Analysis of Factors Influencing the Performance and Financial Management of MSMEs in Pekanbaru

Mimelientesa Irman[1*], Yenny Wati[2], Tamara Oktavia[3]

[1,2,3] Accounting Department, Institut Bisnis dan Teknologi Pelita Indonesia, Pekanbaru, Riau, Indonesia

A R T I C L E I N F O

A B S T R A C T

This study intends to assess the impact of financial literacy, the quality of financial reports, and the amount of credit received by MSMEs on the performance and financial management of MSMEs in Pekanbaru. This study employs primary data as a quantitative data type. This study's sampling technique was based on the Slovin formula. A total of 100 samples were gathered. The study analysis approach employs descriptive analysis and various other sorts of testing with the assistance of SmartPLS software. This study concluded that financial literacy and the amount of credit received by MSMEs have a significant effect on MSME performance. In contrast, the quality of financial reports has no significant effect on MSME performance, and the amount of credit received by MSMEs has a significant effect on MSME financial management, whereas financial literacy and the quality of financial reports do not. This study will focus on the financial performance of MSMEs, which is one of the indications of their success. This study will uncover internal and external factors that have a major impact on the performance and financial management of MSMEs. This information can be used to develop strategies for improving MSME financial performance.

*Corresponding author.
E-mail: mimelientesa.irman@lecturer.pelitaindonesia.ac.id

INTRODUCTION

As we all know, the coronavirus (COVID-19) broke out in 2019 and spread throughout the world, particularly in our own country, Indonesia. Covid-19 has been around for about three years, and there is no hint that it will end. This influences various sectors, including the trade sector, specifically MSMEs. There have been at least 949 reports from micro, small, and medium-sized enterprises (MSMEs) affected by the coronavirus outbreak (COVID-19) as a result of PSBB (Large-Scale Social Restrictions) or social distancing, causing many companies, particularly MSMEs, to enforce work from home and, in the worst-case scenario, termination of employment (Carolin, 2021). At the moment, many MSMEs in Riau province, particularly those in Pekanbaru city, are still struggling to manage their enterprises, resulting in many MSMEs failing to stay in business. This is due to business actors' lack of understanding/knowledge about managing their enterprises, particularly in the area of financial management. Management in the financial sector is one of the most critical issues in business. If not correctly implemented, entrepreneurs will have difficulties determining the correct cash flow.

According to the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), which went into effect on January 1, 2018, MSMEs must provide financial reports that include profit and loss statements, financial position statements, and comments to the financial statements. Data acquired in 2021 revealed that 45.8% of participants lacked financial records, while 54.2% had financial records that did not generally match SAK EMKM requirements. Meanwhile, 52% of MSME participants only had cash receipts and expenditures reports, while 6% had profit and loss statements and 2% had financial reports. This is why financial management in MSMEs remains relatively poor, with those in the sector having little knowledge of finance and the ability to record company reports. To enhance this, entrepreneurs in MSME sectors should participate in education sessions on the necessity of bookkeeping in their businesses (Fauzian, 2021).

Financial management is the process of planning, analyzing, and controlling financial activities (Cahyani, 2021). Financial management may help companies maximize their value by reducing expenses and managing funds efficiently. However, due to a lack of financial management knowledge, MSME actors face difficulty in recording funds, which can be a source of problems for the sustainability of MSME firms, potentially leading to losses and bankruptcy. The solution is to teach MSME actors in financial management techniques that use accounting to improve the financial performance of their businesses. And it may be inferred that the key to preserving MSME operations is to enhance the financial management of MSMEs that are now inefficient. According to CNBC Indonesia, during the COVID-19 pandemic, many Micro, Small, and Medium Enterprises (MSMEs) faced economic difficulties, so the government implemented a program called KUR (People's Business Credit) to assist business actors in increasing productivity and capabilities. KUR's interest rates under

this program are typically cheaper than those found in other financing options. According to a poll, over 70% of MSMEs are interested in restarting their enterprises after the pandemic has passed by obtaining new financing at lower interest rates.

