The Effect of Financial Literacy and Entrepreneurial Competence on The Performance of Micro, Small and Medium Enterprises (MSMES)

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ARTICLE INFO	ABSTRACT
	This study aims to analyze the influence of financial literacy and entrepreneurial competence on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Sukaraja Market, Sukabumi Regency. The approach used is quantitative with descriptive and verifiable methods. The sample in this study amounted to 187 respondents who were selected using the purposive sampling technique. Data collection was carried out through questionnaires and interviews, while the data analysis technique used multiple linear regression preceded by tests of validity, reliability, and classical assumptions. The results of the study show that financial literacy has a positive and significant effect on the performance of MSMEs. This means that the higher the understanding of business actors in managing finances, the better their business performance. In addition, entrepreneurial competence also has a positive and significant effect on the performance of MSMEs, which reflects the importance of innovation, managerial, and decision-making skills in supporting business success. Simultaneously, these two variables explain 65% variation in MSME performance. These findings confirm that increasing financial literacy and entrepreneurial competence is a strategic factor in strengthening the competitiveness and sustainability of local MSMEs. This research provides practical implications for policymakers and business actors in designing MSME empowerment programs.

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting the structure of Indonesia's economy. In the midst of globalization and digital transformation, MSMEs are required to be able to adapt to market changes and technological dynamics. Globalization has changed the economic structure from a traditional system to a modern one, characterized by the opening of free

markets, advances in digital technology, and high capital mobility (Sedyastuti, 2018). In this context, MSMEs face strong pressure in the form of competition from foreign products that are more competitive in terms of price and quality. On the other hand, MSMEs are also challenged to increase human resource capacity, innovation, and the use of technology to maintain business sustainability.

MSMEs in Indonesia have proven to be the backbone of the national economy, contributing 35% to the Gross Domestic Product (GDP) and absorbing more than 97% of the national workforce (Central Statistics Agency, 2023). However, this contribution does not necessarily make MSMEs free from internal problems such as limited access to financing, weak financial records, low innovation, and lack of entrepreneurial competence. Especially in Sukaraja Market, Sukabumi Regency, this condition is further exacerbated by the impact of digitalization and changes in people's consumption patterns. The results of interviews with market coordinators revealed that most traders have not implemented a digital financial recording system, despite having adopted a cashless payment system such as QRIS. Many stalls in Block A that were previously active have now experienced a drastic decrease in turnover due to competition from online sales, while other blocks such as Blocks B to G that sell basic necessities are still surviving.

This condition reflects the importance of two fundamental things in supporting the performance of MSMEs, namely financial literacy and entrepreneurial competence. Financial literacy is the main pillar in healthy and efficient financial management, which can support business stability in the long term. Financial literacy has been proven to be able to help MSME actors in developing more appropriate business strategies, as explained by Ariyati et al. (2022) who found that good financial skills are an important basis for sustainable business decision-making. This finding is strengthened by Lusardi et al. (2020), who stated that financial literacy significantly increases MSME actors' access to formal financing, thereby supporting more stable business growth.

In addition, entrepreneurial competence is also an important determinant in increasing the competitiveness of MSMEs. This competency includes the skills, knowledge, and personal attitude needed to run a business innovatively and adaptively. Suryana (2021) emphasized that entrepreneurial competence directly affects the performance of MSME businesses, including in the coffee sector in Indonesia. Similar results were put forward by Man et al. (2019), which showed that entrepreneurial competence has a great influence on business success. Even in a regional context such as in Kelantan, Malaysia, Al Mamun et al. (2019) found that entrepreneurial competence is an important mediator between entrepreneurial skills, market orientation, and networking with micro business performance.

Furthermore, the study by Games and Desriyanti (2022) found that entrepreneurial competence significantly affects financial and non-financial aspects in MSMEs. Meanwhile, Ardiyanti and Kahfi (2023) emphasized that internal factors such as business knowledge and skills play a more important role than external factors in determining the export performance of Indonesian MSMEs. In a different study, Widodo et al. (2022) showed that financial literacy combined with innovation has a positive impact on improving the performance of MSMEs, indicating the importance of integration between variables to achieve competitive advantage. A similar view is also put forward by Yacub et al. (2022) in the realm of social entrepreneurship, where personal competencies, including cultural intelligence and intellectual capital, play a role in developing social-based entrepreneurship.

