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The Influence of Financial Literacy, Financial Inclusion and Innovation on the Financial Performance of MSMEs in the Marble Processing Industry Sector

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Abstract

The main problems faced by MSMEs in the Marble Processing Industry Sector in Campurdarat District are limited business capital, low level of financial knowledge and limited innovation. To maximize financial performance and sustainability of MSMEs, quality and high-value internal resources are needed. This study aims to find out and learn how the influence of financial literacy, financial inclusion and innovation as internal business resources on the financial performance of Marble Stone Industry MSMEs in Campurdarat District, Tulungagung Regency. The research was conducted using a quantitative method and involved as many as 75 samples obtained by the accidental purposive sampling method. The data processing of the questionnaire results was carried out by multiple linear regression analysis through SPSS. The results of the study show that financial literacy and innovation partially have a positive and significant effect on financial performance, financial inclusion has no significant effect on the financial performance of MSMEs, and simultaneously financial literacy, financial inclusion and innovation has a significant positive effect on the financial performance of MSMEs.

Abstrak

Permasalahan utama yang dihadapi UMKM di Sektor Industri Pengolahan Marmer di Kabupaten Campurdarat adalah modal usaha yang terbatas, tingkat pengetahuan keuangan yang rendah, dan inovasi yang terbatas. Untuk memaksimalkan kinerja keuangan dan keberlanjutan UMKM, diperlukan sumber daya internal yang berkualitas dan bernilai tinggi. Penelitian ini bertujuan untuk mengetahui dan mempelajari bagaimana pengaruh literasi keuangan, inklusi keuangan dan inovasi sebagai sumber daya bisnis internal terhadap kinerja keuangan UMKM Industri Batu Marmer di Kecamatan Campurdarat, Kabupaten Tulungagung. Penelitian dilakukan dengan menggunakan metode kuantitatif dan melibatkan sebanyak 75 sampel yang diperoleh dengan metode accidental purposive sampling. Pengolahan data hasil kuesioner dilakukan dengan analisis regresi linier berganda melalui SPSS. Hasil penelitian menunjukkan bahwa literasi dan inovasi keuangan sebagian memiliki pengaruh positif dan signifikan terhadap kinerja keuangan, inklusi keuangan tidak berpengaruh signifikan terhadap kinerja keuangan UMKM, dan sekaligus literasi keuangan, inklusi keuangan dan inovasi memiliki efek positif yang signifikan terhadap kinerja keuangan UMKM.

1. Introduction

The existence of limitations and increasingly fierce competition makes every business always compete in determining the best strategy to improve its business performance. One of the indicators used in assessing business performance is by analyzing financial performance. *Financial performance* or financial performance is a measure of achievement of the results of a series of financial decisions and actions to achieve the financial goals that have been Formulated (Mukarromah et al., 2020).

For developing countries, MSMEs are the main sector that supports the economy and are considered as an economic growth tool that can provide a large number of jobs and increase human development to be able to improve the country's economic development (Appiah et al., 2018). Indonesia also sees MSMEs as a sector that occupies a crucial role in the economy because as many as 90% of economic actors in Indonesia are MSMEs (Widiyati et al., 2018). The number of MSMEs that continue to grow can open up new jobs and increase the absorption of the number of workers. This will have a positive impact on improving the welfare and quality of life of business actors and the workforce involved in it. MSMEs also play a role as one of the main economic pillars in increasing state revenue through the existence of business entity taxes (Natasya & Gardeningsih, 2021), helping to reduce the number of unemployed and alleviate poverty (Kusuma et al., 2021)

Tulungagung Regency is a district with a superior commodity in the form of marble located in the southern part of East Java Province. The marble industry in Tulungagung Regency, especially in Campurdarat District, plays a considerable role in improving the economy and welfare of the community in Tulungagung Regency. According to the story conveyed by the Tulungagung Regency Disperindag, the trend of domestic demand for marble products is still experiencing ups and downs from time to time and tends to decline in recent years. A decline has also occurred in the performance of marble processing MSMEs in Tulungagung Regency in recent years. This decline in performance ultimately also has an impact on *the financial performance* of MSMEs.

