

## The Effect of Financial Literacy, Market Orientation, and Use of Information Technology on The Financial Performance of MSMEs In Payangan District

I Gusti Ngurah Krisna Dwipayana<sup>1</sup>, Made Reina Candradewi<sup>2</sup>

<sup>1,2</sup>Faculty of Economics and Business, Udayana University, Bali, Indonesia.

**ABSTRACT :** The rapid development of technology can affect all aspects of life in society, including economic aspects. People in the current digital era are required to be able to utilize technology in the business world so that it is hoped that with the current technological advances, it can advance the community's economy. Micro, Small, and Medium Enterprises (MSMEs) are one of the sectors that are the main targets for the government in advancing the community's economy, so optimal financial performance of MSMEs is needed to help improve the economy. This study aims to determine the influence of financial literacy, market orientation, and the use of information technology on the financial performance of MSMEs in Payangan District. The sample was determined by the purposive sampling method and calculated based on the Slovin formula so that a sample of 100 MSMEs was obtained. The data collection method uses a questionnaire. The data analysis technique used in this study uses multiple linear regression analysis. The results of the study show that financial literacy, market orientation, and the use of information technology have a positive and significant effect on the financial performance of MSMEs in Payangan District. Business actors with strong financial literacy and a better market orientation and using information technology in business optimally tend to be able to improve business financial performance.

**KEYWORDS :** Financial Literacy, Market Orientation, Use of Information Technology, Financial Performance, MSMEs

### I. INTRODUCTION

Gianyar Regency, as one of the regions in Bali Province, is one of the regions with the largest home industry or MSMEs sector in Bali. Based on data from the Gianyar Regency Cooperative and MSMEs Service, MSMEs actors reached 75,544 units. In addition, Gianyar Regency is also the largest craft exporting regency, where around 65-70 percent of Bali Province's craft exports. In 2021-2022, the development of MSMEs in Gianyar Regency experienced fluctuations which indicated problems in the financial performance of MSMEs. Research conducted by Ningsih & Tasman (2020) stated that the development of MSMEs is in line with the financial performance of MSMEs. When MSMEs grow, there is usually an increase in sales and revenue where this growth can come from market expansion which can directly improve the financial performance of MSMEs, such as net profit and operational cash flow (Ningsih & Tasman, 2020). In this regard, the following is the development of MSMEs in Gianyar Regency during 2021-2022 which is presented in Table 1.

**Table 1. Development of MSMEs in Gianyar Regency in 2021-2022**

No	District	Year 2021				Year 2022			
		Micro	Small	Medium	Total	Micro	Small	Medium	Total
1	Gianyar	8.609	3.966	487	13.062	8.619	3.966	487	13.072
2	Blahbatuh	6.565	2.617	410	9.592	6.572	2.617	410	9.599
3	Sukawati	10.187	3.856	435	14.478	10.193	3.856	435	14.484
4	Tampaksiring	6.136	2.725	371	9.232	6.145	2.725	371	9.241
5	Tegalalang	6.753	3.144	381	10.278	6.794	3.144	381	10.319
6	Ubud	6.093	3.735	631	10.459	6.102	3.735	631	10.468
7	Payangan	5.638	2.580	301	8.519	5.602	2.580	301	8.483
Total					75.620	75.666			

Source: Cooperatives and MSMEs, Gianyar Regency (2023)

Based on Table 1.1, it can be seen that the development of MSMEs in Gianyar Regency in 2021-2022 has increased, where in 2021 there were 75,620 MSMEs units while in 2022 there were 75,666 MSMEs units. The increase in the number of MSMEs is only around 0.06 percent where this increase is still relatively insignificant. Table 1.1 can also show that each sub-district in Gianyar Regency tends to experience an increase in the number of MSMEs. However, in Payangan District, there was a decrease in the number of MSMEs where in 2021 there were 8,519 MSME units while in 2022 there were 8,483 MSME units. The decrease in the number of MSMEs in Payangan District indicates that several MSMEs cannot maintain the sustainability of their businesses due to less than optimal financial performance. Kotane & Kuzmina-Merlino (2017) stated that MSMEs with suboptimal financial performance tend to be unable to maintain business continuity and cannot win the increasingly rapid business competition. Ningsih & Tasman (2020) stated that there are still many MSMEs actors who lack effective financial skills and knowledge, causing problems in cash flow management and budget planning that will have an impact on business operations. In addition, slow adoption of technology and innovation can also tend to make it difficult for MSMEs to compete, especially in the ever-growing digital era (Ningsih & Tasman, 2020).

