JEBM

THE INFLUENCE OF FINANCIAL LITERACY AND FINANCIAL MANAGEMENT ON THE PERFORMANCE OF TAILORING SMES IN NORTH TORAJA

Triani Pareang✉, Benyamin Mongan², Johannes Baptista Halik³

1,2,3 Department of Management, Universitas Kristen Indonesia Paulus, Makassar. Indonesia
Triani.pareang1@gmail.com

Abstract

This research analyzes the influence of financial literacy and financial management on the performance of tailoring Small and Medium Enterprises (SMEs) in North Toraja. SMEs play a strategic role in the Indonesian economy, but face obstacles in managing finances. The methodology used was descriptive quantitative research using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) approach on 57 respondents who were active in the sewing sector. The research results show that financial literacy does not have a significant influence on the performance of tailoring SMEs, while financial management is proven to have a significant positive impact. These findings emphasize the importance of good financial management in improving business performance. Although financial literacy still plays an important role, it has not been implemented consistently by SMEs.

Keywords: *: Financial Literacy; Financial management; SME Performance; SEM-PLS; North Toraja.*

✉Corresponding author : Triani Pareang
Email Address : trianipareang@gmail.com

INTRODUCTION

According to Law of the Republic of Indonesia Number 20 of 2008, Small Business is defined as a productive economic enterprise that is independent and run by individuals or business entities. This business does not have the status of a subsidiary or branch of another company, whether owned, controlled, or part of another small or large business. In addition, small businesses have limits on net worth or annual income as stipulated in the law. In practice, running a business in the modern era requires capital, thus encouraging banking institutions to provide financing facilities. This is in line with Bank Indonesia Regulation Number 17/12/PBI/2015, which requires commercial banks to distribute credit or financing to Micro, Small and Medium Enterprises (SMEs) to support the development of the business sector.

Financial literacy is defined as the knowledge or ability to manage personal finances, as well as financial understanding about savings, insurance and investment ((Septiani, R. N., & Wuryani, 2020)A person's competency in financial management refers to the skills and abilities developed to use resources to achieve a goal. Financial literacy is an important part of a person's life because it allows a person to make informed financial decisions (Halik et al., 2022). Financial literacy in SME financial management can be improved by carrying out financial planning that considers various aspects, such as actors' efforts to have good financial planning in terms of clear income and expenses, savings and investments, as well as ease of applying for credit to financial institutions (Susanti et al., 2018).

Financial management is a series of activities that involve planning, organizing and controlling the financial resources of an entity, be it an individual, business or organization. Financial management is important to apply to SMEs. According to (Ediraras, 2018) SME businesses whose finances are managed and informed transparently and accurately will have a positive impact on the SME business itself. This positive impact of financial management is a key factor in the success of SMEs and can be used to maintain the sustainability of their business (Irdawati & Nurlia, 2025).

One of the obstacles to the development and success of SMEs is the lack of regularity in financial management and low levels of financial literacy (Rizky, 2019)In running a business, SMEs must have the knowledge and ability to manage finances effectively, therefore financial literacy is very important for every entrepreneur (Golda et al., 2024; Kaya & Golda, 2024). Many studies say that a person's ability to recognize and access financial institutions will influence the growth rate of their company (Aribawa, 2019)

One strategy that can be carried out in developing good performance is to enrich the knowledge of SME business actors regarding financial knowledge because financial literacy and financial management have a correlation in the development of SME businesses so that this correlation has a directly proportional relationship to increasing a person's understanding of knowledge in determining financial services in the performance of SMEs themselves (Tandigau et al., 2024).

Based on several phenomena and research results from different academics, researchers want to analyze and retest the influence of financial literacy and financial management on financial performance. And the author is interested in analyzing whether there is a relationship between financial literacy and financial management on financial

performance. Therefore, the researcher gave the title to his research, namely The Influence of Financial Literacy and Financial Management on the Performance of Tailoring SMEs in North Toraja.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

The conceptual framework in this research is in the form of a description of the relationships between the constructs of the observed variables. This research shows that there is a unidirectional relationship between the independent variable and the dependent variable. In this research there are three variables observed consisting of two independent variables and one dependent variable. The independent variables in this research are the financial literacy variables (X1) and financial management (X2). Meanwhile, the dependent variable is the performance of tailoring SMEs in North Toraja (Y).

According to ((Manurung, 2019) financial literacy (X1) is a set of skills and knowledge that allows an individual to make decisions and be effective with all their financial resources. Financial Services Authority (OJK) financial literacy, namely knowledge, skills and beliefs, which influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Financial literacy affects almost all aspects related to planning and spending money such as income, credit card use, savings, investment, financial management and financial decision making.

Literacy is not just reading and writing, but in the world of finance or management, there is also financial literacy. Every company will always pay attention to finances and budgets. Therefore, everyone needs financial literacy to be able to use a priority scale when managing their finances. Apart from that, business people or entrepreneurs must have knowledge of this matter, because with good financial literacy, they are better able to manage the financial conditions of their business effectively and efficiently. By studying finance, it makes it easier for business actors to manage their business through budgeting, business money saving strategies, and basic knowledge about finance in order to achieve business financial goals based on ((Sanistasya et al., 2019)in (Pusporini, 2020).

