

Determinants of Performance: A Case Study on Micro, Small, and Medium Enterprises in Kampar Regency

Novita Indrawati^{1*}, M. Taufik Kurniawan²

¹Master of Accounting, Universitas Riau, Indonesia

²Departement of Accounting, Faculty of Economics and Business, Universitas Riau, Indonesia

*Correspondence: novita.indrawati@lecturer.ac.id

Research aims: This study aims to determine the effect of the ability to prepare financial statements, entrepreneurial characteristics, innovation, and financial literacy on the performance of micro, small and medium enterprises (MSMEs) in Kampar Regency, Riau Province, Indonesia.

Design/Methodology/Approach: The research method used is quantitative with a survey approach. The population in this study were all MSMEs in Kampar Regency, with a sample size of 150 MSMEs selected using accidental sampling technique. The data collection technique was carried out through distributing questionnaires directly to respondents. Data analysis uses multiple linear regression to test the effect of each independent variable on the dependent variable.

Research findings: The results showed that the ability to prepare financial statements, entrepreneurial characteristics, innovation, and financial literacy had a significant effect on the performance of MSMEs.

Theoretical contribution/Originality: These findings emphasize the importance of increasing the capacity of MSME actors in terms of financial recording, entrepreneurial attitudes, innovation development, and understanding of financial literacy to support improved business performance.

Practitioner/Policy implication: The study recommends that MSMEs need for training and mentoring for MSME actors in financial reporting, strengthening entrepreneurial spirit, enhancing innovation, and improving financial literacy to boost business performance.

Keywords: Business Performance; Entrepreneurial Characteristics; Financial Literacy; Financial Statements; Innovation; MSMEs.

Article History

Submitted:
25 January 2025

Revised:
16 March 2025

Accepted:
22 March 2025



This work is licensed under
a Creative Commons
Attribution 4.0
International License

Citation: Indrawati, N., & Kurniawan, M., T. (2025). Determinants of Performance: A Case Study on Micro, Small, and Medium Enterprises in Kampar Regency. *APPSAI Accounting Review*, 5(1), 50-63

Introduction

Indonesia is one of the 11 member countries of the Association of Southeast Asian Nations (ASEAN) and is part of the ASEAN Economic Community. This condition presents both a challenge and an opportunity for Indonesia to compete in the ASEAN regional market as a flexible and competitive player. Amid this dynamic, Micro, Small, and Medium Enterprises (MSMEs), play a crucial role in the ASEAN economy. This is evidenced by the fact that nearly 86% of economic actors in ASEAN come from the MSME sector (Hidayatullah, 2020).

In Indonesia itself, MSMEs have experienced significant growth and development. The strategic role of MSMEs in national economic growth was reflected in 2023, when MSMEs contributed 60.51% to the gross domestic product and absorbed 96.92% of the national workforce (Limanseto, 2023). To maintain this growth, MSMEs actors undertake various efforts to ensure their businesses develop sustainably. One strategic step is the evaluation or measurement of business performance. This evaluation serves as an important parameter for business actors in determining compensation policies, payroll, and assessing the effectiveness of financial management in achieving business goals (Yanti, 2019).

The government also plays an important role in the development of MSMEs. One such initiative is the enactment of Government Regulation of the Republic of Indonesia Number 7 of 2021, which gives special attention to the empowerment of MSMEs (Sufa, 2023). The aim of MSME development is to enhance contributions to the economic sector, reduce poverty, create jobs, and increase the added value of the national economy (Dewi et al., 2022).

The role of MSMEs in the national economy has also proven resilient to crises. According to data from the Central Bureau of Statistics, the 1997–1998 economic crisis did not significantly affect the sustainability of MSMEs. The number of MSMEs even increased from 85 million to 107 million business units, employing 56.5 million workers in 2012. Of this total, only 0.01% were large enterprises, while the remaining 99.99% were MSMEs. However, around 60–70% of these MSMEs still lack access to banking finance, indicating the sector's vast potential as a market for financial service industries.

The COVID-19 pandemic in 2020–2021 posed a major challenge for MSMEs. The decline in economic activity hampered the performance of this sector. However, MSMEs demonstrated strong resilience, as stated by the Ministry of Cooperatives and SMEs, noting that in 2022, the number of MSMEs rose again by 8.71 million units.

Table 1 Number of MSMEs in Kampar Regency

Year	Classification		Number of MSMEs
	Micro	Small	
2019	4,122	2,112	6,234
2020	8,124	3,466	11,590
2021	13,362	5,018	18,380
2022	13,515	5,066	18,581
2023	14,065	5,066	19,131

Source: Department of Trade, Cooperatives, and MSMEs of Kampar, 2024

Based on Table 1, which presents the number of MSMEs in Kampar Regency by administrative level, data from the Department of Trade, Cooperatives, and MSMEs of Kampar shows a positive growth trend. In 2019, there were 6,234 MSME units, which increased significantly to 11,590 in 2020, then to 18,380 in 2021, 18,581 in 2022, and reached 19,131 units in 2023. However, this quantitative growth has not been accompanied by significant operational improvements, particularly in the small enterprise sector. According to Purwanto, an Intermediate Statistician at Central Bureau of Statistics Kampar, many economic actors ceased production due to a lack of facilities, competitiveness, and supporting infrastructure (Indrayani & Rashied, 2023).