Table 1. Marble Sales Data in Tulungagung Regency

Year	Sales amount (m³)
2017	90.412
2018	84.113
2019	83.841
2020	81.721

Source: BPS Tulungagung Regency in 2018-2021 (processed)

According to Herlinawati & Machmud, (2020), problems that often hinder the performance of MSMEs are limited capital, financial managerial aspects, and creativity and innovation which tend to be low. The three main problems are also faced by MSMEs in the Marble Stone Processing Industry Sector in Campurdarat District. From a macro perspective, different conditions are shown by the trend of demand for marble in export commodities which has actually increased (BPS, 2023). However, other obstacles such as increasing raw material prices, difficult export regulations and increasingly tight competition levels are also the cause of the decline in the business and financial performance of MSMEs. Lack of knowledge among SME owners and managers can affect the quality of financial decision-making which in the long run can lead to stunted SME growth (Agyapong & Attram, 2019). This condition causes MSME actors to often have difficulty in making financial planning, making it difficult to determine appropriate and effective financial decisions, and can make it difficult for businesses to adapt to the ever-changing economic environment.

It is very important for MSME actors to have a level *financial literacy* which is adequate to realize the achievement of financial welfare. MSME owners with a level of *financial literacy* who are high tend to be able to make better and quality financial planning and decision-making. Not only that, MSME owners with the level of *financial literacy* who are considered to have better skills in planning and budgeting which can help reduce operational costs, so that they can increase the profits of MSMEs and enable them to make dependent payments and make investments appropriately (Menike, 2019). This description is supported by research Quintiliani et al. (2018), Agyapong &

Attram (2019), Mukarromah et al. (2020), Kusuma et al. (2021), Yakob et al. (2021), Tuffour et al. (2022), Susilo et al. (2022), Wibowo et al., (2022)and Gunawan et al. (2022) which shows that *financial literacy* has an influence on *financial performance* MSMEs. Meanwhile, research by (Naufal & Purwanto, 2022) gives different results where *financial literacy* has no effect on the performance and sustainability of MSMEs.

In addition to problems related to financial literacy, financial problems such as difficult access to financial institutions, limited capital resources, and limited savings are other problems that often afflict MSMEs (Widiyati et al., 2018). In fact, it is not easy for MSMEs to be able to access loans as an effort to increase their capital due to the high level of *unbankble* (does not meet the requirements to make loans at banks) due to poverty gaps, high interest rates, inadequate MSME management, limited financial service distribution channels (Yanti, 2019), to the limited number of MSME collateral and cash flows that tend to be unstable (Brown et al., 2022).

Financial inclusion can be used as a solution to answer various problems for MSMEs in obtaining financial access to run their businesses. *Financial inclusion* It is defined as a system where all market segments, including those that have not been and have not been served before, have the opportunity and can reach access to a variety of basic financial products and facilities such as savings management, loan applications, insurance and investments, to payment and remittance activities in an effective way (Laksmana & Suryadhana, 2019). *Financial inclusion* helping MSMEs in obtaining capital in an easy, safe and affordable way, making it easier for MSMEs to simplify their business processes by making it easier to pay loans, access practical ATM services and make it easier to save savings. *Financial literacy* and *financial inclusion* to be a key element in shaping the success and success of personal finance and the growth of small-scale businesses (Frimpong et al., 2022). Finding a positive influence *financial inclusion* on the performance of MSMEs supported by research conducted by Eton et al., (2021), Kusuma et al., (2021), Wibowo et al., (2022), and Susilo et al., (2022). On the contrary, the results of research conducted by Dermawan, (2019), Azizah & Zulvia, (2019) Hilmawati & Kusumaningtias, (2021), Puspitasari & Astrini, (2021), Jumady et al., (2022), and Maulana et al., (2023) actually explain the absence of influence *financial inclusion* on the performance of MSMEs.

Innovation is also one of the determining factors for the success of MSMEs because innovation plays an important role in building competitive advantages and determining the sustainability of MSMEs. For small businesses, innovation is needed to form products that contain competitive advantage values, streamline business processes, answer market challenges and survive in tight competition. Innovation is also needed for small businesses to compete with competitors with abundant capacity and resources (Saunila, 2020). Research conducted by Donkor et al., (2018), Herlinawati & Machmud, (2020) and Wibowo et al., (2022) supporting the idea that innovation has an influence on the performance of MSMEs. On the other hand, the results of the study (Susilo et al., 2022) shows that innovation has no influence on the performance of MSMEs.

Seeing the background based on *the research gap* in the form of inconsistent previous research results, as well as the existence of several problems faced by MSMEs, this research is very interesting to conduct. The novelty of the year, object and location of the research is a distinguishing factor between this research and previous research.