According to (Setyorini, 2019)(X2) states that financial management is an important aspect for the company's progress. Financial management can be done through accounting. Accounting is a systematic process for producing financial information that can be used for decision making for its users (Palalangan et al., 2017). As long as Small and Medium Enterprises (SMEs) still use money as a medium of exchange, accounting is really needed by SMEs. Financial management is a series of activities that involve planning, organizing and controlling the financial resources of an entity, be it an individual, business or organization. Financial management is important to apply to SMEs. According to (Ediraras, 2018)SME businesses whose finances are managed and informed transparently and accurately will have a positive impact on the SME business itself. This positive impact of financial management is a key factor in the success of SMEs and can be used to maintain the sustainability of their business (Latiep et al., 2023; Manda et al., 2025; Paembonan et al., 2024).

In managing the finances of SMEs or companies, there are several financial management processes that must be carried out. According to ((Mulyawan, 2019)it is stated that there are processes and stages of financial management, namely Planning (Financial Forecasting), Implementation (Planning and Budgeting), Financial Control (financial control).

SME Performance (Y) is the result achieved by small and medium enterprises in a certain time period. SME performance can be measured through several factors, both from a financial and non-financial perspective. How SME financial management is carried out in accordance with scientific principles and the business strategy implemented also needs to be known by SME players so that their businesses can survive and even experience business growth ((Rumbianingrum and WijayangkaPasuk et al., 2021)). Not many SMEs make financial reports in accordance with applicable regulations, so in this study the researcher focuses on the level of business growth, business income, total orders and business cash position.

The author describes this research in a research conceptual framework as follows:

Figure 1: Conceptual Framework of the Research
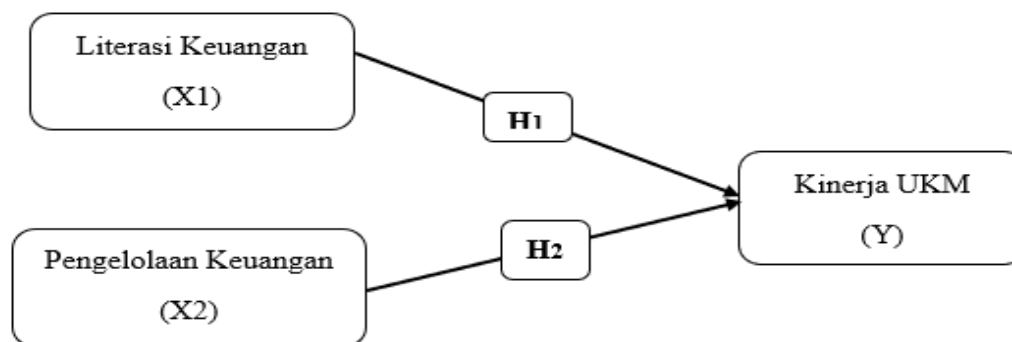
Source: Data processed by the author, 2024

Based on a review of literature and previous studies, in this study the following hypothesis was drawn:

H1: It is suspected that financial literacy has a significant influence on the financial performance of tailoring SMEs in North Toraja.

This is in line with research from (Aribawa, 2020) which found that financial literacy has a positive and significant effect on business performance and sustainability in creative MSMEs in Central Java.

H2: It is suspected that financial management has a significant influence on the financial performance of tailoring SMEs in North Toraja.

This is in line with research by (Wahyudiati, 2017)which states that financial management has a significant impact on the performance of MSMEs.

METHODOLOGY

This research uses a quantitative approach with an explanatory research design, which aims to examine the causal relationship between financial literacy, financial management and the performance of SMEs in North Toraja. The Structural Equation Modeling-Partial Least Squares (SEM-PLS) method is used to analyze the relationship between variables simultaneously.

This research was conducted at tailoring SMEs in North Toraja, South Sulawesi. Data collection was carried out during the period November to December 2024 by distributing questionnaires to respondents who met the sample criteria.

Population is an area consisting of objects or subjects that have certain qualities and characteristics that have been determined by researchers to be studied and conclusions drawn (Sugiyono, 2020)The population in this research is North Toraja Regency UKM actors registered with the Department of Industry, Umkm Cooperatives in North Toraja with a total of 135 UKM sewing actors (based on sources from the North Toraja Central Bureau of Statistics.

Determining the number of samples in this study used the Slovin formula. Slovin is a formula or formula for calculating the minimum sample size if the behavior of a population is not known with certainty. The Slovin formula is used in survey research where the sample size is large, so a formula is needed to get a small sample but can represent the entire population (Hidayat, 2020))). The calculation of the Slovin formula is as follows:

n=N/(1+ 〖N (e)〗 ^2)

Information:

n : Number of samples

N: Number of population

e: Error tolerance limit = 10% = 0.1

n=135/(1+135 (〖0,1)〗 ^2)

n = 57.44 = 57 Respondents

According to the results of calculations using the Slovin formula, the researchers took a sample of 57 respondents by considering energy, funds and time.

