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The Effect of Financial Literacy, Financial Management, Human Resource Competence, Capital and Marketing Strategy on the Performance of Small and Medium-Sized Enterprises

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ABSTRACT
Title: The Influence of Financial Literacy, Financial Management, Human Resource Competence, Capital, and Marketing Strategy on MSME Performance. This study aims to analyze the influence of financial literacy, financial management, human resource competence, capital, and marketing strategy on the performance of Micro, Small, and Medium Enterprises (MSMEs). The research was motivated by the low level of financial management skills and limited access to capital, which affect business performance. The research employed a quantitative approach using multiple linear regression analysis. Data were collected through questionnaires distributed to MSME owners in (insert location, e.g., Yogyakarta City), involving (e.g., 155) respondents. Validity, reliability, and classical assumption tests were conducted to ensure the model's accuracy. The results show that simultaneously, financial literacy, financial management, human resource competence, capital, and marketing strategy have a significant effect on MSME performance, with a coefficient of determination (R^2 = 0.699). Partially, capital, and marketing strategy have a positive and significant effect, while financial literacy, financial management and human resource competence show no significant influence. Capital is identified as the most dominant factor influencing MSME performance. This study concludes that strengthening financial literacy, improving access to capital, and adopting adaptive marketing strategies are the key drivers of MSME success and competitiveness in the digital era

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a very important role in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the Gross Domestic Product (GDP) and absorb more than 97% of the workforce in Indonesia (KemenkopUKM, 2023). However, the competitiveness and resilience of MSMEs still face various challenges, particularly in terms of financial literacy, resource management, and business strategy.

One of the fundamental challenges faced by MSMEs is the low level of financial literacy among business owners. Financial literacy affects the ability of MSME actors to make appropriate financial decisions, manage cash flow, and access financing (Purwanti et al., 2023; Azizah & Putri, 2022). Research by Gunawan & Lestari (2024) shows that MSME actors with high financial literacy tend to have better sustainable performance.

In addition to financial literacy, good financial management is an important factor in business sustainability. Ineffective financial management can lead to errors in capital allocation and strategic decision-making (Sari & Ardiansyah, 2022). A study by Rahayu and Prasetyo (2023) emphasizes the importance of an accurate financial recording system in improving the operational efficiency of MSMEs.

The performance of MSMEs is also determined by the competence of human resources (HR). Competent HR is not only able to carry out daily operations effectively, but also able to innovate and adapt in the digital era (Nugroho & Handayani, 2022; Wulandari et al., 2023). Competence in leadership, management, and digital technology are key determinants in maintaining business existence amid rapidly changing market dynamics.

Capital is also a central issue that affects the performance of MSMEs. Limited capital results in limited production and marketing capacity. Although the government has provided various financing programs, such as KUR and BLU MSMEs, many business actors still find it difficult to access them due to a lack of information and supporting documents (Kurniasih & Putra, 2022; Siregar, 2024).

Another equally important factor is marketing strategy. MSMEs that are able to utilize digital marketing strategies, including social media and e-commerce, tend to have a wider market reach (Ramadhani & Yusuf, 2023). Adaptive marketing strategies are also key to dealing with changes in consumer behavior after the COVID-19 pandemic (Hakim & Dewi, 2022).

Considering the importance of these five variables—financial literacy, financial management, human resource competence, capital, and marketing strategy—in determining the performance of MSMEs, this research is relevant. The purpose of this study is to examine simultaneously and partially the influence of these five variables on the performance of MSMEs in Indonesia. It is hoped that the results of this study can contribute to policymakers, MSME actors, and academics in formulating sustainable MSME development strategies.

LITERATURE REVIEW

The Resource Based View (RBV) theory explains why, within the same industry, some companies are successful while many others are not. This theory is known as a theory that assesses a company's ability to maximize its internal resources to create competitive advantage. A company's internal resources, which include all assets, competencies, capabilities, information, knowledge, and organizational processes, can be controlled by the company to implement its formulated strategies. This theory emphasizes that both tangible and intangible resources are very important for the sustainability of a company (Wernerfelt, 1984) in (Widodo et al., 2024). This is because a company's performance can be measured based on the resources it has.