However, most previous research has focused on the influence of variables separately or at the macro scale, so it has not explored the relationship between financial literacy and entrepreneurial competence simultaneously in specific local contexts. Therefore, this study aims to fill this gap by examining in depth how the influence of financial literacy and entrepreneurial competence on the performance of MSMEs in Sukaraja Market, Sukabumi Regency. The approach used is quantitative associative, with data collection methods in the form of questionnaires and interviews with MSME actors. Data analysis was carried out through a linear regression test to measure the extent to which the two independent variables affected the bound variable, namely the performance of MSMEs.

The urgency of this research lies in its contribution in presenting relevant contextual data for local policymakers and business actors. By focusing on MSMEs in Sukaraja Market who are facing real

challenges from economic structural changes and technological disruptions, this research is expected to provide practical input for the preparation of a more targeted MSME empowerment program. The title "The Influence of Financial Literacy and Entrepreneurial Competence on the Performance of Micro, Small and Medium Enterprises (MSMEs): A Case Study of MSMEs in Sukaraja Market, Sukabumi Regency" was chosen as a reflection of the actual needs in strengthening the competitiveness of locally-based MSMEs through an internal capacity-based approach of business actors.

2. METHODS

This research uses a quantitative approach with descriptive and verifiable methods. The quantitative approach was chosen because it aims to measure the influence of independent variables, namely financial literacy and entrepreneurial competence, on dependent variables, namely the performance of MSMEs. The descriptive method was used to describe the actual condition of MSME actors in Sukaraja Market, Sukabumi Regency, while the verification method was used to test the hypothesis that had been formulated previously. This research was carried out at Sukaraja Market located on Jl. Lajur Baru, Pasirhalang, Sukaraja District, Sukabumi Regency, West Java 43192, with the implementation of the research adjusting the schedule that had been prepared previously in the research time matrix.

The variables used in this study consist of independent and dependent variables. Financial literacy (X1) is defined as the ability of MSME actors to understand financial concepts, manage cash flow, and make optimal financial decisions. Meanwhile, entrepreneurial competencies (X2) include a series of skills, understandings, and behaviors that enable MSME actors to innovate, manage risk, and grow their businesses. The dependent variable in this study is the performance of MSMEs (Y), which reflects the success of the business in terms of sales growth, market expansion, and customer satisfaction. Each variable is operationalized in the form of indicators that are measured through a Likert scale questionnaire.

The population in this study is all MSME actors operating in the Sukaraja Market, with a total number of 350 business actors. The sampling technique was carried out by purposive sampling based on criteria: have been operating for at least two years, are willing to take part in a survey, and have an active kiosk or kiosk. The determination of the number of samples was carried out using the Slovin formula with an error rate of 5%, so that a sample number of 187 respondents was obtained. Data collection was carried out through questionnaires compiled on the Likert scale and in-depth interviews with market coordinators as key informants. The interview instrument is supported by a notebook and a voice recorder for documentation.

The data analysis technique involves several stages, starting from testing the validity and reliability of the instrument. The validity test uses product moment correlation, while reliability is tested with Cronbach's Alpha coefficient. Furthermore, a descriptive analysis was carried out to describe respondent data and research variables. Classical assumption tests—which consist of normality, multicollinearity, heteroscedasticity, and autocorrelation tests—are performed to ensure the feasibility of the data before regression analysis. Multiple linear regression analysis was used to test the simultaneous and partial influence of variables X1 and X2 on Y. The regression model used was formed: $Y = a + b_1X_1 + b_2X_2 + e$. Hypothesis tests were carried out through the t-test and the F-test to determine the significant influence of each variable, as well as the determination coefficient (R^2) to see the contribution of independent variables in explaining the variation of dependent variables.

3. FINDINGS AND DISCUSSION

Validity and Reliability Tests

In the process of collecting data using questionnaires, researchers need to pay attention to two important aspects, namely the validity and reliability of the instrument. Validity indicates the extent to which the instrument can measure what it should measure, while reliability indicates the level of consistency of measurement results. If a questionnaire is used without going through validity and

reliability testing, then confidence in the data generated becomes very low. Therefore, validity and reliability tests are required so that the data collected has a scientifically accountable accuracy and consistency (Creswell & Creswell 2023).

Validity Test

To measure the validity and reliability of each instrument element of each variable in this study, the SPSS version 25 program was used. The validity test aims to find out if an instrument is really capable of measuring what it should be measured. A statement in a questionnaire is considered valid if it can accurately represent the concept or variable being studied, a statement item is declared valid if the value of the correlation coefficient (r calculated) is greater than 0.300 at a certain level of significance. This value shows that the question item has a fairly strong relationship to the total score of the variables measured (Sugiyono 2022: 137).