2. Literature Review

2.1. Resource Based View Theory, Financial Performance, Financial Literacy, Financial Inclusion, dan Innovation

Resource Based View Theory stated by Wernerfelt in 1984 that internal resources and company capabilities are the basis for maximizing performance and achieving competitive advantage. This theory was then developed by Barney (1991) who stated to achieve good financial performance and excel in competition. A company must have important assets, both tangible and intangible assets that usually have rare, valuable, difficult to imitate and replace characteristics, and be able to master and be able to process these resources to the maximum (Barney, 1991). In this study, RBV theory is used as a basis to illustrate that *financial literacy, financial inclusion* and *innovation* as a valuable

internal resource, it has the potential to support efforts in improving performance and achieving competitive advantage in a sustainable manner.

Mukarromah et al., (2020) Define *financial performance* as a series of results obtained from the implementation of financial actions and decisions to achieve the financial goals of a business. Financial performance indicators are described by capital growth, sales turnover growth, and profit growth (Sajuyigbe et al., 2020).

Understanding *financial literacy* expressed by the Organisation for Economic Co-operation and Development (OECD) is a concept that combines awareness, knowledge, behaviour, skills and attitudes, which are needed to make the most precise financial decisions possible intended to achieve the financial well-being of individuals (Molina-garcía et al., 2022). Utomo & Kaujan, (2019) In his research, he stated that one of the basic theories behind the causality relationship between *financial literacy* and *financial performance* or *business performance* be *Resource Based View Theory*. This happens because the level of financial knowledge and skills in the form of the ability to choose, use, manage and set aside financial assets will have implications for the effectiveness of financial strategies and decisions applied by a business which will ultimately have an impact on profitability, development and business continuity (Agyapong & Attram, 2019). Indicator *financial literacy* What is used in the research is knowledge, awareness, skills, attitudes and behaviors (OJK, 2019).

Based on the concept *Resource Based View Theory*, Candraningsih et al., (2022) In his research, he explained that financial performance can be influenced by one of them *financial inclusion*. The Center for Financial Inclusion (CFA) defines *financial inclusion* as a condition where every individual has access to a variety of quality financial products and facilities, accessible at a reasonable, flexible, convenient and respectable price (Al-Eitan et al., 2022). Existence *financial inclusion* as *physical capital resources* can improve the performance and competitive advantage of a business if these resources are able to be utilized and managed optimally by business actors (Aprayuda et al., 2022). When a business has facilities or opportunities and the ability to take advantage of financial inclusion, then they already have an additional capital to be able to defend themselves in an increasingly competitive market. Indicator *financial inclusion* What is used in the research is access, use, quality, and welfare (Yanti, 2019).

Last *innovation* It is also one of the company's resources that plays a major role in achieving improved financial performance and business sustainability. Lawson and Samson quoted from (Saunila, 2020) Declaring the ability to innovate as a capability in changing knowledge and ideas into new products, processes and systems with the aim of meeting the needs of the company and the interests involved. *Innovation* As a type of intangible resource that is included in the category of human capital resources in general, it plays a key element in business survival because it makes the business better when compared to its competitors (Wahyuni, 2019). *Innovation* able to provide a sustainable new direction for a business in achieving sustainability in the midst of threats *immitability* which continuously overshadows the business (Winoto & Hadiwidjojo, 2015).Indicator *innovation* used in the research are product innovation, process innovation and marketing innovation (Herlinawati & Machmud, 2020).

3. Method

This study applies a quantitative approach with the type of causal associative research to explore the relationship between the influence of *financial literacy*, *financial inclusion* and *innovation* on the *financial performance* of a business. The population in this study is the owners of MSMEs in the Marble Stone Processing Industry Sector in Campurdarat District, Tulungagung Regency, totaling 91 MSMEs. Based on the calculation of the Slovin Formula, a research sample of 75 MSMEs was obtained. The *accidental purposive sampling technique* is used in the study to select samples from the entire population. The type of data selected is primary data resulting from the distribution of questionnaires to research samples.