This statement aligns with the work plan amendment of the Kampar Regency Department of Trade, Cooperatives, and MSMEs, which highlights various obstacles to MSME development in the region. Some of the main challenges include limited infrastructure and supporting facilities for MSMEs, as well as inadequate operational tools. Additionally, the dynamics of national regulatory changes and tight competition in the globalization era present further challenges. The rapid development of information technology also adds to the burden, especially with the uneven access to telecommunications services in the area.

This situation has prevented MSMEs from playing an optimal role in the economy. Therefore, sustainable efforts are needed to enhance MSME performance. One key player in supporting the improvement of MSME performance is the Indonesian Institute of Accountants, which has established the Financial Accounting Standards for Micro, Small, and Medium Entities. These standards replaced

the previous *SAK-ETAP* and have been effective since January 1, 2018, with early adoption allowed (Irawan et al., 2023).

Performance evaluation of MSMEs involves various aspects such as profitability, liquidity, operational efficiency, and solvency, which are reflected in systematically prepared financial reports to provide accurate insights. Optimal performance is usually indicated by continuous profit growth each year (Tambunan, 2022). This aligns with Hasanaj and Kuqi (2019) in *Intermediate Financial Accounting*, who explains that the purpose of financial statements is to provide information about an entity's financial position, performance, and cash flows that can be used by various parties in making economic decisions.

MSMEs have made efforts to remain competitive by supporting the implementation of Standards for Micro, Small, and Medium Entities. However, there is still a perception that preparing financial reports is burdensome and costly. Some MSME actors also believe that their businesses can operate without adhering to formal accounting systems. According to Putri et al. (2023), the increase in the number of MSMEs is not matched by an improvement in the managerial skills of their owners, leading to the failure of some businesses.

A 2021 survey by Bank Indonesia showed that around 50% of MSMEs in Indonesia faced difficulties in managing their finances, including accounting and cash management. Therefore, the ability to prepare financial reports is very important, as it affects MSMEs performance. Accurate financial reporting helps business actors make appropriate decisions and policies (Tambunan, 2022). Research by Indriastuti and Fachrunnisa (2024) and Sugiarto (2023) supports this view, showing a correlation between the ability to prepare financial reports and MSMEs performance. However, different findings were reported by Anam et al. (2024) and Zulkifli et al. (2023), who concluded that this factor had no significant effect because MSMEs tend to rely more on experience than formal accounting records.

Another factor influencing MSMEs performance is entrepreneurial characteristics, particularly in the context of changing national policies. The uniqueness and distinctiveness of products are crucial as they reflect the creativity and innovation of MSMEs actors (Hasanaj & Kuqi, 2019). This is further supported by findings from Ramadhan (2024), which show that entrepreneurial characteristics positively affect MSMEs performance, especially if those unique features become trends and enhance business image. Kampar Regency, rich in local culture, holds strong potential for developing distinctive MSMEs products.

The increasingly competitive environment of globalization, coupled with rapid technological advancement, demands that MSMEs continue to innovate. Innovation is the key to competitive advantage and a determinant of success in maintaining business sustainability (Sugiarto, 2023). Research by Dewantoro et al. (2023), Herlambang (2023), and Zarefar et al. (2021) confirmed that innovation positively affects MSME performance. Conversely, Joko et al. (2022) found that innovation does not significantly impact MSME performance.

Understanding how to prepare financial statements, innovation capability, and entrepreneurial characteristics are crucial assets for MSME actors in achieving success. These factors are indirectly influenced by the level of financial literacy among MSME actors. According to Dahmen and Rodriguez (2014), financial literacy is a critical foundation for preparing financial reports and recognizing market trends. Financial literacy also facilitates access to funding sources (Hidayatullah, 2020).

The issue of financial literacy in Indonesia remains a concern, as public understanding is relatively low. According to a survey by the Financial Services Authority (OJK) in 2022, only about 38.92% of Indonesians have financial literacy. Therefore, raising awareness about the importance of financial

literacy is necessary to achieve long-term prosperity (Sugiarto, 2023). Financial literacy influences how individuals understand financial conditions as reflected in financial reports and plays a role in strategic decision-making (Hidayatullah, 2020). Studies by Amin and Pamungkas (2022), Azizah and Zulvia (2023) showed that financial literacy affects MSMEs performance, while Ilarrahmah and Susanti (2021) reported the opposite.

Several previous studies have discussed various factors influencing MSMEs performance. Among them are studies by Anam et al. (2024), Herlambang (2023), and Hidayatullah (2020). As a reference, this study adopts the research by Zarefar et al. (2021). This current research expands on that study with two main differences. First, the researcher replaces the variable of entrepreneurial orientation with entrepreneurial characteristics, as it better aligns with real conditions in the research location. Second, the difference lies in the location and object of study: while the previous research focused on MSMEs in Kuantan Singingi Regency, this study will concentrate on MSMEs in Kampar Regency, Riau Province.

This study aims to contribute to the existing body of knowledge by examining the influence of financial literacy, the ability to prepare financial statements, innovation, and entrepreneurial characteristics on the performance of MSMEs in Kampar Regency, Riau Province. By shifting the focus from entrepreneurial orientation to entrepreneurial characteristics, this research seeks to provide a more contextually relevant understanding of MSME dynamics in the region. The findings are expected to offer practical insights for policymakers, business development institutions, and MSME actors in formulating strategies that enhance competitiveness and sustainability. Furthermore, this study addresses a research gap by exploring these factors within the unique socio-economic and cultural context of Kampar, which has been underrepresented in prior studies.

