**Goodwood Accounting and Auditing Review (GAAR)**
*ISSN 2964-0652, Vol 4, No 1, 2025, 103-119* https://doi.org/10.35912/gaar.v4i1.5639

# Determinants of MSME Performance in Karawang Regency

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**Article History:**
Received on September 14, 2025
Revision 1 on September 22, 2025
Revision 2 on October 1, 2025
Revision 3 on October 14, 2025
Approved on October 22, 2025

**Abstract**

**Purpose:** The objective of this research is to determine the impact of financial literacy, fiscal intensification, financial capital, and digital adoption on MSME business performance in Karawang Regency.

**Methodology/approach:** A quantitative method was applied in this study using a survey of 60 respondents. The collected data were processed with IBM SPSS Statistics 25 software, employing multiple linear regression along with validity, reliability, and classical assumption testing.

**Results/findings:** Based on the analysis, all research instruments were proven valid and reliable, and the data were normally distributed, heteroscedastic, and free from multicollinearity issues. Each of the four independent variables shows a positive and significant effect on MSME business performance, where digital usage has the highest influence, with a regression coefficient of 0.679.

**Conclusions:** The findings indicate that the combined influence of financial literacy, fiscal intensification, financial capital, and digital adoption significantly enhances MSME business performance. Among these, digital adoption plays the most dominant role, indicating that embracing technology is key to improving competitiveness and business growth.

**Limitations:** Despite the fact that numerous other factors also affect MSME performance, only four variables were used. Additionally, the short study duration makes it impossible to record long-term changes in MSME company dynamics, and the use of a closed-ended questionnaire may induce subjective bias.

**Contribution:** It is projected that this research will generate new contributions to the scientific development of financial management and entrepreneurship while offering a clearer understanding of the key factors impacting MSME performance in the digital age.

**Keywords:** *Business Performance, Digital Adoption, Financial Literacy, Fiscal Incentives, Financial Capital, MSMEs.*

**How to Cite:** Febrina, L., Widyaningsih, D. (2025). Determinants of MSME Performance in Karawang Regency. *Goodwood Accounting and Auditing Review*, 4(1), 103-119.

## 1. Introduction

MSMEs contribute more than 60% of Indonesia's GDP, or over Rp8,573 trillion, making them vital to the country's economy. Furthermore, MSMEs employ 116 million people, or 97% of Indonesia's workforce. (Ukmindonesia, 2023). However, this important contribution often faces several obstacles, such as low financial literacy, limited access to funding, and substandard adoption of digital technology (Abdullah, 2025). Karawang Regency, as one of the commercial and industrial centers in West Java, also experiences this dynamic, where MSMEs have great potential but still face various obstacles to optimal development.

West Java has one of its MSMEs located in the Karawang area. The existence of this industrial zone provides significant opportunities for MSMEs to become component suppliers, logistics service providers, or providers of workers' needs, such as food and daily necessities. However, on the other hand, local MSMEs often struggle to compete with large companies or MSMEs from outside the region that already have stronger networks. In addition, many business owners are still unable to properly record their financial statements due to a lack of understanding of basic accounting principles among MSMEs.

| No | Sektor Usaha | Jumlah UMKM | Persentase (%) |
|---|---|---|---|
| 1 | Perdagangan (ritel, grosir) | 3.200 | 32% |
| 2 | Kuliner (makanan & minuman) | 2.800 | 28% |
| 3 | Jasa (salon, bengkel, dll) | 1.500 | 15% |
| 4 | Manufaktur kecil | 1.200 | 12% |
| 5 | Pertanian & Perikanan | 600 | 6% |
| 6 | Kreatif (fashion, craft) | 700 | 7% |
| **Total** | | **10.000** | **100%** |

Figure 1. Number of MSMEs in Karawang Regency
Source: MSME Data in Karawang Regency 2025

The performance of MSMEs in several studies has been proven to be influenced by financial literacy, financial capital, fiscal intensification, and digital implementation. However, the study generally still focuses on the main urban centers, such as Jakarta, Surabaya, or Bandung, in the context of the trading or service sector. Research that specifically examines the influence of the fourth variable on the performance of MSMEs in industrial areas like Karawang Regency is still very limited. In addition, some studies have previously analyzed the connection between variables in a partial way without simultaneously testing the contribution of financial literacy, fiscal incentives, financial capital, and digital implementation in one integrated analysis model. This gap is important for research because it is necessary to study empirical integration of the fourth factor determinant in the regional MSME context industry. Therefore, this study was implemented to answer the gap through quantitative analysis of how far the four variables influence the performance of MSMEs in Karawang Regency.

Performance business refers to measurable internal and external factors that directly influence the success, profitability, and sustainability of a business (Palupi, 2023; Rahmawati, 2021). In the context of MSMEs, the factors that determine the cover aspects such as literacy finance, which affects the ability to manage source power in an efficient way; incentive fiscal, which reduces burden costs and stimulates investment; financial capital, which provides liquidity and funding for growth; and digital adoption, which increases innovation and market reach. The variables together determine the level of productivity, power competitiveness, and capability to adapt MSMEs in the face of economic and technological challenges.