Regarding the problem of MSMEs financial performance, Mr. Drs. I Wayan Arsana, M. Ap., as the Head of the Cooperative and MSMEs Office of Gianyar Regency in 2023, stated that the program to improve financial literacy for MSME actors including MSMEs actors in Payangan District through training in Gianyar Regency was not implemented evenly. This is because only 490 MSME units participated in the training from the total number of MSMEs in Gianyar Regency, including MSMEs in Payangan District. This is an indication that many MSMEs actors still do not have an understanding and knowledge of finance which can later be useful in the business they run. Financial understanding is a critical skill for MSMEs actors to achieve optimal financial performance which includes cash flow management, financial planning, access to financing, cost control, understanding financial performance, and better decision making (Susan et al., 2020). Support in the form of financial training and education is very important to help MSMEs improve financial literacy which has a positive impact on business success as indicated by increased financial performance.

Research conducted by Ye & Kulathunga (2021) states that financial literacy is one of the factors that can affect the financial performance of MSMEs. Financial literacy is a person's awareness and knowledge of basic financial concepts, including knowledge of financial instruments (Gunawan et al., 2019). An MSME actor must have the ability to make decisions, especially those related to finance. The theory of planned behavior on normative beliefs can be understood as a belief about the normative expectations of others and the motivation to fulfill those expectations. Normative beliefs in MSME actors are shown through the belief that through good financial literacy, MSME actors can make the right financial decisions for the business they run. MSME actors will determine the behavior that will be carried out to improve their financial literacy so that they can achieve more optimal financial performance. The better the financial literacy of business actors, the more likely it is to increase the financial performance of a business (Ye & Kulathunga, 2021). Research conducted by Ye & Kulathunga (2021) states that financial literacy has a strong positive relationship with financial performance. Financial literacy possessed by business actors can support business actors in producing the right business decisions so that they can bring businesses to achieve increased financial performance. In line with this, research conducted by Drexler et al., (2014); Ratnawati (2016); Aribawa (2016); and Idawati & Pratama (2020) also prove that financial literacy has a positive and significant effect on the financial performance of MSMEs.

Companies that have good financial literacy will be able to strategically identify and respond to changes in the business, economic and financial climate so that the decisions taken will create innovative and well-directed solutions to improve business performance and sustainability. However, there are differences in the research results found by Jumady et al., (2022) who found that financial literacy has a negative effect on the company's financial performance. Business actors who have the skills and understanding of inappropriate financial decisions will ultimately lead to a decline in the work achievements produced in the business being run. Different research results were also found by Rahayu & Musdholifah (2017) and Mirdiyantika et al., (2023) who found that financial literacy did not affect the financial performance of MSMEs where the knowledge and understanding of MSME actors regarding finance had not been able to provide a significant effect on improving the financial performance produced by MSME actors. Creating optimal financial performance is closely related to market orientation which is carried out optimally by MSME actors. Putri et al., (2018) stated that market orientation is a form of organizational culture with certain characteristics that aim to provide superior value to consumers or customers which can later provide competitive advantage. Control beliefs as part of the theory of planned behavior are related to market orientation, where market orientation is the most effective and efficient corporate culture in creating good value for customers, and this will create superior financial performance continuously for the company. Market orientation is believed to be important in creating the right strategy to create competitive advantage. This can determine the financial performance results achieved by MSME business actors.

Identifying customer needs, observing competitor behavior, disseminating information about market conditions in each organization and providing timely coordinated responses, as well as calculating and estimating profits, are examples of organizational behavior that demonstrate market orientation. The better the market orientation carried out by MSME actors, the more likely they are to expand market reach and achieve market targets, so that later they can increase sales which indicate an increase in financial performance.

Research conducted by Antari & Jaya (2022) found that market orientation has a significant positive effect on the financial performance of MSMEs. The better the market orientation carried out as a business strategy in creating competitive advantage, the more likely it is to increase sales which indicates an increase in financial performance. Similar results were also found in research conducted by Syarifah et al., (2020); Meirina (2023); and Sulaiman et al., (2023) which proved that market orientation has a positive and significant effect on the financial performance of MSMEs. This indicates that market orientation carried out optimally tends to bring about an increase in the resulting financial performance.

In contrast to the results of research conducted by Taufik (2020) which found that market orientation did not have a significant influence in determining the achievement of MSME financial performance. Taufik (2020) stated that the insignificant influence of market orientation on employee performance was due to the less than optimal market orientation carried out by MSME actors. This causes the strategy to achieve competitive advantage to be suboptimal so that even though market orientation has been carried out, it is not balanced with innovation and creativity, it has not been able to bring about an increase in the resulting financial performance.

In addition to financial literacy and market orientation, the advancement of information technology is currently also considered to be one of the factors that can affect the financial performance of MSMEs (Fatimah & Azlina, 2021). TAM theory can explain the importance of the use of information technology by MSME actors to improve the resulting financial performance. The perception of technology users who are increasingly better at viewing the benefits of information technology developments in improving performance and the perception of benefits that arise as a result of the existence of information technology can increase the adoption and use of information technology in the business being run. The increasingly rapid development of technology requires business actors to utilize technology so that it makes it easier to reach a wider market so that it can later bring increased sales which will have an impact on improving the financial performance of the business.

