



DETERMINANTS OF FINANCIAL PERFORMANCE AMONG MSMEs IN JEPARA: THE ROLE OF FINANCIAL MANAGEMENT, LITERACY, AND INCLUSION

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ABSTRACT

Purpose: This study aims to determine the magnitude of the influence of financial management, financial literacy and financial inclusion on the financial performance of MSMEs in Jepara Regency. **Methodology:** This research uses a quantitative approach with a sampling technique, namely purposive sampling. The sample in the study was 113 MSME respondents in Jepara Regency. Technical data analysis using the IBM SPSS Statistics 25 program. **Results:** The analysis revealed that financial management had no significant effect on financial performance ($\beta = 0.104$, $p = 0.378$). In contrast, financial literacy ($\beta = 0.354$, $p = 0.002$) and financial inclusion ($\beta = 0.277$, $p = 0.012$) had a significant positive effect. The overall model explained 20.7% of the variance in financial performance (Adjusted $R^2 = 0.207$, $F = 10.763$, $p < 0.05$). **Findings:** Ease of access to financial services and good financial understanding can improve the financial performance of MSMEs. **Novelty and Originality:** While prior studies have explored the effects of financial literacy and inclusion in various regions, limited research focuses specifically on Central Java, particularly Jepara Regency. This study addresses that gap by providing empirical evidence that highlights the importance of financial literacy and inclusion in improving MSME competitiveness. **Conclusion:** Improving financial literacy and inclusive access to financial services is a key strategy for enhancing MSME financial performance. This study also recommends that local governments and financial institutions design practical financial education programs and simplify service access to better support MSMEs' financial growth and resilience. **Type of Paper:** Research paper.

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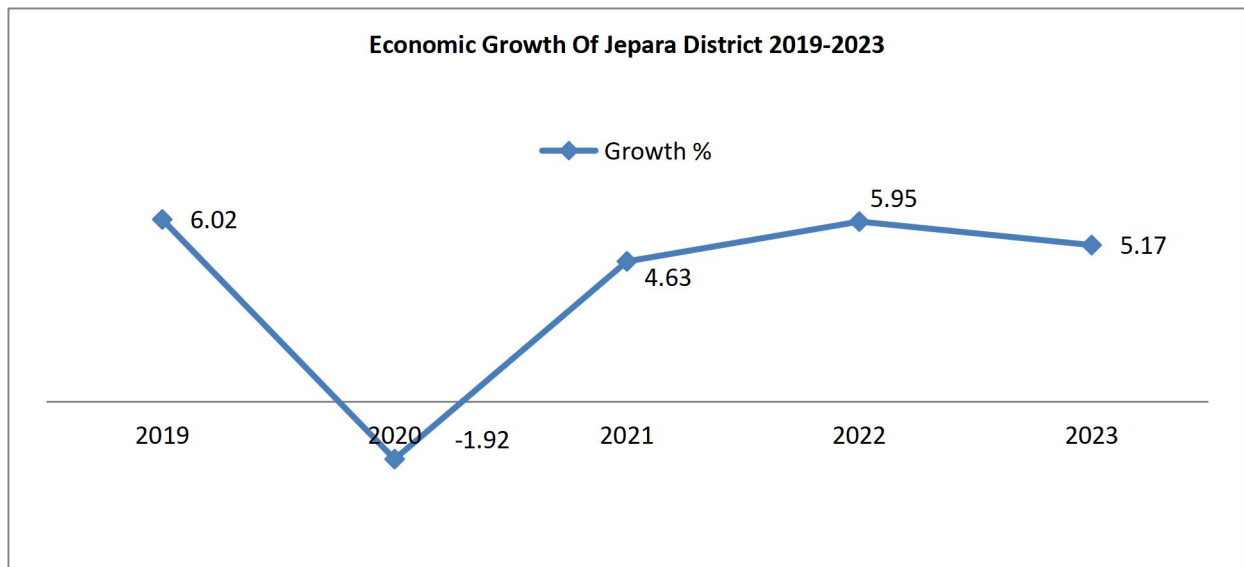
INTRODUCTION