Tabel 4.11
Validity Test Results

Variabel	Indicator	R count	R table (df=187)	Information
Financial Literacy (X1)	X1.1	0,784	> 0,143	Valid
	X1.2	0,667	> 0,143	Valid
	X1.3	0,269	> 0,143	Valid
	X1.4	0,738	> 0,143	Valid
Entrepreneurial Competence (X2)	X2.1	0,778	> 0,143	Valid
	X2.2	0,830	> 0,143	Valid
	X2.3	0,782	> 0,143	Valid
	X2.4	0,767	> 0,143	Valid
MSME Performance (Y)	Y1	0,807	> 0,143	Valid
	Y2	0,837	> 0,143	Valid
	Y3	0,492	> 0,143	Valid
	Y4	0,814	> 0,143	Valid

Source: Data processed 2025

From Table 4.11 above, it is known that each item in the variables Financial Literacy (X1), Entrepreneurial Competence (X2), and MSME Performance (Y) has a Pearson Correlation value greater than the r of the table (0.143) and a significance value of less than 5% ($p < 0.05$). This situation indicates that all items in the questionnaire are valid and suitable to be used as data collection instruments in this study.

Reliability Test

Reliability is the alignment of an instrument in measuring the same construct or variable at different times and conditions. An instrument is said to be reliable if the measurement results show high internal consistency, which is indicated by Cronbach's Alpha value ≥ 0.60. This value indicates that the items in the instrument have an adequate level of interconnectedness or homogeneity (Dr H Imam Ghozali, et al., 2021).

Tabel 4.12
Reliability Test Results

No	Indicator	Alpha	Information
1	Financial Literacy (X1)	0,705	Reliabel
2	Entrepreneurial Competence (X2)	0,797	Reliabel
3	MSME Performance (Y)	0,739	Reliabel

Source: Data processed 2025

From Table 4.12 above, it is known that each variable in this study, namely Financial Literacy (X1), Entrepreneurial Competence (X2), and MSME Performance (Y), has a Cronbach's Alpha value greater than 0.70, which is 0.705, 0.797, and 0.739, respectively. The value indicates that each variable has a good level of internal alignment. Thus, all instruments in the questionnaire were declared reliable and suitable for use as a data collection tool in this study.

Descriptive Analysis

Descriptive analysis is a statistical procedure applied to summarize, compile, and present quantitative data in an easy-to-understand form, such as tables, graphs, or statistical measures (mean, median, mode, standard deviation) (Creswell & Creswell 2023: 214). The results of the descriptive analysis test can be seen in table 4.13 as follows:

Tabel 4.13
Descriptive Analysis Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	187	5,00	17,00	11,7273	1,76448
Entrepreneurial Competence	187	8,00	20,00	12,3957	1,89044
MSME Performance	187	5,00	16,00	10,7647	1,95878
Valid N (listwise)	187				

Source: SPPSS 25 output, Primary Data has been processed.

In Table 4.13 above, it is explained that the results of descriptive analysis of the three variables in the study, namely Financial Literacy (X1), Entrepreneurial Competency (X2), and MSME Performance (Y) show the mean value, minimum, maximum, and standard deviation which provides an overview of the distribution of respondent data.

1. For the Financial Literacy variable (X1), a minimum value of 5.00 and a maximum of 17.00 were obtained, with an average of 11.7273 and a standard deviation of 1.76448. This shows that the level of financial literacy of MSME actors is quite good with a fairly varied distribution of data.
2. In the Entrepreneurial Competency variable (X2), it is known that the minimum value is 8.00 and the maximum is 20.00, with a mean of 12.3957 and a standard deviation of 1.89044. This shows that most MSME actors have good entrepreneurial competence.
3. Meanwhile, the MSME Performance variable (Y) showed a minimum value of 5.00, a maximum of 16.00, a mean of 10.7647, and a standard deviation of 1.95878, which indicates that in general the

performance of MSMEs is in the category of quite good, although there are variations among respondents.

Thus, the results of this descriptive analysis provide an idea that all research variables show a tendency for high middle values and a relatively stable distribution of data among respondents.

Classic Assumption Test

Classical assumption testing is a statistical testing stage that is carried out before conducting linear regression analysis to ensure that the model used meets basic statistical requirements, so that the results of the regression analysis are valid, unbiased, and can be interpreted correctly (Dr H Imam Ghozali, et al., 2021).

Meanwhile, according to Kuncoro (2022), the classical assumption test is a procedure to assess whether the data in the regression model meets basic assumptions such as normality, multicollinearity, heteroscedasticity, and autocorrelation. Errors in these assumptions can result in misestimation and misinterpretation in the analysis.

