

## Ability to Prepare Financial Reports, Financial Literacy and the use of Information Technology on Msme Performance

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### ABSTRACT

This research was conducted to determine and test the influence of the variables of ability to prepare financial reports, financial literacy and use of information technology on the performance of MSMEs. In order to get conclusions, the researcher applied a quantitative approach. The data type chosen for analysis is primary data. This type was taken through a sampling technique in the form of a questionnaire or survey where the number of respondents used was 100 respondents. The respondents were taken from MSME actors in Karawang Regency. Sampling was carried out by applying special criteria according to the needs of the research being carried out. Conclusions were drawn using statistical methods. After the study was completed, the results or conclusions obtained from the research carried out were in the form of the variable ability to prepare financial reports which had a positive and significant influence or impact on the performance of MSMEs. Not much different, the financial literacy variable or understanding of financial management also has a positive and significant influence or impact on the performance of MSMEs. The variable use of information technology also has a positive and significant impact on MSME performance. Finally, there are variables that ability to prepare financial reports, financial literacy and the use of information technology have a positive and significant effect on the performance of MSMEs.

Keywords: Ability to Prepare Financial Reports, Financial Literacy, MSME Performance, Use of Information Technology.



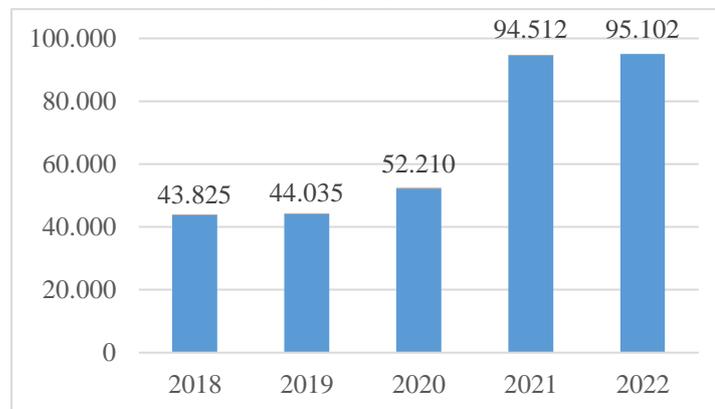
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### INTRODUCTION

MSMEs are a part that influences a country's economic growth (Aisyah et al., 2022). This cannot be separated from the position of MSMEs which are at the bottom strata of a country's economic drivers. Because MSMEs play an important role and this is recognized by the leaders of the Indonesian nation, several legal foundations have been created that can underlie or serve as guidelines for MSMEs in Indonesia to carry out their various activities. The main aim of the existence of MSMEs in all countries in the world is to move the economy quickly because it is in

the community sphere. MSMEs can take various policies directly according to community conditions. MSMEs also play a role in helping the government create jobs, even on a small scale. The existence of MSMEs can also speed up the circulation of money and enable the economy to be developed sustainably (Ilarrahmah & -, 2021a). UMKM itself is a business built by the community with a productive system that has a tremendous impact on the economy, both micro and macro. This means that when a country's MSMEs have good performance, they can boost the national economy. The development of MSMEs in Indonesia has developed well and has given birth to many new MSMEs. MSMEs in the Karawang Regency area are no exception. This can be seen in data related to the development of MSMEs in Karawang Regency during the period 2018 to 2022. (Wira Iko P Y, 2019).

**LIST OF MSME DEVELOPMENTS  
KARAWANG DISTRICT YEAR 2018-2022**



**Figure 1 List of MSME Developments**

Source: Karawang Regency Cooperative and UMKM Service, 2023

Based on the graph above, it shows that the development of MSMEs continues to increase significantly, the number of MSMEs in Karawang Regency in 2022 will reach 95,102 MSMEs. In 2018 the number of active MSMEs was 43,825 MSMEs, in 2019 the number of active MSMEs increased to 44,035 MSMEs, then in 2020 the number of MSMEs increased by 8,175 MSMEs, in 2021 active MSMEs increased drastically by 28.68% greater than the previous year it only reached 15.81% of MSMEs. Then in 2022 the number of MSMEs will increase by 590 MSMEs, so that in 2022 the total number of active MSMEs will reach 28.86% of MSMEs.