The business sector known as Micro, Small, and Medium Enterprises (MSMEs) has made significant contributions to Indonesia's growth in economy. The development of MSMEs in Indonesia has experienced substantial growth, from 55.21 million business units in 2012 to 64.19 million in 2018 (Hartina et al., 2023). The MSME sector has shown greater resilience compared to large companies, which suffered immediate bankruptcy during the 1998 monetary crisis in Indonesia (Wulansari & Anwar, 2022). One of the main characteristics of MSMEs is their flexibility in business

processes with relatively lower costs. Their presence not only increases income but also contributes to income distribution equality (Amin, 2022).

Jepara Regency is one of the areas that has a large number of MSMEs and has potential. Data from the Co Operatives, SMEs, Department of Manpower, and Transmigration (Diskopukm Nakertrans) indicates in 2021, Jepara Regency had 80,966 MSMEs, employing up to 213,485 workers (Anam et al., 2022). This high level of employment absorption is expected to reduce unemployment rates and create new job opportunities. The performance of the MSME sector has a major influence on community welfare and must be improved to encourage national economic growth (Hapsari et al., 2024).

Figure 1. Economic Growth Of Jepara District 2019-2023



Source: Research Data (BPS Kabupaten Jepara, 2024)

Based on the graph above, economic growth in Jepara Regency over the past 5 years has shown unstable growth. 2019 recorded an increase of 6.02%, but decreased to -1.92% in 2020. Furthermore, in 2021, the economy of Jepara Regency increased by 4.63% and continued to grow in 2022, reaching a growth of 5.95%. However, in 2023, economic growth in Jepara Regency decreased to 5.17% (BPS Kabupaten Jepara, 2024).

In general, MSMEs often encounter delays in their business development processes due to unresolved conventional issues. These include challenges related to funding, marketing, and business management, which hinder their ability to compete effectively with larger companies (Abor & Quartey, 2010). Therefore, understanding financial performance MSMEs must be optimized to support the development of the MSME sector in Jepara Regency so that they can progress and positively contribute to sustainable national development. Where financial performance plays an important role for companies in identifying and assessing the level of success that has been achieved with the financial performance that has been carried out (Hidayatulloh, 2020). According to (Maulana et al., 2023), it reveals that financial performance is the achievement or results in running and managing assets effectively and efficiently in a certain period by management. Meanwhile, according to (Trianto, 2018), financial performance is the achievement of a company within a certain period of time that reflects the condition of the company's financial health.

According to Nasution (2017), financial management includes all business activities that manage wealth to obtain profits and utilize existing capital sources for business activities (Satyawati et al., 2023). According to Armereo et al., (2020) financial management or financial management includes all activities which start from funding, using funds as best as possible and allocating funds

as a source of investment to achieve company goals (Handayani, 2021). Where theoretically good financial management will affect financial performance and cause harmony (Wulansari & Anwar, 2022). As shown in studies by (Hartina et al., 2023) and (Satyawati et al., 2023), financial management positively and significantly affects MSMEs' financial performance. However, this is different from the findings of (Wulansari & Anwar, 2022) which show that financial management has no impact on the financial performance of MSMEs.

One of the efforts in maintaining the growth of MSMEs is to improve financial literacy. Financial literacy is knowledge about the ability to manage finances in order to achieve the financial well-being of a business (Kau et al., 2023). Financial literacy can also improve the ability of MSME management to make decisions including financial planning, cash flow management and reliable financial management (Astari & Candraningrat, 2022). According to (Anggraeni, 2015), financial literacy is the ability to understand a person's economic situation and make strategic decisions related to better financial management for business actors. Having a deep understanding of financial performance allows a person to achieve various benefits, such as the capacity to make prudent financial judgments going forward, financial management skills, investment opportunities in the capital market, and the ability to reduce financial problems to improve welfare (Darmawan et al., 2021). Where the performance of MSMEs will increase along with an increase in financial literacy owned by business actors (Rahayu & Musdholifah, 2017). Research conducted by (Arifuddin et al., 2023), (Astari & Candraningrat, 2022), (Darmawan et al., 2021), (Fitroh, 2019), (Hartina et al., 2023), (Hidayatulloh, 2020), (Kartika & Musmini, 2022), (Lusardi & Mitchell, 2014), (Maulana et al., 2023), (Octavina & Rita, 2021), (Satyawati et al., 2023), (Timuneno et al., 2023), and (Wulansari & Anwar, 2022) shows the financial performance of MSMEs is positively and significantly impacted by financial literacy. Meanwhile, (Budiasni & Ayuni, 2022) and (Maghfiroh & Biduri, 2022) argue that financial literacy does not affect the financial performance of MSMEs.