In 2020, the Pekanbaru City Micro, Small, and Medium Enterprises (MSME) Cooperatives Service will implement a strategic plan to achieve high-quality cooperatives and MSMEs with strategic goals, specifically growing quality cooperatives and enhancing MSME performance. In 2020, the target performance goals and objectives are to raise the percentage of quality cooperatives by 20%, the MSME class by 1.25%, and WUB growth by 0.70%. Compared to 2019, the percentage of the MSME class improved by 0.25%, while WUB growth increased by 0.20%. According to Kementrian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia (2022), the number of Micro, Small, and Medium Enterprises in Pekanbaru City as of October 25, 2022 was 105,445.

According to Financial Services Authority Regulation Number 76/POJK.07/2016, financial literacy is the knowledge, skills, and beliefs that impact attitudes and behavior to improve the quality of decision-making and financial management and achieve success. According to the research results of Rumbianingrum & Wijayangka (2018), financial literacy for MSMEs in one of Indonesia's cities is in the low category, with an average value of 47, whereas financial management for MSMEs is in the sufficient category, with a percentage of 57.51%, implying that financial literacy has a 32.4% positive influence on MSMEs' financial management. According to prior research (Anggraeni, 2015), low levels of literacy will have an impact on business owners who are simply record-keepers but have not adequately documented income and spending. According to the research findings Kasendah & Wijayangka (2019), the researcher advises MSMEs to conduct additional research on how to manage business finances and financial knowledge so that business performance can continue to improve, one method being collaboration with the Financial Services Authority.

According to Anggoro (2020), the Pekanbaru City Micro, Small, and Medium Enterprises (MSME) Cooperatives Service reported that the COVID-19 pandemic affected 7,888 of 14,120 firms. According to this figure, more than half of MSMEs struggled to run their companies during the pandemic because large-scale social restrictions (PSBB) were introduced that same year. PSBB reduced MSMEs' performance since actors were unable to carry out their operations as usual due to limits, resulting in lower sales turnover due to people's purchasing power, which was also reduced due to the weakening economy.

According to the IAI (Indonesian Accounting Association) in 2021, financial reports are knowledge, skills, and beliefs that impact attitudes and behaviors to improve the quality of decision-making and financial management and so achieve prosperity. Financial reports are organized reports that detail the process of accounting financial positions in a specific accounting period while adhering to applicable accounting rules. They are useful for stakeholders (investors, management, and others) in making

decisions. The accounting process begins with transaction evidence, which is subsequently recorded in a journal regularly and aggregated into a ledger, before the last stage of financial report development. If MSMEs can prepare financial reports by applicable financial accounting standards, they will be more prudent in allocating funds to advance their businesses, and the existing financial reports will be used as calculation data to determine the amount of capital issued and profits to be obtained. To achieve corporate success, transaction records, financial management, and credit management must be stored separately from financial reporting.

According to Law No. 10 of 1998 on Banking, Credit is the provision of money/bills that may be equated with it, based on a loan agreement/agreement between the bank and another party that requires the borrower to repay his debt after a set length of time with interest. Credit is a provision of money that can be equated with bills under the terms of the borrower-lender agreement. According to the study's findings Murti et al. (2018), the quality of financial reports is one of the factors considered by external parties when making credit choices.

LITERATURE REVIEW

Agency theory explains that in a corporation, two parties engage with one another. These parties include the company's owners (shareholders) and management. Shareholders are known as principals, whereas management is the individual who has been authorized by the shareholders to administer the firm and is known as an agent. Companies that split management and ownership duties are prone to agency conflicts generated by each party's competing goals, especially the desire to achieve personal riches.

The signal theory demonstrates how important performance measurement is. Signal theory explains how management (agent) success or failure should be communicated to the owner (principal). Signal theory illustrates that management uses signaling to eliminate asymmetric information. According to Sari & Zuhrotun (2008), signal theory explains why corporations feel compelled to share financial report information to third parties. This need stems from the asymmetric knowledge between the company (management) and external parties, with management knowing more and faster about internal company information than other parties like investors and creditors.