Normality Test

The normality test is used to determine the distribution of data in variables to be applied in a study. The right and appropriate data that is suitable for application is the data that pockets the normal distribution. The normality of a data can be calculated and viewed using the kolmogorov smirnov or Shapiro-Wilk normal test (Dr H Imam Ghozali, et al., 2021). The results of the research normality test can be seen in table 4.14 as follows:

Tabel 4.14
Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		187
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.63995748
Most Extreme Differences	Absolute	.060
	Positive	.060
	Negative	-.058
Test Statistic		.060
Asymp. Sig. (2-tailed)		.098[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: SPPSS 25 output, Primary Data has been processed.

Based on the results of the Kolmogorov-Smirnov test in Table 4.14, a significance value of 0.098 was obtained, which is greater than the significance limit of 0.05. It can be concluded that the residual data in this study is normally distributed.

Multicollinearity Test

According to (Dr H Imam Ghozali, et al., 2021), the multicollinearity test was carried out to find out whether there is a high correlation between independent (independent) variables in the regression model which aims to ensure that each independent variable in the regression model provides a distinctive and non-overlapping participation. The results of the research multicollinearity test can be seen in table 4.15 as follows:

Tabel 4.15
Multicollinearity Test Results

Coefficientsa			
Model	Collinearity Statistics		Information
	Tolerance	VIF	
Financial Literacy	0,572	1,747	Multicollinearity does not occur
Entrepreneurial Competence	0,572	1,747	Multicollinearity does not occur
a. Dependent Variable: MSME Performance			

Source: SPPSS 25 output, Primary Data has been processed.

Based on Table 4.15 above, it is explained that the results of the multicollinearity test show that the Tolerance value for the variables Financial Literacy (X1) and Entrepreneurial Competency (X2) is 0.572 each, and the VIF (Variance Inflation Factor) value is 1.747.

These values have met the criteria for being free from multicollinearity, namely the Tolerance value > 0.10, and the VIF value < 10. Therefore, it can be concluded that there is no multicollinearity in this regression model. That is, each independent variable does not have a strong linear relationship with each other and is able to make an independent contribution to the dependent variable, namely MSME Performance (Y).

Heteroscedasticity Test

According to (Dr H Imam Ghozali, et al., 2021), the heteroscedasticity test was carried out to test whether there was a difference in variance from the residual in the regression model. This test can be run by applying the Glejser Test. If the p value > 0.05, then heteroscedasticity does not occur. The results of the research heteroscedasticity test can be seen in table 4.16 as follows:

Tabel 4.16
Heteroscedasticity Test Results

Coefficientsa			
Model	T Count	Sig	Information
Financial Literacy	1,085	0,782	Heteroscedasticity does not occur
Entrepreneurial Competence	1,082	0,281	Heteroscedasticity does not occur
a. Dependent Variable: Kinerja UMKM			

Source: SPPSS 25 output, Primary Data has been processed.

Based on Table 4.16 above, it is shown that this test uses the Glejser Test test method whose value is seen from t sig. Where the significance value (Sig.) for the variables of Financial Literacy (0.782) and Entrepreneurial Competence (0.281) is greater than 0.05 each. Thus, it can be concluded that the regression model does not experience symptoms of heteroscedasticity, so the model is considered to meet one of the basic assumptions of classical regression and is suitable for use in subsequent analysis.

Autocorrelation Test

According to (Dr H Imam Ghozali, et al., 2021), the autocorrelation test is used to test whether in the linear regression model there is a correlation (relationship) between the current residual and the previous residual which aims to ensure that the errors in the regression model do not affect each other

between periods (especially in time series data), so that the estimation results are more valid and efficient.

Tabel 4.17
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.639[a]	0,408	0,398	1,49421	1,909

a. Predictors: (Constant), LAG_Y, Entrepreneurial Competence, Financial Literacy
b. Dependent Variable: MSME Performance

Source: SPPSS 25 output, Primary Data has been processed.

Based on the analysis output using SPSS, it is known that the number of samples (n) in this study is 187, with a Durbin-Watson (DW) statistical value of 1.909. The lower limit value (dL) is 1.739 and the upper limit (dU) is 1.782, so 4 – dL is 2.261 and 4 – dU is 2.218. Since the DW value is between dU and 4 – dU (1.782 < 1.909 < 2.218), it can be concluded that this regression model does not experience autocorrelation. Thus, the regression model used has fulfilled one of the important classical assumptions, which is free from autocorrelation problems, so that the results of regression analysis can be statistically reliable.