The increasingly rapid development of information technology requires business actors to be able to adapt and also apply the development of information technology in the business being run. Rerung (2018) explains that information technology is a technology related to the transformation of data into information and disseminating that information within the limits of time and place. Information technology has a significant impact on how well a company is managed so that MSMEs are considered important to use information technology according to the nature of their business so that MSMEs can compete in an increasingly competitive market segment.

The convenience offered by advances in information technology today is expected to help MSMEs to improve their financial performance optimally. This is because, people as consumers can more easily obtain information regarding the existence of businesses or products offered to customers. The more convenience offered from the use of information technology, the more consumers will be interested in making purchases. Ultimately, there will be an increase in income which reflects the improving financial performance of the MSMEs created.

Research conducted by Fatimah & Azlina (2021) found that the use of information technology can improve the financial performance of MSME actors. In line with these results, research conducted by Pratama (2023); Syahroni (2018); and Putra (2022) found that the use of information technology has a positive effect on the financial performance of MSMEs. This indicates that when the use of information technology in a business is carried out optimally, it will also increase the resulting financial performance.

This is different from research conducted by Rinaldi (2022) which found that the use of information technology had no effect on the financial performance of MSMEs. Rinaldi (2022) stated that the use of inappropriate and suboptimal information technology tends not to bring changes to the financial performance achievements produced by business actors. The use of information technology must be carried out and utilized appropriately so that it can increase sales which leads to increased business financial performance.

## II. RESEARCH HYPOTHESIS

### 2.1. The Effect of Financial Literacy on MSMEs Financial Performance

Financial literacy is a person's awareness and knowledge of basic financial concepts, including knowledge of financial instruments (Gunawan et al., 2019). An MSME actor must have the ability to make decisions primarily related to finance. The theory of planned behavior in normative beliefs can be understood as a belief about the normative expectations of others and the motivation to fulfill those expectations (Ghouri et al., 2016). Normative beliefs in MSME actors are shown through the belief that through good financial literacy, MSME actors can make the right financial decisions for the business they run. MSME actors will determine the behavior that will be carried out to improve their financial literacy so that they can achieve more optimal business performance.

An MSME actor must have the ability to make decisions primarily related to finance. The better the financial literacy, the more likely it is to increase the performance of a business (Ye & Kulathunga, 2021). Research conducted by Ye & Kulathunga (2021) states that financial literacy has a strong positive relationship with financial performance. Financial literacy possessed by business actors can support business actors in making the right business decisions so that they can bring businesses to achieve increased performance. In line with this, research conducted by Drexler et al., (2014); Ratnawati (2016); Aribawa (2016); and Idawati & Pratama (2020) also prove that financial literacy has a positive and significant effect on the financial performance of a business. Companies that have good financial literacy will be able to strategically identify and respond to changes in the business, economic, and financial climate so that the decisions taken will create innovative and well-directed solutions to improve financial performance and business sustainability.

H1: Financial literacy has a positive effect on the financial performance of MSMEs.

## **2.2. The Influence of Market Orientation on the Financial Performance of MSMEs**

Market orientation as a form of organizational culture with certain characteristics that aims to provide superior value to consumers or customers which can later provide competitive advantage (Idar & Mahmood, 2018). Control beliefs as part of the theory of planned behavior are related to market orientation, where market orientation is the most effective and efficient corporate culture in creating good value for customers, and this will create continuous superior performance for the company. Market orientation is believed to be important in creating the right strategy to create competitive advantage. This can determine the financial performance results achieved by MSME business actors.

Identifying customer needs, observing competitor behavior, disseminating information about market conditions in each organization and providing timely coordinated responses, as well as calculating and estimating profits, are examples of organizational behavior that demonstrate market orientation (Putri et al., 2018). The better the market orientation carried out by MSME actors, the more likely they are to expand market reach and achieve market targets, so that later they can increase sales which indicate an increase in the financial performance of a business. Research conducted by Antari & Jaya (2022) found that market orientation has a significant positive effect on the financial performance of MSMEs. The better the market orientation carried out as a business strategy in creating competitive advantage, the more likely it is to increase sales which indicates an increase in the financial performance of a business. Similar results were also found in research conducted by Syarifah et al., (2020); Meirina (2023); and Sulaiman (2023) which proved that market orientation has a positive and significant effect on the financial performance of MSMEs. This indicates that market orientation carried out optimally tends to bring about an increase in the resulting financial performance.

H2: Market orientation has a positive effect on the financial performance of MSMEs.