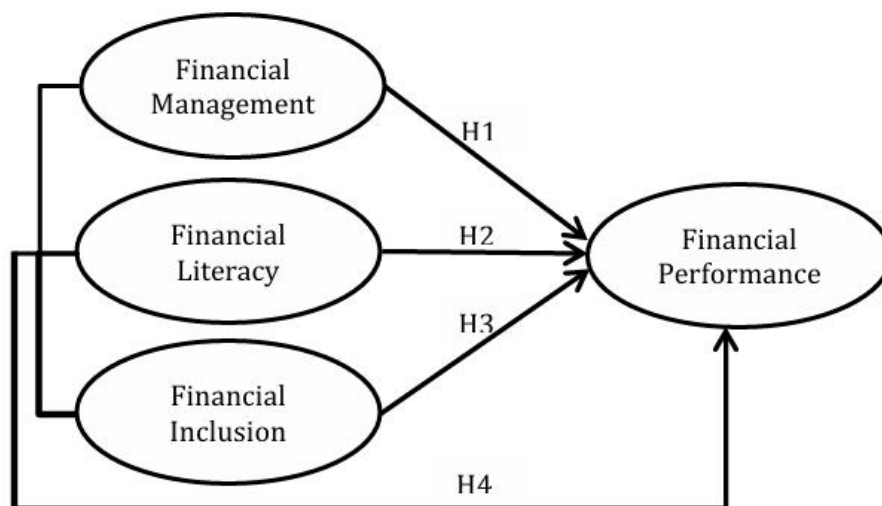
Financial inclusion is an essential and irreplaceable driver of sustainable development (Ed-Daoudy & Chakir, 2024). Financial inclusion involves providing all individuals in an economy with accessible, available, and usable formal financial services to support their financial needs (Sarma & Pais, 2011). According to Soetiono (2018), financial inclusion includes all efforts to use access to financial services at affordable prices so that all forms of barriers to financing can be removed (Satyawati et al., 2023). The obstacles that often arise are high credit interest rates, limitations in management, low financing for MSMEs, and lack of access to financial services (Nengsih, 2015). According to Financial Services Authority Regulation No.76/POJK/2016, financial inclusion is the accessibility of a variety of financial institutions, products, and services that are specific to the community's needs and capabilities with the goal of improving welfare (Satyawati et al., 2023). Meanwhile, according to (Septiani & Wuryani, 2020), financial inclusion aims to equalize financial distribution and strengthen financial system stability. Thus, it is hoped that financial inclusion will be able to facilitate and eliminate all forms of obstacles faced by business actors and improving the well-being of their companies. Studies performed by (Budiasni & Ayuni, 2022), (Darmawan et al., 2021), (Fitroh, 2019), (Hidayatulloh, 2020), (Satyawati et al., 2023), and (Timuneno et al., 2023) show how financial inclusion positively and significantly improves MSMEs' financial performance. However, according to (Maulana et al., 2023), financial inclusion has no effect on the financial performance of MSMEs.

Based on the above discussion, it is evident that Jepara Regency experienced a decline in economic growth in 2023, and discrepancies still exist among previous research findings regarding the factors affecting MSME financial performance. Therefore, this study aims to fill this gap by analyzing the roles of financial management, financial literacy, and financial inclusion in influencing the financial performance of MSMEs in Jepara Regency, with the goal of supporting business growth and contributing to regional economic development.

