

# **The Influence of Entrepreneurial Competence, Accounting Information Systems, Financial Report Quality, and Digital Financial Literacy on the Performance of SMEs in East Jakarta**

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## **Abstract**

This research aims to test and analyze four variables, namely entrepreneurial competence, accounting information systems, quality of financial reports, and digital financial literacy on the performance of MSMEs. A total of 100 samples were used in this research, using purposive sampling as a data collection technique. This research uses a quantitative approach by collecting data through online questionnaires from several respondents who are MSMEs in the East Jakarta area. The analytical method used is Partial Least Square – Structural Equation Model (PLS-SEM). The research results show that entrepreneurial competence has an effect on the performance of MSMEs, accounting information systems have no effect on the performance of MSMEs, the quality of financial reports has no effect on the performance of MSMEs, and digital financial literacy has no effect on the performance of MSMEs.

Future research is expected to be able to choose a larger sampling technique to represent the population so that the results obtained have good accuracy, and further develop research that can be carried out by replacing or adding other variables to improve the performance of MSMEs and can use new or existing research objects. bigger.

**Keyword:** entrepreneurial competency; accounting information system; financial report quality; digital financial literacy; MSME performance

## 1. Introduction

Micro, small and medium enterprises (MSMEs) are a positive solution for Indonesia to get out of various social and economic problems. MSMEs make a very significant contribution to the economic development of Indonesia. Currently, the number of MSMEs in Indonesia is increasing every year, one of which is in the city of East Jakarta. According to data from the East Jakarta Department of Cooperatives, Small and Medium Enterprises and Trade (PPKUKM), the number of MSMEs in the East Jakarta area has increased by 12 thousand every year through the DKI Jakarta government program, namely Jakpreneur (Amirah, 2022).

MSMEs have made a major contribution to improving the economic conditions of Indonesia, but there are still challenges in this field (Khabibah & Purnamasari, 2020). Even though the number continues to increase every year, the fact is that the increase in the number of MSMEs is not in line with the development of the quality of these MSMEs. Currently, small and medium businesses are still limited to the small business sector and it is difficult to become large businesses (Asisa et al., 2022). Currently encountered obstacles such as copyright, finance, marketing and many other problems related to business management are difficult to overcome completely, making it difficult for small businesses to compete with large companies. This is due to the poor performance of MSMEs (Asisa et al., 2022). MSME performance is the achievement achieved by business actors towards the goals they have set, including increasing sales, capital, customers and profits in their business (Damayanti & Mardiana, 2023)

Even though the MSME sector has a central role in improving people's living standards, it is not easy to improve the performance of MSMEs because they do not know how to evaluate their performance properly. Entrepreneurs find it difficult to evaluate business success (Ilarrahmah & Susanti, 2021). Therefore, it is necessary to carry out continuous development stages to improve the performance of MSMEs.

Human resources are both conceptualizers and executors in a business. In other words, an MSME cannot run well if it does not have adequate human resources. Good entrepreneurial competency will determine the results that the company will obtain as well as determine the level of competitiveness of the business as well (Siregar et al., 2022).

There are many MSME players who do not have the expertise to record income and expenses to produce financial reports (Widiiputra et al., 2021). Meanwhile, financial reports are an important factor for banks to be able to provide credit funds for MSMEs. One of the reasons MSMEs cannot develop is that the quality of their financial reports is poor and makes it difficult for them to obtain capital by applying for business credit (Setyaningsih & Farina, 2021). Limited capital is an obstacle that is often encountered by business actors. Wibowo et al. (2022), stated that it is very important for MSMEs to be able to implement a good accounting information system, because financial recording using a manual reporting system can have a negative effect on their business profits.

According to Amalia (2023), revealed that quality in financial reporting also has a positive impact on the performance of MSMEs. According to Thottoli (2021), improving the performance of MSMEs can be hampered by accounting and control problems, especially when preparing financial reports, MSME entrepreneurs have difficulty measuring the current and future financial performance of a business. Business actors should prepare financial reports

because they contain information that is useful for improving their business performance (Ermawati & Arumsari, 2021).

Financial literacy is one of the factors that can influence the successful performance of MSMEs (Nur Hamidah et al., 2020). In the era of industrial revolution 4.0, digital financial literacy has become a necessity for many people, especially business people. In today's increasingly developing era, there are many financial services available that provide many benefits and convenience for business people to develop their business. Therefore, it is necessary to increase new knowledge for MSME players so that all groups can benefit from digital financial service innovation (Damarsiwi et al., 2023).