Andrews (1971) in Widodo et al. (2024) explains the importance of understanding a company's internal resources as a basis for creating effective strategies. Internal resources, including assets, technology, brands, employee skills, and others, are important components in determining the success and direction of a company. In addition, the utilization of resources must be in accordance with the internal conditions of the company. Therefore, companies must first understand their weaknesses and strengths so that they can use their resources efficiently and effectively. According to Barney (1991) in Maulatuzulfa and Rokhmania (2022), the success of a company is determined by its internal weaknesses and strengths, not by external factors. MSMEs as business entities consist of a set of resources with unique capabilities that support the implementation of strategies in facing competition and achieving business objectives optimally.

Micro, Small and Medium Enterprises (MSMEs)

Based on Government Regulation of the Republic of Indonesia Number 7 of 2021, Micro, Small, and Medium Enterprises are classified based on business capital or annual sales criteria. Business capital criteria are used for establishing or registering business activities.

Micro, Small, and Medium Enterprise capital criteria:

a. Micro businesses have a maximum capital of IDR 1,000,000,000.00 (one billion rupiah), excluding land and business premises;
b. Small businesses have business capital of more than IDR 1,000,000,000.00 (one billion rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion rupiah), excluding land and business premises
c. Medium-sized businesses have capital of more than Rp5,000,000,000.00 (five billion rupiah) up to a maximum of Rp10,000,000,000.00 (ten billion rupiah), excluding land and business premises.

Criteria for annual sales of Micro, Small, and Medium Enterprises:

a. Micro businesses have annual sales of up to Rp2,000,000,000.00 (two billion rupiah);
b. Small businesses have annual sales of more than IDR 2,000,000,000.00 (two billion rupiah) up to a maximum of IDR 15,000,000,000.00 (fifteen billion rupiah); and

c. Medium Enterprises have annual sales of more than IDR 15,000,000,000.00 (fifteen billion rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

MSME Performance

Business performance is a result obtained from the implementation of tasks based on experience, dedication, skills, and time. Organizations with higher performance can be said to be successful in implementing their strategies. Performance also reflects the extent to which an organization is able to increase profits in a certain period. Performance is about carrying out work, the results achieved from that work, and what is done and how it is done (Wahyudiati and Isroah, 2018). According to Mutegi et al. (2015), MSME performance is an evaluation or work results achieved by individuals or groups with a division of activities in the form of roles and tasks in a certain period with the company's standards. In this study, the MSME performance that will be examined is operational performance, which is measured through indicators such as an increase in the number of customers, profitability, and an increase in capital.

1. Financial Literacy

Financial literacy is the ability of individuals or business actors to understand, manage, and make wise financial decisions (Lusardi & Mitchell, 2014). In the context of MSMEs, high financial literacy enables business actors to manage cash flow, investments, debt, and financial planning more effectively (Allgood & Walstad, 2016). Research by Molosiwa and Holland (2025) states that financial literacy plays an important role in improving the performance of small businesses in developing countries.

2. Financial Management

Financial management includes recording, budgeting, planning, and controlling business costs. Good financial management helps MSMEs maintain liquidity and solvency, as well as supporting business growth (Durand, 2019). Habas? (2024) emphasizes in his study that good financial management also strengthens the resilience of MSMEs against economic crises.

3. Human Resource Competence

Human resource competence refers to the skills, knowledge, and attitudes possessed by the workforce. According to Talukder et al. (2008), improving human resource competence increases the efficiency and productivity of a company. Human Capital Theory explains that trained and qualified human resources are an important asset in increasing business competitiveness (Becker, 1993).

