

# The Contribution of Financial Literation and Human Capital In Improving The Performance of Village-Owned Business Agencies

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## Abstract

The purpose of this study is to examine the relationship between financial literacy and human capital on the performance of Village-Owned Enterprise. Village-Owned Enterprise has an important role in building the economy in the village. However, the condition that occurs is that there are still many conditions of rural community human resources, especially Village-Owned Enterprise officials, who do not have good management skills and financial literacy in managing Village-Owned Enterprise. This research uses explanatory research, research sites are in Sigi and Poso Regencies. The population of this research is the management of Village-Owned Enterprise in Sigi and Poso Regencies, amounting to around 300 people representing each village in Sigi and Poso Regencies. Based on the results of the questionnaire distribution, a sample of 75 Village-Owned Enterprise administrators in Sigi and Poso districts was obtained. Financial literacy in Sigi village and even more so in Poso district is still far from perfect, because Village-Owned Enterprise administrators in SIGI and Poso in general are unable to use village participation funds accountably. This is due to the weak capacity of Village-Owned Enterprise administrators in managing Village-Owned Enterprise planning, implementation and financial reporting. The results of this study prove that the human capital of Village-Owned Enterprise administrators has an effect on Village-Owned Enterprise performance. This indicates that the community, including Village-Owned Enterprise administrators, has the potential to innovate so that it will have an impact on Village-Owned Enterprise performance.

## Keywords:

Financial literacy;  
Human capital; Village-Owned Enterprise performance; Village-owned enterprises; Resource Based View

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## 1. Introduction

The purpose of this study is to examine the relationship between financial literacy and human capital on the performance of Village-Owned Enterprise. Village-Owned Enterprise has an important role in building the economy in the village. However, the condition that occurs is that there are still many conditions of rural community human resources, especially Village-Owned Enterprise officials, who do not have good management skills and financial literacy in managing Village-Owned Enterprise. An appropriate strategy is very important for every Village-Owned Enterprise management to have and implement. The strategies required by each Village-Owned Enterprise management will vary depending on the problems faced by each manager (Mabula & Ping, 2018; Novi Yushita Amanita, 2017; Owusu et al., 2019; Sugiarti et al., 2019). This condition will vary considering the many different problems faced by each Village-Owned Enterprise manager in their Village-Owned Enterprise (Agyei et al., 2019; Djuwita &

Yusuf, 2018; Ye & Kulathunga, 2019). The Panca Bhakti Palu College of Economics in organizing, since 2017 has committed to participate in building villages by assisting several villages that need guidance and development of village apparatus resources and Village-Owned Enterprise. Currently, there are 16 villages under the guidance of STIE Panca Bhakti Palu, which are spread across Sigi Regency and Poso Regency. According to data from the Community and Village Empowerment Agency of Central Sulawesi Province, there are 14 Village-Owned Enterprise in the target village area.

## 2. Method

This research is categorized as an explanatory research which explains the causal relationship between variables through hypothesis testing. This research focuses on scientific disclosure and explanation regarding the influence of the independent variable on the dependent variable. This research will also conduct mapping and investigate the factors that determine the performance of Village-Owned Enterprise. The research will be focused on testing empirically as well as mapping the factors that affect the performance of Village-Owned Enterprise.

The research will be carried out in several stages. The first stage, the researcher makes observations in the field and studies literature related to the problem / phenomenon to be studied. The second stage, the researcher formulates the research problem. The third stage is collecting data to answer the research problem. The fourth stage, the researcher use Linear regression to analyze the linkages and relationships between different research variables, namely the dependent variable and the independent variable by requiring data consisting of several groups of observation or measurement results. Analyze and process the data on the data that has been collected. The final stage, data interpretation and decision making by researchers. The population of this research is the management of Village-Owned Enterprise in Sigi and Poso Regencies, amounting to around 300 people representing each village in Sigi and Poso Regencies. Based on the results of the questionnaire distribution, a sample of 75 Village-Owned Enterprise administrators in Sigi and Poso districts was obtained.

## 3. Result and Discussion

Characteristics of respondents that are deemed necessary to be described in this study consist of gender, latest education and age. Characteristics of respondents based on gender are shown in Table 1.

