

The Role of Culture in Moderating the Influence of Financial Literacy and the Performance of SMEs in North Toraja Regency

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Abstract

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Culture, Financial Literacy, Performance, SME

This research aims to analyze and determine the role of culture in moderating the influence of financial literacy on SME performance. This research uses a quantitative approach. The objects studied were SME owners in Toraja Regency. Data was obtained through a survey with an instrument, namely a questionnaire and the sampling method used was the simple random sampling method. The results of the research conclude that financial literacy has a significant effect on the performance of North Toraja Regency MSMEs and culture can moderate the influence of financial literacy on the performance of North Toraja Regency SMEs..

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy, contributing significantly to Gross Domestic Product (GDP) and employment. According to data from the Ministry of Cooperatives and SMEs (2023), MSMEs contribute more than 60% of national GDP and employ approximately 97% of the Indonesian workforce. However, MSMEs still face various challenges, particularly in managerial and financial aspects.

One crucial factor in supporting the sustainability and growth of MSMEs is financial literacy, namely the ability to understand and manage finances effectively (Asyifa & Dermawati, 2024; Puspitasari & Indriastuti, 2020). Financial literacy also plays a role in encouraging MSMEs to compete in the modern business era (Ramdhani & Anandya, 2022). Financial literacy enables MSMEs to make sound financial decisions (Putri, 2024; Hermawan & Fikri, 2024), plan their finances, and access appropriate funding sources (Lusardi & Mitchell, 2014). Research by Setyawati & Suryandari (2021) shows that financial literacy has a positive influence on the financial performance of MSMEs, including profitability, efficiency, and growth.

However, financial literacy cannot stand alone. In a local context like North Toraja Regency, local culture plays a crucial role in shaping the perspectives, business behavior, and financial decision-making of MSMEs. Toraja has a unique culture, encompassing a deep value system, traditional traditions, and a strong social structure, which can influence how MSMEs manage their businesses. As explained by Hofstede (2010), culture influences economic behavior through values such as future orientation, uncertainty avoidance, and collectivism.

Within this framework, local culture can act as a moderating variable, influencing the strength of the relationship between financial literacy and MSME performance. Research by Herawati & Putri (2020) shows that organizational culture and local values can strengthen or weaken the impact of financial literacy on business performance. Cultural traditions help them survive in running their businesses (Rozari & Makatita, 2022). Thus, understanding the role of local culture in moderating the influence of financial literacy is crucial, particularly in a region as culturally rich as North Toraja.

Culture is defined as a set of values, beliefs, understandings, and core norms that underpin individuals within an organization (Sugwardani, 2012). The local culture referred to in this study is Toraja culture, where the Toraja people hold dear and preserve it to this day. Culture is not merely symbolic for the Toraja people but has become a tradition they believe in in their everyday

lives. The traditions that exist in Toraja society today are their customs, and it is possible that skills in developing an entrepreneurial spirit originate from this culture.

Despite the important role of culture, empirical studies addressing this issue are still limited, particularly in the specific context of Eastern Indonesia, such as North Toraja Regency. Therefore, this study aims to analyze the influence of financial literacy on SME performance and explore how local Toraja culture moderates this relationship.

METHODS

The type of research used in this study is quantitative research with an associative approach. This study lasted for 8 months in North Toraja Regency. The data source used in this study is primary data obtained from respondents who were given and answered a list of questions in the form of a questionnaire. The population in this study is SMEs in North Toraja. The population of this study is 16,752 SME owners in Rantepao City, North Toraja Regency. The sampling technique (determining respondents) was carried out using the random sampling method. The sample size was determined or guided by the formula from Taro Yamane so that a sample of 99 respondents was obtained.

RESULTS AND DISCUSSION

Classical Assumption Test

Before conducting the hypothesis test, classical assumption tests are first performed, including tests for normality, heteroscedasticity, and multicollinearity.

Normality Test

Table 1
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		99
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	2,65914300
Most Extreme Differences	Absolute	,046
	Positive	,046
	Negative	-,042
Kolmogorov-Smirnov Z		,454
Asymp. Sig. (2-tailed)		,986

In this study, statistical normality testing was conducted using the Kolmogorov-Smirnov test. The results of the normality test obtained a Kolmogorov-Smirnov Sig value of 0.986. This value has met the requirements for normality testing, namely if the test results obtained a Sig value > 0.05, then the normality assumption is met (Ghozali, 2013).

Heteroscedasticity Test

Table 2
Heteroscedasticity Test Results

Variables	Sig.	Conclusion
X	0,704	No heteroscedasticity occurs
M	0,107	No heteroscedasticity occurs

Based on the results above, it shows that the significance value of the Financial Literacy (X) and Culture (M) variables obtained a sig value > 0.05 , so it can be concluded that there is no heteroscedasticity.