## **2.3. The Effect of the Use of Information Technology on MSMEs Financial Performance**

TAM theory can explain the importance of using information technology by MSMEs to improve the resulting financial performance. The increasingly good perception of technology users in viewing the benefits of information technology developments in improving performance and the perception of benefits that arise as a result of the existence of information technology can increase the adoption and use of information technology in the business being run (Wicaksono, 2021). The increasingly rapid development of technology requires business actors to utilize technology so that it makes it easier to reach a wider market so that it can later bring about increased sales which will have an impact on improving the financial performance of the business.

The increasingly rapid development of information technology requires business actors to be able to adapt and also apply the development of information technology in the business being run. Rerung (2018) explains that information technology is a technology related to the transformation of data into information and disseminating that information within the limits of time and place. Information technology has a significant impact on how well a company is managed so that MSMEs are considered important to use information technology according to the nature of their business so that MSMEs can compete in an increasingly competitive market segment.

The convenience offered by current advances in information technology is expected to help MSMEs improve their performance. This is because, people as consumers can more easily obtain information regarding the existence of businesses or products offered to customers. The more convenience offered from the use of information technology, the more consumers will be interested in making purchases. Ultimately, there will be an increase in income which reflects the improving financial performance of the MSMEs created. Research conducted by Fatimah & Azlina (2021) found that the use of information technology can improve the business performance of MSME actors. In line with these results, research conducted by Pratama (2023); Syahrini (2018); and Putra (2022) found that the use of information technology has a positive effect on the financial performance of MSMEs. This indicates that when the use of information technology in a business is carried out optimally, it will also bring about an increase in the resulting business performance.

H3: The use of information technology has a positive effect on the financial performance of MSMEs.



### III. MATERIALS AND METHODS

This research is a quantitative associative research. According to Sugiyono (2019:21), quantitative research is a research based on the assumption that a symptom can be classified and the relationship between symptoms is causal (cause and effect), while the associative relationship is an assumption of a relationship between variables in the population to be tested (Sugiyono, 2019:65). This study aims to explain the influence of financial literacy variables, market orientation, and the use of information technology on the financial performance of MSMEs in Payangan District. The data collection method in this study used a questionnaire. The Likert scale is used in measuring variable indicators in the questionnaire. The statistical technique used to analyze the data is multiple linear regression analysis using IBM SPSS version 26 for Windows software.

The variables used in this study are defined based on their measurement indicators, as follows.

**Table 2. Research Variable Indicators**

Variable	Indicator	Source
Financial Performance of MSMEs (Y)	a) Business Capital b) Sales Turnover c) Profitability	Hilda et al., (2021)
Financial Literacy (X1)	a) Financial Knowledge b) Financial Attitudes c) Financial Behavior	Kurniadi et al., (2022)
Market Orientation (X2)	a) Customer Orientation b) Competitor Orientation c) Inter-Function Coordination	Permadi et al., (2018)
Use of Information Technology (X3)	a) Sophistication b) Usefulness c) Effectiveness	Rahmasari (2019)

The population in this study is all MSMEs in Payangan District in 2022, which is 8,483 MSME units. The sampling method used in this study is the purposive sampling method, which is a sampling method that is not random and deliberate or with certain considerations (Sugiyono, 2019). The sample criteria used in this study are:

1. Respondents are MSMEs actors domiciled in Payangan District.
2. Respondents are MSMEs actors who have been registered with the Gianyar Regency Cooperative and MSMEs Service.
3. Respondents are MSMEs actors who have implemented technology in business operations.

In this study, the number of research samples used was 100 MSMEs in Payangan District which was obtained from calculations using the Slovin formula, namely as follows:

$$n = \frac{N}{(1 + N(e^2))}$$

Description:

n = Number of sample members

N = Number of population members

e = Critical value (accuracy limit 0.1)

$$= \frac{8.483}{(1 + 8.483 (0,1^2))}$$

$$= 99,88$$

$$= 100 \text{ respondents (rounded)}$$

### IV. RESULTS AND DISCUSSION

Based on the distributed questionnaires, 100 respondents were successfully collected and processed. Respondents in this study have different characteristics or identities in filling out the questionnaire. The characteristics of respondents in this study can be seen in Table 3.

**Table 3. Respondent Characteristics**

No.	Respondent Characteristics	Total	Percentage (%)
1	Based on Age		
	25-35 years old	18	18
	36-44 years old	46	46
	45-50 years old	21	21
	>50 years old	15	15
	Total	100	100
3	Based on the Latest Education		
	Senior High School	16	16
	Diploma 3	29	29
	Bachelor degree	37	37
	Master degree	13	13
	Others	5	5
	Total	100	100
4	Based on the Length of Business		
	< 2 years	28	28
	2-5 years	42	42
	5-10 years	20	20
	> 10 years	10	10
	Jumlah	100	100

Source: Primary data processed, 2024

Based on Table 3., it can be seen that the characteristics of the respondents used in this study are based on age, last education, and length of business. Based on age, the majority of respondents in this study were aged between 36-44 years, namely 46 respondents with a percentage of 46 percent. Table 3., also shows that the majority of respondents in this study had a last education of S1 level, namely 37 people with a percentage of 37 percent. Based on the length of business, the majority of respondents in this study have been operating for 2-5 years, namely 42 respondents with a percentage of 42 percent. Based on this description, it can be explained that the average MSME actor in Payangan District used as respondents in this study is in the age range between 36-44 years and has completed their education at least at S1 level with a length of business that has been running for 2-5 years.