The analysis of research data was applied by utilizing *SPSS 29 for windows software*. The instrument test is carried out through validity and reliability tests. The classical assumption test is applied to find the presence or absence of classical assumption symptoms in a regression model, consisting of a normality test, a multicollinearity test, a heterokedasticity test and an autocorrelation

test. Multiple linear regression is used to examine the extent to which the relationship between independent variables is close when affecting the dependent variable in the study. The formula for multiple linear regression using 3 independent variables is:

Y = a + β₁X₁ + β₂X₂ + β₃X₃ + e

Source: Susilo et al., (2022)

Information:

Y	: Dependent variable (*Financial Performance* UMKM)
a	: Constant
b₁, b₂, b₃	: Variable regression coefficient
X₁, X₂, X₃	: *Financial literacy, Financial inclusion, Innovation*
and	: *Error*

The data analysis was continued by conducting a hypothesis test t (partial), test F (simultaneous), determination coefficient test, and effective contribution test (SE).

4. Results and Discussion

4.1. Result

4.1.1. Validity Test

The validity test is used to measure whether the statement items in the questionnaire are appropriate and valid in expressing the condition of a thing to be measured in the research. The instrument is classified as valid when the value of r is calculated > the value of the table r and the significance value < 0.05. Based on the results of the validity test, it is known that the significance value of all statement items used in the study includes 24 items of financial literacy variable statements, 12 items of financial inclusion variable statements, 9 items of innovation variable statements and 4 items of financial *performance* variable statements < 0.05 and the r value is calculated > r of the table so that all statements have met the valid criteria.

4.1.2. Reliability Test

Reliability tests are used to measure how far the level of consistency and accuracy of statement items in the study is. The reliability value is measured through *the Cronbach Alpha test* where the instrument is called reliable if the reliability output result > 0.6 and includes the non-reliable instrument when the reliability output result < 0.6.

Table 2. Reliability Test Results

No	Variable	Cronbach's Alpha	Reference Value	Information
1	*Financial literacy*	0,915	0,6	Reliable
2	*Financial inclusion*	0,898	0,6	Reliable
3	*Innovation*	0,848	0,6	Reliable
4	*Financial performance*	0,821	0,6	Reliable

Based on the results of the reliability test according to table 2, it was found that *the Cronbach Alpha* value of the variables *financial literacy*, *financial inclusion*, *innovation*, and *financial performance* was above 0.6 so that all items met the reliability criteria

4.1.3. Normality Test

The normality test was applied to determine whether the residual numbers of *the variables of financial literacy*, financial inclusion, innovation and financial performance in a regression model had spread to normal by utilizing the Kolmogorov-Smirnov test. The data distribution is classified as normal when the Asymp value. Sig (2-tailed) > significance of 5% (α = 0.05).

Table 3. Normality Test Results

			Unstandardize d Residual
N			75
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.69641404
Most Extreme Differences	Absolute		.088
	Positive		.088
	Negative		-.045
Test Statistic			.088
Asymp. Sig. (2-taled)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Mr.		.161
	99% Confindence Interval	Lower Bound	.152
		Upper Bound	.171

Based on the results of the normality test according to table 3, it was found that the Asymp value. Sig. (2-tailed) is 0.200 which means that the value is > 0.05 so that it can be ensured that the research data has a normal distribution.

4.1.4. Multicollinearity Test

The multicollinearity test is applied to identify whether there is a relationship between independent variables in a regression model. The VIF value of < 10 and the Tolerance value > 0.10 illustrate the absence of symptoms of multicollinearity.

Table 4. Multicollinearity Test Results

Coefficients[a]							
	Unstandardized coefficients		Standardized coeffisients			Colinearity statistics	
Model	B	Std. Error	Beta	t	Mr.	Tolerance	BRIGHT
(Constant)	2.298	1.994		1.152	.253		
Financial literacy	.074	.036	.316	2.027	.046	.316	3.164
Financial inclusion	.005	.038	.014	0.123	.902	.578	1.729
Innovation	.172	.066	.386	2.585	.012	.344	2.906

Based on the results of table 4, it was obtained that the Tolerance value (TOL) of the three variables > 0.10 and the VIF value of the third variable < 10, so it can be concluded that there is no multicollinearity phenomenon between independent variables.

4.1.5. Heterokedasticity Test

The heterokedasticity test with the glacier test was applied to see if there was a discrepancy between the residual variant and other observations. A significance value (Sig.) > 0.05 indicates the absence of heterokedasticity symptoms in the regression model.

Table 5. Heterokedasticity Test Results

Coefficients[a]					
	Unstandardized coefficients		Standardized coeffisients		
Model	B	Std. Error	Beta	t	Mr.
(Constant)	1.898	1.303		1.456	.150
Financial literacy	-.021	.024	-.189	-.902	.370
Financial inclusion	.000	.025	.001	.009	.993
Innovation	.041	.043	.190	.945	.348

The significance value of each variable is > 0.05 so that it can be determined that there are no heterokedasticity symptoms in the regression model applied in the study.