This study uses a survey method, with data collection methods through questionnaires. The questionnaire provides answers based on a Likert scale, namely choosing one of the numbers 1 to 5. Based on the Financial Literacy (X1), Financial Management (X2), and Financial Performance (Y) surveys, the questionnaire is sent to SME owners' cellphones via Google Form. This research is quantitative in nature, the data obtained will be quantified and processed using Structural Equation Modeling (SEM) with Partial Least Square (PLS) 4.0. The research results include figures interpreted descriptively.
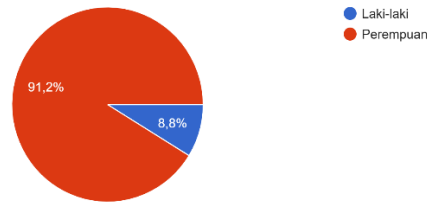
RESULTS AND DISCUSSION

RESULTS

1) Description of Respondent Data

Respondents by Gender

The results of the study, it was found that as many as 91.2% or as many as 52 respondents were female. The remaining 8.8% or as many as 5 respondents were male.

Figure 2: Respondents by Gender

Gender
57 jawaban

● Laki-laki
● Perempuan

91,2%

8,8%

Source: Data processed by the author, 2024

Respondents by Business Age

Of the 57 business samples, 68.4% or 39 business units have been running their businesses for over 10 years. 22.8% or 13 business units are between 6 - 10 years old, and 7% or 4 business units are 1 - 5 years old. The remaining 1.8% or 1 business unit is < 1 year old.

**Figure 3:** Respondents by business age

Business Age
57 jawaban

● < 1 Tahun
● 1-5 Tahun
● 6-10 Tahun
● > 10 Tahun

68,4%

7%

22,8%
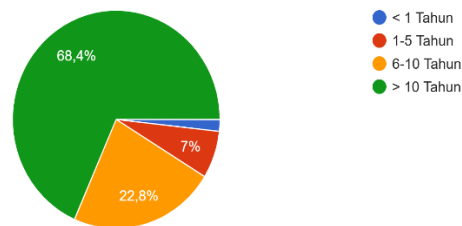
Source: Data processed by the author, 2024

Respondents by Monthly Turnover

Shows the results of research on 57 respondents who have a turnover of Rp. 50,000,000–Rp. 100,000,000, namely 91.2% or 52 respondents. This is the most dominant turnover range, with a percentage of 91.2%. This means that the majority of respondents have a turnover in this range. And as many as 8.8% or 5 respondents have a turnover of Rp. 100,000,000-Rp. 200,000,000. This means that only a small number of respondents have a turnover in this range

Figure 4: Respondents by Monthly Turnover

Monthly Turnover
57 jawaban

● Rp.50.000.000 - Rp.100.000.000
● Rp.100.000.000 - Rp.200.000.000
● Rp.200.000.000 - Rp.300.000.000

91,2%

8,8%
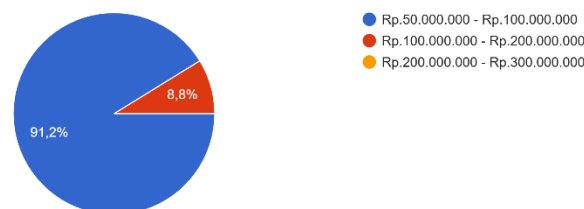
Source: Data processed by the author, 2024

Respondents by Total Assets

The results of the study are that 40.4% of respondents have total assets of IDR 10,000,000 - IDR 20,000,000 in this range. This shows that most respondents have assets that tend to be lower. The largest percentage, namely 50.9%, respondents have total assets of IDR 20,000,000 - IDR 30,000,000 in this range. This indicates that this group is the majority in terms of total assets. And the remaining only 8.8% of respondents have total assets of IDR 30,000,000 - IDR 40,000,000 in this range. This shows that the number of respondents with higher total assets is relatively small.

Figure 5: Respondents by Total Assets
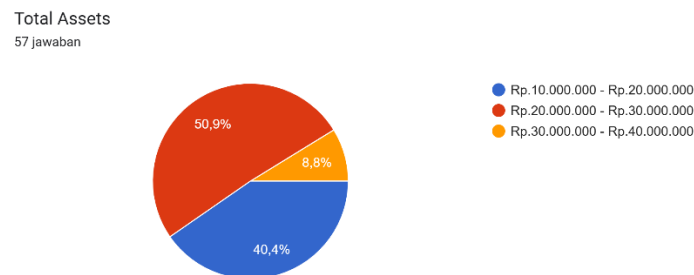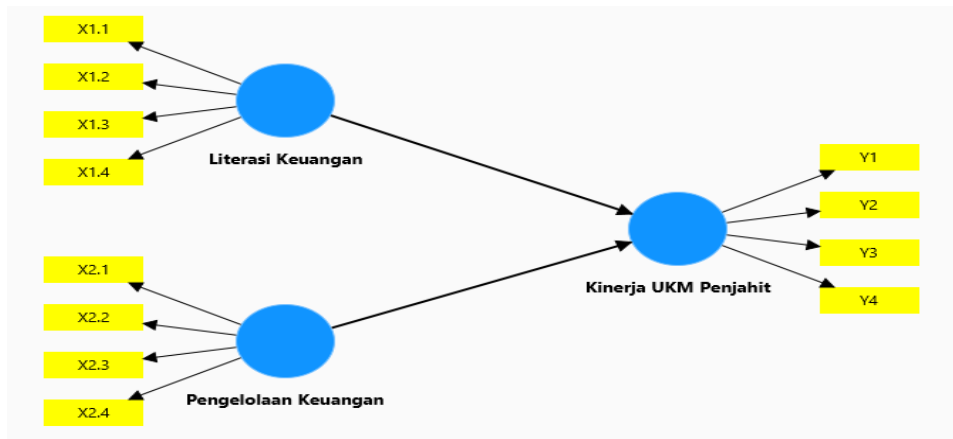