**Table 1.**  
Respondents based on gender

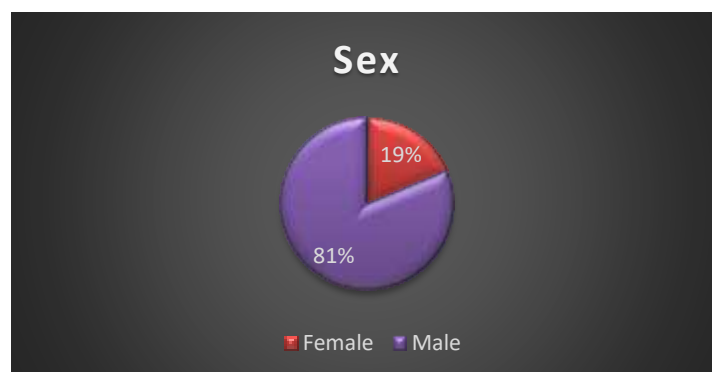


Table 1 shows that the respondents in this study consisted of 61 men (81%) and 14 women (19%). This shows that most Village-Owned Enterprise administrators in Sigi and Poso Districts are male. Characteristics of respondents based on the latest education can be seen in Table 2.

**Table 2.**  
Education level of respondents

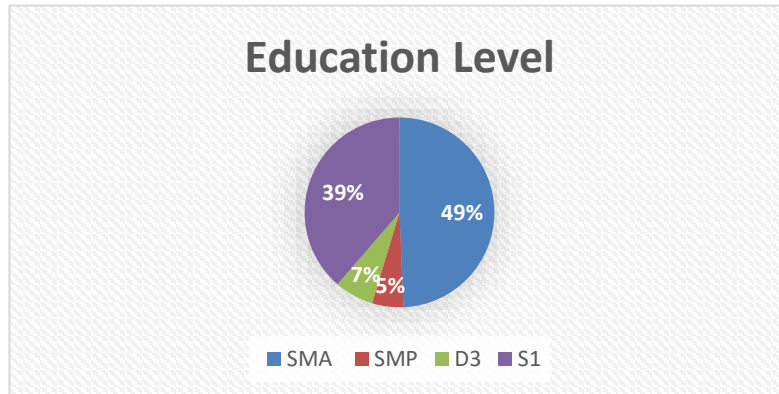


Table 2 shows that the education of Village-Owned Enterprise administrators in Sigi and Poso Regencies, Central Sulawesi Province is mostly SMA or equivalent as many as 37 people (49%) while those who have junior high school education are 4 people (5%), Diploma as many as 5 people (7%), S1 as many as 29 people (39%). Characteristics of respondents by age can be seen in Table 3.

**Table 3.**  
Age of respondents

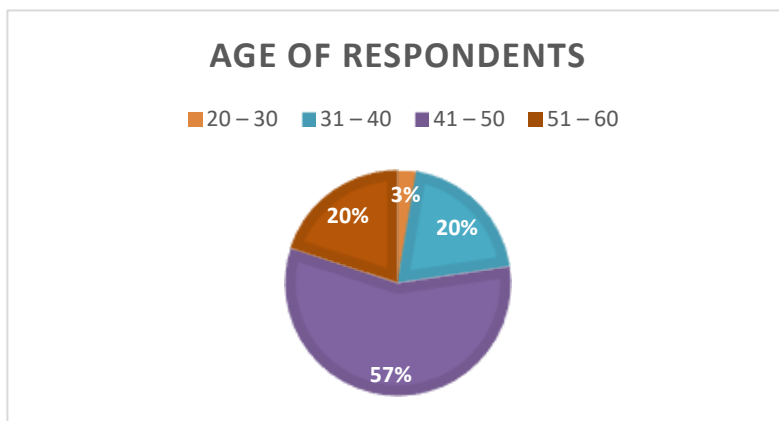


Table 3 shows that most Village-Owned Enterprise administrators have an age level of 41-50 years, amounting to 43 people (57%) and 2 people with an age level of 20-30 years old (3%). Village-Owned Enterprise administrators aged 31-40 years are 15 people (20%). 15 people aged 51-60 years (20%).

### **Hypothesis test results**

Linear regression is one of the parametric statistical analysis tools which functions to analyze the linkages and relationships between different research variables, namely the dependent variable and the independent variable by requiring data consisting of several groups of observation or measurement results. The following are the results of linear regression analysis.