The development of MSMEs in the Regency has not been in line with their performance during that period. Where there are still many MSMEs that cannot survive and compete with other MSMEs. One of the reasons is fierce competition between MSMEs. The inability of an MSME to survive in intense competition is influenced by many factors, both internal and external. Based on the results of observations and initial pre-surveys, it can be seen that MSMEs in Karawang Regency still have problems with their performance, from The 20 respondents who participated were still MSME players who had obstacles and problems related to financial reports which ultimately had an impact on their performance. Where 5 MSMEs are clearly unable to manage and prepare financial reports properly and correctly because their main focus is on the operational side.

From an internal perspective, there are several factors that influence the performance of MSMEs. One of them is the ability of the owner, owner or manager of MSMEs to make financial reports that comply with the rules and support good management of MSMEs. Speaking of capabilities, we are talking about the capabilities of the person responsible for recording, identifying and compiling all transactions that occur in GENERAL and then presenting them in the form of a financial report, which then can be used as a basis for decision making in a certain period. (Hidayatullah, 2020).

Preparing good financial reports will of course support the running of the internal business of the MSME itself, with good internal affairs it can compete with other MSMEs and improve the performance of the MSME itself.(Hidayatullah, 2020). There are other factors that are related to improving the performance of MSMEs, this factor is low financial literacy due to limited capital. This can be seen from the pre-research results and it turns out that there are still 6 MSMEs that have difficulty understanding financial literacy. Low financial literacy for MSMEs can result in using money beyond their needs or MSMEs using the money to fulfill their desires, the cause is limited financial literacy and a lack of financial planning because of the low level of education.

The final factor from the pre-research results is that 4 MSME actors have not used information technology. MSMEs are still limited in using information technology because MSMEs do not realize that the use of information technology can facilitate transactions, sales and purchases, especially for preparing financial reports digitally. The limited use of technology for MSME actors is because MSME actors do not understand how to use it and have not yet entered the era of digitalization, the cause is low knowledge and lack of understanding in using technology.

Financial understanding or commonly known as financial literacy can be said to be a form of knowledge or knowledge that a person has in terms of managing finances(Ilarramah & -, 2021a). A person's ignorance in managing finances can have fatal consequences for a business, because they can make decisions without careful consideration of the financial side. This means that this variable is very important for a business actor to have(Ilarramah & -, 2021a). Because understanding financial management is very important, a business actor must have a strong foundation on how to manage, record and also present financial data as a basis for decision making.(Akhmad et al., 2021). To determine financial literacy variables, there are four parameters or indicators that can be used. These parameters or indicators are basic financial knowledge, credit management, savings and investment management, and risk management(Banowaty, 2021). Having a good understanding of how to manage finances will increase income and also the performance of MSMEs(Hidayatullah, 2020).

Factors or variables in the use of information technology are also important in efforts to improve the performance of an MSME. With current conditions and technological developments, when MSMEs are unable to implement information technology properly to support their business, it is certain that these MSMEs will be unable to compete with other MSMEs. Currently, the use of technology has a big impact on the performance of MSMEs, including the use of social media for marketing media and so on(Ilarramah, 2021). The current development of information technology is changing many trends that occur in society, so business actors must be able to adapt well, even when business conditions are already established. Because information technology makes competition even tighter, whoever can make good use of it will have opportunities to grow bigger (Ilarramah & -, 2021a)

The factors that have been explained are closely related to the performance of MSMEs. Performance can be interpreted as a result or achievement of a person or in this case a business group. Good performance can be seen by whether or not the results achieved correspond to the initial goals or targets. When it is appropriate, it can be said that the performance is good, and vice versa, when it is not achieved, the performance is bad(Abdillah et al.,2019). So it can be said that MSME performance is the ability of MSMEs to achieve the targets that have been set(Amri & Iramani, 2018). The performance of MSMEs can also be interpreted as an achievement or result of what has been done by MSMEs in a certain period, whether it is in accordance with the initial plan or not. To have good performance or achievements, of course you need to collaborate with all the resources you have(Abdillah et al., 2019).