METHOD

This study employs a quantitative approach aimed at analyzing the effect of financial management, financial literacy, and financial inclusion on the financial performance of MSMEs in Jepara Regency. Jepara was selected as the research location due to its status as one of the major MSME growth centers in Central Java, especially in the furniture, monel jewelry, troso weaving, and food and beverage industries, which are key contributors to the region's economy. The furniture industry in Jepara is well known as one of the largest furniture production hubs in Indonesia, while the monel jewelry industry plays a significant role in the local creative economy. Troso weaving is a traditional craft with strong historical and cultural value, and the food and beverage sector continues to show promising growth potential in Jepara. The variable raised in this study includes independent variables like financial management (X1), financial literacy (X2), and financial inclusion (X3), which are tested against the dependent variable, namely financial performance (Y). The conceptual framework illustrating the relationship between these variables is presented below:

Figure 2. Frame Of Mind



In order to establish boundaries for this study, the guiding hypothesis is articulated as follows:

H1: The Positive Impact of Financial Management on the Financial Performance of MSMEs in Jepara Regency

H2: The Positive Impact of Financial Literacy on the Financial Performance of MSMEs in Jepara Regency

H3: The Positive Impact of Financial Inclusion on the Financial Performance of MSMEs in Jepara Regency

H4: The Impact of Financial Management, Financial Literacy, and Financial Inclusion on the Financial Performance of MSMEs in Jepara Regency

The method of data collection in this study involved utilizing a questionnaire that was scored using a Likert scale. The measurement of financial performance refers to several indicators, namely assets, turnover, and profit, as adapted from (Lubis, 2021). Financial management is assessed through the understanding of financial statement recording, budget utilization, and financial control, based on studies by (Wulansari & Anwar, 2022) and (Hartina et al., 2023). Financial literacy is measured through knowledge, behavior, and financial attitudes, referring to (Fitroh, 2019).

Meanwhile, financial inclusion is evaluated based on access to quality formal financial services, alternatives to formal financial institutions, and ease of access to finance, as adapted from (Darmawan et al., 2021), (Hidayatulloh, 2020) and (Timuneno et al., 2023).

The population studied in this study were MSME actors in the Jepara Regency area, while the sampling technique used purposive sampling, which determines the sample based on certain criteria. The criteria in this study focused on MSME business actors in Jepara Regency, especially from the furniture, metal, woven, and food and beverage industries. The sample calculation was carried out using the Cochran formula with a sampling error tolerance of 10% (Sugiyono, 2017). Thus, the result of the calculation of the minimum sample size required is 97 respondents. However, this study analyzed a total of 113 respondents based on the actual number of participants obtained.

This research adheres to ethical research principles. Respondent participation was entirely voluntary, and confidentiality of the collected data was strictly maintained. It is important to note that this study employed a cross-sectional design, which only captures the relationship between variables at a single point in time, and therefore does not allow for dynamic causal interpretation. Furthermore, potential response bias was also considered when interpreting the research results. The data analysis method uses the IBM SPSS Statistics 25 program, with data analysis steps including validity test, reliability test, classical assumption test, hypothesis testing through multiple linear regression analysis, simultaneous test (F test), and determination test (R^2).

RESULTS AND DISCUSSION

RESULTS

Respondent Characteristics

This study included a questionnaire given to MSME actors in Jepara Regency. The total data sample used was 113 respondents, with criteria including gender, age, latest education level, business name, length of business, and turnover per month. The following is an explanation of the characteristics of the respondents:

Table 1. Respondent Characteristics

Respondent Identity Variable	Category	Number	Percentage (%)
Gender	Male	47	42%
	Female	66	58%
Age	< 25	19	17%
	25-32	24	21%
	33-40	31	27%
	41-48	13	12%
	49-56	19	17%
	> 56	7	6%
Last Education	Elementary school	25	22%
	Junior High School	27	24%
	Senior high school	50	44%
	Academic	3	3%
	Higher Education	8	7%
Business Length	< 5	38	34%
	5-12	64	57%
	13-20	8	7%
	> 20	3	2%
Monthly Turnover	< 1,000,000	3	3%