Analysis of the Regresi Linier Berganda

According to (Dr H Imam Ghozali, et al., 2021), Multiple Linear Regression Analysis is a statistical method used to measure the influence of two or more independent variables (X_1, X_2, X_3, etc.) on a single dependent variable (Y) simultaneously, with the aim of knowing the direction and strength of the influence of independent variables on dependent variables. The results of the multiple linear regression analysis test can be seen in table 4.18 as follows:

Tabel 4.18
Multiple Linear Regression Analysis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,763	0,879		3,144	0,002
Financial Literacy	0,272	0,088	0,245	3,106	0,002
Entrepreneurial Competence	0,388	0,082	0,374	4,736	0,000

a. Dependent Variable: MSME Performance

Source: SPPSS 25 output, Primary Data has been processed.

Based on the results of multiple linear regression analysis in table 4.8 above, the following multiple regression equation model is obtained:

Y = a + b1X1 + b2X2 + e
Y = 2.763 + 0.272 + 0.388 + e

Information:

    Y = MSME Performance
    a = Constant
    b1 = Financial literacy regression coefficient
    b2 = Entrepreneurial competency regression coefficient
    X1 = Financial literacy
    X2 = Entrepreneurial competence
    E = Error term

Based on the results of regression analysis, it was obtained that the constant in the model had a positive value of 2.763. This shows that if the independent variable, namely Financial Literacy and Entrepreneurial Competence, is in a constant condition or is assumed to have a zero value, then the dependent variable, namely MSME Performance, still has a positive base value. This means that there are other factors outside the model that continue to contribute to the performance of MSMEs even though the two main variables remain unchanged.

Furthermore, the regression coefficient for the Financial Literacy variable has a positive value of 0.272. This indicates that every one unit increase in financial literacy will increase the performance of MSMEs by 0.272 units, assuming the other variables remain the same. In other words, the higher the understanding of MSME actors in financial concepts, the ability to record transactions, manage cash, and understand digital financial services, the greater the opportunity to increase their productivity and business efficiency.

In addition, the regression coefficient for the Entrepreneurial Competency variable also showed a positive value, which was 0.388. This means that every one unit increase in entrepreneurial competence will encourage an increase in MSME performance by 0.388 units, assuming other variables remain constant. These results confirm that the ability of MSME actors in terms of innovation, leadership, decision-making, and business management plays a major role in encouraging business growth.

Overall, the regression results show that both Financial Literacy and Entrepreneurial Competence have a positive and significant influence on the Performance of MSMEs. These findings strengthen the argument that increasing individual capacity in financial and entrepreneurial aspects is key in encouraging business success and sustainability, especially for MSMEs in traditional market environments such as Sukaraja Market.

Uji Hypothesis

Hypothesis testing was carried out to test the influence of independent variables on dependent variables. Hypothesis tests include:

T test (Partial test)

According to (Dr H Imam Ghozali, et al., 2021), the t-test is used with the aim of personally understanding the impact of one independent variable on the dependent variable. If the significant value used by the t-test is < 0.05, it can be partially decided that the independent variable has a significant impact on the dependent variable. The results of the T test (Partial Test) of the study can be seen in table 4.19 as follows:

Tabel 4.19
T Test Results (Partial Test)

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,763	0,879		3,144	0,002
Financial Literacy	0,272	0,088	0,245	3,106	0,002
Entrepreneurial Competence	0,388	0,082	0,374	4,736	0,000
a. Dependent Variable: MSME Performance					

Source: SPPSS 25 output, Primary Data has been processed.

Based on the results shown in Table 4.19, it was obtained that the significance value for the Financial Literacy variable was 0.002, while for the Entrepreneurial Competency variable was 0.000. These two significance values are below the set significance limit, which is 0.05. This indicates that statistically, both Financial Literacy and Entrepreneurial Competence have a positive and significant influence on the Performance of MSMEs in the Sukaraja Market, Sukabumi.

Thus, it can be concluded that the hypothesis proposed in this study is accepted. The first hypothesis (H_{a1}) which states that there is a positive and significant influence between Financial Literacy on MSME Performance is proven to be correct. Likewise, the second hypothesis (H_{a2}), which states that there is a positive and significant influence between Entrepreneurial Competence on MSME Performance, is also proven to be true.

These results strengthen the argument that improving the financial knowledge and skills of MSME actors, as well as the development of entrepreneurial competencies, is an important factor in improving their business performance. Therefore, intervention through financial literacy training and entrepreneurship development programs is needed to support the sustainability and growth of MSMEs more optimally.