## **2. Literature Review**

### **2.1 MSME Performance**

Performance is a term that shows the results of a person's work achievements in carrying out the tasks and responsibilities given, both in quality and quantity (Taher & Taharuddin, 2024). Meanwhile, according to Elsafty & Shafik (2022), performance can also be defined as the results carried out by a person or group of people in an organization in accordance with their authority and responsibility to achieve organizational goals legally, without violating the law, and in accordance with norms and ethics. In carrying out these tasks and responsibilities, someone is usually given a certain time period to complete them. This will measure the level of competency and expertise possessed by the individual.

Performance in MSMEs is something that must be paid attention to, because performance is an important factor in the progress of an MSME (Wahyuni et al., 2021). The performance of an MSME is a factor in assessing the success and success of the business. Something produced by MSMEs is an illustration of the quality of MSME performance. A business must improve its performance in order to progress and survive competition and avoid bankruptcy (Wahyuni et al., 2021).

Therefore, it is mandatory for MSMEs to be able to have good performance in all fields in order to increase positive results in order to achieve all MSME goals. MSMEs that do not have a strategy to improve their performance will have difficulty competing with other MSMEs that have a good level of performance.

### **2.2 Entrepreneurial Competencies**

Entrepreneurship or entrepreneurship is a creative business that relies on innovation to create something new with the aim of increasing and providing benefits to other people and creating jobs (Setiawati & Ahdiyawati, 2021). It can be said that entrepreneurship is a creative idea that emerges from a person's head which is then developed into a business that can generate income and provide benefits to the environment. In starting a creative business, apart from ideas, a person must have capital, both in the form of funds and human resources. These human resources must have competencies that are appropriate to the business being carried out.

According to Siregar et al. (2022), competency is the ability a person has to be able to complete work in a structured manner. The competency in question is a person's expertise in carrying out various tasks and responsibilities given in accurate stages. If someone does not

have good competencies, it will have a serious impact on the quality of business performance and can hinder the company from achieving its goals.

According to Chandler and Hanks (in Sijabat, 2019), defining entrepreneurial competence as the skill to create, manage, support and develop entrepreneurial ideas in a coherent and market-oriented manner. Furthermore, entrepreneurial competency is defined as the ability and desire to start a business, the ability to do something new, the willingness and ability to explore opportunities, the ability and willingness to face risks and the ability to develop an idea and manage existing resources (Yuliana & Srisundari, 2020).

In business, entrepreneurial competence is needed so that the business can run successfully (Octavia, 2019). Competencies that must be possessed include personal knowledge and skills as well as attitudes, high motivation and characteristics needed to successfully pursue entrepreneurship. Good knowledge will help someone to set business goals and strategies, skills will make it easier for someone to manage their business and develop their business.

### **2.3 Accounting Information System**

An accounting information system is a system that contains human resources, tools and capital in a company which is responsible for providing financial information, collecting and processing various transactions (Listyani et al., 2019). According to Romney and Steinbart (in Sakdah et al., 2022), an accounting information system is an organizational system that has activities that collect information from various parts and send it to the information processing part of the organization.

On the other hand, Nugraha et al. (2023), reveals the definition of an accounting information system as a system implemented by a company to collect, store, process and display financial and accounting information related to its business activities.

The role of Accounting Information Systems in a company is very strategic, both in small businesses and large businesses (Lestari & Rustiana, 2019). All businesses in any field need an accounting information system to manage their financial information. This is because the accounting information system allows MSME players to present data and information regarding their business finances to parties who need it, both internal and external. According to Ermawati & Arumsari (2021), there is no difference in the role of accounting information systems in small and medium enterprises (SMEs) or large companies. According to Prasetyo & Ambarwati (2021), there is several financial information that MSMEs can obtain if they apply good and accurate accounting: (1) Information on business performance, (2) Information on tax calculations, (3) Information on the company's financial condition, (4) Information changes in equity, (5) Income and cash expenditure information, (6) Business plan information, (7) Cost information.

### **2.4 Quality of Financial Reports**

Financial reports are the results of normal operations of a company which provide financial information that is useful for internal and external parties (Oktaviranti & Alamsyah, 2023). In general, financial reports consist of a balance sheet report, profit and loss report, capital changes report, cash flow report, and notes to financial reports. Financial reports can

help determine how many assets they have and what obligations they must fulfill (Oktaviranti & Alamsyah, 2023).

