025)

In the table, it can be seen that there are still 7 criteria that have not met the standards such as *Chi-square*, *RMSEA*, *GFI*, *AGFI*, *CMIN/DF*, *TLI* and *CFI* . Meanwhile , the criterion , namely *probability* , has almost met the requirements. In order for these criteria to meet the requirements, modifications are made by conducting correlations. Based on the instructions *for modification indices* , modifications are made to improve the model so that it can be used to prove the hypothesis. This modification focuses on the correlation between items and/or errors , so that the final structural model is obtained.

Final stage model testing



After making modifications by correlating X1, X2, and Y then e1 to e22, the results of the day from the overall model CFA test obtained the Goodness of Fit Indices results from the overall model which can be seen in the following table 4.28:

| <i>Goodness of Fit Test Index</i> | <i>Cut off Value</i> | <i>Model results</i> | <i>Model evaluation</i> |
|---|----------------------|----------------------|-------------------------|
| <i>X2 – Chi Square (df =167, α= 0.005)</i> | $\leq 311,346$ | 240,588 | <i>Good Fit</i> |
| <i>Significance Probability</i> | ≥ 0.05 | 0,000 | <i>Marginal Fit</i> |
| <i>RMSEA</i> | ≤ 0.08 | 0.06 | <i>Good Fit</i> |
| <i>GFI</i> | ≥ 0.90 | 0.857 | <i>Marginal Fit</i> |
| <i>AGFI</i> | ≥ 0.90 | 0.772 | <i>Marginal Fit</i> |
| <i>CMIN/DF</i> | ≤ 2.00 | 1,604 | <i>Good Fit</i> |
| <i>TLI</i> | ≥ 0.90 | 0.916 | <i>Marginal Fit</i> |
| <i>CFI</i> | ≥ 0.90 | 0.942 | <i>Good Fit</i> |

Table 3 GFI Overall Model Evaluation (Final Stage Test)

Source: reprocessed data 2025

Based on the table, it can be concluded that the criteria of the variables in the model have met all the criteria of *Goodness of Fit Indices*. This means that this model shows good conformity with the existing data. With all these criteria met, the next step is to display the regression coefficient value and *critical ratio* for each variable. This information will provide a deeper understanding of the influence and relationship between variables in the model that has been tested.

Hypothesis Testing

Partial test

Hypothesis testing is done using the *t-value* with a significance level of 0.05. The *t-value* in the AMOS 24 program is the *Critical Ratio* (CR) value in the *Regression Weights: (Group number 1 – Default model) of the fit model (Full Model_4)*. If the *Critical Ratio* (CR) value ≥ 1.660 or the probability value (P) ≤ 0.05 , the research hypothesis is accepted. The *Regression Weights value: (Group number 1–Default model)* processed by AMOS 24 on the *Full Model _2* is shown in the following table:

Table 4 Regression Weights: (Group number 1 - Default model)

| | Estimate | SE | CR | P | Label |
|-----------|----------|-------|-------|-------|--------|
| Y <--- X1 | 1,323 | 0.379 | 3.494 | *** | par_20 |
| Y <--- X2 | 0.029 | 0.072 | 0.403 | 0.687 | par_21 |

Source: reprocessed data 2025

Silmutant test

| Variables | Estimate |
|-----------------------|----------|
| Financial performance | 0.904 |

Table 5 Squared Multiple Correlations: (Group number 1 - Default model)

The contribution of independent variables to the dependent variable simultaneously can be seen from the table above. The *R-square value* obtained is 0.904 or 90.4 % . In addition, the recommended acceptance level states that *R-square is considered significant if the Squared Multiple Correlation* (SMC) value is ≥ 0.50 .