Literature Review and Hypotheses Development

MSME actors who demonstrate the ability to make, understand, and analyze financial reports can easily understand the performance of MSMEs that are happening in a certain period related to the business being run (Ilarrahmah & Susanti, 2021). The ability to compile financial reports is a person's ability to process data and collections of financial data properly and regularly and is useful for providing information about the performance or profit of a company during a certain period of time (Hidayatullah, 2020).

The organization of financial reports is one of the most important measuring tools in the performance of MSMEs to determine the success or failure of a business. MSME actors who do not make accounting records and financial reporting correctly will find it difficult to assess the performance of MSMEs. This is related to the Flexible Specialization theory, namely the ability to prepare financial reports is seen as a benefit that can help improve the performance of MSMEs, good financial reports can be an important record for evaluating MSME finances so that decisions can be made more wisely. It is concluded that the better the ability of MSME actors in preparing financial reports, the performance of MSMEs will improve (Sugiarto, 2023).

Based on research conducted by previous research's revealed that the ability to prepare financial reports affects the performance of MSMEs (Zarefar et al., 2021; Ilarrahmah & Susanti, 2021; Al Idrus et al., 2023; Sufa, 2023; Zulkifli et al., 2023; Anam et al., 2024). Based on the description and explanation above, the following hypothesis can be formulated:

H₁: The Ability to Prepare Financial Statements affects the Performance of MSMEs.

Empirically, MSMEs performance can be influenced by entrepreneurial characteristics. Personal uniqueness for MSMEs actors is an overview of entrepreneurial characteristics that are key in maximizing the efficiency of MSMEs actors in thinking more positively to create creativity (Mukoffi & As'adi, 2021).

Entrepreneurial characteristics are important for business actors to be able to create an innovative breakthrough to maintain the stability of MSME performance (Subagyo & Ernestivita, 2020). In relation to the Flexible Specialization theory, it explains that the existence of entrepreneurial characteristics creates MSMEs that understand market trends and have unique characteristics and values that attract consumer interest. MSMEs actors who have the enthusiasm to move forward must be balanced with a creative and innovative spirit that can create good MSMEs performance revealed that entrepreneurial characteristics affect the performance of MSMEs. Based on research conducted by previous research (Iskandar et al., 2020; Mukoffi & As'adi, 2021; Herlambang, 2023; Putri et al., 2023; Anam et al., 2024; Pramono et al., 2024). Based on the description above, the following hypothesis can be formulated:

H₂: Entrepreneurial characteristics affect the performance of MSMEs.

The performance of MSMEs can increase influenced by several factors, one of which is the innovation of ideas in using technology in the process (Sugiarto, 2023). Innovation is an action taken by a company or business in developing new concepts, experiments, novelty, and creativity for products or services to be provided (Christian & Merisa, 2020). Innovation is not only related to creativity in producing a service or product, but can also create new processes so that it is seen as providing better effectiveness in influencing the performance of MSMEs to be able to compete.

In connection with the Flexible Specialization theory, it encourages innovation to create dynamically in the face of market demand. Good innovation and being able to create a novelty plays an important role in entrepreneurship. Novelty in new products, new processes, or new ways of serving and administration can attract interest from consumers. Business actors who are able to provide good innovation will have a positive impact on the development of MSMEs that are run. Several studies conducted by previous research show the results that innovation affects the performance of MSMEs (Zarefar et al., 2021; Herlambang, 2023; Dewantoro et al., 2023; Putri et al., 2023). Based on the description and analysis above, the following hypothesis can be formulated:

H₃: Innovation affects the performance of MSMEs.

Knowledge of how to manage and design finances is called financial literacy. Financial literacy can be broadly defined as knowledge of financial conditions that can affect financial decisions made by households. Good knowledge of these financial conditions will allow you to make high-quality purchasing decisions and minimize the possibility of making wrong decisions related to financial and economic matters (Hidayatullah, 2020).

The Association of Chartered Certified Accountants formulates that the concept of financial literacy includes understanding financial concepts, the ability to manage personal and corporate finances, and the ability to make the right financial choices (Sugiarto, 2023). MSMEs as the main driver in Indonesia with the amount of labor absorption have an important role in the country's economy. The development of the informal sector (MSMEs), which has an impact on increasing middle-class incomes, is the fastest way to drive the economy in emerging markets. Flexible Specialization theory explains that the relationship between MSME actors who are able to improve financial literacy can make MSME

performance increase. In this study, it is expected that an increase in financial literacy will be able to improve the performance of MSMEs so that economic growth in Indonesia will continue to develop rapidly. The financial literacy variable has previously been studied by previous research showing the effect of financial literacy on MSME performance (Aribawa, 2014; Zarefar et al., 2021; Joko et al., 2022; Azizah & Zulvia, 2023; Istan, 2023). Based on the description above, the following hypothesis can be formulated:

H₄: *Financial literacy affects the performance of MSMEs.*

Figure 1 illustrates the research model based on the description that has been presented previously.