Thus, the performance in the study is interpreted as factors that can increase the ability of MSMEs to achieve their business objectives through financial efficiency, optimization of source power, and sustainable implementation of digital technology. MSMEs not only contribute to Indonesia's main GDP with more than 60% or Rp. 8,573 trillion, but also absorbs around 116 million power work, which is equivalent to 97% of the total force work nationally (Ukmindonesia, 2023). However, this contribution faces serious challenges in the form of low financial literacy, limited capital, and low adoption of digital technology (Abdullah, 2025).

Regency, as the main center industry in West Java, has a large potential for the good development of MSMEs as suppliers of component industries, providers of service logistics, as well as the need for factory workers. Unfortunately, many MSMEs in this area are still behind in terms of recording finance, capital management, and utilization incentive fiscal and digital technology. This lies in the need for a

strategy based on proof empirical to increase the power competitiveness of Karawang MSMEs through strengthening literacy finance, optimization incentive fiscal, fulfillment financial capital needs, as well as adoption digital adoption. The findings of this study are intended as a base for formulating regional policy as a guide for MSMEs to be able to transform and provide a bigger contribution to Indonesia's digital economy.

Understanding, managing, and implementing financial knowledge are the core of financial literacy, which is crucial for the sustainability and growth of MSMEs. A study conducted by the Financial Services Authority (OJK) (2022) found that Indonesia's financial literacy score reached 38.03% in 2022, indicating that many MSMEs still lack an understanding of risk, investment, and financial management. This lack of understanding can lead to inappropriate financial decisions, inadequate cash flow management, and difficulty in finding better funding sources (Atkinson & Messy, 2012). Sanistasya et al. (2019) revealed that that literacy finance play a role in a way significant in increase performance business small, thing This supported by the study of Fadilah et al. (2022) as well as Pramestiningrum & Iramani (2020).

However, the adoption of digital technology makes it easier for MSMEs to grow their corporate strategy, increase operational efficiency, and reach a wider market breadth. Financial literacy and digital technology remain the main obstacles to MSME finance growth (Choirunnias et al., 2025). Due to the lack of funding and awareness of profitable technology, many MSMEs have not fully accepted it. On the other hand, MSMEs need financial literacy to manage cash flow, reduce financial risk, and make wise investment choices (Choirunnias et al., 2025). A lack of financial literacy can cause error management finances, leading to low-power competition businesses (Ningsih & Fitriani, 2025)**.**

Fiscal incentives provided by the government also play a crucial role in boosting MSME performance. Tax incentives can reduce operational costs and increase profitability, thus providing MSMEs with the opportunity to invest in business development, innovation, and product quality improvement. However, the effectiveness of these fiscal incentives depends heavily on MSMEs' understanding and ability to utilize the facilities provided, which is again related to their level of financial literacy (FL). (Naufal & Purwanto, 2022). According to Baskoro et al. (2024) and Fajar et al. (2023), tax incentives significantly improve company performance by encouraging greater investment in innovation. Tax incentives positively impact business performance, as companies seek to increase their spending on development.

*Financial capital* is a natural resource that is the lifeblood of MSMEs in running and developing their businesses. Limited capital is often a major obstacle for MSMEs in growing their business scale, purchasing new equipment, and expanding their market reach. The government and financial institutions have attempted to expand MSME access to funding through various loan initiatives and strategies; however, many MSMEs still struggle to meet the requirements or are unaware of the available financing opportunities. (Kasendah & Wijayanka, 2019). Debt literacy also refers to MSME management's knowledge of debt, which can affect MSME performance. The greater the MSME's knowledge of debt management, the better the MSME's performance.

The selection and use of *financial capital* by MSME managers will improve the performance of MSMEs; therefore, MSME managers need to know their operational needs, whether the MSME is in a condition of needing funds for business development or is in a condition of being sufficient with its own capital (Pramestiningrum & Iramani, 2020: Pramithasari, 2025 ). Another factor suspected of influencing MSME performance is digital adoption, which is becoming increasingly important in the digital age. In the digital era, where transaction volumes can be very high and originate from various payment channels, manual financial data management is no longer relevant and is highly risky (Aryanto, Hanum, et al., 2023).

Adopting digital technology enables MSMEs to automate bookkeeping processes, generate financial reports, and conduct performance analyses efficiently. (Ningsih & Fitriani, 2025). However, digital adoption among MSMEs still faces various obstacles, including limited infrastructure, a lack of digital skills, and concerns about data security. (Phornlaphatrachakorn & Kalasindhu, 2021). Previous research

by Indra Putri and Sumiari (2021) demonstrated a strong correlation between increased company success and the adoption of digital technology. According to Bouazza et al. (2015), technological capabilities help SMEs in several ways, such as increasing productivity, reducing costs, and reaching a wider audience.

The important objective of this study is to determine the role of financial literacy, intensive fiscal, *financial capital,* and digital adoption of performance Karawang Regency's MSMEs, particularly in facing the challenges of industrialization and digital economic opportunities while maintaining local characteristics. The research findings are expected to inform the development of MSME sustainability strategies and provide information to inform more targeted policies for local governments and relevant stakeholders.