Financial Literacy on MSME Performance

Financial literacy refers to a collection of skills and information that enable a person to make decisions and use all of their financial resources efficiently (Rahayu & Musdholifah, 2017). The higher the level of financial literacy of business owners, the greater the impact on MSMEs' performance, as evidenced by minimal work errors, the structure of their work plans, sales growth, and fixed costs, and anticipatory production actions when demand increases. If business owners have a high level of financial

understanding, it will be easier for them to make effective and suitable decisions for their businesses, allowing them to reach their goals. According to research conducted by Rahayu & Musdholifah (2017), financial literacy influences the success of MSMEs.
H1: Financial literacy affects MSME performance in Pekanbaru

Quality of Financial Reports on MSME Performance

Financial reports are documents that provide financial information about a business over a specific period to assess its performance. Quality financial reports may reveal if the business is healthy or not, whether there are profits or losses, and can serve as a standard for measuring the company's success. MSME performance can be determined using profit and loss report data, which includes income and costs for a certain period. According to research conducted by Pakpahan (2020), the quality of financial reports has a substantial impact on the success of MSMEs.
H2: The quality of financial reporting affects the performance of MSMEs in Pekanbaru

The Amount of Credit Received on MSME Performance

Business performance is, of course, determined by the amount of credit supplied. If MSMEs acquire more credit, their performance will improve, because extra capital can help them build their businesses, resulting in larger earnings. However, due to the complex and delayed loan application criteria, MSME business owners prefer to run their businesses with personal resources, which limits business performance. According to research conducted by Cahyono (2016), credit affects the performance of MSMEs.
H3: The amount of credit received by MSMEs influences the performance of MSMEs in Pekanbaru

Financial Literacy on MSME Financial Management

High knowledge or skills in financial management techniques can assist entrepreneurs in managing their money more wisely, ensuring that the numbers reported are accurate. Financial management is also crucial for entrepreneurs to consider before making decisions because the financial management in the report will be used as a reference or illustration of the best next measures to take in ongoing corporate development. Research by Anggraeni (2015), Dahmen & Rodríguez (2014), and Rumbianingrum & Wijayangka (2018) indicates that financial literacy impacts MSMEs' financial management. Meanwhile, Rustiaria & Silvy (2017) found that financial literacy did not affect the financial management of MSMEs.
H4: Financial literacy influences MSME financial management in Pekanbaru

Quality of Financial Reports on MSME Financial Management

Financial reports provide an overview of a company's financial management process. So, if the company's financial reports contain data that is of high quality, neat, accurate, and by applicable standards, it indicates that the company's financial

management is effective. Vice versa, if the financial report contains data that is erroneous, disorganized, and does not meet applicable requirements, it implies that the financial report is of poor quality since it demonstrates that the company's financial management is not functioning properly. So it is possible to assume that the higher the quality of existing financial reports, the better the financial management. According to research conducted by Yusup (2016), the quality of financial reporting influences the financial management of MSMEs.

H5: The quality of financial reports affects MSME financial management in Pekanbaru

The Amount of Credit Received on MSME Financial Management

The amount of credit received by MSMEs influences how a company's financial management functions. If the credit received is greater, the capital possessed will also be greater, allowing the business to be expanded to grow larger. While this will help business actors manage their corporate finances better, the risks they face will also be greater. Also due to debts incurred as a result of credit received by entrepreneurs. Poor financial management can lead to improper recording of existing financial reports, putting debt originating from credit at risk of failure to pay or being unable to be repaid, affecting the existence or sustainability of the business. According to Santoso et al. (2015) research, credit influences MSMEs' financial management.