**Table 4**  
Financial Literacy and Human Capital Regression Test Results on Village-Owned Enterprise Performance

No.	Independent Variable	Dependent Variable (Y)			
		Koefisien Regresi (B)	Test Result T	Probabilitas (Sig T)	R Parsial
1.	Constanta (a)	47.435	11.27		
2.	Financial Literacy and Performance	-0.067	-0.586	0.560	-0.069
3	Human Capital and Performance	0.496	4.314	0.000	0.453
<b>Multiple R = 0.471</b>		<b>R Square = 0.222</b>			
<b>Adjusted R Square = 0.201</b>		<b><math>\alpha</math> = 0.001</b>			

Table 4 illustrates the relationship between financial literacy and human capital on Village-Owned Enterprise performance. The constant value (a) is 47.435, indicating that if financial literacy is neglected or worth 0, then Accountability will be worth 47.435. The regression coefficient value is -0067, explaining that financial literacy variables have no effect on the financial performance of Village-Owned Enterprise. The human capital variable affects the performance of Village-Owned Enterprise. This can be seen from the regression coefficient value of 0.496 and significant at the 1% level.

### ***The relationship between financial literacy and the performance of Village-Owned Enterprise in Poso and Sigi Regencies***

The performance of Village-Owned Enterprises (Village-Owned Enterprise) plays an important role in the economic development of the community in the village. To improve the performance of Village-Owned Enterprise, it is very much determined by the resources owned by the Village-Owned Enterprise. One of the influencing factors is the financial literacy owned by Village-Owned Enterprise. Financial literacy is an essential thing that Village-Owned Enterprise managers must have. Financial literacy should be able to improve the performance of Village-Owned Enterprise by compiling plans to appropriate reporting (Cariola et al., 2020; Cosenz & Bivona, 2020; De Marco et al., 2020; Ejdys, 2014; Florido et al., 2015; Santoro et al., 2019). However, the results of this study indicate that financial literacy has no impact on the performance of Village-Owned Enterprise. This can be interpreted that the ability of Village-Owned Enterprise administrators regarding financial literacy is not an important factor in improving Village-Owned Enterprise performance. Based on the observations obtained, there are many fat scores that affect the performance of this Village-Owned Enterprise. Among them are the absence of facilities that support the internet network, the Village-Owned Enterprise administrators do not understand the functions of the business entity so that the financial literacy owned by Village-Owned Enterprise administrators is not significant for the impact on Village-Owned Enterprise performance.

Village-Owned Enterprise management is a sector that should be important in the development of Village-Owned Enterprise. However, there is still management of village government in this context which is still weak in the accountability and transparency of Village-Owned Enterprise administrators. Financial literacy in Sigi village and even more so in Poso

district is still far from perfect, because Village-Owned Enterprise administrators in SIGI and Poso in general cannot use the funds from the village accountably. This is due to the weak capacity of Village-Owned Enterprise administrators in managing Village-Owned Enterprise planning, implementation and financial reporting.

### ***The relationship between Human Capital and Village-Owned Enterprise performance in Poso and Sigi Regencies***

To develop a company in order to innovate or improve company performance is not only necessary with the accumulation of capital, but also the use of internal human resources. When a company has internal resources that are capable of this, it can make the company always innovate. When companies always innovate, this can improve their company's performance. This is in line with research conducted by (Abdul-Halim et al., 2019; Agostini, L., & Nosella, 2017; Dabić et al., 2018; Gonzalez-Loureiro et al., 2017; Hult et al., 2004; Jansen et al., 2006; Kianto et al., 2017; Montequín et al., 2006; Ramadan et al., 2017; Rodrigues et al., 2011). The results of this study prove that the human capital of Village-Owned Enterprise administrators has an effect on Village-Owned Enterprise performance. This indicates that the community, including Village-Owned Enterprise administrators, has the potential to innovate so that it will have an impact on Village-Owned Enterprise performance.

## **4. Conclusion**

Village-Owned Enterprise management is a sector that should be important in the development of Village-Owned Enterprise. However, there is still Village-Owned Enterprise management in this context that is still weak in the accountability and transparency of Village-Owned Enterprise administrators. Financial literacy in Sigi village and even more so in Poso district is still far from perfect, because Village-Owned Enterprise administrators in SIGI and Poso in general are unable to use village participation funds accountably. This is due to the weak capacity of Village-Owned Enterprise administrators in managing Village-Owned Enterprise planning, implementation and financial reporting. The results of this study prove that the human capital of Village-Owned Enterprise administrators has an effect on Village-Owned Enterprise performance. This indicates that the community, including Village-Owned Enterprise administrators, has the potential to innovate so that it will have an impact on Village-Owned Enterprise performance. Officials at the head of the Central Sulawesi provincial government should provide guidance to Village-Owned Enterprise administrators in developing financial literacy. Placement of educational qualifications (background for economic graduates) can be taken into consideration in placing the Village-Owned Enterprise structure. Village-Owned Enterprise administrators need to pay attention to commodities from the region so that the results of these commodities can become superior potential.

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