Source: Data processed by the author, 2024

2.) Statistical Analysis Using SmartPLS

Partial Least Square (PLS) is a component or variant-based Structural Equation Modeling (SEM) model. PLS is an alternative approach that shifts from a covariance-based to a variance-based SEM approach. Covariance-based Structural Equation Modeling (SEM) generally tests causality/theory while PLS is more of a predictive model. PLS is a powerful analysis method, because it is not based on many assumptions, for example the data must be normally distributed, the sample does not have to be large (Hair et al., 2019)). Analysis of the SEM model with the Smart PLS program consists of several stages, including:

SEM Model Development

In this process, the theoretical model that has been built on the research conceptual framework will be depicted in an SEM model diagram which will make it easier to see the causal relationships that you want to test. In this diagram, the relationship between constructs will be expressed through arrows. Straight arrows show a direct causal relationship between one construct and another.

Figure 6: Model of Causal Relationships between Variables

Source: Data processed with SmartPLS 4, 2023

After that, the author carried out several types of tests as follows:

a.) Outer Model Test

The outer model test is carried out to ensure that the measurement (measurement model) used is suitable for measurement (valid and reliable). This Outer Model analysis is to determine the relationship between latent variables and their indicators, or it could be said that the outer model defines how each indicator is related to the latent variable. Three measurement criteria are used in the data analysis technique using SmartPLS to assess the model. The three measurements are Convergent validity, Reliability, and Discriminant Validity.

i) Convergent Validity Test

Convergent validity testing is used in research to validate indicators against variables. Convergent validity can be seen through the loading factor value, which is said to be accepted if the loading factor value is above 0.7. However, if the loading factor value is below 0.7, it will be deleted if it can increase the AVE value, where the AVE value must be above 0.5 ((Hair et al., 2019)).
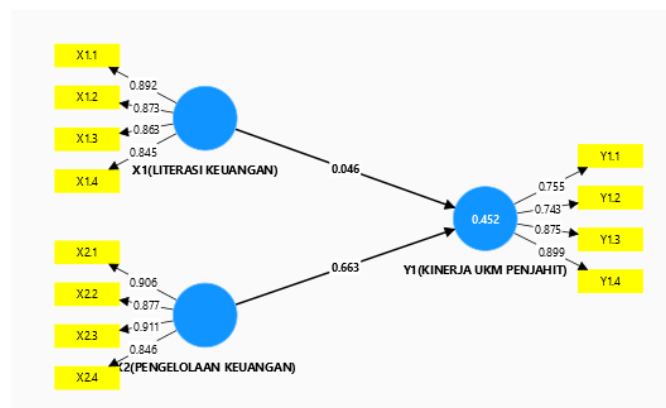
Table 1: Convergent Validity Value Test Results (Outer Loading)

Outer loadings - Matrix

	X1 (LITERASI KEUANGAN)	X2 (PENGELOLAAN KEUANGAN)	Y1 (KINERJA UKM PENJAHIT)
X1.1	0.892		
X1.2	0.873		
X1.3	0.863		
X1.4	0.845		
X2.1		0.906	
X2.2		0.877	
X2.3		0.911	
X2.4		0.846	
Y1.1			0.755
Y1.2			0.743
Y1.3			0.875
Y1.4			0.899

Source: Data processed with SmartPLS 4, 2024

Figure 7: Output Outer Loading (Convergent Validity)

Source: Data processed with SmartPLS 4, 2024

From table 1 and figure 5 above, it can be seen that all question items have factor loading values (outer loading) that are all above 0.7. So these items can be declared valid.

ii.) Reliability Test (Composite Reliability and Cronbach Alpha) and Average Variance Extracted (AVE) Test

Reliability testing is a tool for measuring a questionnaire which is an indicator of a variable or construct. A measuring instrument or instrument in the form of a questionnaire is said to provide stable or constant measuring results, if the measuring instrument is reliable or reliable. Therefore, it is necessary to carry out a reliability test. A questionnaire is said to be reliable or reliable if a person's answers to questions are consistent or stable over time. Reliability testing was carried out using the Internal consistency method. The reliability of the research instrument in this study was tested using composite reliability and Cronbach's Alpha coefficient ((Hair et al., 2019)

According to ((Hair et al., 2019)), the requirements used to assess reliability are that the Chronbach's Alpha and Composite Reliability values must be greater than 0.70 for

confirmatory research and a value of 0.60 - 0.70 is still acceptable for exploratory research. The following is data from the analysis of Cronbach alpha testing, Composite reliability, and AVE values:

Table 2: Reliability Test Results

Construct reliability and validity - Overview				Cop
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1(LITERASI KEUANGAN)	0.892	0.899	0.925	0.754
X2(PENGELOLAAN KEUANGAN)	0.908	0.911	0.935	0.784
Y1(KINERJA UKM PENJAHIT)	0.838	0.859	0.892	0.674

Source: Data processed with SmartPLS 4, 2024

The test results based on the table above show that the composite reliability and Cronbach alpha results show satisfactory values, namely the value of each variable is above 0.70. This shows that the consistency and stability of the instruments used is high. In other words, all the constructs or variables in this research have become suitable measuring tools, and all the questions used to measure each construct have good reliability.