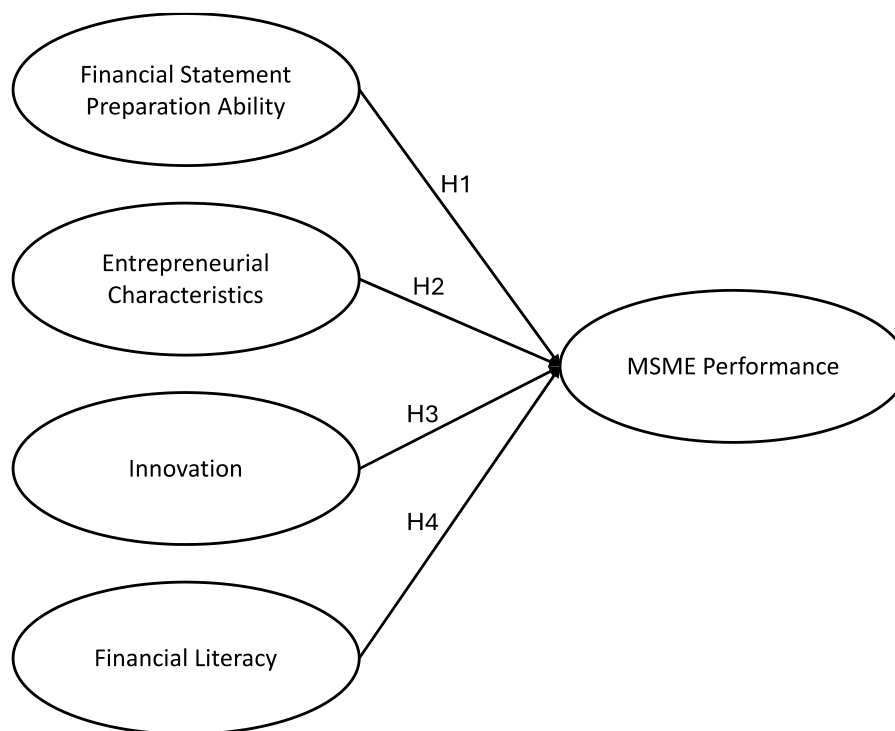


Figure 1 Research Model

Methodology

This study employs a quantitative research method to gather data from MSMEs registered at the Office of Trade, Cooperatives, and MSMEs in Kampar Regency, Riau, Indonesia. The sampling technique used is accidental sampling, resulting in a total of 97 respondents. Primary data were collected directly from MSME owners through a questionnaire survey focusing on the research variables, namely financial statement preparation ability, entrepreneurial characteristics, innovation, financial literacy, and MSME performance.

Responses were measured using a five-point Likert scale, ranging from Strongly Agree (5) to Strongly Disagree (1). The study includes five variables, with four independent variables (financial statement preparation ability, entrepreneurial characteristics, innovation, and financial literacy) and one dependent variable (MSMEs performance).

The analysis method used is multiple linear regression. Prior to hypothesis testing, classical assumption tests were conducted to ensure the data were normally distributed and the regression model did not suffer from issues such as autocorrelation, multicollinearity, or heteroscedasticity. Descriptive statistics,

including mean, median, maximum, minimum, standard deviation, and variance, were used to provide an overview of the data.

The coefficient of determination (R^2) was used to determine how much variance in the dependent variable could be explained by the independent variables (Ghozali, 2018). Hypothesis testing was carried out using the t-test to evaluate the influence of each independent variable on the dependent variable, with a significance level of 0.05 (Ghozali, 2018). The F-test was also performed by comparing the calculated F-value with the F-table value, using the same level of significance.

The multiple linear regression equation used in this study is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e \dots (1)$$

Where Y is MSME Performance (dependent variable), α is constant, β_1 – β_4 is regression coefficients for each independent variable, X_1 is financial statement preparation ability, X_2 is entrepreneurial characteristics, X_3 is innovation, X_4 is financial literacy, and e is Error term.

Results and Discussions

Based on Table 2, it can be explained that the majority of MSMEs actors in Kampar Regency have been running their business for 1–5 years (68%), indicating that most respondents are in a developed stage but have not been established for long. Another 20.6% have been in business for 6–10 years, while only 2% have been operating for less than a year, and 9.4% have been in business for more than 10 years. In terms of sales, 60% of respondents have monthly sales under IDR 25 million, while the remaining 40% are within the range of IDR 25 million to IDR 208 million. No respondents reported sales over IDR 208 million per month, which suggests that their businesses are still categorized as micro to small. Meanwhile, their net worth also reflects the same, with 78% of respondents having a net worth of less than IDR 50 million, and only 22% falling within the range of IDR 50 million to IDR 500 million. No respondents reported a net worth exceeding IDR 500 million. Overall, this data shows that most respondents are micro and small-scale MSME actors with limited capital and income, but with considerable business experience.

Table 2 Characteristics of Respondents

Characteristics	Quantity	(%)
<i>Gender</i>		
Male	72	48.00
Female	78	52.00
Total	150	100.00
<i>Age</i>		
Under 25 years	8	6.00
26–40 years	67	44.00
41–55 years	71	47.00
Above 56 years	4	3.00
Total	150	100.00
<i>Education</i>		
Primary School	1	0.60
Junior High School	4	2.70
Senior High School	26	17.40

Table 2 Characteristics of Respondents (Cont.)

Characteristics	Quantity	(%)
Diploma	9	6.00
Bachelor's Degree	109	72.70
Others	1	0.60
Total	150	100.00
<i>Business Duration</i>		
Less than 1 year	3	2.00
1–5 years	102	68.00
6–10 years	31	20.60
11–15 years	10	6.70
More than 15 years	4	2.70
Total	150	100.00
<i>Monthly Sales</i>		
< Rp25,000,000	90	60.00
Rp25,000,001 – Rp208,333,333	60	40.00
> Rp208,333,334 – Rp4,166,666,666	0	0.00
Total	150	100.00
<i>Net Worth</i>		
< Rp50,000,000	117	78.00
Rp50,000,001 – Rp500,000,000	33	22.00
> Rp500,000,000	0	0.00
Total	150	100.00

Source: Processed Data, 2024

Based on Table 3, the descriptive statistics from 150 MSMEs respondents in Kampar Regency show that the highest average is found in the financial literacy variable, with a mean of 30.100, indicating that the respondents have a good understanding of finance. This is followed by the innovation variable with a mean of 26.09, and MSME performance at 25.92, which reflects a fairly stable business performance. The ability to prepare financial statements has a mean of 25.57, suggesting that respondents are generally capable of managing financial records. Meanwhile, entrepreneurial characteristics have the lowest average at 22.60, but still indicate the presence of entrepreneurial attitudes and values among MSME actors. All variables have relatively small standard deviations, indicating that the data distribution is fairly even and consistent among the respondents.

