

UDC 332

THE EFFECT OF FINANCIAL INCLUSION AND FINANCIAL LITERACY ON THE PERFORMANCE AND SUSTAINABILITY OF MSMEs IN GIANYAR DISTRICT

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ABSTRACT

MSMEs in Gianyar Regency have a significant role in supporting the community's economic growth. The sustainability of MSMEs in Gianyar Regency is an important thing that needs attention. Financial inclusion, financial literacy and the performance of MSMEs are factors that affect the sustainability of MSMEs. The purpose of this study was to examine the effect of financial inclusion and financial literacy on the performance of MSMEs in Gianyar Regency, to examine the effect of financial inclusion, financial literacy and MSMEs performance on the sustainability of MSMEs in Gianyar Regency and to examine the effect of financial inclusion and financial literacy on MSME sustainability mediated by MSME performance. in Gianyar Regency. The research location is in Gianyar Regency. The object of this research is UMKM in Gianyar Regency. The population in this study amounted to 75,620 SMEs. The number of samples taken was 100 SMEs with the probability sampling method using the proportionate stratified random sampling method. Data was collected by distributing questionnaires. The test analysis technique used is PLS-based SEM. The results of the analysis show that the variables financial inclusion and financial literacy have a positive and significant effect on MSME performance, financial inclusion and financial literacy have a positive and insignificant effect on MSME sustainability, MSME performance has a positive and significant effect on MSME sustainability, MSME performance has a positive and significant mediating role the effect of financial inclusion and financial literacy on the sustainability of MSMEs in Gianyar Regency.

KEY WORDS

Financial inclusion, financial literacy, MSME performance, MSME sustainability, MSME.

The role of trade in economic growth cannot be separated from the important role of Micro, Small and Medium Enterprises (MSMEs). The Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises explains that Micro, Small and Medium Enterprises (MSMEs) are productive economic endeavours carried out by individuals or business entities with differences in certain amounts of wealth and income. MSMEs play an important role in economic development and encourage economic growth in Indonesia. This is because the existence of the MSME sector creates more jobs it increases the employment rate. This can be seen in BPS data regarding the total workforce in August 2021 of 140.15 million people, an increase of 1.93 million people compared to August 2020. The Labor Force Participation Rate (TPAK) increased by 0.03 percentage points.

Another unique point of MSMEs also lies in the ability of MSMEs to survive in a crisis that has occurred where MSMEs in Indonesia are not shaken by the economic crisis, and only MSMEs remain consistent with the crisis, even able to climb up every year (Sarfiah et al., 2019). The existence of MSMEs during the economic crisis until now has made MSMEs one of the main driving factors for the Indonesian economy (Adi, 2008). Data from the Central Bureau of Statistics shows that the number of MSMEs continued to increase after the crisis that occurred in 1997-1998 and was able to absorb 85 million workers, then continued to increase every year even in 2018 the number of MSME actors was 1,271,529 units and then in 2021 it increased again to reach 64.2 million.

Based on data from the Ministry of Cooperatives, Small and Medium Enterprises, it can be seen that the contribution of MSMEs to the Gross Domestic Product (GDP) continues to increase from year to year. The contribution of MSMEs to GDP at current prices in 2019

amounted to IDR 9,580.8 trillion. This contribution rose 5.7% from the previous year which amounted to IDR 9,062.6 trillion. The large contribution of MSMEs is because MSMEs are the majority of contributors from business units in Indonesia. As many as 64.2 million or 99.99% of business units in Indonesia are MSMEs. When compared to Big Enterprises (UB), it is only 5.5 thousand or 0.01% of the total business units in Indonesia.

The sustainability of a business cannot be separated from the performance of business actors who run their business well so good business performance will help the business to be sustainable. As explained by (Tan, et al; 2002) (Kurniawan, 2018) that the performance of a business is one of the most important factors that can support business sustainability. Bali is an area in Indonesia whose tourism has been recognized by people around the world. In addition to tourism, the thickness of customs and the large natural potential of the island of Bali have made the Balinese fulfil their daily needs by establishing MSMEs.