F Test (Simultaneous Test)

According to (Dr H Imam Ghozali, et al., 2021), the F test is carried out with the aim of understanding whether all independent variables simultaneously have a significant impact on the dependent variable or not. If the significance value produced by the F P test is < 0.05, then it can be concluded that all independent variables simultaneously have a significant impact on the dependent variables. The results of the F test (Simultaneous Test) of the research can be seen in table 4.20 as follows:

Tabel 4.20
F Test Results (Simultaneous Test)

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	226,419	2	113,210	42,753	.000[b]
Residual	487,228	184	2,648		
Total	713,647	186			
a. Dependent Variable: MSME Performance					
b. Predictors: (Constant), Entrepreneurship, Financial Literacy					

Source: SPPSS 25 output, Primary Data has been processed.

Based on Table 4.19 above, it is known that the F value is 42.753 with a significance value of 0.000 < 0.05, so it can be concluded that the variables of Financial Literacy and Entrepreneurial Competency simultaneously have a significant effect on the Performance of MSMEs. Thus, the regression model used in this study is feasible to explain the relationship between variables. Thus, the hypothesis in this study can be obtained H_{a3}: There is a significant simultaneous influence between Financial Literacy and Entrepreneurial Competence on MSME Performance.

Coefficient of Determination (R²)

According to (Dr H Imam Ghozali, et al., 2021), the determination coefficient is used to assess how much independent variables are able to decipher dependent variables. The value of R² ranges from 0 to 1, where the closer it is to 1, the better the regression model will be in deciphering the dependent variable. The results of the Determination Coefficient (R2) test can be seen in table 4.21 as follows:

Tabel 4.21
Determination Coefficient (R²) Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.806ᵃ	0,650	0,646	0,814
a. Predictors: (Constant), Entrepreneurial Competence, Financial Literacy				

Source: SPPSS 25 output, Primary Data has been processed.

Based on Table 4.20 of the Model Summary output, a determination coefficient value (R Square) of 0.650 was obtained which shows that 65% of the variation in MSME Performance can be explained by Financial Literacy and Entrepreneurial Competence, while the remaining 35% is interpreted by other factors outside the model. The Adjusted R Square value of 0.646 indicates that the regression model is quite stable and is not affected by the number of independent variables. Based on the criteria of Dr H Imam Ghozali (2021), this value is included in the strong category.

Discussion
The Effect of Financial Literacy on the Performance of MSMEs in Sukaraja Market, Sukabumi Regency.

The results of the regression analysis showed that financial literacy had a positive and significant effect on the performance of MSMEs, with a significance value of 0.002 < 0.05 and a regression coefficient of 0.272. This means that every increase in financial literacy by one unit will increase the performance of MSMEs by 0.272 units.

These findings show that the better MSME actors' understanding of financial management—such as the ability to prepare budgets, record cash flows, manage debts and receivables, and understand digital payment systems (such as QRIS)—the better their ability to make effective and efficient business decisions, thus having a positive impact on improving business performance.

This result is strengthened by the findings of field interviews, where most MSME actors in Sukaraja Market are still doing manual and simple financial recording. As conveyed by one of the basic food traders, Mr. Rahmat Arifin who has been selling for more than 10 years, stated:

"I only record my income in a booklet, usually all I record is the goods that sell well and the selling price. But for expenses, such as transportation costs, kiosk rentals, or daily expenses such as plastic, gasoline, sometimes forget to be recorded. At the end of the month, I will see if the remaining money is enough or not enough to buy stock next month."

The results of this study are in line with previous research from Milenia Ariyati et al., (2022) entitled *"*The Influence of *Financial Literacy and Entrepreneurial Competence on the Performance of MSMEs in West Java"* stating that financial literacy is an important foundation in making wise and sustainable economic decisions, and is a key factor in improving financial welfare, especially for micro and small business actors. Good financial literacy helps business actors avoid mistakes in capital management and financing, as well as encourage the use of safer and more productive financial instruments. In this study, it is shown that financial literacy has a positive effect on the performance of MSMEs.

This finding is also supported by the results of previous research by Andreas & Wibowo., (2023) in a study entitled *"The Influence of SAK EMKM-Based Financial Literacy on Business Performance and Sustainability in MSMEs in Salatiga City"* which stated that a high level of financial literacy is positively correlated with business performance in MSMEs in developing countries. They show that better financial management increases profitability, spending efficiency, and MSMEs' access to formal funding sources. However, these results are not in line with the findings of Fowowe (2017), entitled *"Access to finance and firm performance: Evidence from African countries"* in his research on MSMEs in Sub-Saharan Africa found that financial literacy does not have a significant influence on business performance, because other factors such as limited access to capital, market infrastructure, and formal education are more dominant in determining the success of MSMEs.