H6: The amount of credit received by MSMEs influences the financial management of MSMEs in Pekanbaru
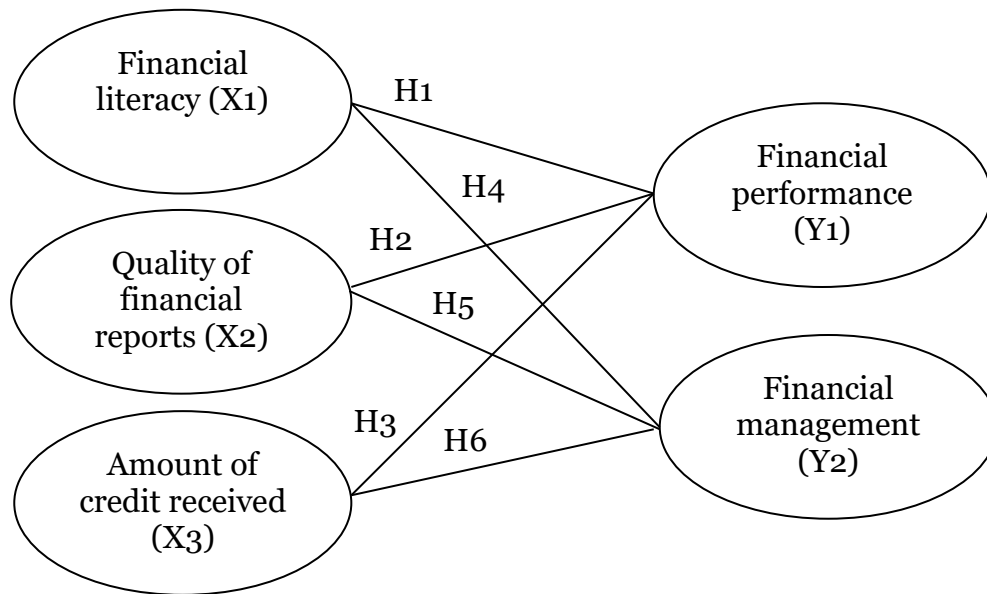

Figure 1. Framework

METHODOLOGY

A population is a grouping of individuals, variables, concepts, or phenomena. We can research each member of the population to determine the characteristics of the

group in issue (Morissan, 2012). This study's population consists of all Micro, Small, and Medium Enterprises (MSMEs) in Pekanbaru, with a total of 105,445 entrepreneurs as of October 25, 2022, at 23.23 WIB, according to Kementrian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia (2022).

Sugiyono (2008) defines a sample as a subset of a population's characteristics. The Slovin formula is used to calculate and determine the research sample size, with two degrees of significance available: 0.05 (5%) and 0.1 (10%). The formula is as follows.

$$n = \frac{105.445}{\left(1 + 105.445 \; (0,1^2)\right)}$$
$$n = \frac{105.445}{(1 + 1.054,45)}$$
$$n = \frac{105.445}{1.055,45}$$
$$n = 100$$

The sample size for this study will be 100 owners of Micro, Small, and Medium Enterprises (MSMEs) in Pekanbaru.

Table 1. Operational Research Variables

Variables	Indicator
Financial performance (Y1)	According to Yasrawan & Herawati (2022): sales, capital, human resources, marketing, and consumers.
Financial management (Y2)	According to Yusanti (2020): preparing financial plans for the future, paying bills on time, setting away money for savings, limiting costs, and satisfying the needs of yourself and your family.
Financial literacy (X1)	According to Sudrajat & Setiyawan (2022): financial management, budget planning, assets, loans, and insurance.
Quality of financial reports (X2)	According to IAI (2013): relevant, reliable, comparable, and understandable.
Amount of credit received (X3)	According to Cermati (2022): character, capacity, capital, condition, collateral.

This research uses quantitative data. Quantitative data is calculated using various statistical formulas that contain numbers. This research relied on original data. Primary data is data or information collected directly from the source. In this study, primary data was gathered from the responses of respondents, namely the participants in MSME to questions/statements posed by the researchers. To analyze the impact of financial literacy, quality of financial reports, and amount of credit received by msmes on their performance and financial management in Pekanbaru. Respondents were allocated based on criteria such as age, gender, and kind of business.