Table 1 – Development of the Number of District/City MSMEs in Bali Province in 2017-2021

No	Regency/City	Year					MSME Growth 2017-2021 (percent)
		2017	2018	2019	2020	2021	
1	Jembrana	10,071	10,525	27,654	24,346	46,277	360
2	Tabanan	38,690	38,980	41,459	42,744	43,715	13
3	Badung	26,863	17,754	19,688	19,261	22,647	-16
4	Gianyar	91,511	91,511	75,412	75,482	75,620	-17
5	Klungkung	9,712	9,712	11,761	14,584	35,792	269
6	Buleleng	11,196	31,563	34,552	34,374	54,489	3
7	Bangli	42,924	43,948	44,068	44,068	44,123	98
8	Karangasem	28,989	38,954	39,551	40,468	57,456	387
9	Denpasar	30,694	30,840	31,826	32,026	32,224	5
Bali		290,650	313,784	325,971	327,353	412,265	

Source: Office of Cooperatives, Small and Medium Enterprises of Bali Province, 2021.

Based on Table 1, it can be observed that the growth of MSMEs in Gianyar Regency occupies the bottom two positions with a yield of -17 percent. This means that the growth rate of MSMEs in Gianyar Regency is the lowest compared to other districts in the Province of Bali. The Office of Cooperatives, Small and Medium Enterprises of the Gianyar Regency revealed that there were indications of an increase and a high number of MSMEs experiencing business development. The following is MSME data in Gianyar Regency.

Table 2 – Number of MSMEs in Gianyar Regency in 2019-2021

Year	Type of business				Amount
	Agriculture	Non-Agriculture	trade	Service	
2019	9.879	27.484	30.253	7.696	75.312
2020	9.894	27.499	30.255	7.764	75.412
2021	9.894	27.507	30.377	7.782	75.560

Source: Office of Cooperatives, Small and Medium Enterprises, Gianyar Regency, 2021.

Based on Table 2, it can be seen that MSMEs in the Regency are dominated by non-agricultural businesses. MSMEs in Gianyar Regency face obstacles in the sustainability of their business; one of the main problems is the problem of financial management (Uma et al., 2017). This means that all business activities and activities in various fields develop more in the type of trading business. The increase in the growth rate of MSMEs in Gianyar Regency has not been matched by its performance. So it raises problems related to the performance of SMEs. Based on the results of initial observations, it was found that the performance of MSMEs in Gianyar Regency was not good enough. This is illustrated by the absence of improvement experienced by MSMEs while developing their business.

Most MSMEs in Gianyar Regency tend to be stuck and just stay in place during their implementation. This information is based on BPS data for the Province of Bali in 2021 which explains that MSMEs in Gianyar Regency occupy the top five positions related to poor business performance. Business performance is everything related to increase, decrease, or

constant related to the business development of MSME actors. The level of business performance is measured based on the total assets and operating profits earned by MSMEs in one period. Being in the top five positions means that the business development of MSME actors in Gianyar Regency tends to experience a decline, or just stagnates.

Table 3 – Performance of MSMEs in Bali Province in 2021

No	Regency/City	Worse Performance	Percentage of Business Performance (percent)
1	Jembrana	5.231	9,61
2	Tabanan	4.308	12,36
3	Badung	4.249	5,62
4	Gianyar	3.594	15,86
5	Klungkung	2.511	5,74
6	Buleleng	2.370	5,12
7	Bangli	1.222	2,76
8	Karangasem	1.067	1,85
9	Denpasar	614	1,71
Total		25.166	100

Source: Central Bureau of Statistics for Bali Province, 2021.

Financial literacy as one of the internal factors for the success of the sustainability and performance of MSMEs is defined by the Financial Services Authority as knowledge, beliefs, and skills that influence attitudes and behaviour in improving decision-making and financial management to achieve prosperity. According to Nelson & Cohen (2011), financial literacy not only helps in understanding various financial instruments but can also solve problems related to access in using financial products which ultimately have an impact on financial inclusion. Leyshon (1998) revealed that having financial literacy means being able to carry out better financial management and supervision. On the contrary, if an individual's level of financial literacy is low, it will affect irrational behaviour in responding to matters related to finance (Mandell, 2011).