This difference shows that the role of financial literacy in the performance of MSMEs is contextual, depending on the readiness of the financial system, business ecosystem, and institutional support available in certain regions. In the context of Pasar Sukaraja, the existence of financial education from financial institutions and the increasing use of digital payment technology by MSME actors also strengthen this relationship.

Thus, the first hypothesis (H_{a1}), namely "There is a positive and significant influence between Financial Literacy on MSME Performance," was accepted.

The Influence of Entrepreneurial Competence on the Performance of MSMEs in Sukaraja Market, Sukabumi Regency.

The regression results also showed that entrepreneurial competence had a positive and significant effect on the performance of MSMEs, with a significance value of 0.000 < 0.05 and a regression coefficient of 0.388. This means that an increase in one unit in entrepreneurial competence can increase the performance of MSMEs by 0.388 units.

These findings indicate that business actors who have managerial skills, creativity, innovation, and ability to make strategic decisions tend to have more productive, competitive, and adaptive businesses to market changes. High entrepreneurial competence allows MSME actors to systematically plan their business, manage their work teams, and respond to market and customer challenges more effectively.

Based on interviews, business innovation is the main challenge they face. Some traditional businesses have difficulty adapting to changes in technology and shopping patterns of people who have switched to online platforms. As stated by one of the Accessories & Toys traders, Mr. Ayub who has been selling for more than 10 years stated:

"In the past, when it was a busy season, for example during the new school year, school holidays, or before holidays, my income could be up to IDR 17 million per month. Many parents deliberately come to the market looking for toys or accessories for children. Now it's very different. Since many people shop online, my income has continued to fall. Now I only get IDR 10 million per month, sometimes even less if there are no buyers. Usually what sells are dolls, car toys, and girls' hair accessories. But now they prefer to buy online they say there are many choices of colors, recent models, and can be delivered directly to the house.

I actually want to try selling online, so that I can compete with other online stores. But I was confused about where to start. It's hard to take pictures of the product, sometimes the results are not good. I also don't know how to calculate the shipping cost if you send it out of town. Once my son tried to sell on Facebook, uploaded

some pictures of toys, but the results were not many people bought them. I am also afraid that there are buyers from outside the region, because I do not understand the delivery and payment system.

Now I only rely on subscription buyers who already know me. On weekdays, sometimes it's very quiet, especially if it's not the holiday season or the new school year. Capital is also heavy because the stock of new model toys is now changing very quickly. If I miss a new model, the goods don't sell very quickly. So I have to be careful in managing my capital, so that most of the items that end up piling up don't sell."

The results of this study are in line with previous research from Al Mamun et al., (2019) entitled ""*Entrepreneurial Knowledge, Skills, Competencies and Performance: A Study of Micro-Enterprises in Kelantan, Malaysia"*, which shows that entrepreneurial competence, especially innovation and risk management, has an important role in encouraging business performance and entrepreneurial competence is an important foundation in achieving business success, because It covers aspects of business knowledge, practical skills, and a proactive and innovative attitude needed to run a business independently.

This research is also strengthened by previous research from Suryana, (2021) in *"The Influence of Entrepreneurial Competence on Coffee MSME Business Performance: A Theoretical and Empirical Review"*, which classifies entrepreneurial competencies into several important dimensions such as personal effectiveness, relationship-building, strategic thinking, and business management skills which all have an impact on improving the performance of small-scale business organizations. Nevertheless, not all studies support this direct and significant relationship. For example, Neneh B. N., (2023) in her research on MSMEs in South Africa shows that entrepreneurial competence alone is not enough to improve the performance of MSMEs, if it is not supported by access to markets, business networks, and adequate capital. In this case, external constraints are an inhibiting factor even though business actors have qualified personal capacity.

Thus, the second hypothesis (H_{a2}), namely "There is a positive and significant influence between Entrepreneurial Competence on MSME Performance," is accepted.

The Effect of Financial Literacy and Entrepreneurial Competence on the Performance of MSMEs in Sukaraja Market, Sukabumi Regency Simultaneously

The results of the F test (simultaneous) showed that the variables of Financial Literacy and Entrepreneurial Competency together had a significant effect on the performance of MSMEs, with an F value of 42.753 and a significance value of 0.000 < 0.05. This indicates that the regression model used in this study is feasible to explain the relationship between variables.