Descriptive analysis is an analysis method that seeks to provide a description or description of research topics based on variable data collected from a specific group of participants. The advantage of descriptive analysis is that it provides a comprehensive image of the data, whether in verbal or numerical form, that is relevant to the data under consideration. Descriptive analysis is used to describe respondents' reactions to each statement, which is classified into five categories: strongly disagree, disagree, quite agree, agree, and strongly agree.

According to Ghozali & Hengky (2015), the association between the item score/indicator and the construct score demonstrates the measurement model's convergent validity with reflexive indicators. An individual reflective measure is considered high if it has a correlation coefficient of more than 0.70 with the concept being measured. Loadings of 0.50 to 0.60 are still acceptable at the research scale development stage.

To assess discriminant validity, use the average variance extracted (AVE) approach for each construct or latent variable. The model's discriminant validity is improved if the AVE squared for each construct exceeds the correlation between the two constructs in the model. The AVE value describes the wide range of diversity of manifest variables that a latent construct can possess. Ghozali (2014) suggests utilizing AVE as a criterion for measuring 76 Convergent Validity. An AVE value of at least 0.5 is a solid indicator of Convergent Validity. This suggests that the latent variable can account for more than half of the variance in the indicators.

The measurement model is used to assess the reliability of a construct. Reliability tests are performed to ensure that the instrument measures the construct accurately, consistently, and precisely. According to Ghozali & Hengky (2015), in PLS-SEM utilizing the SmartPLS 4.0 tool, the reliability of a construct with reflexive indicators can be measured in two ways: cronbach's alpha and composite reliability. A construct is considered dependable if the composite reliability and cronbach alpha scores are above 0.70.

The coefficient of path analysis function evaluates the relationship between variables by analyzing parameter coefficient values and statistical significance value of T using the bootstrapping approach (Ghozali & Hengky, 2015). To test the structural model's predictive potential, first calculate the R-Square for each endogenous latent variable (Ghozali & Hengky, 2015). The R-square number is used to test the structural model's goodness of fit. Changes in the R-Square value can be used to illustrate how specific external latent variables affect whether endogenous latent variables have a significant influence. R-Square values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, or weak. According to Ghozali (2011), the F-square test was used to determine the quality of the model. F-square values of 0.02, 0.15, and 0.35 indicate whether the latent variable predictor has a weak, medium or large influence on the structural level.

RESULTS AND DISCUSSION

A questionnaire that was given to MSME participants was used to collect data. The Micro, Small, and Medium-Sized Enterprises (MSMEs) in Pekanbaru, which amount to 105,445 business players, comprise the population under study (Kementrian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2022). In the meantime, 100 samples are generated using the sampling method, which applies the Slovin formula. The age, gender, and business type of respondents were used to categorize their characteristics in this study.

Table 2. Respondents' Statistical Analysis

Description	Amount
Age:	
17 – 26 years	12
27 – 36 years	59
37 – 46 years	23
> 46 years	6
Gender:	
Woman	29
Man	71
Type of business:	
Trading	48
Culinary	25
Education	1
Fashion	3
Agribusiness (Farming/Livestock)	0
Automotive	10
Tours & Travels	0
Creative Products	0
Beauty	0
Internet Technology	5
Event Organizer	0
Cleaning Services	1
Children's Needs	0
Other	7

Source: Processed Data

In terms of age category, the largest proportion of respondents (59) were between the ages of 27-36. Following this, there were 23 respondents between the ages of 37-46, 12 respondents between the ages of 17-26, and 6 respondents older than 46. Out of 100 respondents, 71 belonged to the male gender category, and the remaining respondents were female. This demonstrates that there are more male MSME actors than female

performers. There were 48 respondents in the Trade business type group, which was the largest among the business type groups. Culinary had 25 respondents, Automotive had 10, Internet Technology had 5, Fashion had 3, Education had 1, and Cleaning Services had 1. The study's other business types that had no respondents were Agribusiness (Agriculture/Livestock), Tour & Travel, Creative Products, Beauty, Event Organizer, and Children's Needs. Still, seven additional respondents completed this research questionnaire in addition to the previously listed company categories.