## 2. Review library and development hypothesis

### *2.1 Financial literacy*

Financial literacy is the ability and cognitive knowledge to obtain wise results regarding money and how to manage it. Understanding the basic economy and managing income and expenses are other components of financial literacy, along with personal finance (Abdullah, 2025: Latif, 2024). According to the OECD (2020), financial literacy is the ability to understand, realize, behave, and manage financial behavior to make wise decisions and grow welfare finances. According to Lusardi (2020), more knowledge about finance is related to making financial decisions wisely. This leads to an increase in the performance of a person and an organization. According to Atkinson (2020) this study find that more Lots knowledge about finance associated with better performance Good from entrepreneurs and provide proof that literacy finance influence performance business remember his significant contribution in repair MSME performance.

H1: Literacy finance influential significant to MSME performance

### *2.2 Fiscal incentives*

Taxes, subsidies, and other financial support provided by the government to encourage economic growth are referred to as fiscal incentives (Tambunan, 2020). Bahal and Martinez-Vazquez (2020) state that fiscal incentives can encourage MSMEs to invest and grow. MSMEs that receive financial assistance typically perform better than those that do not (BPS, 2020). One reason is the ability to obtain capital and resources, which can increase effectiveness and competitiveness. According to Wulandari (2020), fiscal incentives are one of the instruments in fiscal policy used to stimulate the growth of certain sectors, such as the MSME sector, through tax reductions, tax deferrals, or the elimination of administrative sanctions. According to Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2020), this study proves that access to financing and fiscal support significantly influence the performance of MSMEs in various countries. Kumar, S., & Singh, R. (2020) This study reveals that fiscal policies that support MSMEs can improve their business performance, especially in terms of growth and profitability.

H2: Fiscal incentives have an effect significant to MSME performance

### *2.3 Financial capital*

*Financial* capital refers to the financial resources used by individuals or entities to invest in and run business operations. (Fatoki, 2021). According to Gompers and Lerner (2020), *financial capital* encompasses all forms of capital that can be used to fund business activities, including equity, debt, and other financial instruments. *Financial capital* is crucial for MSMEs because it provides the ability to invest in assets, expand operations, and increase their competitiveness. Beck (2020) demonstrated that MSMEs with stronger access to financing typically perform better. This is due to their ability to make the necessary investments to increase production capacity, expand markets, and innovate. Furthermore, *financial capital* enables MSMEs to overcome liquidity challenges and meet their daily operational needs.

According to Storey ( 2020), MSMEs with easy access to funding typically grow and become profitable more quickly. This is due to their ability to invest the funds required to grow their market share and increase operational effectiveness. According to Sari and Putra (2021), financial capital has a significant

positive impact on MSME sales growth and profitability. Wijaya and Hartono (2022) found that access to financial capital, such as venture capital and bank loans, contributes positively and significantly to the financial performance of startups. Financial capital helps startups with product innovation and business expansion, thereby increasing their revenue and competitiveness.
H3: Financial capital has an effect significant to MSME performance

### *2.4 Digital adoption*

Digital adoption includes the application of digital technologies in organizations' daily operations and business strategies. or individual (Sugihastomo 2017). According to Rogers (2020), technology adoption is the decision to use innovation, which in the context of MSMEs includes the use of digital tools and platforms to increase competitiveness, productivity, and efficiency. Digital adoption encompasses a variety of things, including social media, e-commerce, digital marketing, and management software. According to Brynjolfsson and McAfee (2020), MSMEs can increase operational efficiency and reach a wider audience using digital technology. There are many benefits to using digital accounting, including increased productivity, operational simplicity, data security, and effectiveness in tracking invoices and payments. Furthermore, these systems enable better integration and synchronization, facilitate financial reporting, accelerate bank reconciliations, and provide up-to-date financial information to facilitate faster and more accurate decision-making (Phornlaphatrachakorn & Kalasindhu, 2021).

Wulandari et al. (2024) show that MSMEs with greater digital literacy typically perform better than those that are less digitally literate. Putri and Santoso (2022) demonstrated that the use of digital technology in MSMEs increases market share and operational effectiveness, ultimately improving company performance. Numerous advantages in processing and displaying accounting data can be gained from the availability of digital accounting programs, including reducing the time required to create and submit reports and increasing the effectiveness of information delivery (Setyaningsih, 2021). The adoption of digital accounting has a positive impact on business performance (Aryanto et al., 2023).
H4: Digital adoption has an impact significant to MSME performance

### *2.5 Business performance*

Financial performance is an indicator of business effectiveness in reaching declared goals through its operations (Robbins & Coulter, 2020 ). This performance proves how good and efficient source power businesses are used to provide the best results (Dess, Lumpkin, & Eisner, 2021 ). According to Richard, Devinney, Yip, and Johnson (2020) , Measurement performance finance generally done with use performance operational as well as market performance. The scope of market performance is market share and growth customers, whereas operational performance covers productivity and quality of products or services produced. In addition, many internal and external variables influence the results of thpany, including management, market environment, resource power, finance, and technology (Norton, 2020). Assessment performance business No only based on results finance only, but also consider sustainability and satisfaction customer (Neely, 2021).
H5: Literacy finance, fiscal incentives, *financial capital* and digital adoption have an impact in a way simultaneous to performance finance