Table 3 Descriptive Statistics

Variable	n	Min	Max	Mean	Standard Deviation
MSME Performance	150	21	30	25.92	1.771
Financial Statement Preparation	150	20	30	25.57	1.689
Entrepreneurial Characteristics	150	19	25	22.60	1.559
Innovation	150	19	30	26.09	1.891
Financial Literacy	150	25	35	30.10	1.969

Source: Processed Data, 2024

The Kolmogorov-Smirnov test results for the unstandardized residuals show a Kolmogorov-Smirnov statistic value of 0.066 with a significance value (Asymp. Sig. 2-tailed) of 0.200. Since the significance value is greater than $\alpha = 0.05$, it can be concluded that the residual data is normally distributed, and the normality assumption in this regression model is satisfied.

The multicollinearity test (Table 4) was performed by obtaining the tolerance values for the variables: financial statement preparation (0.568), entrepreneurial characteristics (0.791), innovation (0.537),

and financial literacy (0.590). All these values are above 0.10, indicating that there is no multicollinearity issue among the independent variables. Additionally, the Variance Inflation Factor (VIF) calculations also show values within acceptable limits, with financial statement preparation at 1.760, entrepreneurial characteristics at 1.264, innovation at 1.863, and financial literacy at 1.696. Since all VIF values are below 10, it can be concluded that the regression model in this study is free from multicollinearity issues among the independent variables.

Table 4 Multicollinearity Test

Model	Tolerance	VIF
Financial Statement Preparation	0.568	1.760
Entrepreneurial Characteristics	0.791	1.264
Innovation	0.537	1.863
Financial Literacy	0.590	1.696

Source: Processed Data, 2024

Subsequently, a heteroscedasticity test (Figure 2) was performed using a scatterplot with the Glejser test, where the absolute residuals had values greater than 0.05. The results show that the variables had significant values of 0.059 for financial statement preparation, 0.577 for entrepreneurial characteristics, 0.655 for innovation, and 0.054 for financial literacy. Based on these results, it can be concluded that there are no signs of heteroscedasticity in the regression model of this study, as all variables have significance values exceeding 0.05.

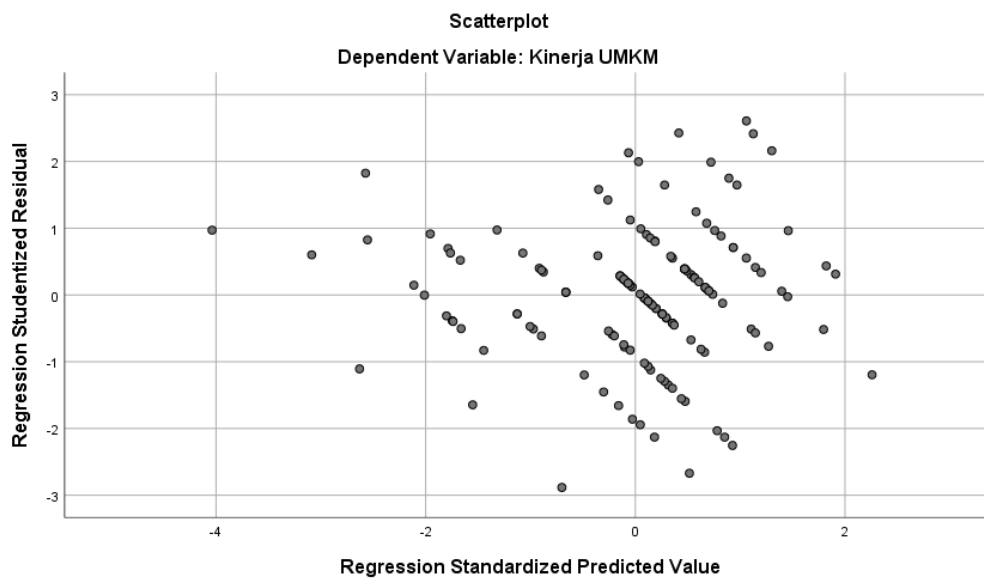


Figure 2 Heteroscedasticity Test Results

The regression equation obtained from Table 5 can be explained as follows: the constant value of -2.324 indicates that if all independent variables (financial statement preparation, entrepreneurial characteristics, innovation, and financial literacy) are zero, the predicted value for MSME performance will be -2.324. Next, the regression coefficient for the variable financial statement preparation is 0.395, indicating a positive and significant relationship. This means that every one-unit increase in this variable will increase MSME performance by 39.5%, assuming the other variables remain constant. The entrepreneurial characteristics variable has a coefficient of 0.333, which also shows a positive influence, so every one-unit increase in entrepreneurial characteristics will improve MSME performance by 33.3%. The innovation variable has a coefficient of 0.171, meaning a one-unit increase

in innovation will raise MSME performance by 17.1%. Finally, the financial literacy variable shows a coefficient of 0.205, indicating that if financial literacy increases by one unit, MSME performance will increase by 20.5%, assuming the other variables do not change. All independent variables in this model have a positive effect on MSME performance. Therefore based on Table 5, the regression equation in this analysis is:

$$Y = -2.324 + 0.395X_1 + 0.333X_2 + 0.171X_3 + 0.205X_4 + e \dots (2)$$

Table 5 Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.324	1.497		-1.552	0.123
Financial Statement Preparation	0.395	0.062	0.377	6.402	0.000
Entrepreneurial Characteristics	0.333	0.057	0.293	5.872	0.000
Innovation	0.171	0.057	0.182	3.013	0.003
Financial Literacy	0.205	0.052	0.228	3.951	0.000