The gap in this research is(Hidayatullah, 2020)revealed that skills in preparing and then presenting financial reports have no impact on performance, while the financial literacy or understanding variable has a significant influence on the financial performance of MSMEs. These results contradict

research (Wira Iko P Y, 2019) where the research resulted in the conclusion that financial literacy influences the performance of MSMEs. Study (Sihwahjoeni et al., 2021) opinion that Financial literacy has a significant effect on the performance of MSMEs. Research according to Amri (2018) contributes to the fact that financial literacy has a positive effect on the performance of MSMEs. Research conducted by Suryantini, et al (2020) states that information technology has a positive and significant effect on the performance of MSMEs.

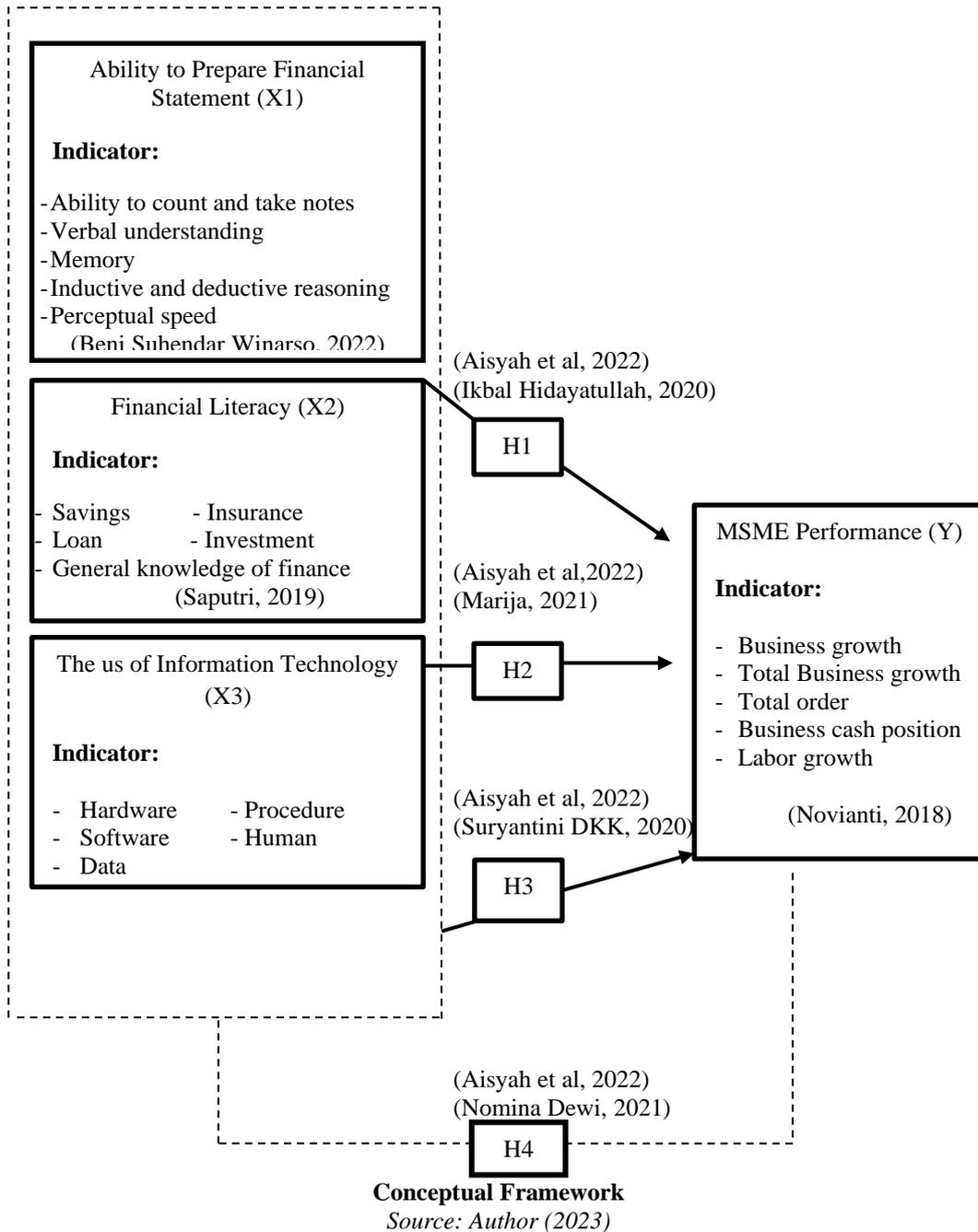
Based on this explanation, there are several objectives for conducting this research. One of the most important is to determine the influence of the variables of ability to prepare financial reports, financial literacy and use of information technology on the performance of MSMEs in Karawang Regency. This research replicates previous research by (Hidayatullah, 2020). However, there is a change in one variable that has not been widely researched, but could potentially influence the performance of MSMEs, namely the variable Use of Information Technology.