### *2.6 Conceptual framework*

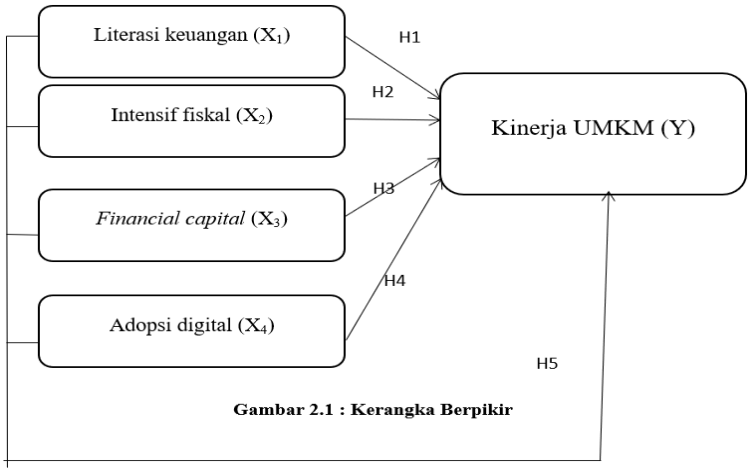


Figure 2. Conceptual Framework
Source: Researcher Data 2025

Figure 2.1 shows the relationship between four independent variables, namely financial literacy ($X_1$), fiscal incentives ($X_2$), *financial capital* ($X_3$), and digital adoption ($X_4$). on MSME performance (Y). This model explains the following:
H1: Financial literacy positively affects MSME performance.
H2: Fiscal incentives positively affect MSME performance.
H3: *Financial capital* positively influences MSME performance.
H4: Digital adoption positively affects MSME performance.
H5: The four independent variables simultaneously influence MSME performance.

Overall, this framework emphasizes that increased financial capacity, fiscal support, capital adequacy, and the application of digital technology will drive improved MSME performance in Karawang Regency.

## 3. Research methodology

In answer question research, testing hypothesis, and find causality relatedness, using approach quantitative (Sugiyono, 2017). A questionnaire survey was used to collect data on MSME respondents in Karawang Regency, which researched the connection because of the effect (causality) between independent variables ($X_1$, $X_2$, $X_3$, and $X_4$) against dependent variables (Y). This study used non-probability sampling. The purposive sampling method is a non-probability approach chosen for sampling. Selecting data sources based on certain criteria is known as purposive sampling. (Sugiyono, 2017). The sample had the following criteria:
1. MSMEs located in the district Karawang
2. Business status active more from 1 year walk
3. MSMEs that have adopted digital accounting methods.
4. The number of MSMEs in the sample was 60 respondents based on the criteria.

All instrument statements were measured using a *Likert scale* (ordinal) with scores ranging from 1 to 5 (Sugiyono, 2017). For this project, IBM SPSS Statistics 25 was used as the data analysis program. This program was used to perform multiple linear regression analysis, coefficient of determination analysis, reliability analysis, validity test, classical assumption analysis, f-test, and t-test. The operational definitions are as follows:

Table 1. Operational definitions

| Variables | Definition Operational Variables | Indicator | Scale |
|---|---|---|---|
| Literacy Finance (X1) | Ownership level information , knowledge , and required skills MSME actors to manage finance company and take decision wise who grows performance business called literacy finance (Abdullah, 2025). | 1. Understanding to draft finance<br>2. Ability organize and manage budget business<br>3. Understanding to product finance<br>4. Retrieval decision rational finance<br>5. Knowledge about risk and management risk finance . (Lusardi, 2020) | Likert Scale 1-5 |
| Intensive Fiscal (X2) | According to Wulandari (2020), fiscal incentives are one of the instruments in fiscal policy used to stimulate the growth of certain sectors, such as the MSME sector, through reducing the tax burden, deferring taxes, or eliminating administrative sanctions. | 1. Utilization incentive tax<br>2. Understanding to policy relief tax<br>3. Access to subsidies and facilities liberation customs login / help<br>4. Response to the fiscal stimulus program government . (Tambunan, 2020) | Likert Scale 1-5 |
| *Financial Capital (X3)* | According to Gompers & Lerner (2020), *financial capital* covers all forms of capital that can be used For funding activity business , including equity , debt, and instruments finance other | 1. Access to loan / credit business from institution finance<br>2. Sources of capital (own capital , loans , investors)<br>3. Availability of operational funds daily<br>4. Ability managing business debt<br>5. Difficulty level in get formal financing .<br>(Fatoki, 2021) | Likert Scale 1-5 |
| Adoption (X4) | According to Rogers (2020), adoption technology namely decision For use innovation , which in the context of MSMEs includes use digital tools and platforms for grow efficiency , productivity , and power competitive . | According to Papenhausen and Einstein (2006) in Sugihastomo (2017) :<br>1. Adoption rate technology<br>2. Investment in adoption technology<br>3. Availability power professional in the field accountancy<br>4. Convenience accounting data sharing<br>5. Use application finance /digital tools (POS, bookkeeping)(Rahman, 2021)<br>6. Comfort and skill level use digital accounting | Likert Scale 1-5 |

| | | | |
|---|---|---|---|
| | | technology .(Rahman, 2021) | |
| MSME Performance (Y) | Financial performance namely size how much Good something business reach the targets he set through activity its operations (Robbins & Coulter, 2020). | 1. More income tall<br>2. Improvement sale<br>3. Improvement funding company<br>4. Amount more clients big<br>Menurut (Mokodompit, 2019)and Rahayu in Lia Ariani et al. (2023) | Likert Scale 1-5 |