The quality of financial reporting is a condition where financial reporting complies with established guidelines, helps stakeholders calculate accountability, and becomes input in decision making, both in the economic, social and political fields (Sholohah et al., 2019). In preparing financial reports, it will be better if it is carried out in accordance with existing procedures, resulting in better performance (Ilarrahmah & Susanti, 2021).

## **2.5 Digital Financial Literacy**

Literacy is defined as a person's ability to write, read, speak, calculate and solve problems in everyday life. Literacy can also be interpreted as a person's ability to analyze and understand reading or information. Digital Financial Literacy is a combination of two concepts, namely financial literacy and digital platforms (Rahayu, 2022).

Financial literacy is defined as the skills a person needs to determine the benefits and uses of good financial management (Safitri et al., 2022). In addition, Gunawan (2022), defines financial literacy as an individual's ability to choose financial products, communicate financial problems, make financial plans, and make financial and economic decisions (Gunawan, 2022). Meanwhile, a digital platform is anything (a combination of software and hardware) that uses computer and internet technology (Rahayu, 2022).

So it can be interpreted that digital financial literacy is an individual's skills and abilities in managing finances related to digital financial services. According to Morgan et al. (2019), digital financial literacy consists of four important components: knowledge about digital financial products and services, knowledge about the risks associated with digital finance, knowledge about methods for managing digital financial risks, and knowledge about consumer rights and how to get help.

Aulia & Putra (2023), research revealed that digital financial literacy is a concept and practice that does not only rely on technological skills, but also focuses on the ability to use digital media productively and responsibly.

## **3. Material and Method**

The research methodology used is quantitative. Quantitative research aims to show that a theory or conceptual model can explain a problem phenomenon that occurs in the unit of analysis studied (Purwohedi, 2022). The population in this research is MSME actors who have active status and are located in the East Jakarta area, totaling 764 MSMEs. The data used in this research is primary data obtained by distributing questionnaires online. A questionnaire or questionnaire is data collection carried out by providing a list of questions via a printed or online form to respondents who meet the criteria. The likert scale is used to measure all indicators for each variable with a five-point measurement scale (1-5). The sampling technique in this study uses purposive sampling, namely non-random selection of samples whose information is collected with certain considerations, and the population may not have a good chance of selection. the same as the sample members. The respondent criteria required by researchers are as follows:

1. MSME players who have an understanding of entrepreneurship.
2. MSME players who implement accounting information systems.

3. MSME actors who prepare financial reports.
4. MSME players who have an understanding of digital financial services.

To determine the amount to be used, researchers refer to Roscoe's theory. According to Roscoe (1975) determining the sample size can be based on a sample size of more than 30 people and no more than 500 is appropriate for most research. The sample size should be several times (generally 10 times or more) larger than the number of research variables. Based on Roscoe's opinion, the number of samples in this research is a minimum of 50 samples taken from 5 variables (4 dependent variables and 1 independent variable) multiplied by 10. However, in order to obtain better accuracy results, this research uses 100 samples.

### **3.1 Design Study**

In this research there are 2 types of variables, namely dependent and independent variables

#### **Dependent Variable (Endogenous)**

According to Purwohedi (2022), variables influenced by other variables are called dependent (endogenous) variables. The dependent variable used in this research is as follows:

##### **MSME performance**

MSME performance is a result achieved by MSMEs and is related to its main objectives (Kasendah & Wijayangka, 2019). The indicators used to measure MSME performance are increased profits, increased sales and increased customers (Lestari & Rustiana, 2019).

#### **Independent Variable (Exogenous)**

According to Purwohedi (2022), variables that have an influence on other variables are called independent (exogenous) variables. The independent variables used in this research include:

##### **Entrepreneurship Competency**

Entrepreneurial competency is the knowledge, skills and attitudes that are honed and needed by business owners to be able to maximize the results of their business performance (Maulana et al., 2021). Entrepreneurial competence is measured by indicators of technical competence, marketing competence, financial competence, human relations competence (Astari, 2023).

##### **Accounting information system**

An accounting information system is a tool, capital and human resource that is tasked with and responsible for providing information regarding finances in the form of transaction data (Listyani et al., 2019). Accounting information systems are measured by five indicators including: data collection, data processing, data management, data control, data results (Enha, 2022).