Table 3. Variable Descriptive Analysis

Variable	Average amount
Financial literacy	3.066
Quality of financial reports	3.186
Amount of credit received by MSMEs	3.290
MSME performance	2.940
MSME financial management	3.530

Source: Processed Data

The table above shows that the financial literacy variable has an average value of 3.066 with the interval category "quite agree". The financial report quality variable falls into the "quite agree" interval group, with an average value of 3.186. The interval category "quite agree" corresponds to the average value of 3.290 for the variable amount of credit received by MSMEs. The MSME performance variable falls into the "quite agree" interval category, with an average score of 2.940. The average value of the MSME financial management variable falls into the "agree" interval group, at 3.530.

Table 4. Convergent Validity

	Outer Loadings
X1 (1) ← Financial literacy	0.640
X1 (2) ← Financial literacy	0.663
X1 (3) ← Financial literacy	0.806
X1 (4) ← Financial literacy	0.870
X1 (5) ← Financial literacy	0.769
X2 (1) ← Quality of financial reports	0.837
X2 (2) ← Quality of financial reports	0.804
X2 (3) ← Quality of financial reports	0.774
X2 (4) ← Quality of financial reports	0.782
X2 (5) ← Quality of financial reports	0.799
X3 (1) ← Amount of credit received by MSMEs	0.720
X3 (2) ← Amount of credit received by MSMEs	0.683
X3 (3) ← Amount of credit received by MSMEs	0.752
X3 (4) ← Amount of credit received by MSMEs	0.788

X3 (5) ← Amount of credit received by MSMEs	0.714
Y1 (1) ← MSME performance	0.709
Y1 (2) ← MSME performance	0.739
Y1 (3) ← MSME performance	0.705
Y1 (4) ← MSME performance	0.592
Y1 (5) ← MSME performance	0.605
Y2 (1) ← MSME financial management	0.659
Y2 (2) ← MSME financial management	0.743
Y2 (3) ← MSME financial management	0.811
Y2 (4) ← MSME financial management	0.603

Source: SmartPLS Processed Data

When an outside loading correlates more than 0.70 with the construct you wish to test, it is considered high. However, loadings between 0.50 and 0.60 are still appropriate at this stage of the research's scale development. As can be seen from the above table, nearly all indicators have a high level of validity with outer loading values >0.70, indicating that they have met the requirements for convergent validity (Ghozali & Hengky, 2015).

Table 5. Discriminant Validity

	X1	X2	X3	Y1	Y2	
X1	0.755					
X2	0.694	0.800				
X3	0.405	0.448	0.732			
Y1	0.515	0.491	0.645	0.673		
Y2	0.362	0.454	0.488	0.475	0.708	AVE value

Correlation value

Description:
Line: AVE value; Triangle: Correlation value

If the root AVE of the variable is higher than the correlation between the variables, discriminant validity is considered to be good. It is evident from the preceding table that all variables' AVE roots are bigger than their correlations, indicating that all AVE root variables have been satisfied.

Table 6. Reliability

	Cronbach Alpha	Composite Reliability
Amount of credit received by MSMEs	0.783	0.782
MSME performance	0.701	0.709
Quality of financial reports	0.860	0.867
Financial literacy	0.811	0.840
MSME financial management	0.664	0.677

Source: SmartPLS Processed Data

The cronbach's alpha value is used to conduct the test; a research instrument is considered dependable if its value is greater than 0.60. Additionally, the composite reliability number needs to be greater than 0.70, while 0.60 is still acceptable (Hair et al., 2014). The following table shows that the constructs with values more than 0.70 relate to MSMEs' credit intake, performance, financial report quality, and financial literacy. Using cronbach's alpha and composite reliability, the MSME financial management variable has a value of less than 0.70 but is still above 0.60, indicating that it is acceptable.