4.1.6. Autocorellation Test

The autocorrelation test was used to check the attachment of the residual period t with the residual period of the previous period by utilizing the Durbin Watson (DW) test. The condition for withdrawing the decision is dU<d<4-dU which means that there is no autocorrelation.

Table 6. Autocorrelation Test Results

Model	R	Std. Error of the Estimate	Durbin-Watson
1	.675a	1.73188	2.091

Based on the results of the autocorrelation test in table 6 with a value of d = 2.091, as well as the calculation of the decision-making formula of the Durbin-Watson Test with a dU value of 1.7092, it can be seen that the regression pattern applied in the study does not have autocorrelation symptoms because the dU < d < 4 – dU.

4.1.7. Multiple Linear Regression

Multiple linear regression is used to examine the extent of the close relationship between independent variables in influencing dependent variables in research.

Table 7. Multiple Linear Regression Results
Coefficients[a]

Model		Unstandardized coefficients		Standardized coeffisients		
		B	Std. Error	Beta	t	Mr.
1	(Constant)	2.298	1.994		1.152	.253
	Financial literacy	.074	.036	.316	2.027	.046
	Financial inclusion	.005	.038	.014	.123	.902
	Innovation	.172	.066	.386	2.585	.012

Based on the output of the multiple linear regression test contained in table 7, the multiple linear regression model can be prepared as follows.

$Y = 2,298 + 0,074X_1 + 0,005X_2 + 0,172X_3 + e$

A constant value of 2.298 means that if the value of financial literacy (X1), financial inclusion (X2) and innovation (X3) is 0, then the magnitude of financial performance is 2.298.

4.1.8. Hypothesis Test

4.1.8.1. Test t (partial)

The t-test (partial) is applied to test the influence of each independent variable, namely *financial literacy*, *financial inclusion* and *innovation* to the dependent variable in the form of *financial performance* Marble processing MSMEs in Campurdarat District, Tulungagung Regency.

The results of the t-test (partial) in table 7 show that the significance of *the financial literacy variable is* (0.046) < (0.05) where H_0 is rejected, which means that there is a significant influence *of financial literacy* on *the financial performance* of MSMEs. The value of *the financial literacy regression* coefficient = 0.074 means that an increase of X1 by 1 unit will increase *the financial performance* of MSMEs by 0.074 units with an estimated magnitude of X2 and X3 is fixed. The significance of *the variable financial inclusion* (0.902) > (0.05), then H_0 is accepted which means that there is no significant influence between *financial inclusion* on *the financial performance of* MSMEs. This means that no matter how much financial *inclusion* value the business owner has, it does not affect the increase or decrease *in the financial performance* of MSMEs. The significance number of *the innovation* variable is (0.012) < (0.05), so H_0 is rejected which means that *the innovation* variable has an influence on *the financial*

performance of MSMEs. The value of the innovation regression coefficient of 0.172 means that an increase of X3 by 1 unit will increase the *financial performance* of MSMEs by 0.172 units with an estimated size of X1 and X2 is fixed.

4.1.8.2. Test F (Simultaneous)

The F (simultaneous) test was applied to prove the influence of independent variables, namely *financial literacy* (X1), *financial inclusion* (X2), and *innovation* (X3) simultaneously on *the financial performance* (Y) of marble processing MSMEs in Campurdarat District, Tulungagung Regency. The results of the F test are presented in the following table.

Table 8. Test Result F (Simultaneous)

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Mr.
1	Regression	178.588	3	59.529	19.847	<,001ᵇ
	Residual	212.959	71	2.999		
	Total	391.547	75			

Based on the results of the F test contained in table 8, the significance value of F is (<0.01) < (0.05) which means that H_0 is rejected. According to these results, it can be concluded that simultaneously or simultaneously the three independent variables X1, X2, and X3 have a significant influence on *the financial performance* (Y) of MSMEs in the marble processing industry sector in Campurdarat District, Tulungagung Regency.

4.1.8.3. Coefficient of Determination (R²)

The determination coefficient test is applied to identify the extent to which independent variables are able to explain or contribute to dependent variables.