Source: Processed Data, 2024

Based on the data processing results, the calculated F value of 90.888 is greater than the F_{table} value of 2.43 (Table 6). Therefore, it can be concluded that $F_{calculated} > F_{table}$, and the null hypothesis (H_0) is rejected, while the alternative hypothesis (H_a) is accepted. Additionally, the significance level obtained is 0.000, which is smaller than the significance threshold of 0.05. This finding indicates that, simultaneously, the independent variables—financial statement preparation, entrepreneurial characteristics, innovation, and financial literacy—have a significant influence on the dependent variable, MSME performance.

Table 6 F Test Results (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	333.876	4	83.469	90.888	0.000
Residual	133.164	145	0.918		
Total	467.040	149			

Source: Processed Data, 2024

Based on Table 7, the first hypothesis in this study aims to determine whether there is an influence between financial statement preparation and MSME performance. Based on the analysis, the t-calculated value is 6.402, and the significance value (p-value) is 0.000. Since the t-calculated value is greater than the t-table value (1.976) and the p-value is smaller than the significance level of 0.05, it can be concluded that financial statement preparation has a positive and significant effect on MSME performance. This means that the higher the MSME actors' ability to prepare financial statements, the better the performance of their businesses. Therefore, the first hypothesis is accepted.

Table 7 T Test Results

Model	B	t	t table	Sig.	Conclusion
(Constant)		-1.552		0.123	
Financial Statement Preparation	0.395	6.402	1.976	0.000	Supported
Entrepreneurial Characteristics	0.333	5.872	1.976	0.000	Supported
Innovation	0.171	3.013	1.976	0.003	Supported
Financial Literacy	0.205	3.951	1.976	0.000	Supported

Source: Processed Data, 2024

The second hypothesis test was conducted to examine whether entrepreneurial characteristics have an effect on MSME performance. The analysis results show a t-calculated value of 5.872 and a p-value of 0.000. Since the t-calculated value is greater than the t-table value and the significance value is smaller than 0.05, it can be concluded that entrepreneurial characteristics have a positive and significant effect on MSME performance. This means that the stronger the entrepreneurial characteristics of MSME actors, the better their business performance will be. Therefore, the second hypothesis can be accepted.

Next, the third hypothesis test aims to determine the extent to which innovation influences MSME performance. The results show a t-calculated value of 3.013 and a p-value of 0.003. Since the t-calculated value is greater than the t-table value and the p-value is smaller than 0.05, innovation is proven to have a positive and significant effect on MSME performance. In other words, the higher the level of innovation carried out by MSME actors, the better their business performance will be. Therefore, the third hypothesis is accepted.

Finally, the fourth hypothesis tests the effect of financial literacy on MSME performance. Based on the analysis results, a t-calculated value of 3.951 and a p-value of 0.000 were obtained. Since the t-calculated value is greater than the t-table value and the significance value is below 0.05, it can be concluded that financial literacy has a positive and significant effect on MSME performance. This means that the higher the level of financial understanding and management among MSME actors, the better their business performance will tend to be. Therefore, the fourth hypothesis is accepted.

Discussion

The results of this study show that the ability to prepare financial statements has a positive and significant effect on the performance of MSMEs. This finding aligns with previous studies that emphasized the importance of financial reporting skills in improving business outcomes. Ilarrahmah and Susanti (2021) highlighted that MSME actors who have the ability to make, understand, and analyze financial reports can easily evaluate the performance of their business in a certain period. Proper financial reporting serves not only as a tool for accountability but also as a strategic resource for decision-making (Hidayatullah, 2020). Thus, enhancing the financial reporting skills of MSME actors is crucial for improving overall business performance.

The study also confirms that entrepreneurial characteristics significantly influence MSME performance. This supports the assertion by Mukoffi and As'adi (2021) that personal uniqueness and entrepreneurial spirit are critical in fostering innovation and sustaining MSMEs performance. Entrepreneurs with a strong vision, risk-taking ability, and persistence are more likely to recognize opportunities and develop competitive strategies, which in turn enhance business success. Tanubrata and Gunawan (2019) also noted that entrepreneurial traits are key to understanding market dynamics and generating innovation, which ultimately leads to better performance.

Innovation was also found to have a significant positive impact on MSMEs performance, reinforcing the idea that continuous creativity and novelty are essential in today's competitive market. Mamduh (2018) stated that innovation plays a crucial role in enabling MSMEs to use technology and develop processes that enhance performance. Innovation allows businesses to differentiate themselves, improve efficiency, and adapt to changing consumer demands. This finding is in line with Dewantoro et al. (2023), who found that MSMEs implementing innovative strategies tended to show stronger growth and sustainability.