Multicollinearity Test

The multicollinearity assumption test can be performed by calculating the VIF (Variance Inflating Factor) value. If the VIF value is < 10 , it can be concluded that there is no multicollinearity. The results of the multicollinearity assumption test in this study can be seen in the following table.

Table 3
Multicollinearity Test Results

Variables	VIF	Conclusion
Financial Literacy	1,001	Non multikolinearitas
Culture	1,001	Non multikolinearitas

The table shows that all VIF values are below 10, indicating that all independent variables do not exhibit multicollinearity (non-multicollinearity). This means that the independent variables studied are not interrelated and are therefore appropriate for use as independent variables in the model.

Regression Analysis Without Moderating Variables

The results of the multiple regression analysis without moderating variables are shown in the following table.

Table 4
Regression Test Results without Moderating Variables

Independent Variables	Coeffisien	Sig.	Conclusion
Constant	35,112		
Financial Literacy (X)	0,055	0,007	Significant
$\alpha = 5\% = 0,05$ R square = 0,073			

The R-square coefficient of determination in the test results above is 0.073, or 7.3%. This result indicates that the MSME Performance variable (Y) is influenced by 7.3% of the financial literacy variable (X).

Based on the regression test results above, the following mathematical equation can be formulated.

$$Y = 35,112 + 0,055X_1 + e \quad (1)$$

Hypothesis testing in this study was conducted partially using a t-test, as shown below.

The Effect of Financial Literacy (X) on MSME Performance (Y)

The Financial Literacy variable (X) obtained a probability value of 0.007. Because the probability value is less than 5% ($0.007 < 0.050$), the Financial Literacy variable (X1) has a partial significant effect on MSME Performance (Y).

Regression Analysis with Culture as a Moderator

The results of the multiple regression analysis with the culture (Z) as a moderator are shown in the following table.

Table 5
Regression Test Results with Moderating Variable Z

Independent Variables	Coefisien	Sig.	Conclusion
Constant	34,712		
X.Z	0,014	0,000	Significant
	$\alpha = 5\% = 0,05$ R square =0,751		

The R-square coefficient of determination in the test results above shows a value of 0.751, or 75.1%. This result indicates that the MSME performance variable is 75.1% influenced by financial literacy (X) after interacting with the Culture variable (M). The remaining 24.9% is influenced by other variables outside the independent variables examined in this study.

Based on the results of the regression test after interacting with the Culture variable (M), the following mathematical equation can be formulated:

$$Y = 34.712 + 0.014 X.M + e \quad (2)$$

From the table above, it is known that after interacting with the culture variable (moderation), the MSME performance variable has a probability value of 0.000, below the standard significance level of 0.05. This indicates that culture can moderate the effect of financial literacy on MSME performance. The coefficient for the interaction of the culture and financial literacy variables is positive at 0.014, indicating that the culture variable strengthens the influence of financial literacy on MSME performance.

DISCUSSION

The Influence of Financial Literacy on SME Performance

The test results concluded that financial literacy has a positive effect on SME performance. With adequate financial literacy accuracy, entrepreneurs can conduct more structured financial planning and efficiently control costs, as well as understand pricing strategies and capital management (Anggarini Walyanu Arianti, 2025). This study's findings align with research by Dewi & Sulindawati (2025); Lusiana & Rahim (2025); and Yulaiha & Kusumawardhani (2025).

The Influence of Culture (Z) on the Relationship between Financial Literacy (X1) and SME Performance (Y)

The results of the hypothesis test indicate that the proposed hypothesis is accepted. Thus, the hypothesis stating that culture can moderate the effect of financial literacy on SME performance is empirically confirmed. These findings also indicate that culture can significantly strengthen the influence of financial literacy on financial reporting quality. This means that, after the cultural variable interacts with the financial literacy variable, the resulting effect on SME performance is stronger than before these variables interacted.

According to Geert Hofstede's cultural theory, culture influences individual behavior through social values embedded in society, such as attitudes toward risk, long-term orientation, and habits in managing resources. In the context of small and medium enterprises, cultural values can influence how entrepreneurs utilize their financial knowledge.

The findings of this study align with research conducted by Desiyanti & Kasim (2020), which found that social values such as religiosity and cultural values can strengthen the relationship between financial literacy and small business performance. This study showed that entrepreneurs with strong cultural and ethical values tend to be more disciplined in managing their business finances, thereby improving their business performance.

CONCLUSION

Based on the research results, it can be concluded that financial literacy has a positive effect on the performance of SMEs in North Toraja Regency. This indicates that the better an Sme's understanding of financial management, the better their business performance.

Furthermore, culture has been shown to moderate the relationship between financial literacy and SME performance. This means that the cultural values held by entrepreneurs can strengthen the influence of financial literacy in improving SME performance. Thus, financial and cultural literacy have an important role in supporting the improvement of SME performance in North Toraja Regency.

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