*Resources-Based View (RBV)* is a theory based on the resources used, the Resources-Based View was developed through the development of the thinking of world economic experts. The development of this thinking ultimately creates a concept about how a company or business organization can create a competitive advantage for a company. (Ozdemir et al., 2023). The Resources-Based View (RBV) view claims that companies play an important role in their ability to generate above average profits (Ozdemir et al., 2023). This model focuses on creating or acquiring significant resources and talent that are difficult or impossible for competitors to imitate. According to the RBV point of view, firm resources are significantly more important for gaining and maintaining competitive advantage than industry structure (Ozdemir et al., 2023). The core principle of the RBV theory states that if *competitive advantage* Company and sustainable competitive advantage can be achieved if it acquires the right resources, has intangible and non-reproducible valuable talents, and has the capacity to absorb and use them. (Aisyah et al., 2022). The Resource Based View theory argues that physical resources, tangible resources in companies and organizations, can motivate companies or organizations to build competitive advantage strategies. (Aisyah et al., 2022).

Based on the statement above, the RBV theory discusses increasing competition and changing performance, forcing business organizations or business actors to continue to innovate in creating effective and sustainable steps so that MSMEs in Karawang Regency continue to gain a competitive advantage. (Ogiemwonyi et al., 2023). With the Resource Based View (RBV) theory, the financial literacy variable becomes the company's internal resource, the variable ability to prepare financial reports and the use of information technology becomes a tangible resource, because it has value and the potential to encourage the company to achieve competitive advantage.

## METHODS

This research uses quantitative research that uses causal research where the main aim is to see the relationship between dependent and independent variables. Whether the two variables are related or not. In total there are four variables consisting of three independent variables and one dependent variable which are depicted in the picture below.



- H1 = The ability variable to prepare financial reports influences the MSME performance variable  
H2 = Financial Literacy Variables Have an Influence on MSME Performance Variables  
H3 = Information Technology Use Variables Have a Variable Influence on MSME Performance  
H4 = Ability to prepare financial reports, financial literacy and use of information technology variables influence MSME performance variables

The approach to producing a conclusion for this research is a quantitative approach or method. If we talk about this approach, then this is the method used to test the initial hypothesis taken by the

researcher using a statistical approach. This was done because the data in the research were in the form of numbers resulting from the tabulation of questionnaires that had been distributed. In order to obtain a hypothesis that describes the actual results, the population of this research is all MSMEs registered with the Cooperative and MSME Service in Karawang Regency, totaling 95,102 MSME actors. From this population, it was then obtained that the sample calculation was 100 with a margin of error of 10%. The sample was then rounded up to 100 respondents by using the slovin formula. The 100 people were selected by considering several characteristics because the sampling technique used by researchers was purposive sampling.