## Research Instrument Test Results

### 1. Validity Test Results

An instrument is said to be valid if it has a coefficient greater than 0.30 with a significance value less than 0.05. The results of the validity test recapitulation in this study are presented in Table 4.

**Table 4. Results of the Validity Test of Research Instruments**

Variable	Indicator	Correlation Coefficient	Sig. (2-tailed)	Information
Financial Literacy (X1)	X1.1	0,597	0,000	Valid
	X1.2	0,588	0,000	Valid
	X1.3	0,678	0,000	Valid
	X1.4	0,819	0,000	Valid
	X1.5	0,524	0,000	Valid
	X1.6	0,722	0,000	Valid
	X1.7	0,716	0,000	Valid
	X1.8	0,804	0,000	Valid
	X1.9	0,814	0,000	Valid
Market Orientation (X2)	X2.1	0,833	0,000	Valid
	X2.2	0,806	0,000	Valid
	X2.3	0,884	0,000	Valid
	X2.4	0,859	0,000	Valid
	X2.5	0,829	0,000	Valid

	X2.6	0,808	0,000	Valid
	X2.7	0,866	0,000	Valid
	X2.8	0,909	0,000	Valid
	X2.9	0,889	0,000	Valid
Use of Information Technology (X3)	X3.1	0,867	0,000	Valid
	X3.2	0,889	0,000	Valid
	X3.3	0,891	0,000	Valid
	X3.4	0,842	0,000	Valid
	X3.5	0,849	0,000	Valid
	X3.6	0,861	0,000	Valid
	X3.7	0,886	0,000	Valid
	X3.8	0,869	0,000	Valid
	X3.9	0,724	0,000	Valid
Financial Performance of MSMEs (Y)	Y1	0,820	0,000	Valid
	Y2	0,846	0,000	Valid
	Y3	0,837	0,000	Valid
	Y4	0,866	0,000	Valid
	Y5	0,789	0,000	Valid
	Y6	0,859	0,000	Valid
	Y7	0,830	0,000	Valid
	Y8	0,831	0,000	Valid
	Y9	0,753	0,000	Valid

Source: Primary data processed, 2024

Based on Table 4., it can be seen that the research indicators used to measure the variables of financial literacy, market orientation, and use of information technology used in this study have a correlation coefficient value of > 0.30 with a significance value of < 0.05. This indicates that the statement items in the research instrument are valid and suitable for use as a research instrument.

### 2. Reliability Test Results

A research instrument is said to be reliable if the Cronbach's Alpha value is greater than or equal to 0.70. The results of the research instrument reliability test can be seen in Table 5.

**Table 5. Results of the Research Instrument Reliability Test**

Variable	Cronbach's Alpha	Information
Financial Literacy (X1)	0,870	Reliable
Market Orientation (X2)	0,953	Reliable
Use of Information Technology (X3)	0,948	Reliable
Financial Performance of MSMEs (Y)	0,939	Reliable

Source: Primary data processed, 2024

The results of the reliability test presented in Table 5, show that all variables used in this study have a Cronbach's Alpha coefficient > 0.70 so it can be stated that all variables have met the reliability requirements.

### 3. Multiple Linear Regression Analysis Results

Multiple linear regression analysis in this study was processed with the help of SPSS. The results of the multiple linear regression analysis test are presented in Table 6.

**Table 6. Results of Multiple Linear Regression Analysis**

Variable	Unstandardized Beta	Std. Error	tcount	Sig.
(Constant)	8,646	2,042	4,235	0,000
Financial Literacy (X1)	0,114	0,044	2,607	0,011
Market Orientation (X2)	0,367	0,075	4,862	0,000
Use of Information Technology (X3)	0,274	0,068	4,054	0,000

Source: Primary data processed, 2024

Based on the results of the multiple linear regression analysis test presented in Table 6, a regression equation can be created in this study, namely:

$$Y = 8,646 + 0,114X_1 + 0,367X_2 + 0,274X_3 + e$$

#### 4. Test of Determination Coefficient ( $R^2$ )

The coefficient of determination used in this study is adjusted  $R^2$ , because if a variable is added to the regression model and the result is not significant, it will not experience a very high increase. The results of the determination coefficient test in this study are presented in Table 7.