All MSMEs in Karawang Regency, totaling 9,243 business units based on BPS 2024 data, are the population of this study because they have characteristics that match the focus of the study, namely, active businesses that have adopted a digital accounting system. The research sample was determined using Roscoe's guidelines, as cited in Sugiyono (2017), where the appropriate sample size for quantitative research with multivariate analysis is 5 to 10 times the number of independent variables. With four independent variables: financial literacy, fiscal incentives, financial capital, and digital adoption, the sample size used was 60 respondents, which was considered representative for supporting statistical analysis.

The purposive sampling method, a subset of non-probability sampling, was used to select the sample in this study, focusing on MSMEs in Karawang Regency that have been actively operating for more than a year and adopted a digital accounting system. Primary data were collected through a 1–5 Likert-scale questionnaire, while secondary data were sourced from literature and official institutions, including Statistics Indonesia (BPS) and the Financial Services Authority (OJK).

Data processing using IBM SPSS Statistics 25 included instrument validity and reliability tests, classical assumption tests (normality, multicollinearity, and heteroscedasticity), and multiple linear regression analysis. The analysis is continued with a t-test for partial effects, an F-test for simultaneous effects, and a coefficient of determination ($R^2$) to assess the contribution of financial literacy, fiscal incentives, financial capital, and digital adoption to the performance of MSMEs in Karawang Regency, with interpretation based on $p < 0.05$ and the regression coefficient value.

## 4. Results and discussion

### *4.1 Research result*

Study data description served to describe the participants. As an information addition-related characteristic study, descriptive data explain the condition or condition of the respondents.

#### *4.1.1 Characteristics Respondents*

The data regarding the characteristics of the respondents, MSME businesses in Karawang Regency, are as follows:

Table 2. Characteristics Respondents

| Characteristics Respondents | | | |
|---|---|---|---|
| Category | Information | Amount Respondents | Valid Percentage |
| Gender | Man | 5 | 8% |
| Age | Woman | 55 | 92% |
| | 17-30 Years | 60 | 100% |

| | | | |
|---|---|---|---|
| Level of education | SENIOR HIGH SCHOOL | 50 | 83.5% |
| | Diploma | 1 | 1.5% |
| | S1 | 9 | 15% |
| Type of business | Service | 6 | 10% |
| | Culinary | 48 | 80% |
| | Manufacturing | 6 | 10% |
| Length of Business | <2 Years | 30 | 50% |
| | 2-10 Years | 30 | 50% |

Source: SPSS output processed in 2025

The respondents were five men and 55 women, as presented in the table. This is in line with the gender distribution of MSME actors in Karawang Regency. All 60 people participated in studies aged between 17 and 30 years, with an average age of MSME actors in Karawang Regency who participated in the survey. Of the 60 respondents, most had a high school education (50 people), followed by one diploma and nine bachelor's degree respondents. The culinary sector is the dominant business among the MSMEs surveyed in Karawang Regency; six are business services, 48 are culinary businesses, and six are manufacturing businesses. There is also information about term time operation from perpetrator MSME businesses in Karawang Regency that were surveyed, which showed that 30 respondents with term time operations under 2 years, namely 30 people, and 30 people with term time operation from 2 to 10 years, namely 30 people, which shows that each group own amount same respondents.

### *4.2 Data Quality Test*

#### *4.2.1 Validity Test*

In analyzing data and testing validity of the instrument, the author utilized the IBM SPSS Statistics 25 program. The calculated r2 value (r2) was compared with the r2 value (r2) in table to evaluate the significance level validity. Degree of freedom ( df ) = n-2, where n is the amount of sample. A question is considered valid when the r value is greater than 0.2144. In this case, the size df can be counted using the following method: df = 58 with alpha 0.05, which produces r table 0.2144. (Sugiyono, 2020). The output of the test is displayed as follows:

Table 3. Valid Test Results Trust

| **Indicator** | **r count** | **r t table** | **To the verdict** |
|---|---|---|---|
| P1 | 0.577 | 0, 2144 | Valid |
| P2 | 0, 321 | 0, 2144 | Valid |
| P3 | 0.6 96 | 0, 2144 | Valid |
| P4 | 0.312 | 0, 2144 | Valid |
| P5 | 0.512 | 0, 2144 | Valid |
| P6 | 0.417 | 0, 2144 | Valid |
| P7 | 0.465 | 0, 2144 | Valid |
| P8 | 0.641 | 0, 2144 | Valid |
| P9 | 0.269 | 0, 2144 | Valid |

| | | | |
|---|---|---|---|
| P10 | 0.280 | 0, 2144 | Valid |
| P11 | 0, 310 | 0, 2144 | Valid |
| P12 | 0.295 | 0, 2144 | Valid |
| P13 | 0.328 | 0, 2144 | Valid |
| P14 | 0.331 | 0, 2144 | Valid |
| P15 | 0.356 | 0, 2144 | Valid |
| P16 | 0.428 | 0, 2144 | Valid |
| P17 | 0.331 | 0, 2144 | Valid |
| P18 | 0.351 | 0, 2144 | Valid |
| P19 | 0.414 | 0, 2144 | Valid |
| P20 | 0.478 | 0, 2144 | Valid |
| P21 | 0.330 | 0, 2144 | Valid |
| P22 | 0.264 | 0, 2144 | Valid |
| P23 | 0, 350 | 0, 2144 | Valid |
| P24 | 0.334 | 0, 2144 | Valid |
| P25 | 0.320 | 0, 2144 | Valid |

Source: SPSS output processed in 2025

*4.2.2 Reliability Test*

The writer used IBM SPSS Statistics 25 to test the reliability of the instrument. The test output is displayed as follows:

Table 4. Test Statistical Results Reliability

| **Variables** | **Cronbach's Alpha** | **To the verdict** |
|---|---|---|
| Literacy finance (X1) | 0.782 | Reliable |
| Intensive fiscal (X2) | 0.743 | Reliable |
| *Financial capital* ( X3) | 0.811 | Reliable |
| adoption (X4) | 0.769 | Reliable |
| Business performance (Y) | 0.827 | Reliable |

Source: SPSS output processed in 2025

The reliability testing, as stated in Table 4.3, is to evaluate the ability of the tool study to ensure stable results as well as uniformity when implemented in similar conditions. Cronbach's alpha coefficient was used to measure the study's dependability. In most cases, an alpha value of at least 0.60 is considered to fulfil the condition of minimal reliability, especially in field studies of social and marketing (Sugiyono, 2019). This study proposed that each variable has a Cronbach's alpha value exceeding 0.60. This means that the variables, Literacy Finance (X1), Intensive Fiscal (X2), *Financial Capital* (X3), Digital Adoption (X4), and Business Performance (Y) have good reliability. Thus, all instruments used can be considered reliable and worthy of use for measurement.

### *4.3 Assumption Test Classic*

#### *4.3.1 Normality Test*

The writer performed an analysis to identify normality in the Kolmogorov-Smirnov test using the IBM SPSS Statistics 25 program. The following table displays the test results.

Table 5. Normality Test Results

| **Unstandardized Residual** | |
|---|---|
| N | 58 |
| *Kolmogorov-Smirnov Z* | 0.423 |
| *Asymp . Sig. (2-tailed)* | 0.240 |

Source: SPSS output processed in 2025

As shown in Table 4.4, the residual data were normally distributed according to the Kolmogorov-Smirnov normality test. At a value of 0.240 > 0.05, the Kolmogorov-Smirnov value was significant, based on the SPSS output data. Thus, the residual data fulfilled the normality and normal distribution conditions ( Ghozali, 2021 ).

#### *4.3.2 Multicollinearity Test*

The writer tested multicollinearity using IBM SPSS Statistics 25. The results are displayed in the following table:

Table 6. Multicollinearity Test Results

| **Model** | **Colinearity Statistics** | |
|---|---|---|
| | **Tolerance** | **VIF** |
| Literacy finance | 0 , 353 | 1,321 |
| Fiscal incentives | 0 , 312 | 1,432 |
| Financial capital | 0 , 344 | 1,322 |
| Digital adoption | 0 , 375 | 1,126 |

Source: SPSS output processed in 2025

Table 4.5 reveals the results of testing for the existence of multicollinearity because *the tolerance value* > 0.10 and VIF < 10.0 (Ghozali, 20 21 ).

#### *4.3.3 Heteroscedasticity Test*

Writer test utilizing IBM SPSS Statistics version 25. Test output heteroscedasticity shown below :

Table 7. Heteroscedasticity Test

| **Spearman's rho** | | |
|---|---|---|
| N | 60 | Sig. (2-tailed) |
| Literacy finance | | 0.303 |
| Intensive fiscal | | 0.140 |
| *Financial capital* | | 0.655 |
| Digital Adoption | | 0.277 |

Source: SPSS output processed in 2025

The significance value of each variable is shown in Table 4.6 above: the variable Digital Adoption (X4) is 0.277, the variable Intensive Fiscal (X2) is 0.140, the Financial Capital variable (X3) is 0.655, and the variable Literacy Finance (X1) is 0.303. There are no problems or signs of heteroscedasticity because the second variable independent (X) > 0.05. The results show that the regression model can provide effective results (Ghozali, 2021).