The criteria for determining the sample based on the sampling technique in this research are:

1. Karawang Regency MSMEs in 2022 data.
2. MSMEs that have operated or been established for 3-10 years.
3. MSMEs that already have financial reports.
4. MSMEs that have utilized or used information technology.

Slovin's Formula:

$$\begin{aligned}
 n &= \frac{N}{1 + N e^2} = \frac{95.102}{1 + 95.102 (0,1)^2} = \frac{95.102}{1 + 95.102 (0,01)} \\
 &= \frac{95.102}{1 + 951,02} = \frac{95.102}{952,02} \\
 &= 99,89 \text{ rounded to } 100
 \end{aligned}$$

## RESULTS AND DISCUSSION

There are several findings after analyzing the results of respondents' answers in this research. By using analysis SEM (Structural Equation Model) based on PLS (Partial Least Square) findings in this research can be seen in the following data.

### Ability to Prepare Financial Reports (X1)

**Table 1. Variable Description: Ability to Prepare Financial Reports**

Item	X1_1	X1_2	X1_3	X1_4	X1_5
<b>Rata-Rata</b>	3,950	3,940	4,030	4,010	4,030
<b>Median</b>	4,000	4,000	4,000	4,000	4,000
<b>Minimum</b>	2,000	1,000	3,000	2,000	1,000
<b>Maksimum</b>	5,000	5,000	5,000	5,000	5,000
<b>Standar Deviasi</b>	1,014	0,925	0,670	0,742	0,899
<b>Kelebihan Kurtosis</b>	-0,663	0,005	-0,752	-0,754	0,230
<b>Skewnes</b>	-0,659	-0,648	-0,035	-0,166	-0,729
<b>Jumlah Observasi Yang Digunakan</b>	100,000	100,000	100,000	100,000	100,000

Source: Author (2023)

Based on table 1, namely the output of the description test for variable Looking at the table, the items with the highest mean values are in question items number 3 and 5. This is because the respondents were able to prepare good financial reports.

### Financial Literacy (X2)

**Table 2. Description of Financial Literacy Variables**

Item	X2_1	X2_2	X2_3	X2_4	X2_5
<b>Rata-Rata</b>	4,050	4,010	3,890	3,990	4,030
<b>Median</b>	4,000	4,000	4,000	4,000	4,000
<b>Minimum</b>	2,000	3,000	1,000	2,000	2,000

<b>Maksimum</b>	5,000	5,000	5,000	5,000	5,000
<b>Standar Deviasi</b>	0,841	0,624	0,871	0,671	0,740
<b>Kelebihan Kurtosis</b>	0,213	-0,396	0,751	-0,144	-0,790
<b>Skewnes</b>	-0,608	-0,007	-0,613	-0,190	-0,070
<b>Jumlah Observasi Yang Digunakan</b>	100,000	100,000	100,000	100,000	100,000

Source: Author (2023)

Based on table 2, namely the output of the description test for variable Looking at the table presented, the highest mean value is in question item number 4. This is because in general respondents have a good understanding of finance.

### Use of Information Technology (X3)

**Table 3. Description of Information Technology Use Variables**

Item	X3_1	X3_2	X3_3	X3_4	X3_5
<b>Rata-Rata</b>	4,100	4,090	4,020	3,940	4,030
<b>Median</b>	4,000	4,000	4,000	4,000	4,000
<b>Minimum</b>	1,000	2,000	3,000	3,000	2,000
<b>Maksimum</b>	5,000	5,000	5,000	5,000	5,000
<b>Standar Deviasi</b>	0,889	0,736	0,761	0,703	0,806
<b>Kelebihan Kurtosis</b>	0,857	-0,637	-1,278	-0,578	-0,835
<b>Skewnes</b>	-0,980	-0,298	-0,034	-0,057	-0,288
<b>Jumlah Observasi Yang Digunakan</b>	100,000	100,000	100,000	100,000	100,000

Source: Author (2023)

Based on table 3, namely the description test output for X3, namely the variable use of information technology, it was found that the average or mean value was 4.036. This shows that the respondent's answer or response to this variable is relatively high. From the data displayed, the highest mean value is in question item number 3, namely 4,100. This is because respondents have used information technology for sales and financial recording. It can be said that the use of information technology among MSMEs in Karawang Regency is high.