**Table 7. Results of the Determination Coefficient Test ( $R^2$ )**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,812	0,659	0,648	1,634

Source: Primary data processed, 2024

Table 7 shows that the adjusted R Square is 0.648 or 64.8 percent, which means that 64.8 percent of MSME financial performance is influenced by financial literacy, market orientation, and the use of information technology, while 35.2 percent is influenced by other variables not explained in this study.

#### 5. Hypothesis Test (t-test)

Hypothesis testing (t-test) is conducted to show the influence of all independent variables partially on the dependent variable. If the significance value of the independent variable is  $<0.05$ , then the independent variable partially influences the dependent variable ( $H_0$  is rejected and  $H_a$  is accepted). The results of the hypothesis test (t-test) in this study can be seen in Table 8.

**Table 8. Hypothesis Test Results (t-Test)**

Variable	Unstandardized Beta	t-count	Sig.
(Constant)	8,646	4,235	0,000
Financial Literacy (X1)	0,114	2,607	0,011
Market Orientation (X2)	0,367	4,862	0,000
Use of Information Technology (X3)	0,274	4,054	0,000

Source: Primary data processed, 2024

Based on Table 8, the results of the hypothesis test in this study can be described as follows.

##### 1) The Effect of Financial Literacy (X1) on the Financial Performance of MSMEs (Y)

Table 8 shows that the financial literacy variable has a positive regression coefficient of 0.114 with a t count of 2.607 and a significance value of 0.011. The significance value of  $0.011 < 0.05$  so that  $H_1$  is accepted. This means that financial literacy has a positive and significant effect on the financial performance of MSMEs in Payangan District.

##### 2) The Effect of Market Orientation (X2) on the Financial Performance of MSMEs (Y)

Table 8 shows that the market orientation variable has a positive regression coefficient of 0.367 with a t count of 4.862 and a significance value of 0.000. The significance value of  $0.000 < 0.05$  so that  $H_2$  is accepted. This means that market orientation has a positive and significant effect on the financial performance of MSMEs in Payangan District.

##### 3) The Effect of Information Technology Use (X2) on MSME Financial Performance (Y)

Table 8 shows that the variable of information technology use has a positive regression coefficient of 0.274 with a t count of 4.054 and a significance value of 0.000. The significance value of  $0.000 < 0.05$  so that  $H_3$  is accepted. This means that the use of information technology has a positive and significant effect on the financial performance of MSMEs in Payangan District.

#### Discussion of Research Results

##### 1) The Effect of Financial Literacy on the Financial Performance of MSMEs

Based on the analysis that has been carried out, it can be seen that financial literacy has a positive and significant effect on the financial performance of MSMEs in Payangan District. This means that the higher the level of financial literacy possessed by MSME owners or managers, the better the financial performance of MSMEs. In other words, increasing financial literacy will encourage improvements in business financial performance.



The theory of planned behavior on normative beliefs in MSME actors is shown through the belief that through good financial literacy, MSME actors can make the right financial decisions for the business they run. MSME actors will determine the behavior that will be carried out to improve their financial literacy so that they can achieve more optimal business performance. An MSME actor must have the ability to make decisions, especially those related to finance. The better the financial literacy, the more likely it is to increase the performance of a business (Ye & Kulathunga, 2021).

This study proves that financial literacy has a significant positive effect on the financial performance of MSMEs in Payangan District. Based on the results of the questionnaire distribution, the majority of respondents in this study considered that through financial management by orienting the form of savings or deposits for the business finances being run as one form of financial literacy that must be possessed by business actors. By orienting business finances into the form of savings, business actors can create reserve funds that can be used to deal with emergency situations or for future investment, thereby strengthening business resilience in the business being run. This tends to lead to an increase in the financial performance generated by the business being run. The results of this study are in line with research conducted by Drexler et al., (2014); Ratnawati (2016); Aribawa (2016); Idawati & Pratama (2020); and Ye & Kulathunga (2021) which prove that financial literacy has a positive and significant effect on the financial performance of a business. Companies that have good financial literacy will be able to strategically identify and respond to changes in the business, economic and financial climate so that the decisions taken will create innovative and well-directed solutions to improve financial performance and business sustainability.

## **2) The Effect of Market Orientation on the Financial Performance of MSMEs**

Based on the results of the analysis that has been carried out, it shows that market orientation has a positive effect on the financial performance of MSMEs in Payangan District. This indicates that the better the market orientation carried out as a business strategy in creating competitive advantage, the more likely it is to increase sales which reflects an increase in the financial performance of a business.