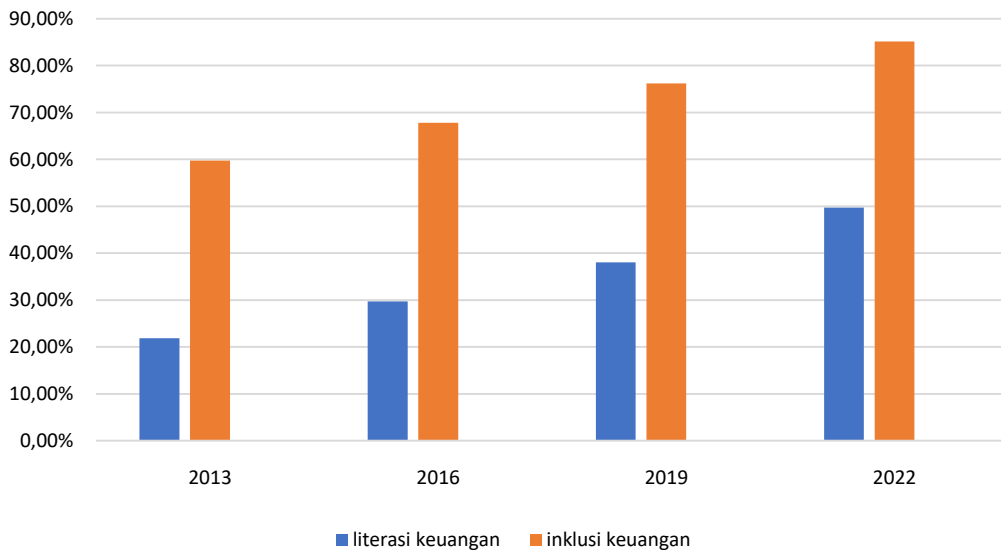


Figure 1 – Indonesia's Financial Literacy and Inclusion Index (Source: OJK, 2022)

Lack of knowledge related to financial literacy in Indonesia is a serious problem and is a challenge for many parties. The importance of financial literacy is not matched by the high level of financial literacy in Indonesia. Based on data obtained from OJK (2022), financial literacy in Indonesia is 49.68 percent. The acquisition of these figures comes from the 2022 National Survey of Financial Literacy and Inclusion. Although the achievement of financial

literacy in 2022 has increased compared to 2019 at 38.03 percent and 2016 at 29.70 percent, this achievement illustrates that the majority of people still do not understand financial literacy. Increasing financial literacy in Indonesia still requires increasing access to financial products to optimize people's financial literacy and maintain utilization after increasing levels of financial literacy.

SNLIK (National Survey of Financial Literacy & Inclusion) in 2022 stated that the level of financial literacy in MSMEs in Bali has not yet reached 75 percent as the standard set, only able to touch 57.66 percent on a national scale (OJK, 2022). Then the problem of financial literacy also occurs in MSMEs in Gianyar Regency. SNLIK (National Survey of Financial Literacy and Inclusion) in 2019 stated that financial literacy in Gianyar Regency only reached 32.4 percent. The low level of financial literacy in MSMEs in Gianyar Regency shows that financial management is not systematically carried out by MSME actors, where there is usually no separation between personal finance and business finance. This causes business development, especially in terms of financial performance, cannot be known clearly (Setyorini et al., 2012). Most MSME actors cannot yet manage their business finances properly, and if this continues in the long term it can have an impact on the sustainability and performance of the MSMEs themselves if there is an increase in business it will be difficult to know because business actors do not know finances. which are personal and which finances are business-owned.

The low financial literacy of MSMEs in Gianyar Regency was also seen when researchers made initial observations by interviewing several MSME business actors in Gianyar Regency regarding financial literacy. From the results of these interviews it can be seen that there are still many MSMEs in Gianyar Regency who do not know the financial condition of their own business, do not have long-term financial goals, do not separate personal finance and business finance, and are easily exposed to fraudulent investment. This is the impact of an indication of low financial literacy. Low financial literacy in the long term will not allow such MSMEs to survive and develop. To avoid this possibility, financial literacy must be increased periodically (Dewi et al., 2020).