### MSME Performance (Y)

**Table 4. Description of MSME Performance Variables**

Item	Y_1	Y_2	Y_3	Y_4	Y_5
<b>Rata-Rata</b>	3,900	4,070	3,720	3,630	3,870
<b>Median</b>	4,000	4,000	4,000	4,000	4,000
<b>Minimum</b>	3,000	3,000	2,000	2,000	1,000
<b>Maksimum</b>	5,000	5,000	5,000	5,000	5,000
<b>Standar Deviasi</b>	0,592	0,682	0,776	0,879	0,820
<b>Kelebihan Kurtosis</b>	-0,008	-0,836	-0,538	-0,745	-0,513
<b>Skewnes</b>	0,002	-0,090	0,016	-0,002	-0,525
<b>Jumlah Observasi Yang Digunakan</b>	100,000	100,000	100,000	100,000	100,000

Source: Author (2023)

Based on table 4, namely the description test output for The highest average value of questionnaire items in Y.2 is 4.070, this is because respondents have a level of confidence that the performance of MSMEs has a big influence on the respondent's business and enterprise.

### Structural Model Evaluation (Inner Model)

**Table 5. R-Square Value**

Variabel	R Square	Adjusted R Square
Kinerja UMKM (Y)	0,499	0,483

Source: Author (2023)

Referring to table 5, it can be analyzed that the r-square value of the MSME performance variable is 0.499. This figure can be interpreted if the MSME performance variable is influenced by the variables in this research by 49.9 percent, while the remaining performance variables are influenced by other variables that do not exist or are not described in this research.

### Hypothesis test

**Table 6. Hypothesis Testing Results (T Test)**

	Sampel Asli (O)	Rata-rata Sampel (M)	Standar Deviasi (STDEV)	T Statistik (O/STDEV)	P Value
X1->Y	0,332	0,362	0,100	2,693	<b>0,007</b>
X2->Y	0,445	0,443	0,114	3,910	<b>0,001</b>
X3->Y	0,346	0,337	0,125	2,768	<b>0,006</b>

Source: Author (2023)

Referring to the output results of hypothesis testing presented in table 6, it can be interpreted that the hypothesis exists in this research

1. The value for the relationship which states the relationship between the variable ability to prepare financial reports (X1) and the UMKM Performance variable (Y) is 0.332 with the figure for the t test result being 2.693. Where this value is still greater when compared to the t table value which uses a significance value of 5%, namely 1.96. These values can be interpreted to mean that the initial hypothesis drawn is accepted or in other words the variable ability to prepare financial reports has a significant impact or influence on the MSME performance variable.
2. The value for the relationship which states the relationship between the Financial Literacy variable (X2) and the MSME Performance variable (Y) is 0.445 with the number for the t test result being 3.910. Where this value is still greater when compared to the t table value which uses a significance value of 5%, namely 1.96. These values can be interpreted to mean that the initial hypothesis drawn is accepted or in other words the financial literacy variable has a significant impact or influence on the MSME performance variable.
3. The value for the relationship which states the relationship between the use of information technology variable (X3) and the MSME Performance variable (Y) is 0.346 with the figure for the t test result being 2.768. Where this value is still greater when compared to the t table value which uses a significance value of 5%, namely 1.96. These values can be interpreted to mean that the initial hypothesis drawn is accepted or in other words the variable use of information technology has a significant impact or influence on the MSME performance variable.