This study proves that market orientation has a significant positive effect on the financial performance of MSMEs in Payangan District. Based on the results of the questionnaire distribution, the majority of respondents in this study considered that integrating strategies to win business competition is one form of market orientation carried out in running a business. This strategy integration tends to improve the financial performance of MSMEs. Through effective strategy integration, such as product innovation, competitive pricing, and improving service quality, MSMEs can be more responsive to market needs and preferences. This strategy not only helps MSMEs to remain relevant in a competitive market but also allows business actors to expand market share, increase revenue, and strengthen their financial position in the long term. This means that when MSMEs carry out market orientation properly through effective strategy integration, this is considered to be able to bring about an increase in the financial performance achieved by the business being run.

The results of this study are in line with research conducted by Antari & Jaya (2022); Syarifah et al., (2020); Meirina (2023); and Sulaiman (2023) which prove that market orientation has a positive and significant effect on the financial performance of MSMEs. This indicates that market orientation that is carried out optimally tends to increase the resulting financial performance.

## **3) The Effect of the Use of Information Technology on MSMEs Financial Performance**

Based on the analysis conducted, it can be seen that the use of information technology has a positive and significant effect on the financial performance of MSMEs in Payangan District. This means that, the more optimal the use of information technology in MSME operations, the better the financial performance achieved. Technology helps business actors manage finances more efficiently, such as financial recording, inventory management, and wider market access.

TAM theory explains the importance of the use of information technology by MSME actors to improve the resulting financial performance. The increasingly good perception of technology users in viewing the benefits of information technology developments in improving performance and the perception of benefits that arise as a result of the existence of information technology can increase the adoption and use of information technology in the business being run (Wicaksono, 2021). The increasingly rapid development of information technology requires business actors to be able to adapt and also apply information technology developments in the businesses being run. The more convenience offered from the use of information technology, the more consumers will be interested in making purchases. Ultimately, there will be an increase in income which reflects the increasingly good financial performance of the MSMEs created.

Current research proves that the use of information technology has a significant positive effect on the financial performance of MSMEs in Payangan District. Based on the results of the questionnaire distribution, the majority of respondents considered that the information system provides convenience for MSMEs in running their businesses. The use of information technology in business tends to help business actors to utilize digital platforms in marketing and sales, so that they can reach more customers. This convenience not only supports business

continuity, but also has an impact on increasing income and financial stability of MSMEs, thereby encouraging better financial performance. The results of this study are in line with research conducted by Fatimah & Azlina (2021); Pratama (2023); Syahroni (2018); and Putra (2022) which found that the use of information technology has a positive effect on the financial performance of MSMEs. This indicates that when the use of information technology in a business is carried out optimally, it will also increase the resulting financial performance.

## V. CONCLUSION

For MSMEs in Payangan District, it is recommended to pay attention to factors that can determine the financial performance of MSMEs related to financial literacy, market orientation, and the use of information technology. Related to the financial literacy variable, the statement *“I manage money by orienting the form of spending or expenditure on the finances of the business that I run”* obtained the lowest average. Therefore, it is recommended for MSME actors in Payangan District to improve their financial literacy, especially those related to the orientation of expenditure on the finances of the business that is run. Effective expenditure management can determine the extent to which MSMEs can maintain their financial health, optimize profitability, and ensure sustainable growth. Related to the market orientation variable, the statement *“I have a response to the actions taken by my business competitors”* obtained the lowest average. Therefore, it is recommended for MSME actors in Payangan District to improve their response to actions taken by similar business competitors. A quick and appropriate response to competitors' steps can help MSMEs remain competitive and relevant in the market. However, it is important for MSMEs not only to react impulsively to competitors but also to formulate measurable strategies and follow market conditions and the internal capabilities of the business being run. Regarding the variable of information technology usage, the statement *“Information technology increases productivity and efficiency in my business”* obtained the lowest average. Therefore, it is recommended for MSMEs in Payangan District to conduct periodic evaluations of the effectiveness of information technology used in the business being run. If technology does not have a significant impact on business efficiency, business actors can try other options that are more relevant to the needs of the business being run.

The coefficient of determination in this study was only 0.648 or 64.8 percent, which means that 64.8 percent of MSME financial performance is influenced by financial literacy, market orientation, and the use of information technology, while 35.2 percent is influenced by other variables not explained in this study. Therefore, it is recommended for further researchers to add other independent variables that can affect MSME financial performance. Further researchers are also advised to conduct research in other research areas, so that the research results can be more generalized. This is because the research results may be different if applied to different research areas.