Table 9. Determination Coefficient Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675a	.456	.433	1.73188

Based on table 9, it is found that the Adjusted R Square value is 0.433 or 43.3% which means that the ability of the three independent variables, namely *financial literacy* (X1), *financial inclusion* (X2), and *innovation* (X3) in explaining the dependent variable in the form of *Financial Performance* (Y) is only 43.3%. While the remaining 56.7% was determined by other variables that were outside the study.

4.1.8.4. Effective Contribution (SE)

The Effective Contribution Calculation was carried out to examine which independent variable was able to have the strongest influence on the dependent variable.

Table 10. Results of Effective Contribution Test

HERSELF	IF(X)% = Beta$_x$ x Correlation Coefficient x 100%	Sum	%
Financial Literacy (X1)	0,316 x 0,634 x 100	20,0	43,86%
Financial Inclusion (X2)	0,014 x 0,443 x 100	0,6	1,32%
Innovation (X3)	0,386 x 0,647 x 100	25,0	54,82%
	Total	45,6	100%

Based on the results of the calculation of effective contributions in table 10, it is known that *innovation* has the greatest contribution in influencing the financial *performance variables of* marble processing MSMEs in Campurdarat District, Tulungagung Regency.

4.2. Discussion

4.2.1. The Effect *of Financial Literacy* on *the Financial Performance* of MSMEs

Based on the results of the t-test in table 7, the significance value for *financial literacy* is (0.046) < (0.05) so that the H_0 in this study was rejected. These results illustrate that *financial literacy* proven to be influential on *financial performance* UMKM.

The results of the study confirm the concept in *Resource Based View Theory* which explains that *financial literacy* which is mainly based on the insight, intelligence and expertise of business owners in managing finances and is the company's human capital resource, acting as basic capital for businesses to increase the effectiveness and efficiency of their business (Barney, 1991). The performance and survival of MSMEs rests on the accountability of actors or business owners in optimizing financial policies and controlling their business capital (Agustina et al., 2022). MSME owners who have a level of *financial literacy* TINGGI has a broader insight in financial management so that it can plan, allocate, make decisions, and manage its financial resources appropriately and qualitatively to improve business performance. This statement is in accordance with the opinion Agyapong & Attram (2019) which states the high level of *financial literacy* Owners or managers can create a competitive advantage for a business because it is able to create quality financial decisions. *Financial literacy* helping MSME owners be richer in information in understanding and assessing the various financial services available so that when it can be used properly, it can help MSMEs in overcoming the constraints of limited capital which is often an obstacle to business operations. *Financial literacy* MSME owners also affect the ability of MSMEs to deal with business climate change so that business owners can determine more innovative and flexible financial strategies with business conditions. The increasing knowledge, beliefs, behaviors, attitudes and financial skills of a business will also be followed by an increase in financial performance and profits obtained.

The results of this study are in line with the findings of the research Quintiliani et al. (2018), Agyapong & Attram (2019), Mukarromah et al. (2020), Kusuma et al. (2021), Yakob et al. (2021), Tuffour et al. (2022), Susilo et al. (2022), Wibowo et al., (2022)and Gunawan et al. (2022), which stipulates that *financial literacy* have a positive and significant effect on *financial performance* UMKM.

4.2.2. The Effect of *Financial Inclusion* on *Financial Perormance* of MSMEs

Partial t test results *financial inclusion* has a significance number of (0.902) > (0.05), as a result of which H_0 is accepted which means *financial inclusion* does not have a significant effect on *financial performance* Marble processing MSMEs in Campurdarat District, Tulungagung Regency.

Viewed from a theoretical point of view, this is certainly not in line with the concept of *Resource Based View Theory* which states that *financial inclusion* As an internal business resource in the form of access and financial infrastructure facilities have an influence on business performance and sustainability. The awareness of MSME owners of marble stone processing in Campurdarat District who tend to lack in utilizing *financial inclusion* has an impact on the non-optimal use of financial products and services developed by formal financial institutions such as banks to be able to support the success of *financial performance* Business. The final results of this study are in line with the research Jumady et al., (2022) who explained that the lack of awareness of MSME owners in using financial services will affect the intensity of using financial services to improve the performance of the business being run. As many as 40% of MSME owners have never taken advantage of the existence of *financial inclusion* to obtain capital injections, while the remaining 60% use a lot *financial inclusion* only to save and make financial transactions. The biggest problem faced by the owners of marble processing MSMEs in Campurdarat District is the limited amount of capital, but the existence of *financial inclusion* is not used optimally to overcome these obstacles so that this condition causes *financial inclusion* has no significant impact on improving *financial performance* MSMEs that are run.