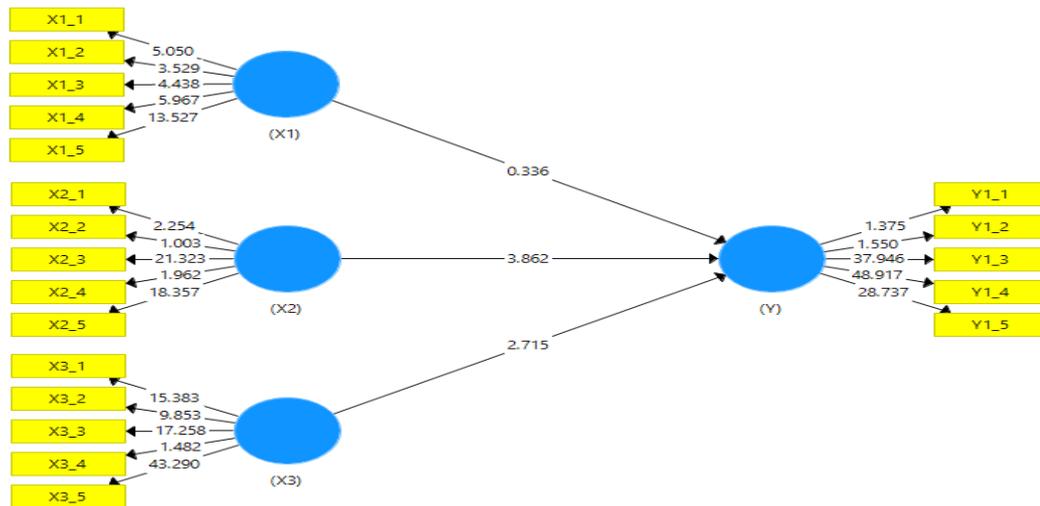
### F Statistical Test

Looking at the output results of the F test that has been carried out, it is found that the R Square value is 0.499 (49.9%), with a total of 100 respondents, the significance level chosen is 5% and the number of independent variables is three, so the formula for calculating F is as follows:

$$f = \frac{R^2 (nk-1)}{k(1-R^2)} = \frac{0.449 (100 - 3 - 1)}{3 (1 - 0.449)} = \frac{43.104}{1.653} = 26.08$$

Referring to the F table with a predetermined significant value of 5 percent, the value of the F table itself is 2.60. These two values are then used as the basis for producing conclusions from this F test. Where it can be seen that the calculated F is 26.08 while the value of the F table is 2.60, so the conclusion can be drawn that there is a positive and significant influence between the independent

variables used on the dependent variable. Or in other words variables X1 to X3 have an influence on variable Y together.



### The ability to prepare financial reports has a positive and significant impact on the performance of MSMEs in Karawang Regency

Referring to the results of hypothesis testing that have been prepared and presented, the ability variable in preparing financial reports as X1 has a positive and significant influence or impact on the MSME performance variable (Y). These results certainly cloud the argument that if a business actor, in this case an MSME, is able to prepare and also present financial reports well, this will increase the opportunity to make the MSME perform better. Because basically the financial reports that are prepared can be used to make various decisions to achieve the goals of the MSME itself.

These results are certainly in line with theory *Resource Based View* (RBV) where the performance of a business or MSME is influenced by the strength of the business both internally and externally. Power or resources in this case are human resources who have the task and authority to manage all transactions in the business, analyze, process and present them in the form of financial reports. By having the ability to manage good financial reports, it is possible for MSMEs to grow and develop quickly and achieve the desired performance (Suindari & Juniariani, 2020). The results presented agree with experiments or studies that have been carried out. For example, research from Komaludin and Wahid (2018), Rostikawati and Pirmaningsih (2019), Mulyanti and Kaukab (2020) states that ability or expertise in forming financial reports has a positive and significant effect on the performance of MSMEs. While research from (Islam & Agung, 2022) the ability to prepare financial statements has no influence on the performance of MSME.