In running a business, the effectiveness of financial management depends on the ability and financial knowledge possessed by individuals. For this reason, financial literacy is crucial for every business actor, including MSMEs. Many studies have explained that a person's ability to recognize and access financial institutions will affect the level of business growth (Aribawa, 2016). Referring to this elaboration, this financial literacy variable is an interesting variable to see its role in the sustainability and performance of MSMEs.

Financial inclusion in Bali Province, including Gianyar Regency, is already high, reaching 92 percent. This is because the people's business credit website service, namely kurbali.com, has not been widely reached or accessed by the entire community, including MSMEs in the Province of Bali. So even though KUR uptake in Bali is good, it is not considered optimal (Wiratmini, 2020). However, the 92 percent figure for financial inclusion in the Province of Bali shows that quite a large number of people have access to banking services. Meanwhile, for people who have not or cannot access banking, it can be influenced by several factors, one of which is the geographical condition of each district/city in Bali Province which is different and affects the cost of establishing a banking branch office which tends to be expensive. In addition, the stringent requirements, complex procedures, and high formalities make it difficult for the public to access banking (Bank Indonesia, 2014).

Adriani & Wiksuana (2018) in their research stated that preferences for financial products and services that are quite in demand by people in the Province of Bali are banking products and services. This is based on traditional saving behaviour which is starting to shift and the barriers to opening a savings account are starting to decrease so that preferences in choosing financial service products through banking services are becoming more accessible to the public. While the capital market is a product that is still a little in demand. This is because using the capital market requires good financial literacy, so there are still a few people in the Province of Bali who are accustomed to using capital market products considering the level of financial literacy in Bali is still low. The targets of financial inclusion are all types of community groups covering three dimensions of inclusive finance, namely

access, use, and quality where financial inclusion plays an important role in improving the welfare of the community, especially the lower middle class (Bisnisbali.com, 2021). Referring to the elaboration above, this financial inclusion variable is an interesting variable to see its role in MSME performance.

This study uses the theory of Resource Based View (RBV) because through this theory it can explain the internal and external factors that affect the sustainability of MSMEs which are considered slow by many parties. As for the internal factors that influence performance in this study, financial literacy is related to the knowledge and understanding of MSME actors. MSME sustainability is influenced by MSME performance. The performance of MSMEs which is considered slow can be influenced by the low level of public financial literacy, especially MSME actors. While the external factor is financial inclusion because it is related to financial institutions, where financial inclusion is said to be a way out of capital problems so that it can improve the performance of MSMEs.

The research gap in this study lies in differences in the results of research owned. According to research conducted by Alamsyah (2020), it states that financial literacy and management quality simultaneously affect financial performance at furniture SMEs in Gorontalo City. This statement is inversely proportional to the results of Dermawan's research (2019) which researched the effect of inclusion, literacy and financial management on the performance and sustainability of MSMEs. Brawijaya students state that financial inclusion has no significant effect on the performance and sustainability of MSMEs. This is in line with Wulandari's research (2019) which states that financial literacy and financial inclusion have a significant effect on MSME performance.

METHODS OF RESEARCH

The research design used in this research is quantitative in the form of associative. This research was conducted in Gianyar Regency. This study focuses on studying the variables of financial inclusion, financial literacy, MSME performance and MSME sustainability in Gianyar Regency. The instruments used in this research are observation guidelines, interview guidelines and questionnaires. The population in this study is the entire number of MSMEs in Gianyar Regency. Based on data from the Gianyar Regency Cooperative and MSME Office, the number of MSMEs in the Gianyar Regency in 2021 is 75,620 MSMEs. Based on calculations using the Slovin formula, the number of samples taken was 100 MSMEs in Gianyar Regency. The method of determining the sample is using a probability sampling technique with a proportionate stratified random sampling method and is carried out using lots in sampling. The sampling technique was carried out using accidental sampling and snowball sampling. The independent variables used in this study are financial inclusion and financial literacy. The intervening variable in this study is the performance of MSMEs in Gianyar Regency. In this study, the dependent variable is the sustainability of MSMEs in Gianyar Regency. Data analysis in this study uses the Partial Least Square (PLS) approach.