The results of the study explained that *financial inclusion* does not have a significant effect on *financial performance* MSMEs are in line with the research carried out by Benefactor, (2019), Azizah & Zulvia, (2019), Hilmawati & Kusumaningtias, (2021), Puspitasari & Astrini, (2021), Jumady et al., (2022)and Maulana et al., (2023).

4.2.3. The Influence of *Innovation* on MSME *Financial Perormance*

The significance value of *the innovation* variable based on table 7 is (0.012) < (0.05). This means that H_0 is accepted so that there is a positive and significant influence of *innovation* on the *financial performance* of marble processing MSMEs in Campurdarat District, Tulungagung Regency.

The results of this study are commensurate with the concept of *Resource Based View theory* which states that *innovation* As human capital resources in the intangible category can affect the financial performance of the business. Innovation is one of the key aspects that every business needs to achieve success and maximize profits. Through the existence of *innovation*, a business tends to be able to adapt to market conditions and be able to adapt to consumer demand that changes over time so that it will have an impact on the increase in the number of demand that will be followed by an increase in sales and business income. In addition, it can increase *financial performance* business through an increase in sales, *innovation* also plays an important role in helping businesses create competitive advantages, win competition in the market, and maintain business sustainability, which these three things are the driving factors in increasing *financial performance* MSMEs in the long term. This explanation is in line with the research Herlinawati & Machmud, (2020) which explains that business performance that includes financial perspectives, growth perspectives, customer perspectives and internal business can be improved through increased innovation in products, processes and distribution.

The results of this study are in line with the research Donkor et al., (2018), Herlinawati & Machmud, (2020) and Wibowo et al., (2022) who both mentioned that *innovation* can have a positive and significant influence on *financial performance* an effort.

4.2.4. The Simultaneous Influence of *Financial Literacy*, *Financial Inclusion* and *Innovation* on *Financial Perormance* of MSMEs

The magnitude of the significance of the F test result (simultaneous) is the value of (<0.001) < (0.05) so that it can be concluded that H_0 is rejected which means that *financial literacy*, *financial inclusion* and *innovation* have a simultaneous influence on *financial performance* MSMEs. When MSME owners have a *financial literacy* high value, then MSMEs will be able to manage and utilize their financial resources optimally to achieve the expected level of profit. This will be able to run more optimally when supported by the use of *financial inclusion* to obtain additional capital, facilitate financial transactions, and make investments to stimulate operations and business performance. The results of the analysis in this study are in line with the opinion Agyapong & Attram, (2019) who explained that a good financial foundation from MSME owners or managers is a significant barometer for the growth of MSME performance and success.

The growth of MSME performance will not be able to be maximized if it is not accompanied by innovation because innovation is a long-term investment implication to improve financial performance and profits obtained by the business. This explanation is reinforced by research Hanaysha et al., (2019) who explained that the existence of complex innovation capabilities that include product innovation, service innovation, process innovation and marketing innovation can increase the development of SMEs effectively and sustainably.

5. Conclusion

Based on the above discussion points, it can be understood that: 1) *financial literacy* has a positive and significant effect on *the financial performance* of MSMEs, 2) *financial inclusion* does not have a significant effect on *the financial performance* of MSMEs, 3) *innovation* has a positive and significant effect on *the financial performance* of MSMEs, 4) simultaneously *Financial literacy*, *financial inclusion* and *innovation* have a significant effect on *the financial performance* of MSMEs, 5) *Innovation* has the largest portion in influencing *the financial performance* of MSMEs.

From the findings in the study, it is recommended that MSME owners continue to strive to improve *financial literacy* and innovation intensity to achieve success and improve the *financial performance* of their business. MSME owners need to maximize the use and utilization of *financial performance* to overcome the problem of limited capital. In addition, MSME owners must also pay attention to external factors such as the price of raw materials, the level of competition and always

try to adjust business operations to applicable regulations. Suggestions to formal financial institutions to continue to improve financial education and socialization, and socialization and assistance are also needed by DinKopUMKM and Disperindag to MSME actors to increase awareness and confidence of MSME actors in utilizing *financial inclusion*. The convenience and supervision of the implementation of export regulations also need to be improved by the government to facilitate the export performance of marble products and increase business profits.

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