4. Capital

Capital is a financial resource used in operational and investment activities. Access to capital enables MSMEs to develop production capacity, purchase new technology, and expand markets (Nizar, 2018). Capital can come from internal (own capital) or external (loans, investors) sources.

5. Marketing Strategy

Marketing strategy encompasses all efforts made to market products effectively. According to Cacciolatti & Lee (2016), good marketing capabilities, including digital marketing, can increase brand visibility and sales volume.

Investment in marketing also has a significant impact on company value (Academia23, 2024).

Based on the background, theoretical foundation, and previous research that serves as a reference, the conceptual framework that can be used is that the dependent variable is MSME performance and the independent variables are financial literacy, financial management, human resource competence, capital, and marketing strategy .

Therefore, the conceptual framework can be formulated as follows:

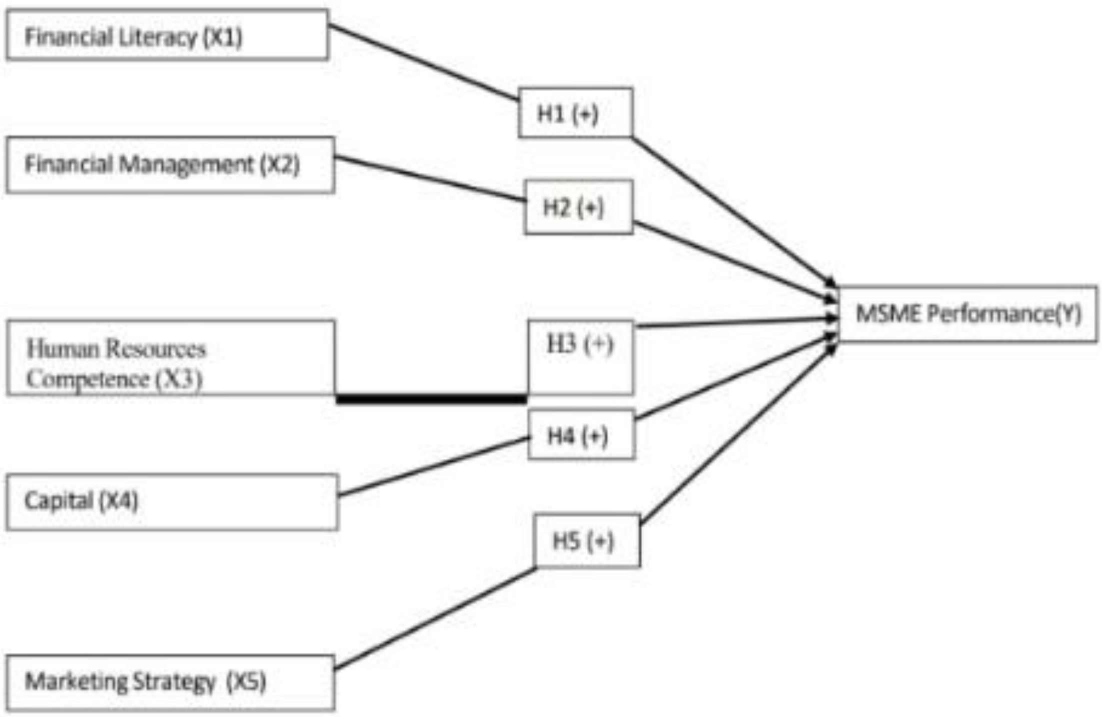

Figure 1. Conceptual Framework and Hypothesis Development

Research Hypotheses
H1: Financial literacy has a positive effect on MSME performance.
H2: Financial management has a positive effect on MSME performance.
H3: Human resource competence has a positive effect on MSME performance.
H4: Capital has a positive effect on MSME performance.
H5: Marketing strategy has a positive effect on MSME performance.

METHODOLOGY

This research is quantitative in nature with an explanatory approach. It aims to explain the effect of financial literacy, financial management, human resource competency, capital, and marketing strategy on MSME performance.