RESULTS AND DISCUSSION

The theoretical model that has been built within the conceptual framework is then drawn in a flowchart which serves to show the relationship between the exogenous and endogenous variables to be tested. The outer model, namely the specification of the relationship between latent variables and their indicators, also known as outer relations or measurement models, defines the characteristics of the construct with its manifest variables.

Based on Table 4, it can be seen that all values in the convergent validity test are greater than 0.50. Thus it can be stated that the data in this study are valid, meaning that the reflective indicator with the score of the latent variable has a good correlation.

Based on Table 5, it can be seen that all the cross-loading values for each indicator for each variable are greater than 0.50, thus it can be stated that the data in this study are valid,

meaning that the latent variable has become a good comparator for the research model or means that the combined set of indicators is not unidimensional.

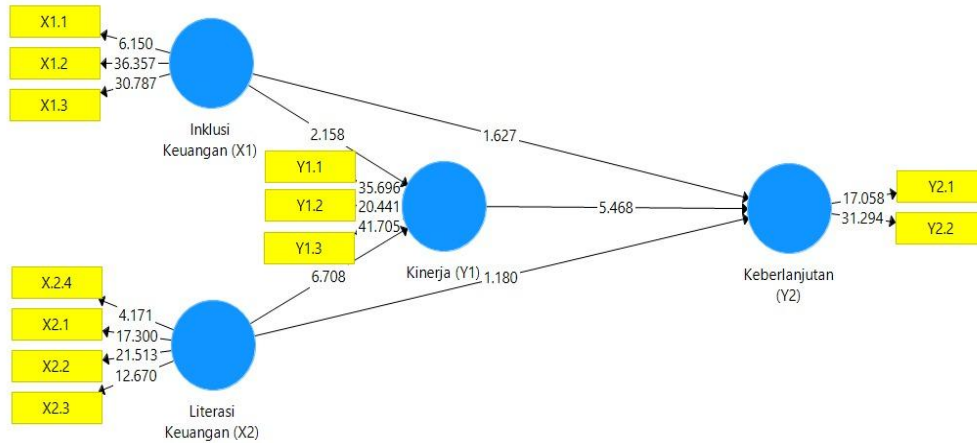


Figure 2 – Measurement Model Source: Primary data processed, 2022

Table 4 – Convergent Validity Test Results

	Financial Inclusion (X ₁)	Financial Literacy (X ₂)	MSME performance (Y ₁)	MSME Sustainability (Y ₂)
X1.1	0,690			
X1.2	0,885			
X1.3	0,861			
X2.1		0,808		
X2.2		0,827		
X2.3		0,776		
X2.4		0,565		
Y1.1			0,890	
Y1.2			0,902	
Y1.3			0,891	
Y2.1				0,866
Y2.2				0,887

Source: Primary data processed, 2022.

Table 5 – Results of Discriminant Cross Loading validity test

	Financial Inclusion (X ₁)	MSME Sustainability (Y ₂)	MSME performance (Y ₁)	Financial Literacy (X ₂)
X.2.4	0.423	0.323	0.431	0.565
X1.1	0.690	0.343	0.373	0.481
X1.2	0.885	0.552	0.546	0.499
X1.3	0.861	0.476	0.524	0.641
X2.1	0.510	0.580	0.597	0.808
X2.2	0.491	0.448	0.532	0.827
X2.3	0.548	0.515	0.594	0.776
Y1.1	0.549	0.707	0.890	0.659
Y1.2	0.566	0.592	0.902	0.656
Y1.3	0.489	0.695	0.891	0.628
Y2.1	0.470	0.866	0.623	0.562
Y2.2	0.528	0.887	0.682	0.552

Source: Primary data processed, 2022.