Average Variance Extracted (AVE) Test

The AVE value can describe the amount of variance or diversity of the manifest variables that can be contained by a latent construct. For the ideal AVE, namely 0.5, this means good convergent validity, meaning that the latent variable can explain on average more than half of the variance of the indicators.

The AVE criterion for a variable to be valid is that it must be above 0.50 ((Hair et al., 2019). The output results of the AVE value can be seen in table 11 below. It can be seen that all variables have an AVE value of more than 0.5, so that these variables have good construct validity.

iii.) Discriminant Validity Test

Discriminant validity is a factor cross loading value that is useful for knowing whether a construct has adequate discriminants or not. Several ways to see discriminant validity are as follows:

1.) By comparing all indicators, whether they have a greater correlation coefficient with each variable itself compared to the correlation coefficient value of the indicator with other variables.

Table 3: Results of Cross Loading Values

Discriminant validity - Cross loadings

	X1(LITERASI KEUANGAN)	X2(PENGELOLAAN KEUANGAN)	Y1(KINERJA UKM PENJAHIT)
X1.1	0.892	0.192	0.143
X1.2	0.873	0.125	0.135
X1.3	0.863	0.153	0.116
X1.4	0.845	0.131	0.158
X2.1	0.116	0.906	0.648
X2.2	0.285	0.877	0.577
X2.3	0.163	0.911	0.574
X2.4	0.052	0.846	0.572
Y1.1	0.233	0.411	0.755
Y1.2	0.197	0.510	0.743
Y1.3	0.012	0.617	0.875
Y1.4	0.132	0.629	0.899

Source: Data processed with SmartPLS 4, 2024

From the output in table 3, namely Discriminant validity Cross Loading, it can be seen that all indicators have a greater correlation coefficient with each variable itself compared to the correlation coefficient value of the indicator with other variables, so it can be concluded that each indicator in the block is a constituent variable or construct in that column.

2.) Discriminant validity is then measured by comparing the root AVE value of each variable with the correlation between the variable and other variables. The AVE root value can be seen from the output in table 4 below, namely the Discriminant Validity of the results of the AVE root value (Fornel Larcker Criterion).

Table 4: Discriminant Validity (Fornell Larcker Criterion)

Discriminant validity - Fornell-Larcker criterion

	X1(LITERASI KEUANGAN)	X2(PENGELOLAAN KEUANGAN)	Y1(KINERJA UKM PENJAHIT)
X1(LITERASI KEUANGAN)	0.868		
X2(PENGELOLAAN KEUANGAN)	0.173	0.885	
Y1(KINERJA UKM PENJAHIT)	0.161	0.671	0.821

Source: Data processed with SmartPLS 4, 2024

The AVE root value and construct correlation with other constructs can be seen as follows:

- Financial Literacy (X1): The root value of AVE is 0.868

Correlation value of Financial Literacy (X1) with other variables: 0.173, 0.161

- Financial Management (X2): AVE root value is 0.885

Correlation value of SME performance with other variables: 0.671

- Performance of Tailoring SMEs (Y): AVE root value is 0.821

Based on the results above, it can be seen that the root AVE value of each variable is higher than the correlation value between that variable and the other variables in the model. With this, it can be said that according to the test with AVE roots, this model has good discriminant validity.

b.) Inner Model Test

i.) R Square Analysis

This analysis is to determine the percentage of endogenous construct variability that can be explained by exogenous construct variability. This analysis is also to determine the goodness of the structural equation model. The larger the R-square number shows that the greater the exogenous variable can explain the endogenous variable, so the better the structural equation.

Table 5: R^2 Value Results

R-square - Overview			
	R-square	**R-square adjusted**	
Y1(KINERJA UKM PENJAHIT)	0.452	0.432	

Source: Data processed with SmartPLS 4, 2023

This R-square value means that the variability in Tailoring UKM Performance (Y) which can be explained by the variability of the Financial Literacy and Financial Management constructs is 45.2% while the rest is explained by other variables outside those studied.

ii.) Effect size (F^2)

Effect size (f2) or f-square, is used to measure the strength of the influence of exogenous variables (independent variables) on endogenous variables (dependent variables) in a structural model. This value provides an idea of how much the exogenous variable contributes to changes in the endogenous variable ((Hair et al., 2019)If the resulting value of f2 produces a value of 0.02 then the influence of the exogenous latent variable is small, a value of 0.15 means the influence of the exogenous latent variable is declared moderate, and a value of 0.35 means the influence of the exogenous latent variable is declared large. The output results are found as follows:

Table 6: F Square (F^2) Value Results

f-square - Matrix				Copy to Exce
	X1(LITERASI KEUANGAN)	**X2(PENGELOLAAN KEUANGAN)**	**Y1(KINERJA UKM PENJAHIT)**	
X1(LITERASI KEUANGAN)			0.004	
X2(PENGELOLAAN KEUANGAN)			0.779	
Y1(KINERJA UKM PENJAHIT)				

Source: Data processed with SmartPLS 4, 2024

From the output above, the following results can be seen:

1. Variable X1 (Financial Literacy) on Y (Performance of Tailoring SMEs) f square value of 0.004, so the influence is classified as low

2. Variable X2 (financial management) on Y (Performance of Tailoring SMEs) f square value is 0.779, so its influence is classified as high.