##### **Quality of Financial Reports**

A financial report is a detailed record of the financial position of an MSME or institution in a certain period. Financial reports consist of a balance sheet, profit and loss report, cash flow report, and notes to financial reports (Meylinda et al., 2022). Measuring the quality of financial reports uses four indicators, namely: relevant, reliable, comparable, understandable (Sularsih & Wibisono, 2021).

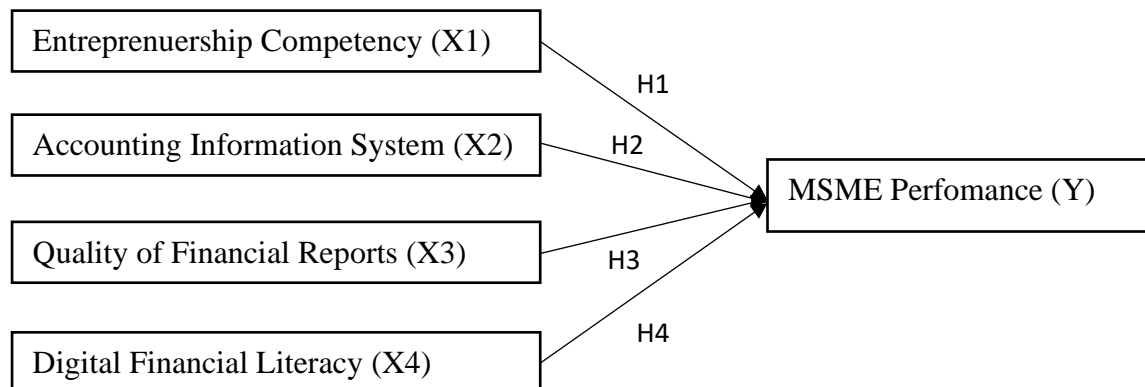
##### **Digital Financial Literacy**

Digital financial literacy is knowledge, skills and beliefs that have an impact on attitudes and behavior in an effort to improve the quality of financial management and decision making

in an effective way (Rahmiyanti & Arianto, 2023). The indicators used to measure digital financial literacy are understanding, experience, awareness and skills (Setiawan et al., 2020).

### 3.2 Data Analysis

This research uses smart PLS to interpret and draw conclusions from existing data. The analysis techniques used are descriptive statistical analysis techniques and Partial Least - Structural Equation Model (PLS-SEM).



**Figure 1.** Research Model

## 4. Result

### 4.1 Descriptive Statistical Analysis

**Table 1.** Descriptive Statistical Analysis

Items	N	<i>Mi n</i>	<i>Max</i>	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
MSME performance	100	8	25	1774	17.74	4,042	16,336
Entrepreneurship Competency	100	14	35	2827	28.27	4,146	17,189
Accounting information system	100	32	80	6216	62.16	11,338	128,540
Quality of Financial Reports	100	20	50	3884	38.84	6,535	42,701
Digital Financial Literacy	100	17	45	3493	34.93	6,191	38,328
Valid N (listwise)	100						

- MSME Performance (KU) has 5 questions, with a minimum value of 8 and a maximum value of 25. The average value is 17.74, indicating that several MSME players experience an increase in the number of consumers every month. In addition, the standard deviation of 4.042 shows how the variables are spread across 100 respondents
- Entrepreneurship Competency (KK) has 7 questions, with a minimum score of 14 and a maximum score of 35. The average score is 28.27, indicating that several MSME players are able to find market opportunities when they want to open a business and are able to promote their business in an attractive way. In addition, the standard

- deviation of 4.146 shows how the variables are spread across 100 respondents.
- c. The Accounting Information System (AIS) has 16 questions, with a minimum score of 14 and a maximum score of 35. The average score is 28.27, indicating that some MSMEs store financial and non-financial data safely and confidentially and they are helped by the information system accounting in improving business performance. In addition, the standard deviation of 4.146 shows how the variables are spread across 100 respondents.
  - d. Quality of Financial Reports (KLK) has 10 questions, with a minimum score of 20 and a maximum score of 50. The average score is 62.16, indicating that several MSME actors present financial reports in a timely and complete manner for decision making and the information produced by financial reports. they honestly describe their efforts. In addition, the standard deviation of 6.535 shows how the variables are spread across 100 respondents.
  - e. As variable In addition, the standard deviation of 6.191 shows how the variables are spread across 100 respondents.

