

# Financial Capital and Financial Inclusion on Hotel Business Performance in Bandung, Indonesia

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## Financial Capital and Financial Inclusion on Hotel Business Performance in Bandung, Indonesia

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### Abstract

The hotel business is one of the tourism sectors which in its management focuses on services. Financial factors are one of the factors that can support the success of the hotel business. This study aims to determine the effect of financial capital and financial inclusion on the performance of the hotel business in the city of Bandung. The research was conducted on the non-star hotel industry in the city of Bandung. The participants in this study were non-star hotel managers in the city of Bandung. The number of questionnaires distributed amounted to 234 and returned as many as 192. So the sample in this study amounted to 192 respondents. The results showed that there was a positive and significant influence between financial capital and financial inclusion on the performance of the hotel business in Bandung.

### Keywords

hotel industry; financial capital; financial inclusion; performance



### I. Introduction

This research was conducted in the non-star hotel industry in the city of Bandung. One of the problems that often occur in running a business is financial or capital problems. To achieve business goals or performance requires the ability of a business owner or manager related to finance. As conveyed by Marija et al., (2021) states that business success is influenced by the ability of a business owner to manage a business or run a business related to financial capital or financial models.

The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

Inclusive finance can be interpreted as an effort made by policy makers to facilitate or remove all obstacles or obstacles for the community to obtain financial services easily. Financial inclusion has also become the government's strategy to encourage national economic growth by reducing poverty, income distribution and financial system stability (Yanti, 2019). Several research results conducted by world banks in various countries found that the involvement of financial inclusion plays an active and very important role in alleviating poverty and increasing economic growth (Muhadjir et al, 2015). In Indonesia, the current increase in financial sector growth is still inadequate in public access to financial institution services. The expansion of access to financial services and the understanding of the public or business actors about the financial sector need to be given more attention in order to have an impact on the country's economic growth (Yanti, 2019).

Problems that are often encountered by business people in running their business are financial problems, such as weak access to financing or capital in running their business (Sanistasya et al., 2019). Motivation comes from the Latin word *movere* which means drive or driving force. Motivation in management is only aimed at human resources in

general and in particular subordinates (Purba and Sudibjo, 2020). Local governments through OJK and other financial institutions need to encourage financial literacy, with the aim of supporting motivation and encouraging passion in doing business (Sanistasya et al., 2019). From 1998-2018, MSME credit consumption did not experience a significant increase, the rate of change could not exceed 20% (Bank Indonesia, 2018). If banking access is made easier, of course this will make it easier for business people or the public to access banking products, including MSME credit services, which of course will also be able to increase the amount of distribution (Linati, 2017). Financial capital (financial capital) can be explained as expertise regarding the financial resources used by the owner in starting and managing a business (Marija et al., 2021).

Based on the description of the background that has been explained previously, the objectives of this study are to:

1. Knowing the influence of financial capital on the performance of the hotel business in the city of Bandung
2. Knowing the effect of financial inclusion on the performance of the hotel business in the city of Bandung.

## II. Review of Literature

### 2.1 Performance

Business performance can be said to be successful if the manager or business owner is able to manage his business well, this can be seen from the profits obtained by the owner in the form of financial and non-financial (Marija et al., 2021). Performance is the result of work achieved by individuals and adapts to roles or tasks within a company at a certain time period and is linked to achieving goals that have been implemented by the company (Mutegi, Njeru and Ongesa, 2015). Performance can be interpreted as an achievement obtained by someone (Niati et al., 2021); (Tasman et al., 2021).

### 2.2 Financial Capital

Financial capital refers to the purchasing power or means of representing stored financial wealth, usually in the form of currency. Currency is used by companies or individual entrepreneurs to invest to start or grow a business, i.e. to buy or acquire physical capital (Marija et al., 2021). Financial capital or financial capital can be sourced from in the form of debt and/or equity income originating from external sources. Weaknesses in financial capital can hinder a business' ability to create, develop products and services and develop employees (Coleman, 2017). Financial capital not only gives influence but also becomes one of the important points because intellectual capital development occurs through the company's budgeting process (Murthy & Mouritsen, 2011). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. (Ichsan, R. et al. 2021). Andreas Budihardjo (2016) states that in improving the financial performance of the company, there are 2 major components that influence it, namely financial capital and intellectual capital. In financial capital, it includes physical capital, which is like the number of immovable assets. Without this physical capital intellectual capital cannot be run optimally in the company.