3.) Hypothesis Testing (Influence between Variables)

In this hypothesis testing stage, it will be analyzed whether there is a significant influence between the independent variables on the dependent variables. The hypothesis testing proposed is done by looking at the path coefficients that show the parameter

coefficients and the significance value of the t statistic. The significance of the estimated parameters can provide information about the relationship between the research variables. The limit for rejecting and accepting the proposed hypothesis is to use a probability of 0.05. The figure below presents the estimation output for testing the structural model:

Table 7: Direct Effect Hypothesis Test Results

Total effects - Mean, STDEV, T values, p values				Copy to Excel/Word	Copy to R
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1(LITERASI KEUANGAN) -> Y1(KINERJA UKM PENJAHIT)	0.046	0.073	0.127	0.363	0.716
X2(PENGELOLAAN KEUANGAN) -> Y1(KINERJA UKM PENJAHIT)	0.663	0.662	0.089	7.442	0.000

Source: Data processed with SmartPLS 4, 2024

Basis for decision making: (based on T Statistics value with a significance level of 0.05) (Hair et al., 2019))

a. Ho is accepted if T Statistics < 1.96 (No effect)

b. Ho is rejected if T Statistics ≥ 1.96 (Influence)

Basis for decision making: (based on significance value) ((Hair et al., 2019)

a. If P Value > 0.05 then H0 is accepted (No effect)

b. If P Value ≤ 0.05 then H0 is rejected (There is an effect)

Discussion

Table 8: Descriptive Statistical Analysis of Respondents' Answers

Indicators										
Name	No.	Type	Missings	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation
X1.1	1	MET	0	3.965	4.000	2.000	5.000	2.000	5.000	1.042
X1.2	2	MET	0	3.825	4.000	1.000	5.000	1.000	5.000	1.094
X1.3	3	MET	0	3.754	4.000	1.000	5.000	1.000	5.000	0.942
X1.4	4	MET	0	3.526	4.000	2.000	5.000	2.000	5.000	0.900
X2.1	5	MET	0	3.719	4.000	2.000	5.000	2.000	5.000	1.136
X2.2	6	MET	0	3.895	4.000	2.000	5.000	2.000	5.000	1.165
X2.3	7	MET	0	3.772	4.000	1.000	5.000	1.000	5.000	1.185
X2.4	8	MET	0	3.421	3.000	2.000	5.000	2.000	5.000	0.972
Y1.1	9	MET	0	3.860	4.000	2.000	5.000	2.000	5.000	0.907
Y1.2	10	MET	0	3.877	4.000	2.000	5.000	2.000	5.000	0.956
Y1.3	11	MET	0	4.000	4.000	1.000	5.000	1.000	5.000	1.043
Y1.4	12	MET	0	4.123	4.000	2.000	5.000	2.000	5.000	1.010

Source: Data processed with SmartPLS 4, 2024

The Influence of Financial Literacy on the Performance of Tailoring SMEs (Hypothesis 1)

Based on the results of the study, it was found that Financial Literacy did not have a positive and significant effect on the performance of Tailor SMEs in North Toraja. This is because the t-value <t table (0.363 <1.96) or P values <0.716 (0.716> 0.05). Thus,

the first hypothesis stating "Financial Literacy has a positive and significant effect on the Performance of Tailor SMEs in North Toraja" was not proven and was rejected.

Although Financial Literacy can have a positive impact on the wider community because it can help them manage their finances better, increase efficiency, and ultimately improve business performance. And with good financial literacy, SME actors can make more appropriate decisions regarding investment, debt management, and fund allocation. Financial literacy can help SME actors recognize and manage financial risks that may be faced, such as income fluctuations or changes in government policy.

The insignificant influence of Financial Literacy on the Performance of Tailoring SMEs in North Toraja in this study was caused by several things such as, Tailoring SME actors are still unfamiliar and do not fully understand financial literacy, and even though they have basic knowledge, Tailoring SME actors in North Toraja have not applied the concept of financial literacy consistently in managing their business finances, and SME actors often have limited time to attend training or capacity development programs. The results of this study are in line with previous research conducted by ((Fitria, 2024))) which stated that Based on the analysis and overall test results, it can be concluded that Financial Literacy does not have a significant effect on the performance of SMEs in Palembang City.

The Influence of Financial Management on the Performance of Tailoring SMEs (Hypothesis 2)

Based on the results of the study, it was found that Financial Management has a positive and significant effect on the performance of Tailor SMEs in North Toraja. This is because the t-value> t-table (7,442> 1.96) or P values <0.05 (0.000 <0.05). Thus, the first hypothesis stating "Financial Management has a positive and significant effect on the Performance of Tailor SMEs in North Toraja" is proven and declared accepted.