Table 7. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (0/STDEV)	P Values	Description
X1 → Y1	0.246	0.244	0.122	2.020	0.043	Hypothesis Accepted
X1 → Y2	0.027	0.020	0.163	0.165	0.869	Hypothesis Rejected
X2 → Y1	0.094	0.103	0.108	0.870	0.384	Hypothesis Rejected
X2 → Y2	0.277	0.287	0.144	1.921	0.055	Hypothesis Rejected
X3 → Y1	0.504	0.508	0.094	5.353	0.000	Hypothesis Accepted
X3 → Y2	0.353	0.360	0.098	3.589	0.000	Hypothesis Accepted

Source: SmartPLS Processed Data

It is considered significant if the P value is less than 0.05, and not significant if the P value is greater than 0.05. The P value for X1→Y1, X3→Y1, and X3→Y2 is less than 0.05, as can be seen in the above table, indicating that the hypothesis is accepted and that the data is significant. In the meanwhile, the hypothesis is rejected because the P value for X1→Y2, X2→Y1, X2→Y2 is bigger than 0.05, which indicates that it is not significant (Ghozali & Hengky, 2015).

Table 8. R-square

	Adjusted R-squared
MSME performance (Y1)	0.483
MSME financial management (Y2)	0.286

Source: SmartPLS Processed Data

The MSME performance variable's adjusted R-Square value, as shown in the above table, is 0.483 (48.3%), indicating that the independent variable has a 48.3% chance of influencing the dependent variable. Furthermore, the financial management variable's adjusted R-Square value is 0.286 (28.6%), indicating a 28.6% influence from

the independent ability on the dependent variable. In the meantime, factors other than the research's independent variables account for the remaining portion, or 0.231 (23.1%).

Table 9. F-square

	MSME Performance	MSME Financial Management
Amount of credit received by MSMEs	0.395	0.140
Quality of financial reports	0.009	0.054
Financial literacy	0.061	0.001

Source: SmartPLS Processed Data

Based on the preceding table, the following conclusions can be drawn: (1) The degree to which MSMEs' credit intake affects their performance is 0.395 (>0.35), indicating that the model's quality has a significant impact. (2) The impact of financial report quality on MSMEs' performance is 0.009 (<0.02), indicating a negligible contribution from the model's goodness of fit. (3) The impact of financial literacy on MSMEs' performance is 0.061 (>0.02), indicating a negligible effect of the model's goodness of fit. (4) The degree to which MSMEs' credit intake affects MSME financial management is 0.140 (<0.15), indicating a mild impact from the model's goodness of fit. (5) The quality of financial reports has a 0.054 (>0.02) magnitude effect on the financial management of MSMEs, indicating a minor impact on the model's goodness of fit. (6) The impact of financial literacy on MSME financial management is 0.001 (<0.02), indicating a negligible effect of the model's goodness of fit.

Financial Literacy on MSME Performance
This test was used to find out how financial literacy affected MSMEs' performance. Thus, it can be said that MSMEs' performance is significantly impacted by financial literacy. This implies that the performance of MSMEs can be influenced by a better degree of financial literacy, as evidenced by the absence of work errors, the structure of the work plan, growing sales, fixed expenses, and anticipatory actions in response to demand rises. A business owner will find it easier to make wise and sensible judgments that will enable the achievement of company objectives the more financial information they possess. This study supports the findings of Rahayu & Musdholifah (2017), who found a substantial relationship between financial literacy and MSME performance.

Quality of Financial Reports on MSME Performance
To investigate the influence of the quality of financial reports on the performance of MSMEs, this test was carried out. Thus, it can be said that MSMEs' performance is not much impacted by the caliber of financial reporting. This indicates that a major factor influencing MSME performance is not the quality of financial reports. However, this does not mean that financial reports are not needed by MSME players, hence it is

desired that small and medium-sized enterprises would continue to maintain the quality of their financial reports. This study contradicts the findings of Pakpahan (2020), which claim that MSMEs' performance is significantly impacted by the caliber of their financial reports.