Table 6 – AVE Convergent Validity Test Results

	Average Variance Extracted (AVE)
Financial Inclusion (X ₁)	0,667
Financial Literacy (X ₂)	0,768
MSME performance (Y ₁)	0,800
MSME Sustainability (Y ₂)	0,564

Source: Primary data processed, 2022.

Based on Table 6 it can be seen that all AVE values of convergent validity are greater than 0.50. Thus it can be stated that the data in this study are valid, meaning that latent variables can explain more than half of the variance of the indicators on average.

Table 7 – Cronbach's Alpha and Composite Reliability Test Results

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Financial Inclusion (X1)	0,749	0,856
Financial Literacy (X2)	0,699	0,869
MSME performance (Y1)	0,875	0,923
MSME Sustainability (Y2)	0,735	0,836

Source: Primary data processed, 2022.

Based on Table 7 it can be seen that all Cronbach's alpha values for each variable are greater than 0.7 and all composite reliability values for each variable are greater than 0.7. Thus it can be stated that the data in the research is reliable.

Table 8 – R-square test results

	<i>R Square</i>	<i>R Square Adjusted</i>
MSME performance (Y1)	0,587	0,574
MSME Sustainability (Y2)	0,550	0,541

Source: Primary data processing, 2023

Based on Table 8, the R-square value for the Financial Inclusion and Financial Literacy variables on MSME performance is 0.587 which shows that it has a large influence of 0.587 x 100 percent = 58.7 percent. The R-Square (R²) value of MSME performance is 0.587, including a strong model, meaning that the Financial Inclusion and Financial Literacy variables can explain the MSME performance variable by 58.7 percent and the remaining 41.3 percent is explained by other factors outside the model. The R-Square value for the Financial Inclusion, Financial Literacy and MSME performance variables on MSME sustainability is 0.550 which shows that it has a large influence of 0.550 x 100 percent = 55 percent. The R-square (R²) value of MSME sustainability is 0.550 which is a strong model, meaning that the Financial Inclusion, Financial Literacy and MSME performance variables can explain the MSME sustainability variable by 55 percent and the remaining 45 percent is explained by other factors outside the model. The q-square calculation can be seen as follows:

$$Q^2 = 1 - [(1-R_1^2) (1- R_2^2)] = 0,814$$

Based on the calculation above, a Q-square value of 0.814 is obtained which is more than 0, so that it can be explained that the model has a predictive relevance value or the model deserves to be said to have relevant predictive value. The results of this test prove that the structural model is classified as very good. Based on the Q² value, it can be interpreted that 81.4 percent of the endogenous constructs can be explained by exogenous construct variations, while the remaining 18.6 percent is explained by other variables that have not been included in the model.

Table 9 – Direct Effect Test Results

	<i>Coefficient</i>	<i>t statistics</i>	<i>P values</i>	<i>Conclusion</i>
Financial Inclusion (X1) -> Performance (Y1)	0,213	2,158	0,031	Sig
Financial Literacy (X2) -> Performance (Y1)	0,584	6,708	0,000	Sig
Financial Inclusion (X1) -> MSME sustainability (Y2)	0,148	1,627	0,104	Not significant
Financial Literacy (X2) -> MSME sustainability (Y2)	0,129	1,180	0,239	Not significant
Performance (Y1) -> MSME sustainability (Y2)	0,563	5,468	0,000	Sig

Source: Primary data processing, 2023.

The hypothesis on the effect of Financial Inclusion on MSME performance produces a regression coefficient value of 0.213, so Financial Inclusion has a positive effect on MSME performance. The P-Values of 0.031 which is less than 0.05 ($0.031 < 0.05$) indicates that Financial Inclusion has a significant effect on the performance of MSMEs. Thus, hypothesis 1 (H1) which states that Financial Inclusion has a positive and significant effect on MSME performance is accepted. The good level of Financial Inclusion of MSME actors in Gianyar Regency has made MSME actors Gianyar Regency able to manage their finances better. A good financial understanding allows MSME actors to carry out their business according to a predetermined program. Financial management so that costs can be lower, able to improve the performance of MSMEs which results in business growth. Business programs compiled by MSMEs are also able to increase demand and meet customer expectations. Financial Inclusion is a way for MSME actors to gain access to proper financial services so that it will have an impact on sales growth, capital, and employment which hopes will increase the profits of MSME actors (Sanistasya et al., 2019). Another research conducted by (Wulandari, 2019) shows that if Financial Inclusion is increased, Financial Inclusion will be able to have a positive and significant impact on the financial performance of a business. In addition, (Febriana, 2021) also states that financial inclusion has a positive and significant impact on the performance of small business businesses.