Good financial management can provide various benefits, such as ensuring financial stability through planned cash flow arrangements, so that businesses can meet operational obligations and avoid liquidity problems. In addition, efficient management allows funds to be allocated to priority areas, reduces waste, and supports growth opportunities, such as business expansion or investment in innovation. With organized finances, businesses are also better prepared to face unexpected risks, increasing credibility in the eyes of customers, partners, and investors. In addition, organized financial data facilitates strategic decision-making, making financial management the key to business sustainability and success. And understanding the elements of financial management such as, Recording all financial transactions regularly and accurately, preparing a budget helps SMEs plan expenses and ensure that funds are used effectively, managing cash flow well is essential to ensure that SMEs have enough money to pay bills and run daily operations, and managing cash flow well is essential to ensure that SMEs have enough money to pay bills and run daily operations. So that it can improve the performance of Tailor SMEs in North Toraja. This study is in line with previous research conducted (Wahyudiati, 2017)), which concluded that financial management has a positive effect on the performance of MSMEs in Kasongan Village. Thus, the higher the financial aspect, the higher the performance of MSMEs in Kasongan Village.

CONCLUSIONS AND RECOMMENDATIONS

This study focuses on the analysis of the relationship between financial literacy and financial management in the context of sewing SMEs in North Toraja. This study offers a new perspective on the relationship between the two variables with business performance, which has not been studied specifically in this local scope. This study focuses on sewing SMEs, which is a specific field and has not been widely represented in previous studies. Thus, this study provides a new contribution to the literature discussing financial management in the SME sector, especially in the North Toraja region.

The results of the study indicate that financial literacy does not have a significant impact on the performance of sewing SMEs, which is contrary to many previous studies that show a positive effect. This finding offers a new perspective and encourages further discussion on the challenges in implementing financial literacy among SME actors.

Although financial literacy does not have a significant effect on SME performance, understanding the financial aspect still plays an important role. This shows that even though SME actors have knowledge of financial literacy, they still need to improve their consistency in implementing it in their daily business management. Therefore, training and capacity building programs are needed that emphasize the practical application of financial literacy so that SMEs can make more optimal financial decisions.

The results of the study indicate that financial management has a positive and significant effect on SME performance. This finding emphasizes the importance of effective financial management, especially in terms of cash flow, budgeting, and financial planning. Therefore, the government and related institutions are advised to improve the implementation of training programs that focus on good financial management, so that they can help SMEs develop the necessary financial skills.

The results of this study can be considered by the government in formulating policies that support increasing literacy and financial management for SMEs. More comprehensive policies and targeted empowerment programs will help SMEs, especially in the sewing sector, improv e their overall business performance.

The limitations of this study, which only focused on sewing SMEs in one location, open up opportunities for further research. Future studies are advised to include SMEs from other sectors or regions in order to gain a broader perspective on the impact of literacy and financial management on SME performance. In addition, further research can also explore external factors that influence business performance.

BIBLIOGRAPHY

Aribawa. (2019). PENGARUH LITERASI KEUANGAN TERHADAP KINERJA DAN KEBERLANGSUNGAN UMKM DI JAWA TENGAH. *Oral and Maxillofacial Surgery*, *18*(4), 425–430. https://doi.org/10.1007/s10006-013-0431-4

Ediraras, D. T. (2018). Akuntansi dan Kinerja UKM. *Jurnal Ekonomi Bisnis*, *15*(2), 152–158.

Fitria, I. (2024). Pengaruh Literasi Keuangan, Sikap Keuangan dan Perilaku Keuangan Terhadap Kinerja UMKM Di Kota Palembang. *Konsumen & Konsumsi : Jurnal Manajemen*, *3*(1), 545–567. https://doi.org/10.32524/kkjm.v3i1.1116

Golda, C., Todingbua, M. A., & Halik, J. B. (2024). THE EFFECT OF FINANCIAL LITERACY

ON THE INCOME OF CULINARY SMES IN TANA TORAJA REGENCY THROUGH PERFORMANCE. *Indonesian Journal of Economic Studies*, *3*(2), 5–12. https://journal.siddiqinstitute.org/IJES/article/view/78

Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, *31*(1), 2–24. https://doi.org/10.1108/EBR-11-2018-0203

Halik, J. B., Halik, M. Y., Latiep, I. F., Irdawati, & Balaba, E. (2022). Pengaruh Literasi Keuangan, Gaya Hidup, Dan Uang Saku Mahasiswa Dalam Pengelolaan Keuangan Pribadi Pada Mahasiswa Universitas Kristen Indonesia Paulus Makassar. *Accounting Profession Journal (Apaji)*, *5*(1), 51–67. https://ojsapaji.org/index.php/apaji/article/view/99

Hidayat. (2020). Pengaruh Literasi Keuangan Terhadap Pengelolaan Keuangan pada Pelaku UMKM. *Fair Value : Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(9), 3495–3502.