Respondent Identity Variable	Category	Number	Percentage (%)
	1,000,000 – 5,000,000	72	64%
	6,000,000 – 10,000,000	23	20%
	> 10,000,000	14	13%
Total		113	100%

Source: Research Data Analysis, 2025

This is shown by the data provided above that there is a difference of 17% between male and female respondents. Of the total respondents, 42% were male and 58% were female. The age of MSME business actors in Jepara Regency is mostly in the range of 33-40 years, with a percentage reaching 27%, while the last education that dominates is high school with a percentage of 44%. The average age of MSME businesses ranges from 5-12 years, and the monthly turnover obtained is between Rp. 1,000,000 to Rp. 5,000,000.

Validity Test

The validity test is a test conducted to determine how valid a questionnaire is in research. A questionnaire is considered valid if the statements contained in it can describe what the questionnaire wants to measure (Ghozali, 2018). Where the corrected item-total correlation value > r table, the research instrument / statement item is declared valid. The findings of the corrected item-total correlation show the validity test as follows:

Table 2. Validity Test Results

Variable	Statement Item	Corrected Item-Total Correlation	r table	Description
Financial Management	PK01	0.595	0.1555	Valid
	PK02	0.569		Valid
	PK03	0.330		Valid
	PK04	0.530		Valid
	PK05	0.588		Valid
	PK06	0.473		Valid
Financial Literacy	LK01	0.516	0.1555	Valid
	LK02	0.545		Valid
	LK03	0.504		Valid
	LK04	0.488		Valid
	LK05	0.620		Valid
	LK06	0.591		Valid
Financial Inclusion	IK01	0.427	0.1555	Valid
	IK02	0.504		Valid
	IK03	0.502		Valid
	IK04	0.685		Valid
	IK05	0.594		Valid
	IK06	0.554		Valid
	IK07	0.607		Valid
Financial Performance	KK01	0.649	0.1555	Valid
	KK02	0.661		Valid
	KK03	0.711		Valid
	KK04	0.744		Valid
	KK05	0.544		Valid

Source: Research Data Analysis, 2025

Based on the table above using the number of respondent data of 113, to perform the validity test, compare the r count and r table with the degree of freedom (df) = n-2, where n is the number of research samples. So it can be seen that $df = 113 - 2 = 111$, and 0.1555 is the value of the r table. Because each statement item's corrected item-total correlation value is greater than the r table value, the results of the aforementioned tests indicate that every statement item from every variable is considered valid.

Reliability Test

Reliability testing is a method for assessing a research questionnaire that functions as an indicator of a variable or construct (Ghozali, 2018). This test aims to test the consistency of data over time, namely to determine the extent to which the measurements used can be trusted or relied upon. Reliability can be seen from the Cronbach's alpha value, if the Cronbach's alpha value is > 0.70 , the variable is considered to be reliable (Ghozali, 2018).

Table 3. Reliability Test Results

Variabel	Cronbach's Alpha	Keterangan
Financial Management	0.767	Reliable
Financial Literacy	0.789	Reliable
Financial Inclusion	0.811	Reliable
Financial Performance	0.848	Reliable

Source: Research Data Analysis, 2025

Considered can be seen from the above table, each variable has a Cronbach's alpha value > 0.70 , indicating that it is considered to be reliable.

Classical Assumption Test

Normality Test

Normality testing is carried out to assess whether the independent and dependent variables in a study are normally distributed or not. If the significance value is greater than 0.05, the data is regarded to be normally distributed. The One Sample Kolmogorov-Smirnov test was used in this study to identify normalcy in the manners that follow:

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		113
Normal Parameters	Mean	0.0000000
	Std, Deviation	0.40650710
Most Extreme Differences	Absolute	0.081
	Positive	0.081
	Negative	-0.076
Test Statistic		0.081
Asymp, Sig, (2-tailed)		0.067

Source: Research Data Analysis, 2025

Based on the results of the One-Sample Kolmogorov-Smirnov test above, the Asymp, Sig, (2-tailed) value is 0.067, which indicates that the Asymp, Sig, (2-tailed) value is greater than 0.05. Thus, it can be concluded that the data in this study are normally distributed.