Testing the hypothesis on the effect of Financial Literacy on MSME performance produces a regression coefficient value of 0.584, so Financial Literacy has a positive effect on MSME performance. The P-Values of 0.000 which is less than 0.05 ($0.000 < 0.05$) indicates that Financial Literacy has a significant effect on the performance of MSMEs. Thus, hypothesis 2 (H2) which states that Financial Literacy has a positive and significant effect on MSME performance is accepted. The results of this analysis are by the Resource Based Theory (RBV) put forward by Barney (1991). This theory provides the view that business actors' resources in the form of Financial Literacy can be a valuable value for the business in achieving a performance advantage and competitive advantage. So that in this study the business performance of the MSME sector is strongly influenced by the level of Financial Literacy it has. This is relevant to research by Apristi (2017) which says that the performance of MSMEs will increase along with an increase in Financial Literacy.

Testing the hypothesis on the effect of Financial Inclusion on MSME sustainability yields a regression coefficient value of 0.148, so Financial Inclusion has a positive effect on MSME sustainability. The P-Values of 0.104 which is greater than 0.05 ($0.104 > 0.05$) indicates that Financial Inclusion has no significant effect on the sustainability of MSMEs. Thus, hypothesis 3 (H3) which states that Financial Inclusion has a positive and insignificant effect on MSME sustainability is rejected. The analysis above is by research (Marginingsih, 2019) which suggests that the ability to adapt technology (fintech) will affect the development of company strategy. The process of adapting to fintech is urgently needed to remove financial inclusion constraints so that financial inclusion no longer hinders MSME business performance. Communities in Gianyar Regency who have adapted fintech in their daily lives have a broad mindset so they can take advantage of existing opportunities to improve their business performance. If the mindset of business people is still limited to short-term business development and limited to traditional access to finance, it will be difficult to develop a business. Therefore, Financial Inclusion in this study no longer has a significant influence on the performance of MSMEs because good fintech implementation has opened the mindset of MSME actors to be wider. This is relevant to the results of research by Dermawan (2019) which states that the level of financial inclusion does not affect the sustainability of MSMEs.

The results of this study are relevant to research by Dermawan (2019) which stated the same thing that the level of financial inclusion of micro-entrepreneurs does not affect business continuity because it all depends on the mindset of the business owner. The results of this study are not by the results of Wulandari, (2019) and Septiani & Wuryani (2020) which state that financial inclusion has a positive effect on the sustainability of MSMEs.

Testing the hypothesis on the effect of Financial Literacy on MSME sustainability produces a regression coefficient value of 0.129, so Financial Literacy has a positive effect on MSME sustainability. The P-Values of 0.239 which is greater than 0.05 ($0.239 > 0.05$)

indicates that Financial Literacy has no significant effect on the sustainability of MSMEs. Thus, hypothesis 4 (H4) which states that Financial Literacy has a positive and insignificant effect on the sustainability of MSMEs is rejected. the application of this financial technology, namely the use of Qris, Funds, and various types of digital pockets that have been implemented especially in the transaction process. So that financial technology can support the financial performance of MSMEs so that MSMEs can develop properly. The problem of relatively low business capital and difficulties for MSME actors in conducting transactions can be resolved with financial technology which can help MSME business actors in Gianyar Regency to obtain business capital and facilitate transactions for MSME business actors which makes their cash flow better. The understanding of MSMEs in Gianyar Regency in applying financial technology in running a business makes Financial Literacy not have a significant effect on the sustainability of MSMEs (Nurohman et al., 2021).