### 2.3 Financial Inclusion

Financial Inclusion is a comprehensive activity that aims to eliminate all forms of barriers, both in the form of price and non-price, to public access in using or utilizing financial services (Yanti, 2019).

Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

Financial inclusion has the goal of increasing inclusive development by reducing poverty, increasing equity in financial distribution, by increasing financial system stability (Qamariyah et al., 2021).

Financial inclusion as a way for business actors to access the availability of financial services, the welfare of users of financial products and services which can later be used and utilized in the process of business activities to increase sales growth, capital, employment and profit growth (Sanistasya et al., 2019). Financial Inclusion Bank Indonesia (SNKI) defines financial inclusion as the right for every individual to access and obtain maximum services from financial institutions in an informative and timely manner, at affordable costs, while still paying attention to comfort and respect for their dignity and worth. (Hilmawati & Kusumaningtias, 2021)

#### 2.4 Hypotheses Development

Research conducted by Yanti, (2019) shows that financial inclusion is one of the factors that can affect business performance. Also added is the research conducted by Qamariyah et al., (2021) which examines financial inclusion and its effect on business performance. The results showed that financial inclusion had a positive and significant effect on business performance. The results of research conducted by Sanistasya et al., (2019) shows that business performance is influenced by financial inclusion. The results of research conducted by Sanistasya et al., (2019) financial inclusion affects business performance. Results of research conducted by Marija et al., (2021) shows that their research findings state that financial capital affects the performance of MSMEs. Financial capital is the ability of financial resources owned by business actors, generally entrepreneurs start their business with their own capital. MSE actors use more sources of funds from family or outside parties in increasing MSE development, usually (Munizu, 2010)

### III. Research Method

This study examines <sup>1</sup> the influence of financial capital and financial inclusion on the performance of the hotel business in the city of Bandung. The research population is managers or leaders in the hotel industry in the city of Bandung. Questionnaires were distributed as many as 234 questionnaires and returned as many as 192. So the sample in the study was 192 respondents. The research was conducted using quantitative methods. The data that has been collected is processed with the help of the Amos software version 23.

## IV. Results and Discussion

### 4.1 Results

#### a. Normality Test

Normality test is one of the prerequisites for analysis in research using structural equation modeling. The normality test aims to determine whether the data distribution is normally distributed or not. The provisions of the normality test can be seen from the value of cr -2.58 to 2.58 (Schumacker & Lomax, 2010).

**Table 2.** Assessment of normality (Group number 1)

Variable	min	max	skew	cr	kurtosis	cr
FC4	2,000	5,000	.022	.123	-.555	-1,570
FC3	2,000	5,000	.019	.108	-.442	-1,249
FC2	2,000	5,000	.005	.030	-.288	-.813
FC1	2,000	5,000	.041	.230	-.647	-1,830
IK1	1,000	5,000	.012	.068	-.677	-1,914
IK2	1,000	5,000	.023	.128	-.517	-1,462
IK3	2,000	5,000	.150	.850	-.914	-2,585
IK4	1,000	5,000	-.097	-.548	-.401	-1,134
IK5	1,000	5,000	-.046	-.262	-.456	-1,290
KP5	1,000	5,000	.001	.004	-.030	-.086
KP4	1,000	5,000	.067	.379	-.228	-.644
KP3	2,000	5,000	.191	1.083	-.400	-1,132
KP2	2,000	5,000	.070	.398	-.634	-1,794
KP1	1,000	5,000	.021	.119	-.205	-.579
Multivariate					5.324	1,743

Table 2 confirms that the data in the study are normally distributed. This can be seen from the value of cr 1.743 ( $1.743 < 2.58$ ). Thus, it can proceed to the next stage.