Population and Sample

The population in this study was MSME actors in the trade and service sectors. The sampling technique used purposive sampling with a total of 105 MSME actors as respondents.

Data Collection Technique

Data collection was conducted through the distribution of questionnaires using a 1-5 Likert scale. The data collected included respondents' perceptions of the five independent variables and one dependent variable (MSME performance).

Data Analysis Techniques

Data was analyzed using multiple linear regression with the help of SPSS software. Validity, reliability, normality, multicollinearity, heteroscedasticity, F-test, and t-test were used to ensure the quality of the regression model.

General Description of Respondents

The respondents in this study were micro, small, and medium enterprises (MSMEs) with diverse characteristics in terms of gender, age, education, business field, and length of business operation.

a. **Gender**
   The respondents consisted of men and women, with a predominance of women. This reflects the fact that the MSME sector is still largely driven by women as managers and drivers of the family economy.
b. **Age**
   Most respondents were in the age range of > 50 years and 41–50 years, indicating that MSME players are dominated by mature adults, who have experience and maturity in making business decisions.
c. **Education**
   The respondents' education levels varied, ranging from junior high school, high school/vocational school, to bachelor's degree. The majority of respondents had a high school/vocational school education, indicating that MSME entrepreneurs tend to come from a secondary education background, but this does not prevent them from managing their businesses independently.
d. **Length of Business**
   The majority of respondents have been running their businesses for more than 10 years, which means that the businesses have been running stably and have sufficient operational experience.
e. **Business Capital**
   The range of business capital is below 1 billion rupiah, which is in line with the characteristics of MSMEs.

RESULT

Research Variable Overview

This data contains respondents' perception scores for several key variables:

- Variable X1, Financial Literacy, describes the extent to which MSME actors understand financial knowledge, record keeping, budgeting, and loan usage .
- Variable X2, Financial Management, describes actual practices in managing cash flow and business financing. The indicators are the separation of personal and business finances and financial planning for the future.
- Variable X3, Human Resource Competence, describes the owner's knowledge and skills in providing services, managing the business, and problem solving.
- Variable X4, Capital, describes the adequacy of capital in running and developing a business, with indicators of reinvestment capacity and capital turnover.
- Variable X5, Marketing Strategy, describes how business actors market their products through digital marketing, customer service, and product variety.
- Variable Y is MSME performance, which describes the level of business success based on indicators of turnover and sales growth.

Validity Test Results

All items in each variable showed a calculated r value greater than the table r value, meaning that all items were declared valid and suitable for use in collecting research data.

Table 1. Reliability Test Results

Variabel	**Cronbachs Alpha**	**Kriteria**	**Keterangan**
Financial Literacy (X1)	**0,765**	≥ 0,70	**Reliabel**
Financial Management (X2)	**0,809**	≥ 0,70	**Reliabel**
Human Resources Competence (X3)	**0,785**	≥ 0,70	**Reliabel**
Capital (X4)	**0,844**	≥ 0,70	**Reliabel**
Marketing Strategy (X5)	**0,770**	≥ 0,70	**Reliabel**
MSME Performance(Y)	**0,789**	≥ 0,70	**Reliabel**

All research variables have a Cronbach's Alpha value greater than 0.70, so it can be stated that this research instrument is reliable. Thus, the questionnaire is suitable for use because it is capable of providing consistent measurement results.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		155
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	1,33701437
Most Extreme Differences	Absolute	,057
	Positive	,053
	Negative	-,057
Kolmogorov-Smirnov Z		,712
Asymp. Sig. (2-tailed)		,691

a. Test distribution is Normal.

b. Calculated from data.

Method	**Nilai Sig.**	**Description**
Kolmogorov-Smirnov	**0.691**	**Residuals are normally distributed**

Interpretation:

The significance value of 0.691 > 0.05, so it can be concluded that the residual data is normally distributed. Thus, the regression model meets the assumption of normality.