### *4.4 Analysis Multiple Linear Regression*

IBM SPSS Statistics 25 was used for testing with the following results:

Table 8. Coefficient Results Regression

| **Model** | | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5,890 | 4 , 228 | | 2,332 | 0 ,132 |
| | Literacy finance | 0 , 319 | 0 , 245 | 0 , 324 | 3,994 | 0 .010 |
| | Intensive fiscal | 0 , 453 | 0 , 641 | 0 , 213 | 3,984 | 0 ,0 28 |
| | *Financial capital* | 0 , 402 | 0 , 370 | 0 , 342 | 3 , 423 | 0.001 |
| | Digital adoption | 0 , 679 | 0 , 372 | 0 , 635 | 3 , 247 | 0.001 |
| **a. Dependent Variable: Business performance** | | | | | | |

Source: SPSS output processed in 2025

Equality Regression:

$$Y = 5.890 + 0.319\ X1 + 0.453\ X2 + 0.402\ X3 + 0.679$$

Following this explanation:

1. Favorable regression results for successful companies are indicated by the value coefficient constant amounting to 5,890.
2. With the assumption that all other factors remain constant, the coefficient regression of financial literacy reaches 0.319, proving that a 1% increase in financial literacy has an impact on MSME performance in Karawang Regency of 0.319.
3. The coefficient value of fiscal incentive is 0.453, which proves that, with the assumption that all other factors remain constant , there is a 0.453 impact on MSME performance in Karawang Regency for every 1% increase in fiscal incentive.
4. The coefficient value of the financial capital regression is 0.402, which proves that, with the assumption that all other factors remain constant , there is an effect of 0.402 on the performance of MSME businesses in Karawang Regency for every 1% increase in financial capital.
5. With a marked coefficient regression of digital adoption of 0.679, the performance of MSME businesses in Karawang Regency increases by 0.679 for every 1% increase in digital adoption, assuming that all other factors are constant.

### *4.5 t- test*

IBM SPSS Statistics 25 was used to perform the t-test. The following table displays the t-test results: The influence of partial variables dependent and independent variables (Ghozali, 2021) including:

1. The variable financial literacy (X1) affects business performance, with an estimated t value of 3.994 > 1.673 and a sig value of 0.010, which is lower than 0.05. Therefore, H0 is rejected and Ha is accepted.
2. Variables Intensive Fiscal (X2) influences business performance, as indicated by the sig value of 0.028 > 0.05 and the calculated t value of 3.984 > the t table value of 1.673. Therefore, Ha is accepted. and H0 is rejected.
3. As proof financial capital variable (X3) influences performance business, t - value by 3,423 more big than the t- table value is 1.673, and the sig value is more than 0.001 lower than 0.05. Therefore, H0 is rejected and Ha is accepted.
4. It was proven that digital adoption variables influence company success, with the acceptance of Ha and rejection of H0. The calculated t value variable (X4) is 3.247, which is larger than the t-table value of 1.673, because the sig value of 0.001 is smaller than 0.05.

### *4.6 F test*

IBM SPSS Statistics 25 was used for the F test . The following table displays the results of the testing.

Table 9. F Test Value

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 435 ,110 | 25 | 13,703 | 9,678 | 0.001 [b] |
| | Residual | 242,170 | 35 | 3, 532 | | |
| | Total | 285,280 | 60 | | | |
| **a. Dependent Variable: Business performance** | | | | | | |
| **b. Predictors: (Constant), *Financial capital* , Literacy finance , Intensive fiscal , Digital Adoption** | | | | | | |

Source: SPSS output processed in 2025

In this case, an F table value of 4,000 is obtained; however, the calculated F value is 9.678 > the F table value is 4.000, and sig value 0.01 > 0.05, which indicates that H0 and Ha are accepted (Ghozali, 2021). Company performance is greatly influenced by various variables, including financial literacy, intensive fiscal policy, financial capital, and digital adoption.

### *4.7 Coefficient Test Determination ($R^2$)*

Testing was analyzed using IBM SPSS Statistics 25, with the output described as follows:

Table 10. Results of Determination Test ( $R^2$ )

| Model | R | R Square | Adjusted R Square | Standard Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| **1** | 0.7 86 [a] | 0.56 0 | 0, 603 | 1, 64667 | 2,430 |
| a. Predictors: (Constant), *Financial capital* , Literacy finance , Intensive fiscal , Digital Adoption | | | | | |

Source: SPSS output processed in 2025

The table proves that the adjusted R2 value is 0.603 or 60.3%, meaning that the variables Literacy Finance, Fiscal Intensity, Financial Capital, and Digital Adoption all have simultaneous influence of 60.3%, while factor variables other donate 39.7% (Ghozali, 20 21 ).

### *4.8 Discussion*

#### *4.8.1 Influence Literacy finance on business performance to the perpetrator MSME businesses in Karawang Regency*

According to the results of the regression analysis shown in Table 4.7 above, the variable Literacy Finance (X1) has a coefficient regression of 0.319, the calculated t value is 3,994 more big than the t table value of 1.673, and the significance value is 0.010, which is smaller than 0.05. This shows that financial literacy greatly influences the performance of MSMEs in Karawang Regency. In other words, MSMEs that can manage, understand, and create decision finance effectively tend to perform better. Nataly (2024) stated that literacy finance influences the performance of MSMEs in the BKT region, and Warsani (2024) stated that literacy finance can increase MSME performance through innovation. Therefore, it is crucial to understand finance so that MSMEs can survive. Therefore, H1 was accepted.