#### b. Hypotheses Testing

The hypothesis developed in this study is that financial capital has an effect on the performance of the hotel business in the city of Bandung. Then, financial inclusion has a positive effect on the performance of the hotel business in the city of Bandung. The results showed that all hypotheses in the study were acceptable. The criteria for testing the hypothesis can be seen from the critical ratio value, which is  $> 1.96$  with a significance of 0.05 (Byrne, 2010).

**Table 3.** Hypotheses Result

	Stands. Estimate	SE	CR	P	Label
Performance_Hospitality <--- Financial_Capital	.361	.083	3,882	0.000	Accepted
Performance_Hospitality <--- Inclusion_Finance	.574	.079	5,819	0.000	Accepted

Based on the results of hypothesis testing as shown in Table 3, it shows that it is proven that financial capital and financial inclusion have a positive and significant effect on the performance of non-star hotels in the city of Bandung. Thus it can be explained that financial capital and financial inclusion have a very important role to improve the performance of the hotel business in the city of Bandung.

#### 4.2 Discussion

This study examines the effect of financial capital and financial inclusion on the performance of the hotel business in the city of Bandung. As explained earlier and based on theoretical searches that have been carried out, financial problems are one of the factors that determine business success, including in this study the non-star hotel business in the city of Bandung. The results of the first study indicate that there is a significant influence between financials on the performance of the hospitality industry in Bandung. This can be seen from the significance value or p-value of 0.000 ( $0.000 < 0.05$ ) and the cr value of 3.882 ( $3.883 > 1.96$ ). Thus the higher the value of financial capital, the hotel industry in the city of Bandung. Conversely, if financial capital is low, it will decrease. The results of this study are in accordance with the findings of the research conducted (Fatoki, 2011) found the effect of financial capital on performance. Elsenhardt and Martin (2000) also added that financial capital is very important to maintain and improve business performance.

The next hypothesis test also shows that there is a positive and significant effect between financial inclusion on hotel performance. The results showed that the significance value or p-value was 0.000 ( $0.000 < 0.05$ ) and the cr value was 5.819 ( $5.819 > 1.96$ ). Thus, it can be informed that financial inclusion has a positive and significant effect on the performance of the hotel business in the city of Bandung. This means that the better the financial inclusion, the better the business performance will be. Conversely, if financial inclusion is low, this will have an impact on weakening business performance. In this case the hotel business in the city of Bandung. The results of this study are in accordance with previous research conducted by Sanistasya et al., (2019) revealed that financial inclusion has an effect on business performance. Ease of access to financial institution services will make it easier for the public and business people to get capital to carry out each of their business processes (Alimi, 2018).

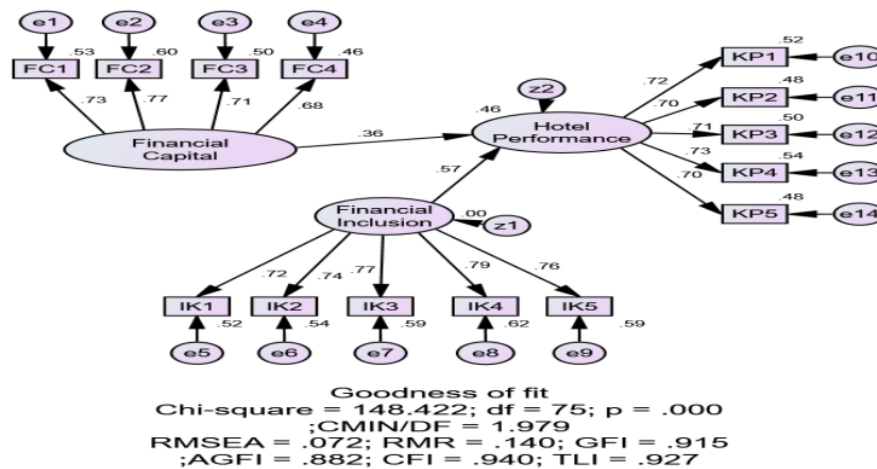


Figure 1. Structural Model

## V. Conclusion

The findings of the study indicate that there is a positive and significant effect between financial capital and financial inclusion on the performance of the hotel business in the city of Bandung. Thus, financial capital and financial inclusion are very important factors for the hotel business to improve business performance.

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