Finally, financial literacy was shown to positively and significantly affect MSME performance. This supports Aribawa (2014), who argued that understanding financial concepts and making informed

financial decisions are critical components of MSMEs success. Financial literacy enables business actors to plan, budget, and manage resources effectively, minimizing risks and ensuring stability. As highlighted by Cole et al. (2010), financially literate entrepreneurs are more likely to contribute positively to economic growth, particularly in emerging markets. These results reaffirm the importance of enhancing financial education among MSMEs stakeholders.

Conclusion

The findings of this study indicate that the ability to prepare financial statements, entrepreneurial characteristics, innovation, and financial literacy have a significant influence on the performance of MSMEs in Kampar Regency. MSMEs actors who possess strong skills in preparing financial statements tend to manage their businesses more systematically and make better-informed decisions, thereby enhancing performance. Entrepreneurial characteristics such as creativity, risk-taking, and an innovative spirit also add value to business operations and strengthen competitiveness. Innovation serves as a crucial factor in driving business growth through the development of new ideas that align with market needs. Additionally, sound financial literacy enables business owners to wisely understand and manage financial aspects, including budgeting, record-keeping, and long-term financial planning. Thus, these four variables play an essential and interconnected role in supporting the progress and sustainability of MSMEs performance.

This study is not without limitations. First, the research was conducted within a specific geographic area—Kampar Regency—so the findings may not be generalizable to MSMEs in other regions with different economic, social, or regulatory conditions. Second, the study employed a quantitative approach, which, while effective for identifying relationships between variables, may not fully capture the depth of behavioral and contextual factors influencing MSME performance. Third, the cross-sectional design limits the ability to observe changes over time. Future studies could benefit from longitudinal approaches, comparative regional analyses, or the inclusion of qualitative methods to gain a deeper understanding of the dynamics at play.

References

- Al Idrus, S., Abdussakir, A., Al Idrus, S., Supriyanto, A. S., Ahmar, A. S., & Kamaluddin, K. (2023). Effect of government role and human resource competence on level of success of small and medium enterprises in East Java province with business performance as mediation variable. *Jurnal Ekonomi Modernisasi*, 19(1), 1–14. <https://doi.org/10.21067/jem.v19i1.8033>
- Amin, S. R. D., & Pamungkas, H. P. (2022). Pengaruh Inklusi Keuangan Dan Literasi Keuangan Terhadap Kinerja Umkm Sub Sektor Usaha Mikro Di Kabupaten Bojonegoro, Jawa Timur. *Jurnal Apresiasi Ekonomi*, 10(3), 377–385. <https://doi.org/10.31846/jae.v10i3.480>
- Anam, A. K., Darmawan, M. A., Yin, H. X., & Aribowo, H. (2024). Analysis of Human Competence Influence, Entrepreneurial Characteristics, Information Technology, Management Accounting System, and Environmental Uncertainty on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Pasuruan City, Indonesia. *Open Journal of Business and Management*, 12(01), 726–747. <https://doi.org/10.4236/ojbm.2024.121039>
- Azizah, S. N., & Zulvia, D. (2023). Pengaruh Inklusi Keuangan dan Literasi Keuangan terhadap Kinerja UMKM di GPR Hj Agus Salim Kota Padang. *Jurnal Valuasi: Jurnal Ilmiah Ilmu Manajemen dan Kewirausahaan*, 2(1), 301–310. <https://doi.org/10.37673/jmb.v2i1.305>
- Christian, M., & Merisa, M. (2020). Peranan Inovasi Sebagai Mediator Terhadap Kinerja Usaha Kecil Menengah Asesoris Gawai Di Roxy Mas Jakarta. *Jurnal Pengabdian dan Kewirausahaan*, 4(1), 66–78. <https://doi.org/10.30813/jpk.v4i1.2082>