## 4.2 Validity Test

The validity test consists of 2 tests, namely, convergent validity and discriminant validity. The factor that determines convergent validity is based on the loading factor value. In this case, the loading factor value is said to be sufficient as a standard individual reflective measure if the value is  $> 0.5$ . Meanwhile, the discriminant validity value is said to be sufficient if it has a cross loading  $> 0.7$  and the AVE (Average Variance Extracted) value reaches 0.5.

### a. Convergent Validity

Convergent validity is the relationship between indicator scores and construct scores. In the Partial Least Square (PLS) analysis technique, convergent validity can be seen in the outer loading analysis  $> 0.5$ .

**Table 2.** Outer Loading Values

Items	Y	X1	X2	X3	X4
KU1	0.864				
KU2	0.770				
KU3	0.889				
KU4	0.829				
KU5	0.907				
KK1		0.711			
KK2		0.783			
KK3		0.812			
KK4		0.844			
KK5		0.805			
KK6		0.740			
KK7		0.741			
SIA1			0.849		
SIA2			0.820		
SIA3			0.856		
SIA4			0.844		
SIA5			0.819		
SIA6			0.858		



SIA7	0.743
SIA8	0.768
SIA9	0.703
SIA10	0.799
SIA11	0.801
SIA12	0.771
SIA13	0.799
SIA14	0.839
SIA15	0.814
SIA16	0.770
KLK1	0.713
KLK2	0.770
KLK3	0.788
KLK4	0.773
KLK5	0.842
KLK6	0.735
KLK7	0.838
KLK8	0.825
KLK9	0.885
KLK10	0.862
LKD1	0.800
LKD2	0.868
LKD3	0.846
LKD4	0.831
LKD5	0.823
LKD6	0.772
LKD7	0.765
LKD8	0.732
LKD9	0.725

Based on the outer loading and AVE analysis listed in the table above, it was concluded that all the variables used in this research met the requirements for convergent validity.

b. Discriminant Validity

The results of discriminant validity testing can be determined using cross loading and AVE values. In discriminant validity testing, an indicator is considered to meet the requirements if the value of the indicator's cross loading on the variable is the largest when compared to other variables and the AVE value is  $> 0.5$ .

**Table 3.** Cross Loading Values

Items	Y	X1	X2	X3	X4
KU1	<b>0.864</b>	0.508	0.483	0.501	0.375
KU2	<b>0.770</b>	0.528	0.485	0.485	0.405
KU3	<b>0.889</b>	0.647	0.580	0.525	0.459
KU4	<b>0.829</b>	0.489	0.495	0.500	0.309
KU5	<b>0.907</b>	0.552	0.509	0.504	0.395
KK1	0.431	<b>0.711</b>	0.519	0.443	0.410