Irdawati, & Nurlia. (2025). Pengaruh Literasi Keuangan dan Manajemen Kas terhadap Keberlanjutan UMKM Sektor Perdagangan di Kota Bekasi. *ECOHOLIC: Jurnal Ekonomi Holistik*, *1*(1), 35–48. https://ojs.ukipaulus.ac.id/index.php/jeh/article/view/855

Kaya, G. P. S., & Golda, C. (2024). THE INFLUENCE OF FINANCIAL LITERACY AND LIFESTYLE ON THE FINANCIAL MANAGEMENT OF PAULUS CHRISTIAN UNIVERSITY OF INDONESIA PAULUS 2021 MANAGEMENT PROGRAM STUDENTS. *Journal of Marketing Management and Innovative Business Review*, *02*(02), 8–14. https://www.ojsapaji.org/index.php/mariobre/article/view/222

Latiep, I. F., Dewi, A. R. S., Syam, A., Halik, J. B., & Chakti, A. G. R. (2023). INOVASI BISNIS ONLINE. In B. Majid & H. Hardiyono (Eds.), *Chakti Pustaka Indonesia* (1st ed., Vol. 1). Chakti Pustaka Indonesia.

Manda, A., Halik, J. B., & Paridy, A. (2025). ANALISIS EFISIENSI DAN EFEKTIVITAS PENGGUNAAN MODAL UMKM CAFE TEMAN JALAN BOBA BOOTH CONTAINER DI KOTA MAKASSAR. *ECOHOLIC: Jurnal Ekonomi Holistik*, *1*(1), 74–78. https://ojs.ukipaulus.ac.id/index.php/jeh/article/view/860

Manurung. (2019). Analisis Laporan Keuangan Sebagai Dasar Penilaian Kinerja Keuangan Pada UMKM Amungame dan Kamoro. *Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *5*(1), 38–46.

Mulyawan. (2019). Pengaruh Literasi Keuangan Terhadap Pengelolaan Keuangan Umkm. *Jurnal Manajemen Dan Bisnis (Almana)*, *2*(3), 155.

Paembonan, R., Ma'na, P., & Halik, J. (2024). Analisis akuntabilitas kinerja keuangan daerah di kantor pelayanan kekayaan negara dan lelang kabupaten biak provinsi Papua. *Journal of Marketing Management and Innovative Business Review*, *02*(2), 1–6. https://www.ojsapaji.org/index.php/mariobre/article/view/254/143

Palalangan, C. A., Halik, J. B., & Halik, M. Y. (2017). Pengaruh Audit Tenure, Rotasi Audit Dan Ukuran Kantor Akuntan Publik (KAP) Terhadap Kualitas Audit. *Jurnal Buana Akuntansi*, *4*(2), 42–58. corolus@ukipaulus.ac.id

Rizky. (2019). *The Identification of Financial Literacy Level (Accounting) of MSMEs Actors in the Wetlands Area*. 2, 1–23.

Rumbianingrum and WijayangkaPasuk, I. J. I., Sungkawati, E., & Harmadji, D. E. (2021). Pengaruh Literasi Keuangan dan Pengetahuan Keuangan Terhadap Pengelolaan Keuangan Pada Pedagang Pasar Sawojajar. *Jurnal Penelitian & Pengkajian Ilmiah Mahasiswa (JPPIM)*, *4*(3), 28–38.

Sanistasya, P. A., Raharjo, K., & Iqbal, M. (2019). Pengaruh Literasi Keuangan dan Inklusi Keuangan Terhadap Kinerja Usaha Kecil di Kalimantan Timur. *Jurnal Economia*, *15*(1), 48–59. https://doi.org/10.21831/economia.v15i1.23192

Septiani, R. N., & Wuryani, E. (2020). Septiani, R. N., & Wuryani, E. (2020). Pengaruh literasi keuangan dan inklusi keuangan terhadap kinerja UMKM di Sidoarjo (Doctoral dissertation, Udayana University). *MSEIKO : Journal of Management & Business*, *6*(1), 644–651. https://doi.org/10.37531/sejaman.v6i1.3874

Setyorini. (2019). PENGARUH TINGKAT LITERASI KEUANGAN TERHADAP PENGELOLAAN KEUANGAN PADA PELAKU UMKM KECAMATAN CINERE, DEPOk. *Jurnal Ilmu Manajemen Terapan*, *2*(1), 58–69. https://doi.org/10.31933/jimt.v2i1.315

Sugiyono. (2020). *Metode Penelitian Kualitatif dan Kuantitatif* (Issue January).

Susanti, A., Ismunawan, ., Pardi, ., & Ardyan, E. (2018). Tingkat Pendidikan, Literasi Keuangan, dan Perencanaan Keuangan terhadap Perilaku Keuangan UMKM di Surakarta. *Telaah Bisnis*, *18*(1), 45–56. https://doi.org/10.35917/tb.v18i1.93

Tandigau, Y. N., Jaya, A., & Halik, J. B. (2024). Pengaruh Akses Pembiayaan dan Penggunaan Financial Technology terhadap Kinerja UKM di Kota Makassar (Studi Kasus Pada UKM di Kota Makassar). *YOS SOEDARSO ECONOMICS JOURNAL (YEJ)*, *6*(3), 110–118. https://ejurnal.yossoedarso.ac.id/index.php/ysej-server/article/view/yej6317

Wahyudiati, D. (2017). *Pengaruh Aspek Keuangan dan Kompetensi Sumber Daya Manusia (SDM) Terhadap Usaha Mikro Kecil dan Menengah (UMKM) di Desa Kasongan.* 1–136.