- Dewantoro, B., Putranto, A., & Purwanto, H. (2023). Pengaruh Kompetensi Sumber Daya Manusia, Dan Inovasi Produk Terhadap Kinerja UMKM (studi empiris pada UMKM di Kabupaten Wonosobo). *Journal Economic, Management and Business*, 2(1), 60–72. <https://doi.org/10.32699/magna.v2i1.4153>
- Dewi, L. K. C., Antari, S., & Yuni, H. K. (2022). Peran Inovasi Produk dalam Memediasi Pengaruh Entrepreneurial Marketing Terhadap Daya Saing UMKM di Desa Petak Gianyar Bali. *Jurnal Bisnis Dan Kewirausahaan*, 18(2), 94-101. <https://doi.org/10.31940/jbk.v18i2.94-101>
- Ghozali, I. (2018), *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25*, (9th ed). Semarang: Badan Penerbit.
- Hasanaj, P., & Kuqi, B. (2019). Analysis of financial statements. *Humanities and Social Science Research*, 2(2). <https://doi.org/10.30560/hssr.v2n2p17>
- Herlambang, R. (2023). Pengaruh Orientasi Kewirausahaan, Inovasi Dan Karakteristik Kewirausahaan Terhadap Kinerja Usaha Barbershop Di Kota Pematang Siantar. *Skripsi*. Universitas Medan Area.
- Hidayatullah, I. (2020). Pengaruh Inklusi Keuangan, Literasi Keuangan, Dan Kemampuan Menyusun Laporan Keuangan Terhadap Kinerja Keuangan Umkm Kabupaten Tegal. *Skripsi*. Universitas Pancasakti Tegal.
- Ilarramah, M. D., & Susanti. (2021). Pengaruh Kemampuan Menyusun Laporan Keuangan, Literasi Keuangan Dan Penggunaan Teknologi Informasi Terhadap Kinerja UMKM. *JPEK (Jurnal Pendidikan Ekonomi dan Kewirausahaan)*, 5(1), 51–64. <https://doi.org/10.29408/jpek.v5i1.3327>
- Indrayani, R., & Rashied, F. A. (2023). Pengukuran kinerja UMKM menggunakan balanced score card. *Prosiding CORISINDO 2023*.
- Indriastuti, D., & Fachrunnisa, O. (2024). A Conceptual Model to Improve SME's Digital Innovation Capability: The Role of Digital Adoption and Entrepreneurial Orientation. In *International Conference on Complex, Intelligent, and Software Intensive Systems* (pp. 315-324). Cham: Springer Nature Switzerland. https://doi.org/10.1007/978-3-031-70011-8_29
- Irawan, A., Syafina, L., & Nasution, Y. S. J. (2023). Implementation of Entity Financial Accounting Standards Without Public Accountability (SAK-ETAP) for Freshwater Lobster Cultivating SMEs in Tanjung Morawa District. *Indonesian Journal of Economics and Management*, 3(3), 561-571. <https://doi.org/10.35313/ijem.v3i3.4935>
- Iskandar, Y., Zulbainarni, N., & Jahroh, S. (2020). Pengaruh Karakteristik Usaha dan Wirausaha Terhadap Kinerja UMKM Industri Pengolahan Perikanan di Kabupaten Sukabumi. *Jurnal Riset Ekonomi Manajemen (REKOMEN)*, 4(1), 1–12. <https://doi.org/10.31002/rn.v4i1.2205>
- Istan, M. (2023). The role of government, financial Literacy and inclusion on MSME financial Performance. *Economics and Business Journal (ECBIS)*, 1(2), 87–92. <https://doi.org/10.47353/ecbis.v1i2.15>
- Joko, J. S., Anisma, Y., & Sofyan, A. (2022). Pengaruh Literasi Keuangan, Inklusi Keuangan, Dan Inovasi Terhadap Kinerja Umkm. *CURRENT: Jurnal Kajian Akuntansi dan Bisnis Terkini*, 3(1), 1–10. <https://doi.org/10.31258/current.3.1.1-10>
- Limanseto, H. (2023). Dorong UMKM Naik Kelas dan Go Export, Pemerintah Siapkan Ekosistem Pembiayaan yang Terintegrasi. *Kementrian Koordinator Bidang Perekonomian Replublik Indonesia*.
- Pramono, A., Mulyati, D. J., & M. Nasution, U. C. (2024). Pengaruh Lingkungan Bisnis dan Karakteristik Kewirausahaan Terhadap Kinerja Usaha Mikro Kecil di Pasar Kodam Brawijaya Surabaya. *Jurnal Kewirausahaan Cerdas dan Digital*, 1(3). <https://doi.org/10.61132/jukerdi.v1i3.210>
- Putri, S. Y., Dahmiri, D., & Sari, N. (2023). Pengaruh Karakteristik Wirausaha dan Inovasi Pemasaran terhadap Kinerja Usaha Fashion di Kecamatan Kota Baru Kota Jambi. *Jurnal Dinamika Manajemen*, 11(4), 206-214. <https://doi.org/10.22437/jmk.v11i01.17269>
- Ramadhan, M. G. (2024). Orientasi Kewirausahaan Dan Karakteristik Berwirausaha Terhadap Kinerja Usaha Menengah Kecil Mikro Batik Annur Cirebon. *Skripsi*. Universitas Islam Indonesia.

- Sufa, F. (2023). Kemampuan Menyusun Laporan Keuangan, Motivasi, Dan Etika Bisnis Islam Sebagai Faktor Yang Mempengaruhi Kinerja Umkm Di Kabupaten Jepara. *Skripsi*. Universitas Islam Sultan Agung
- Subagyo, K. V., & Ernestivita, G. (2020). Entrepreneurial parameters and performance of MSMEs in East Java province of Indonesia. *International Journal of Business Innovation and Research*, 23(2), 267-282. <https://doi.org/10.1504/IJBIR.2020.110102>
- Sugiarto, E. A. (2023). The Influence of Financial Literacy, Ability to Compile Financial Reports, and Use of E-commerce on MSME Performance. *Skripsi*. Universitas Islam Indonesia.
- Tambunan, T. T. (2022). Recent development of micro, small and medium enterprises in Indonesia. *International Journal of Social Sciences and Management Review*, 6(01), 193-214. <https://doi.org/10.37602/IJSSMR.2022.6112>
- Yanti, W. I. P. (2019). Pengaruh inklusi keuangan dan literasi keuangan terhadap kinerja UMKM di kecamatan moyo utara. *Jurnal Manajemen Dan Bisnis*, 2(1). <https://doi.org/10.37673/jmb.v2i1.305>
- Zarefar, A., Oktari, V., & Zarefar, A. (2021). Pengaruh orientasi kewirausahaan, inovasi, kemampuan menyusun laporan keuangan dan literasi keuangan terhadap kinerja UKM. *Kajian Akuntansi*, 22(2), 148-161.
- Zulkifli, Z., Prasetyo, A. S., & Perwitasari, A. P. (2023). Pengaruh Jenjang Pendidikan Dan Kemampuan Menyusun Laporan Keuangan Terhadap Kinerja Operasional Umkm. *Jurnal Riset Akuntansi dan Bisnis Indonesia*, 3(1), 214–231. <https://doi.org/10.32477/jrabi.v3i1.683>