The Amount of Credit Received on MSME Performance

This test was conducted to find out how the amount of credit obtained by MSMEs affected their performance. Thus, it can be said that MSMEs' performance is significantly impacted by the amount of credit they obtain. This implies that the degree of credit accorded naturally affects corporate performance as well. MSMEs will perform better if they receive a larger amount of credit because more money can undoubtedly aid in the development of their company and improve profits. Though business performance will be more constrained, MSME business owners opt to operate their companies with personal resources due to the onerous and time-consuming credit application criteria. This study supports the claim made by Cahyono (2016) that credit affects MSMEs' performance.

Financial Literacy on MSME Financial Management

This test was used to ascertain how financial literacy affected MSME financial management. Thus, it can be said that there is no discernible relationship between financial literacy and MSME financial management. This indicates that the financial management of MSMEs will not be significantly impacted by financial literacy because many MSME participants still lack the knowledge necessary to handle their funds effectively to run their businesses. For MSME participants are expected to be able to gain greater knowledge about financial literacy and suitable financial management for their enterprise. This study contradicts the findings of Anggraeni (2015) and Dahmen & Rodríguez (2014), who found a substantial relationship between financial literacy and MSME financial management. This study, however, supports the findings of Rustiaria & Silvy (2017), who found no evidence of a significant relationship between financial literacy and MSMEs' financial management.

Quality of Financial Reports on MSME Financial Management

This test was conducted to ascertain the impact of financial report quality on MSMEs' financial management. Thus, it can be said that MSME financial management is not much impacted by the caliber of financial reporting. This indicates that a company's financial management practices are unaffected by high-quality financial reporting. Because a large number of MSME participants still use basic report recording to handle their finances today. Therefore, it is envisaged that MSME participants would be able to accurately record their financial reports, which will help them manage their finances more effectively. This study contradicts Yusup (2016) assertion that the financial management of MSMEs is significantly impacted by the quality of financial reports.

The Amount of Credit Received on MSME Financial Management

This test was conducted to find out how the amount of credit received by MSMEs affected their financial management. Thus, it can be said that MSMEs' financial management is significantly impacted by the quantity of loans they obtain. This implies that a company's financial management is based on the quantity of credit that MSMEs receive. Larger credit will also translate into larger capital owned, allowing the business to grow and expand. Naturally, this will help entrepreneurs better manage their corporate finances, but it will also increase the risks they face. additionally due to debts incurred as a result of business owners' credit. Inaccurate recording of past financial reports due to poor financial management can put credit card debt in danger of nonpayment or incapacity to repay, which could have an impact on the viability of the company as a whole. This study contradicts Santoso et al. (2015), which claims that MSMEs' financial management is significantly impacted by the quantity of credit they obtain.

CONCLUSION

The following conclusions about the research findings can be drawn from testing the outcomes of the hypothesis that was tested. The financial literacy variable has a significant effect on the performance of MSMEs. The financial report quality variable does not have a significant effect on MSME performance. The variable amount of credit received by MSMEs has a significant effect on MSME performance. The financial literacy variable has no significant effect on MSME financial management. The financial report quality variable does not have a significant effect on MSME financial management. The variable amount of credit received by MSMEs has a significant effect on MSME financial management.

Government policies affecting MSMEs, such as credit availability, tax incentives, and regulations, can have an impact on their performance and financial management. Changes in government policy may reduce the long-term validity of study findings. The following recommendations regarding the research outcomes are made in light of the findings of this study. Concerning MSME participants, it is intended that every business can sustain and enhance its financial management and performance each year to grow the business even further. It is advised that scholars and future researchers who wish to investigate the same variables broaden the population and sample size and include more variables as these can affect the research model's outcomes. Regarding the community, those who wish to launch Micro, Small, and Medium-Sized Enterprises (MSMEs) can comprehend the requirements for handling MSMEs' funds to ensure the smooth operation of their new company.

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