KK2	0.553	<b>0.783</b>	0.564	0.555	0.431
KK3	0.531	<b>0.812</b>	0.756	0.670	0.639
KK4	0.545	<b>0.844</b>	0.696	0.676	0.540
KK5	0.525	<b>0.805</b>	0.711	0.630	0.439
KK6	0.406	<b>0.740</b>	0.532	0.509	0.393
KK7	0.481	<b>0.741</b>	0.577	0.535	0.500
SIA1	0.433	0.666	<b>0.849</b>	0.657	0.544
SIA2	0.485	0.645	<b>0.820</b>	0.594	0.503
SIA3	0.451	0.712	<b>0.856</b>	0.684	0.565
SIA4	0.456	0.680	<b>0.844</b>	0.634	0.534
SIA5	0.408	0.641	<b>0.819</b>	0.616	0.551
SIA6	0.529	0.721	<b>0.858</b>	0.685	0.607
SIA7	0.507	0.614	<b>0.743</b>	0.558	0.450
SIA8	0.501	0.640	<b>0.768</b>	0.659	0.464
SIA9	0.452	0.532	<b>0.703</b>	0.627	0.553
SIA10	0.507	0.697	<b>0.799</b>	0.690	0.530
SIA11	0.519	0.652	<b>0.801</b>	0.693	0.575
SIA12	0.449	0.579	<b>0.771</b>	0.669	0.548
SIA13	0.485	0.626	<b>0.799</b>	0.693	0.626
SIA14	0.542	0.636	<b>0.839</b>	0.700	0.694
SIA15	0.481	0.675	<b>0.814</b>	0.770	0.642
SIA16	0.477	0.624	<b>0.770</b>	0.727	0.647
KLK1	0.488	0.583	0.699	<b>0.713</b>	0.533
KLK2	0.408	0.512	0.605	<b>0.770</b>	0.473
KLK3	0.502	0.672	0.694	<b>0.788</b>	0.528
KLK4	0.521	0.591	0.637	<b>0.773</b>	0.428
KLK5	0.488	0.580	0.668	<b>0.842</b>	0.441
KLK6	0.370	0.426	0.515	<b>0.735</b>	0.400
KLK7	0.465	0.609	0.719	<b>0.838</b>	0.541
KLK8	0.457	0.618	0.673	<b>0.825</b>	0.497
KLK9	0.464	0.678	0.712	<b>0.885</b>	0.520
KLK10	0.539	0.663	0.715	<b>0.862</b>	0.563
LKD1	0.346	0.481	0.494	0.402	<b>0.800</b>
LKD2	0.468	0.621	0.673	0.552	<b>0.868</b>
LKD3	0.450	0.606	0.623	0.510	<b>0.846</b>
LKD4	0.292	0.424	0.512	0.402	<b>0.831</b>
LKD5	0.344	0.368	0.463	0.397	<b>0.823</b>
LKD6	0.356	0.404	0.522	0.526	<b>0.772</b>
LKD7	0.412	0.606	0.705	0.630	<b>0.765</b>
LKD8	0.269	0.410	0.496	0.474	<b>0.732</b>
LKD9	0.238	0.402	0.461	0.475	<b>0.725</b>

Based on the table above, it is known that all the indicators that make up each variable in this study have a cross loading value of  $> 0.7$ . Apart from that, discriminant validity testing is also seen from the AVE value. All variables in this study have an AVE value  $> 0.5$ . The results of the analysis can be seen in the table below:

**Table 4.** AVE value

Items	Average variance extracted (AVE)
MSME Performance (Y)	0.728
Entrepreneurship Competency (X1)	0.605
Accounting Information System (X2)	0.647
Quality of Financial Reports (X3)	0.648
Digital Financial Literacy (X4)	0.635

Based on the cross loading and AVE values in the table above, it can be seen that all variables in this study have met discriminant validity standards.

#### 4.3 Reliability Test

Reliability testing is carried out to test the level of accuracy and consistency of an instrument and to test its accuracy in measuring constructs. Reliability testing can be determined through the composite reliability value and Cronbach's alpha value for each variable. In this test, a variable is said to meet reliability standards if the composite reliability and Cronbach's alpha values are above 0.7.

**Table 5.** Reliability Test

Items	Cronbach's alpha	Composite reliability
MSME Performance (Y)	0.906	0.930
Entrepreneurship Competency (X1)	0.891	0.914
Accounting Information System (X2)	0.963	0.967
Quality of Financial Reports (X3)	0.939	0.948
Digital Financial Literacy (X4)	0.929	0.940

Based on the table above, it is known that the data for each variable meets reliability standards because the composite reliability and Cronbach's alpha values are above 0.7.

#### 4.4 Determination Coefficient ( $R^2$ )

**Table 6.** R-Square Value

Items	$R^2$
MSME Performance (Y)	0.444

Based on the results of the  $R^2$  calculation in the table above, it can be seen that the value is 0.421. This shows that 44.4% of the MSME performance variables can be influenced by entrepreneurial competence, accounting information systems, quality of financial reports and digital financial literacy, while the remaining 55.6% can be explained by other variables.

#### 4.5 Relevance of Predictions ( $Q^2$ )

A  $Q^2$  value that is greater than zero is used to see the relative influence of the structural model on the observation measurement for the independent variable. This value also provides evidence that the model has predictive relevance.

**Table 7.** Q-Square Value

Items	Q <sup>2</sup>
MSME Performance (Y)	0.381

Based on the results of the Q<sup>2</sup> analysis in table 4.8, it can be seen that the value is 0.381 > 0. This shows that the observation results produced by the model and its parameter estimates are considered to have relevant values and have good goodness of fit.