5. Comparison

Discussion

Financial inclusion towards financial performance

In this study, it is indicated that financial inclusion has a significant influence on the financial performance of Micro Enterprises. Financial inclusion has the main objective of overcoming various obstacles that hinder public access to financial services, both obstacles related to costs (such as high administrative costs or minimum balance requirements) and non-cost obstacles (such as lack of information, low financial literacy, or limited infrastructure). Based on the results of the study obtained from the responses of the respondents, it is known that indicators related to the availability of access to financial institution services are the most prominent aspects compared to other indicators. This finding indicates that financial institution services in the South City area have been running well and have a positive impact, especially for micro entrepreneurs. For example, many entrepreneurs have utilized facilities from financial institutions, both to meet business needs and to manage their finances more effectively.

The findings of this study are in line with research conducted by Martono & Febriyanti, (2023) which states that services that are easy to access and use have a positive and significant influence. This indicates that the ease of obtaining and using service services will help MSME actors improve their performance, which ultimately has an impact on increasing their welfare. However, this is in contrast to Hilmawati & Kusumaningtias, (2021) who said that financial inclusion has no effect and is not significant on financial performance.

The theory used in this study is the *Resource Based View* (RBV) theory proposed by Wernerfelt, (1984). The RBV theory emphasizes the importance of a company's internal resources and capabilities as the main foundation of competitive advantage. Financial inclusion and the *Resource-Based View* (RBV) theory are quite closely related, especially in the context of the development and competitiveness of micro, small, and medium enterprises (MSMEs).

The RBV theory states that the competitive advantage of an organization depends on the ability to manage and utilize internal resources owned, such as capital, knowledge, skills, and other intangible assets. In this context, financial inclusion plays an important role as a means to increase access to one of the main resources, namely capital or financing.

Ability to prepare financial reports on financial performance

study indicates that the ability to prepare financial reports does not have an effect and is not significant to the financial performance of the business. This shows that the ability to prepare financial reports does not have a significant effect on the financial performance of a business. According to the researcher's view, this condition is possible because most business actors tend to focus more on daily business operations, so that the preparation of financial reports is often considered less important to prioritize. In addition, during an interview with the head of the SME service, he said that micro business actors still use simple financial records such as recording expenses and income every day. Moreover, financial reports are considered quite complicated and require a lot of time, so business actors tend to ignore them.

The findings of this study are in line with research from Zulkifli et al., (2023) which states that the ability to prepare financial reports does not affect the financial performance of a business. Meanwhile, according to MI Hutabarat et al., (2024) which states that the ability to prepare financial reports has a significant positive effect on the financial performance of a business. As well as research from Auliyah & Agit, (2024) which states that the ability to prepare financial reports affects the financial performance of a business.

The grand theory in this study uses the same theory as in variable X1, namely *the Resource Based View (RBV)* theory, where the ability to prepare financial reports is the company's internal ability as the main foundation of competitive advantage. The Resource Based View (RBV) theory is not in line with the second hypothesis which states that the ability to prepare financial reports has a significant influence on the company's financial performance.

Financial inclusion and the ability to prepare financial reports on financial performance

The results of the study indicate that financial inclusion and the ability to prepare financial reports on business financial performance have a simultaneous influence. Thus, it can be concluded that when both variables are applied simultaneously, the impact on financial performance is getting better.

This finding is in line with the research of Rizky & Hadiyah Fitriyah, (2024), the results of the study stated that financial inclusion and the ability to prepare financial reports have an influence on business financial performance. This study is based on the RBV theory which emphasizes the importance of the company's internal resources and capabilities as the main foundation of competitive advantage. According to this theory, the company's resources and capabilities are not just assets, but are the core of the company's overall competitiveness and performance. In this study, financial inclusion is interpreted as the company's external resources while the ability to prepare financial reports is the company's internal capabilities and resources.

6. Conclusion

Financial Inclusion has an influence and is significant to the financial performance of micro culinary sector businesses in the South City District. The ability to prepare financial reports has an influence and is significant to the financial performance of micro culinary sector businesses in the South City District. Financial inclusion and the ability to prepare financial reports simultaneously have an influence and are significant to the financial performance of micro culinary sector businesses in the South City District

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