Empirically, these results indicate that MSME actors who have good financial literacy and strong entrepreneurial competence will be able to manage their businesses more effectively and efficiently, thus having an impact on improving business performance. Financial literacy allows business actors to prepare budgets, record transactions, understand cash flow, and make wise financial decisions. On the other hand, entrepreneurial competence plays an important role in managing resources, innovating, managing risks, and designing business strategies.

Based on the results of interviews with several MSME actors in the Sukaraja Market, it is known that low financial literacy often occurs along with limited entrepreneurial competence. This has a direct impact on declining business performance. As conveyed by cosmetics trader, Mrs. Yanti Novita stated:

"Now the business is getting heavier. The price of cosmetic products continues to rise, especially imported products, while many buyers are bidding and comparing prices online. Many say that online is cheaper, you can look for discounts, cashback, or buy bundling packages. If I continue to lower the price, the profit is very thin. Even though every day I also have to pay for kiosk rent, electricity, pay maintenance employees, and small costs for packaging or plastic. Sometimes daily expenses like that don't have time to record everything, so at the end of the month, you can only guess how much is left. Often confused to know exactly how much net profit each month is. If I need additional capital, I usually borrow from market cooperatives. The process is fast, the conditions are easy, as long as there is a copy of the ID card and the kiosk letter. But the interest is quite large. I was offered a bank loan, but I was afraid to take it, afraid that the installments would be heavy because the sales are now uncertain. Sometimes it's a busy day, sometimes it's quiet. Especially now that there

are more and more rivals. Many have sold cosmetics online using live, free shipping promos, and can even pay COD. I was also taught by my son to upload products on Instagram, but it was difficult to manage it, sometimes the photos were not good, the buyers also didn't add much."

This finding is in line with previous research by Lusardi & Mitchell (2023), in a study entitled *"The Economic Importance of Financial Literacy: Theory and Evidence"* stating that financial literacy and entrepreneurial competence are a combination of skills that are very influential in increasing the profitability and competitiveness of MSMEs. The research shows that MSME actors who have these two competencies are more adaptable to market changes and are able to develop their businesses sustainably. This research is also strengthened by previous research by Games & Desriyanti (2022), in a study entitled *"The Influence of Entrepreneurial Competence on Financial and Non-Financial Performance in Micro, Small and Medium Enterprises"* also shows that simultaneously, mastering financial literacy and entrepreneurial competence has a significant impact on improving financial and non-financial performance of MSMEs.

The reason why these two variables have a simultaneous effect is because financial literacy and entrepreneurial competence are complementary to each other. Financial literacy without entrepreneurial skills only results in budget recording and control, without innovation or market development. Conversely, entrepreneurial competencies without financial literacy risk resulting in business decisions that are not based on actual financial conditions. Therefore, the existence of these two capabilities at the same time will have a stronger impact on improving business performance.

However, these results are not in line with the findings of Neneh B. N., (2023) who conducted research on MSMEs in South Africa. In her research, Neneh stated that entrepreneurial competence and financial literacy do not have a significant influence on the performance of MSMEs if they are not supported by external factors, such as access to financing, business training, and supporting infrastructure. This shows that in certain contexts, the success of a business does not only depend on the individual capabilities of the business actor, but also on the systemic support of the external environment.

Thus, the third hypothesis (H_{a3}), namely "There is a simultaneous significant influence between Financial Literacy and Entrepreneurial Competence on MSME Performance," was also accepted.

4. CONCLUSION

Based on the results of research and discussions that have been carried out regarding the influence of Financial Literacy and Entrepreneurial Competency on the Performance of MSMEs in the Sukaraja Market, Sukabumi Regency, it can be concluded that the two independent variables make a significant contribution to improving business performance. First, Financial Literacy has been proven to have a positive and significant effect on the performance of MSMEs. This means that the higher the understanding of MSME actors in terms of financial recording, budget preparation, and the use of the digital financial system, the better the business performance they run, both in terms of operational efficiency and business growth.

Second, Entrepreneurial Competence also shows a positive and significant influence on the Performance of MSMEs. Business actors who have good managerial skills, are able to innovate, and are skilled in decision-making, tend to show superior and sustainable business performance. Third, based on the results of the F test and determination coefficient analysis, Financial Literacy and Entrepreneurial Competency simultaneously affect the performance of MSMEs by 65%. This shows that these two factors are the main determinants of business success in the Sukaraja Market MSME environment, and are an important basis for the development of MSME empowerment policies and programs in the future.

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