### Financial Literacy Has a Positive and Significant Influence on the Performance of MSMEs in Karawang Regency

Referring to the hypothesis output that has been presented, the financial literacy variable which is finance, because it has been proven that this affects the performance of MSMEs. These results are of course in accordance with the theory explained at the beginning, namely theory *Resource Based View* (RBV) can be used as a theory that explains the influence of financial literacy on the performance of MSMEs. This theory states that performance will be good if it is able to manage assets effectively, both tangible and intangible assets, intangible assets here can consist of knowledge and knowledge can be in the form of financial literacy, for that if someone has good financial literacy, it will be able to improve performance (Mirdiyantika et al., 2023). Based on this theory, financial literacy or understanding is an ability or capability related to finance, starting from

planning, implementation to evaluation (Komang Eni Candraningsih et al., 2023). Referring to this theory, it can be said that if business actors have a good understanding of how to manage and utilize finances, it will have a positive effect on the performance of MSMEs. (Komang Eni Candraningsih et al., 2023).

The presentation of these results is certainly in line with various studies that have been conducted previously. For example, research by Sanistasya (2019), Sari (2019), Yanti (2019), Widiyati (2019) and Dewi (2019) explains that financial understanding variables have a positive and significant effect on MSME performance variables. So, understanding how to manage finances well can support a business and can even increase the work efficiency and performance of the MSME (Utami, 2020). According to research (Mirdiyantika et al., 2023) financial literacy has no positive and significant influence on MSME performance.

### **The use of information technology has a positive and significant impact on the performance of MSMEs in Karawang Regency**

Referring to the output of hypothesis testing that has been carried out, it can be seen that the information technology variable which is variable X3 has a positive and significant impact and influence on the MSME performance variable (Y). The results of this research indicate that business actors or MSMEs in Karawang Regency must be able to make the best use of information technology to increase sales and income. The discussion that has been presented is ultimately in line with theory *Resource Based View* (RBV). In this theory there are several strengths that can be utilized by companies or MSMEs to improve and also create competitive advantages. This advantage is an advantage that MSMEs must have, especially in the midst of the rapid onslaught of globalization like today. These results can also be interpreted if the use of technology can influence the performance of MSME (Negara & Kristinae, 2018). There are several studies that are in line with this discussion, one of which is research by Suryantini, et al (2020) which explains that information technology has a positive and significant effect when compared with MSME performance variables.

### **The Influence of the Ability to Prepare Financial Reports, Financial Literacy and the Use of Information Technology Have a Positive and Significant Influence on the Performance of MSMEs in Karawang Regency**

Referring to the test output for the simultaneous test or F test, the calculated F value is above the table F value. So the conclusion can be drawn that the variables studied in this research jointly or simultaneously have a positive and significant impact on the dependent variable, namely the performance of MSMEs. These results are certainly in line with the theory explained at the beginning, namely the *Resource Based View* (RBV) theory. In this theory, it is explained that one of the strategies that can be carried out by business opportunities or MSMEs is to create a competitive advantage so that in the midst of intense competition, MSMEs have their own characteristics that differentiate them from competitors and make it easier for consumers to recognize them (Armiani et al., 2021).

According to previous research conducted by (Ilarrahmah & -, 2021) the ability to prepare financial reports, financial literacy and the use of information technology has a positive and significant effect on the performance of MSMEs. Meanwhile, according to research (Fitria et al., 2021). financial literacy and financial behavior do not have a significant effect on the performance of MSMEs. Research (Islam & Agung, 2022) the ability to prepare financial statements does not significantly affect the performance of Islamic MSMEs.

## **CONCLUSION**

Referring to the results of the tests carried out as well as the discussion that has been presented regarding the dependent and independent variables in this research, there are several conclusions or

conclusions that can be drawn in this research: The variable ability to prepare financial reports (X1) has a positive and significant effect on the performance of MSMEs in Karawang Regency. The financial literacy or understanding variable (X2) has an impact on the performance of MSMEs, then the hypothesis which states that financial literacy has a positive and significant influence on the performance of MSMEs in Karawang Regency is accepted. The variant of information technology use (X3) has a positive and significant influence on the performance of MSMEs in Karawang Regency. The variables of ability to prepare financial reports, financial literacy and use of information technology have a positive and significant influence on the performance of MSMEs in Karawang Regency.

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