#### 4.6 Hypothesis Testing

**Table 4.12 Hypothesis Testing**

Items	<i>Original Sample</i>	<i>Sample Mean</i>	<i>STDEV</i>	<i>T Statistics</i>	<i>P Values</i>
<b>X1 – Y</b>	0.408	0.407	0.145	2,813	0.005
<b>X2 – Y</b>	0.100	0.102	0.178	0.566	0.572
<b>X3 – Y</b>	0.193	0.197	0.139	1,387	0.165
<b>X4 – Y</b>	0.017	0.022	0.103	0.163	0.870

- H1: Entrepreneurial Competence influences MSME Performance.  
P-Value =  $0.005 \leq 0.05$ , meaning the hypothesis is **accepted**.
- H2: Accounting Information Systems influence MSME Performance.  
P-Value =  $0.572 \leq 0.05$ , meaning the hypothesis is **rejected**.
- H3: The quality of financial reports affects the performance of MSMEs.  
P-Value =  $0.165 \geq 0.05$ , meaning the hypothesis is **rejected**.
- H4: Digital Financial Literacy influences MSME performance.  
P-Value =  $0.870 \geq 0.05$ , meaning the hypothesis is **rejected**.

## 5. Discussion

### 5.1 The Influence of Entrepreneurial Competency on MSME Performance

Based on the results of research conducted by researchers, it was found that entrepreneurial competence influences the performance of MSMEs. The results of the descriptive analysis show that the lowest STS and TS values were obtained by the KK2 indicator. (I am able to find market opportunities when I want to open a business) and KK3 (I am able to promote my business in an interesting way) of 1% which proves that MSME actors are quite capable of finding their target market when they want to open a business and they have been able to promote their business effectively. interesting way, it is hoped that this will increase the number of sales, profits and customers of the business, thereby improving the performance of the business. MSME players are also capable enough to understand customer needs and desires so that they can develop their business according to market needs and they can build a positive image so as to increase customer confidence in their business. This factor has been the cause of the influence of the entrepreneurial competency variable on the performance of MSMEs.

These results are in line with research conducted by Fitriana et al., (2023) , entitled "The Influence of Entrepreneurial Competence and Entrepreneurial Orientation on Business Performance in MSMEs in Sungai Rumbai District" where in her research it was found that for the entrepreneurial competency variable of MSME actors in Sungai Rumbai District Tassel is included in the good or high category. These findings are also in line with research conducted

by Ludiya & Kurniawan (2020) , which states that the ups and downs of business performance can be determined by the level of entrepreneurial competence possessed by the business owner. The better the entrepreneurial competency, the better the business performance will be. Research conducted by previous researchers also showed the same results.

In research conducted by researchers, based on the results of data processing using SmartPLS 4.0, it was found that the model fit was met and the hypothesis was accepted. This means that entrepreneurial competence has a positive effect on the performance of MSMEs. So it can be concluded, the higher the level of entrepreneurial competence you have, the better the performance of MSMEs will be. That way, MSME players in East Jakarta will have even better business performance.

## **5.2 The Influence of Accounting Information Systems on MSME Performance**

Based on the results of research conducted by researchers, it was found that the accounting information system had no effect on the performance of MSMEs. The results of descriptive statistical analysis show that the highest STS and TS values are in the SIA3 indicator. (The data collection process in the accounting information system that I use is well documented) amounting to 14%, which shows that MSME actors have not used an accounting information system that can document the data collection process well. This makes MSMEs unable to track the financial performance of their businesses and has difficulty making decisions and increases the risk of misrepresentation. Therefore, it is hoped that we can use an accounting information system that can document the collection of financial data well. This factor has been the cause of the lack of influence of accounting information system variables on the performance of MSMEs.

These results are in line with research conducted by Wahyuni et al., (2021) , where the accounting information system did not have a significant influence on the performance of MSMEs in Magelang City. This is the same as research conducted by Firdhaus & Akbar (2022) , which states that people who have not studied and received an understanding regarding the use of complex accounting information systems correctly are one of the reasons for such conditions to occur, resulting in the implementation of accounting information systems that are less effective for their business. The results of data processing using SmartPLS 4.0 show that the model fit is met and the hypothesis is rejected. So it can be concluded, this indicates that whether or not an accounting information system is implemented by MSME actors does not affect the level of MSME performance.