Multicollinearity Test

The purpose of the multicollinearity test is to determine if the independent variables in the regression model are correlated. A good regression model should not demonstrate a correlation between independent variables (Ghozali, 2018). Multicollinearity testing is carried out as follows:

Table 5. Multicollinearity Test Results

Model	Coefficients	
	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Financial Management	0.828	1.208
Financial Literacy	0.807	1.240
Financial Inclusion	0.832	1.201

a, Dependent Variable: Financial Performance

Source: Research Data Analysis, 2025

The results of the multicollinearity test can be analyzed through the TOL (Tolerance) and VIF (Variance Inflation Factor) values. According to (Ghozali, 2018), there is no indication of multicollinearity between variables if the TOL value > 0.1 and the VIF value < 10 . It is evident from the preceding table that there is no multicollinearity among the independent variables impacting financial performance since each variable's TOL value is > 0.1 and its VIF value is < 10 .

Heteroscedasticity Test

The heteroscedasticity test aims to test whether the variation of the variables in the regression model is not the same or constant. The heteroscedasticity test is carried out through the Glejser test, by regressing all independent variables on the absolute variable. In this test, the value of the dependent variable is converted into the absolute value of the residual (ABS_RES), as follows:

Table 6. Heteroscedasticity Test Results

Model	Coefficients ^a				t	Sig,
	Unstandardized Coefficients		Standardized Coefficients	Beta		
	B	Std. Error	Beta			
1 (Constant)	0.174	0.283		0.615	0.540	
Financial Management	-0.053	0.074	-0.075	-0.713	0.477	
Financial Literacy	0.031	0.070	0.047	0.443	0.658	
Financial Inclusion	0.066	0.068	0.101	0.965	0.337	

a, Dependent Variable: ABS_URES

Source: Research Data Analysis, 2025

If the significance value is > 0.05 , the Glejser test result indicates that there is no sign of heteroscedasticity (Ghozali, 2018). According to the above table, the significance values for the financial management, financial literacy, and financial inclusion variables are $0.477 > 0.05$, $0.658 > 0.05$, and $0.337 > 0.05$, respectively. Thus, it can be concluded that heteroscedasticity is not present.

Hypothesis Test

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis Results

Model	Coefficients ^a			t	Sig,
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std, Error	Beta		
1 (Constant)	0.863	0.452		1.911	0.059
Financial Management	0.104	0.118	0.082	0.884	0.378
Financial Literacy	0.354	0.112	0.296	3.160	0.002
Financial Inclusion	0.277	0.109	0.235	2.549	0.012

a, Dependent Variable: Financial Performance

Source: Research Data Analysis, 2025

A t test, which is used to assess the partial association, is also performed in order to evaluate the hypothesis based on the findings of the regression analysis mentioned above. The resultant t value and the t table value which is derived from the degree of freedom $df = n-k-1$, namely $df = 113-3-1 = 109$, are compared in order to perform the t test. so as to that the t table value to be 1.982.

Financial management does not have a significant effect on financial performance, as indicated by a financial management coefficient value of 0.104 with a t-statistic of $0.884 < t$ -table value of 1.982, and a significance value of $0.378 > 0.05$. Thus, financial management is considered to have no influence on the financial performance of MSMEs in Jepara Regency.

In contrast, financial literacy has a positive and significant effect on financial performance, with a financial literacy coefficient value of 0.354, a t-statistic of $3.160 > 1.982$, and a significance value of $0.002 < 0.05$. Therefore, the financial literacy variable is declared to have an influence on the financial performance of MSMEs in Jepara Regency.

Similarly, financial inclusion also has a positive and significant effect on financial performance, with a financial inclusion coefficient value of 0.277, a t-statistic of $2.549 > 1.982$, and a significance value of $0.012 < 0.05$. Thus, the financial inclusion variable is stated to have an influence on the financial performance of MSMEs in Jepara Regency.