#### *4.8.2 Influence Intensive fiscal on business performance to the perpetrator MSME businesses in Karawang Regency*

The fiscal Intensity variable (X2) has a coefficient of 0.453 based on the regression results ; the calculated t value is more than 3.984 from the t table of 1.673, and the value significance of 0.028 < 0.05, according to Table 4.7. This result shows that incentive fiscal own good and significant effects on MSME performance in Karawang Regency. This means that fiscal support, which includes relief taxes, subsidies, and aid finance, has the ability to increase productivity and power MSME competitiveness. This strengthens the idea that government support policy is very important for strengthening MSME power, especially during the transformation economy and the digital era. Therefore, that, H2 in the study accepted.

#### *4.8.3 The Influence of Financial Capital on Business Performance to the perpetrator MSME businesses in Karawang Regency*

In accordance with the test results shown in Table 4.7, the financial capital variable (X3) has a coefficient regression of 0.402, and the calculated t value is 3,423, which is larger than the t-table value of 1,673, and the level of significance is <0.001. This shows that financial capital is very important and useful for the success of small and medium enterprises (SMEs). With sufficient capital, business actors can develop, improve quality production, and increase their market power. This result is in line with the study by Adhi Widyakto (2024), who found that capital and support finance significantly influence the performance of small and medium enterprises (SMEs). Therefore, that has access to financial capital is an important component of MSMEs success. H3 was also accepted.

#### *4.8.4 Influence Digital adoption on business performance to the perpetrator MSME businesses in Karawang Regency*

The variable Digital Adoption (X4) has a coefficient regression of 0.679, and the value of t is 3.247, which is greater than the t-table value of 1,673, and the level of significance is <0.001. This result shows that digital adoption has a positive and significant impact on MSMEs success. This shows that MSMEs can increase productivity and reach a larger audience with the use of digital technologies such as digital marketing, online payment systems, and e-commerce. These results are consistent with Madhav Adhikari ( 202 4 ) which states that the adoption *of FinTech* grows inclusion finance with digital literacy as a significant mediator. In addition, Syaifuddin ( 202 4 ) also supports these findings, where literacy and self-finance efficacy push the adoption of financial technology, which ultimately contributes to improving business performance. Thus, H4 is accepted.

*4.8.5 Influence Literacy finance, Intensive Fiscal and Financial Capital Together on Business Performance to the perpetrator MSME businesses in Karawang Regency*

The results of the F test prove that the calculated F value of 9.678 > F table 4.000 with mark significance <0.001, according to Table 4.9 above. This prove that success MSME businesses in Karawang Regency in general significant influenced by literacy finance, incentives fiscal, financial capital, and digital adoption simultaneously. Fourth variables independent This also accounts for 60.3% of the variation performance MSME business, based on coefficient test results determination (R2) which also proves The Adjusted R2 value is 0.603. The remaining 39.7 % is influenced by factors outside the research model, such as innovation products, networks social, and market conditions. In accordance with study Nataly ( 202 4 ) as well as Warsani ( 202 4 ) which emphasizes that literacy finance and support external influential significant to MSME performance . Research results moment This expand study the with add aspect intensive fiscal, *financial capital*, and proven digital adoption strengthen performance MSME businesses, especially in Karawang Regency which is currently develop as center industry and trade. Thus, H5 in the study was accepted.

## 5. Conclusions

The results of the study involving 60 MSME participants in Karawang Regency showed that instrument study all are valid and credible, and they meet the assumption test classic. The results of the analysis also show that literacy finance, intensive fiscal, investment finance, and digital adoption impact positive and significant on performance MSME businesses in Karawang Regency. Literacy finance own coefficient regression 0.319 and value significance of 0.010, indicating that understanding and management good finances grow performance business. Intensive fiscal also contributes with coefficient 0.453 and significance 0.028, proving that support government through relief taxes and subsidies support MSME productivity. In addition, *financial capital* with coefficient 0.402 and significance < 0.001 becomes factor key for expansion and power competition business. Digital adoption proves coefficient highest of 0.679 with significance < 0.001, indicating that utilization digital technology is growing efficiency and market reach. With mark significance not enough from 0.001 and the calculated F result amounting to 9,678, all factor in a way simultaneous own significant impact. Adjusted $^{R2}$ Value of 0.603 proves that 60.3% of the variance performance of MSMEs can explained by the research model this, which proves influence positive and significant from literacy finance, incentives fiscal, financial capital, and digital adoption of performance MSME business.

## limits and further studies

Suggestions given for further research include expanding the area and number of respondents , added other variables such as innovation and marketing strategy , as well as use method mixture or longitudinal research so that the results more comprehensive . .


## Acknowledgment

This work need support from many people, and the author expresses his deepest gratitude. Comments and suggestions from lecturer mentor worthy get award special. Lastly, we thank love to colleague work and members family that has support and support our research.


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