## **5.3 The Influence of Financial Report Quality on MSME Performance**

Based on the results of research conducted by researchers, it was found that the quality of financial reports does not affect the performance of MSMEs. The results of descriptive statistical analysis show that the highest STS and TS values were obtained by the KLK4 indicator. (The information presented in my business financial reports is free from material errors) of 11% means that MSME actors are not capable enough to present business financial reports that are free from material errors. This allows MSMEs to make mistakes in allocating resources and setting selling prices. Apart from that, MSME actors have difficulty managing risks and there is a possibility that stakeholders will lose trust. Therefore, MSME players are expected to be able to study the policies or regulations that regulate accounting recording standards and carry out records in accordance with them, so as to obtain accurate information regarding production costs, cash flow, profit and loss in order to avoid losses. This factor has been the cause of the lack of influence of financial report quality variables on MSME performance.

In research conducted by Ayem & Wahidah (2020) , it is also stated that the reliability of MSME financial reports is still relatively low so that the information is not relevant, so the information has great potential to mislead information users in making decisions. This means that the quality of MSME financial reports is still low and they are less effective in making decisions. The results of data processing using SmartPLS 4.0 show that the model fit is met and the hypothesis is rejected. So it can be concluded, this indicates that whether or not the quality of the financial reports prepared by MSME actors does not affect the level of MSME performance.

#### **5.4 The Influence of Digital Financial Literacy on MSME Performance**

Research conducted by researchers shows that digital financial literacy has no effect on the performance of MSMEs. The results of descriptive statistical analysis show that the highest STS and TS values were obtained by the LKD2 indicator. (I have an understanding of digital asset management, lending and insurance products) and LKD3. (I understand customer rights and protection in digital banks) is 11% which proves that MSME players do not have sufficient understanding of digital asset management, lending and insurance products and they also do not understand customer rights and protection in digital banks, this allows MSME players make the wrong choice of products that suit their needs and they are more vulnerable to fraud and loss. This could happen due to a lack of access to information and education regarding digital financial literacy, an inability to use digital technology, or many MSMEs not trusting digital technology. Therefore, MSME players are expected to be able to learn about digital financial products and understand customer rights and protection at digital banks to avoid fraud, losses and losses. This factor has been the cause of the digital financial literacy variable not having an effect on the performance of MSMEs.

This is in line with research conducted by Mangawing et al., (2023) , which stated that digital financial literacy is not considered important in the field of MSMEs. The results of research conducted by researchers using SmartPLS 4.0 show that digital financial literacy has no effect on the performance of MSMEs. The results of data processing using SmartPLS 4.0 show that the model fit is met and the hypothesis is rejected. So it can be concluded, this indicates that the high or low level of digital financial literacy possessed by MSME players does not affect the level of MSME performance.

### **6. Conclusion, Implication, and Recommendation**

The research results show that entrepreneurial competence as an independent variable is stated to influence the performance of MSMEs. The entrepreneurial competencies and abilities possessed will help business actors to be able to help overcome the business challenges they face and have great potential to improve the performance of MSMEs. The accounting information system as the second independent variable is stated to have no effect on the performance of MSMEs. Implementing an accounting information system that is too complex is not appropriate to the scale of MSMEs and may not provide optimal benefits. The quality of financial reports as the third independent variable is stated to have no effect on MSME performance. This means that the reliability and quality of financial reports is not the main factor in decision making and its relationship to MSME performance. Digital financial literacy as the fourth independent variable was stated to have no effect on MSME performance. This means that knowledge of digital finance is not the main factor that MSMEs really need and its relationship to MSME performance.

This research shows that accounting information systems, quality of financial reports and digital financial literacy are not the main factors that reduce the performance of MSMEs.

On the contrary, this research can provide more information about how entrepreneurial competence plays a very important role in the performance of MSMEs. MSME players who use an accounting information system can prepare good quality financial reports, have the ability to record their expenses and income, and can resolve problems if they experience losses. Accounting information systems help MSMEs to maintain the financial data they have. To improve performance, the preparation of financial reports must be carried out in accordance with applicable standards. If MSMEs use accounting information systems and prepare good financial reports, they will be able to make easier and more effective decisions in various situations because they understand and manage finances correctly.

It is hoped that future researchers will choose a larger sampling technique to represent the population so that the results obtained have good accuracy and can further develop research that can be carried out by replacing or adding other variables that can improve the performance of MSMEs such as human resource capabilities, financial technology, financial inclusion, and other variables that are more relevant and can use new and/or larger research objects.

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