Simultaneous Test (F Test)

Table 8. Simultaneous Test Results (F Test)

		ANOVA				
Model		Sum of Squares	df	Mean Square	F	Sig,
1	Regression	5.482	3	1.827	10.763	0.000
	Residual	18.508	109	0.170		
	Total	23.990	112			

a, Dependent Variable: Financial Performance

b, Predictors: (Constant), Financial Inclusion, Financial Management, Financial Literacy

Source: Research Data Analysis, 2025

For deciding if all independent factors have an impact on the dependent variable at the same time, the simultaneous test (f test) is used. By comparing the f count and f table which are derived from the degree of freedom $df = n-k-1$, or $df = 113-3-1 = 109$. The f table value is 2.69 as a

result. The value of f count is $10.763 > f$ table 2.69 with a significance level of $0.000 < 0.05$, according to the preceding table. The test's findings show that (H4) is accepted, indicating that financial performance is significantly impacted by the factors of financial management, financial literacy, and financial inclusion all at the same time.

Determination Test (R²)

The determination test (R²) is carried out to analyze the extent of the contribution of the independent variable in influencing the dependent variable.

Table 9. Determination Test Results

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.478a	0.229	0.207	0.41206	1.949

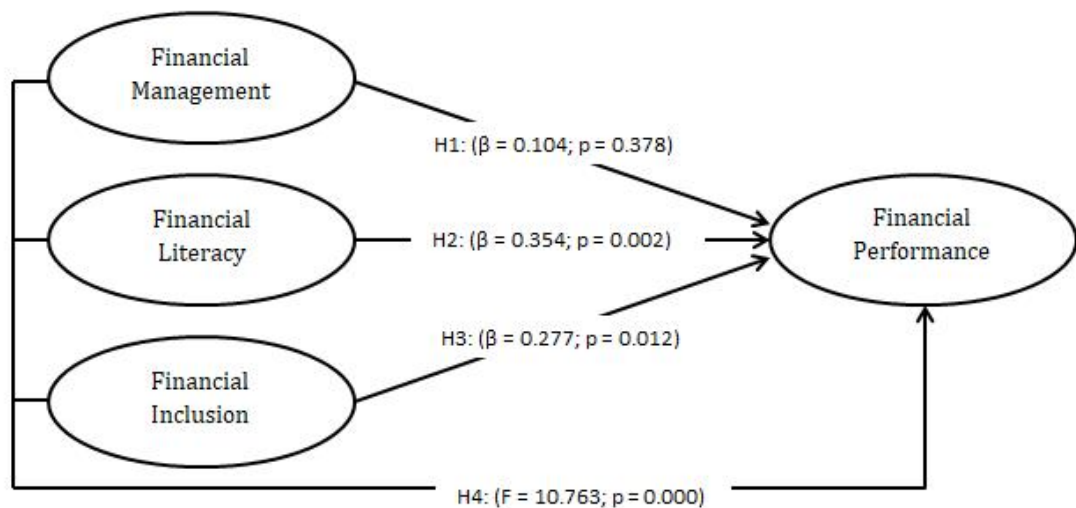
a, Predictors: (Constant), Financial Inclusion, Financial Management, Financial Literacy
 b, Dependent Variable: Financial Performance

Source: Research Data Analysis, 2025

The Adjusted R Square column in this table shows the value of determination (R²), and the Adjusted R Square value of 0.207 shows that financial management, financial literacy, and financial inclusion have a 20.7% impact on financial performance. Meanwhile, the other 79.3% were influenced by factors outside this research.

DISCUSSION

Figure 3. Path Model with Regression Coefficients



The results showed that (H1) was rejected with the assumption that financial management increased, so there was no effect on the financial performance of MSMEs in Jepara Regency. This finding explains that there is no significant effect of financial management on the financial performance of MSMEs, because the evaluation or good management of a business has no effect on its financial performance, such as in increasing business profits or profits in MSMEs in Jepara Regency. This is reflected in the characteristics of the respondents, who have an average monthly turnover of IDR 1–5 million and have been operating their businesses for an average of 5 to 12 years. This suggests that while the businesses are relatively stable, they have not experienced significant growth. However, there needs to be guidance on how to manage finances better and correctly to support the financial performance system of MSMEs to be even better. The results of

this study are in line with research (Wulansari & Anwar, 2022) that maintains that MSMEs' financial performance has no impact by financial management.