The results of this study are in line with research conducted by Imaniar & Siahaan (2021) which states that the Financial Literacy variable is not supported for the sustainability of MSMEs. The results of this study are not the results of research by Rahayu (2017), Aribawa (2016) and Ye & Kulathunga (2019) which state that Financial Literacy has a positive effect on the sustainability of MSMEs. Research by Anisyah, et al (2021) and Hilmawati & Kusumaningtias (2021) states that Financial Literacy has a positive and significant effect on the welfare of MSMEs.

Testing the hypothesis on the effect of MSME performance on MSME sustainability produces a regression coefficient value of 0.563, then MSME performance has a positive effect on MSME sustainability. The P-Values of 0.000 which is less than 0.05 ($0.000 < 0.05$) indicates that the performance of SMEs has a significant effect on the sustainability of SMEs. Thus, hypothesis 5 (H5) which states that MSME performance has a positive and significant effect on MSME sustainability is accepted. This result is in line with Dwitya's research (2016) which states that there is a significant positive influence on the performance of MSMEs on business continuity. With the conclusion that financial knowledge has a positive impact on the ability to make good financial decisions for the sustainability of the business, this means that it is the performance of MSMEs in terms of financial or production reporting that makes very simple things important for MSME actors to continue their business so that it runs well. This shows that the lower the level of MSME performance, the worse business continuity.

Table 10 – Recapitulation of Mediation Variable Testing Results

Variable Relations	Effect				Conclusion
	(A)	(B)	(C)	(D)	
Financial Inclusion (X1) -> MSME Performance (Y1) -> MSME Sustainability (Y2)	0,120 (Sig.)	0,148 (Not Sig.)	0,213 (Sig.)	0,563 (Sig.)	Full Mediation
Financial Inclusion (X1) -> MSME Performance (Y1) -> MSME Sustainability (Y2)	0,329 (Sig.)	0,129 (Not Sig.)	0,584 (Sig.)	0,563 (Sig.)	Full Mediation

Source: Data Processed Results, 2022.

The performance of MSMEs can mediate the effect of Financial Inclusion on the sustainability of MSMEs. These results are shown from the mediation test conducted, namely the effects A, C, and D have significant values. Thus, the performance of MSMEs can mediate fully (fully mediated) the effect of Financial Inclusion on the sustainability of MSMEs. Based on these results it can be interpreted that the higher the Financial Inclusion, the better the performance of MSMEs, so that in the end, the sustainability of MSMEs will increase. The results of this study support the previous study by Susilawati & Purnyandani (2020) that MSMEs with financial foundations that have easy access to financial institutions will automatically open opportunities to increase the capacity of the businesses they run so that capital structure decisions will be achieved optimally and Market failure caused by information asymmetry can be avoided. Previous research by Dahmen and Rodriguez (2014) is also by the results of this study where the study found the fact that the continuity of MSMEs lies in the hands of business owners when business actors cannot optimally utilize

access and convenience to obtain financial services to develop their business properly, then the potential for this business to experience setbacks is very open.

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CONCLUSION

Based on the results of the research analysis and the results of the discussion in the previous chapter, the conclusions from this study are as follows: Financial inclusion has a positive and significant effect on the performance of MSMEs in Gianyar Regency. This means that if the Financial Inclusion of MSME actors are getting better, the performance of MSME will be higher. Financial Literacy has a positive and significant impact on MSME performance. This means that if the level of Financial Literacy increases, the performance of MSMEs will be higher. Financial Inclusion has a positive and insignificant effect on the sustainability of MSMEs. This means that changes in the level of financial inclusion do not have a significant effect on changes in the level of sustainability of MSMEs. Financial Literacy has a positive and insignificant effect on the sustainability of MSMEs. This means that changes in the level of Financial Literacy do not have a significant effect on changes in the level of sustainability of MSMEs. MSME performance has a positive and significant effect on MSME sustainability. This means that if the performance of MSMEs increases, the sustainability of MSMEs will increase. The performance of MSMEs can fully mediate the influence of Financial Inclusion on the sustainability of MSMEs. The performance of MSMEs can fully mediate the influence of Financial Literacy on the sustainability of MSMEs.

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