## REFERENCES

- [1] (Font Size 9, Line Spacing 1.15) S. Zhang, C. Zhu, J. K. O. Sin, and P. K. T. Mok, “A Novel Ultrathin Elevated Channel Low-Temperature Poly-Si TFT,” *IEEE Electron Device Letters*, vol. 20, no. 4, pp. 569–571, 1999. [[CrossRef](#)] [[Google Scholar](#)] [[Publisher Link](#)]
- [2] Ajzen, I. (2011). The Theory Of Planned Behaviour: Reactions And Reflections. *Psychology And Health*. <https://doi.org/10.1080/08870446.2011.613995>.
- [3] Artharini, N. K. R., & Noviani, N. (2021). Psychological Cost, Religiusitas, Love of Money dan Kepatuhan Wajib Pajak Badan Sektor UMKM. *E-Jurnal Akuntansi*, 31(5), 1344– 1355
- [4] Cho, H. Y., & Lee, J. H. (2020). A Study on the Effects of Entrepreneurial Orientation and Learning Orientation on Financial Performance: Focusing on Mediating Effects of Market Orientation. *Sustainability* 2020, 12(11), 4594; <https://doi.org/10.3390/su12114594>
- [5] Drexler, A., Fischer, G., & Schoar, A. (2014). Keeping it simple: Financial literacy and rules of thumb. *American Economic Journal: Applied Economics*, Vol. 6 Issue: 2 pp. 1-36.
- [6] Eniola, A. A., & Entebang, H. (2017). SME Managers and Financial Literacy. *SAGE Journal*, 18(3), 559–576. <https://doi.org/10.1177/0972150917692063>
- [7] Ghouri, A. M., Khan, N. R., & Abdul Kareem, O. B. (2016). Improving Employees Behavior Through Extension In Theory Of Planned Behavior: A Theoretical Perspective For Smes. *International Journal Of Business And Management*, 11(11), 196. <https://doi.org/10.5539/ijbm.V11n11p196>
- [8] Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25*. Badan Penerbit Universitas Diponegoro.
- [9] Gunawan, M., Asyahira, R., & M Sidjabat, F. (2019). Environmental Management System Implementation in MSMEs: A Literature Review. *Jurnal Serambi Engineering*. <https://doi.org/10.32672/jse.v5i2.1958>.
- [10] Heryadi, D. Y., Sutaguna, I. N. T., Norvadewi, N., Rukman, A. Y., & Zaroni, A. N. (2023). Social Media's Impact on Indomart. *Jurnal Manajemen Riset Inovasi*, 1(4), 19–25.

- [11] Kajalo, S., & Lindblom, A. (2015). Market orientation, entrepreneurial orientation and business performance among small retailers. *International Journal of Retail and Distribution Management*, 43(7), 580–596.
- [12] Kotane, I., & Kuzmina-Merlino, I. (2017). Analysis Of Small And Medium Sized Enterprises' Business Performance Evaluation Practice At Transportation And Storage Services Sector In Latvia. *Procedia Engineering*, 178, 182–191. <https://doi.org/10.1016/j.proeng.2017.01.093>
- [13] K. M. M. C. B., Ye, J., Sharma, S., & Weerathunga, P. R. (2020). How does technological and financial literacy influence SME performance: Mediating role of ERM practices. *Information (Switzerland)*, 11(6).
- [14] Lusardi, A. & Mitchell, O. (2011). Financial Literacy around the World: An Overview. *Journal of Pension Economics and Finance: University of Pennsylvania*.
- [15] Muraga, K.P. & John, N.(2015). Effect of Financial Literacy on Performance of Youth Led Entreprises: A Case of Equity Group Foundation Training Program in Kiambu Country.
- [16] Oseifuah, E. K. (2010). Financial literacy and youth entrepreneurship in South Africa. *African Journal of Economic and Management Studies*. Vol. 1 Iss: 2.
- [17] Purba, M. I., Simanjutak, D. C. Y., Malau, Y. N., Sholihat, W., & Ahmadi, E. A. (2021). The effect of digital marketing and e-commerce on financial performance and business sustainability of MSMEs during the COVID-19 pandemic in Indonesia. *International Journal of Data and Network Science*, 5(3), 275–282. <https://doi.org/10.5267/j.ijdns.2021.6.006>
- [18] Susan, M., Winarto, J. and Gunawan, I. (2023), "Financial Literacy of Micro, Small, and Medium Enterprises: Empirical Study During the Pandemic Period", Barnett, W.A. and Sergi, B.S. (Ed.) *Comparative Analysis of Trade and Finance in Emerging Economies (International Symposia in Economic Theory and Econometrics)*, 3 (1), pp. 113-122. <https://doi.org/10.1108/S1571-038620230000031014>.
- [19] Taylor, P. (2018). The effect of entrepreneurial orientation on the internationalization of 126 SMEs in developing countries. *African Journal of Business Management*. 7(19), pp. 1927- 1937, ISSN 1993-8233.
- [20] Udriyah, Tham, J., & Azam, S. M. F. (2019). The effects of market orientation and innovation on competitive advantage and business performance of textile SMEs. *Journal Management Science Letters*, 9, 1419–1428
- [21] Ye, Jianmu, and K. M. M. C. B. Kulathunga. (2019). How Does Financial Literacy Promote Sustainability in SMEs? A Developing Country Perspective." *Sustainability (Switzerland)*, vol. 11, no. 10