The study's findings also demonstrate that MSMEs' financial performance is positively impacted by the financial literacy variable. The results showed that (H2) was accepted, assuming that if the literacy level of an MSME business is higher, the financial performance achieved by MSMEs will increase. So the financial literacy variable is stated to have an influence on the financial performance of MSMEs in Jepara Regency. According to Soetiono (2018) with a good understanding of financial literacy, the community and MSME actors can avoid unclear financial activities that can disrupt the financial performance system of an MSME (Satyawati et al., 2023). The findings of this investigation are consistent with studies by (Arifuddin et al., 2023), (Astari & Candraningrat, 2022), (Darmawan et al., 2021), (Fitroh, 2019), (Hartina et al., 2023), (Hidayatulloh, 2020), (Kartika & Musmini, 2022), (Lusardi & Mitchell, 2014), (Maulana et al., 2023), (Octavina & Rita, 2021), (Satyawati et al., 2023), (Timuneno et al., 2023) and (Wulansari & Anwar, 2022) They assert that the financial performance of MSMEs is positively and significantly impacted by financial literacy.

The financial performance of MSMEs is positively impacted by the financial inclusion variable, which is another finding. The findings show that (H3) was accepted on the hypothesis that MSMEs' financial stability would rise in proportion to their degree of financial inclusion. So the financial inclusion variable is stated to have an influence on the financial performance of MSMEs in Jepara Regency. So it can be interpreted that the level of financial inclusion of MSMEs in Jepara Regency can help the community to face obstacles that may occur, such as access to capital to develop their MSME businesses. The results of this study are in line with research (Budiasni & Ayuni, 2022), (Darmawan et al., 2021), (Fitroh, 2019), (Hidayatulloh, 2020), (Satyawati et al., 2023) and (Timuneno et al., 2023) which state that financial inclusion has a significant positive effect on the financial performance of MSMEs.

In addition, the results of the simultaneous test using multiple linear regression analysis indicate that hypothesis (H4) is accepted, meaning that financial management, financial literacy, and financial inclusion jointly have a significant influence on the financial performance of MSMEs in Jepara Regency. This finding suggests that although financial management does not have a significant individual effect, when combined with financial literacy and inclusion, all three variables collectively contribute to improving financial performance. It highlights the importance of enhancing the quality of financial management, supported by strong financial literacy and adequate access to financial services, in strengthening business stability and success. These results are consistent with previous research by (Satyawati et al., 2023), which emphasizes the role of financial management, financial literacy, and financial inclusion in promoting the growth and financial resilience of MSMEs.

Furthermore, based on the coefficient of determination test, the three variables together explain 20.7% of the variation in MSME financial performance. This indicates that financial management, financial literacy, and financial inclusion are key factors contributing to the competitiveness and financial stability of MSMEs in the study area.

CONCLUSION

The purpose of this study is to examine how the financial performance of MSMEs in Jepara Regency is impacted by financial management, financial literacy, and financial inclusion. Based on the analysis of 113 MSME respondents in Jepara Regency, this study concludes that financial management has no significant effect on financial performance, while financial literacy and financial inclusion show significant positive effects. Furthermore, all three independent variables collectively have a significant influence on MSME financial performance.

These findings highlight the importance of improving financial knowledge and broadening access to financial services as key strategies to support the growth and competitiveness of MSMEs. Therefore, local governments, financial institutions, and business associations are encouraged to collaborate in designing practical, relevant, and accessible financial education programs for MSMEs.

While this study contributes to the empirical literature on MSMEs, it has several limitations. The cross-sectional research design only captures relationships at one point in time and is not able to explain causal relationships dynamically. Additionally, the sample is limited to MSMEs in Jepara Regency, which restricts the generalizability of the findings to other regions. To enhance the understanding of these relationships, future research is recommended to apply a longitudinal design that enables data tracking over time, or to adopt a mixed-method approach to complement quantitative findings with contextual insights from interviews or observations.

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