Table 3. Multicollinearity Test Results

Variabel	**Tolerance**	**VIF**	**Description**
Financial Literacy (X1)	0.378	2.646	There is no multicollinearity.
Financial Management (X2)	0.303	3.295	There is no multicollinearity.
Human Resources Competence (X3)	0.349	2.865	There is no multicollinearity.
Capital (X4)	0.301	3.328	There is no multicollinearity.
Marketing Strategy (X5)	0.279	3.585	There is no multicollinearity.

Interpretation:

All variables have Tolerance values > 0.10 and VIF values < 10, so it can be concluded that there is no multicollinearity in the regression model.

Table 4. Glejser Test Results

Variabel	**Sig.**	**Description**
Financial Literacy	0.073	No heteroscedasticity occurred.
Financial Management	0.711	No heteroscedasticity occurred.
Human Resources Competence	0.737	No heteroscedasticity occurred.
Capital	0.872	No heteroscedasticity occurred.

Marketing Strategy 0.779 No heteroscedasticity occurred.

Interpretation:

All variables have a significance value > 0.05, so the model is free from heteroscedasticity issues.

4.3

Table 5. Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2,064	1,201		1,718	,088
	FINANCIAL_LITERACY	,074	,084	,069	,873	,384
	FINANCIAL_MANAGEMENT	-,031	,091	-,030	-,344	,731
	HUMAN_RESOURCE_COMPETENCY	,065	,083	,064	,782	,436
	CAPITAL	,440	,086	,453	5,136	,000
	MARKETING_STRATEGY	,342	,099	,317	3,466	,001

a. Dependent Variable: SME_PERFORMANCE

The regression model obtained is as follows:

Y= 2.064 + 0.440 X4 + 0.342 X5 + e

Table 6. Regression Results Table

Variabel	Koefisien	Sig.	Description
Financial Literacy (X1)	**0.074**	**0.384**	Not influential
Financial Management (X2)	-0.031	0.731	Not influential
Human Resources Competence (X3)	0.065	0.436	Not influential
Capital (X4)	**0.440**	**0.000**	**Significantly influential**
Marketing Strategy (X5)	**0.342**	**0.001**	**Significantly influential**

DISCUSSION

The Effect of Financial Literacy on MSME Performance

The results of the study show that financial literacy has no effect on MSME performance. This is because MSME players do not apply financial knowledge in practice. Although MSME players have basic knowledge of financial literacy, its application in daily business activities is very low. MSME players know the importance of record keeping, but still do not keep records because they feel it is complicated or they do not have time. In addition, many MSMEs in Indonesia make decisions based on intuition, experience, and habit, rather than on financial literacy theory. Thus, even though the level of financial literacy is good, its impact on performance remains small.

In micro and small businesses, transactions are usually simple and cash flow is not complex. As a result, financial literacy does not have a significant impact, because MSME performance is more influenced by market demand, working capital, business location, marketing strategy, and product quality.

In addition, even though MSME players understand financial concepts, access to credit, capital, or formal financial services is still inadequate. This means that high literacy does not automatically enable them to utilize financial services to improve performance.

Without financial records and reports, MSME entrepreneurs find it difficult to calculate profits/losses, so financial literacy does not manifest itself in improved performance.

The Effect of Financial Management on MSME Performance

Financial management does not have a significant effect on MSME performance. This shows that even though entrepreneurs understand the importance of record keeping, in practice it is still not done in a disciplined and structured manner, so it does not have a direct impact on improving performance. This shows that the quality of financial management carried out by MSME players does not have a direct impact on improving the performance of their businesses. These findings indicate that financial management is not yet a major factor determining the success of the MSMEs that were the subject of this study.

One of the reasons for this insignificance is that financial management practices are still carried out in a simple manner. Many MSME players only keep limited records of major transactions and do not compile complete financial reports, such as income statements, balance sheets, or cash flow statements. With financial management that is still minimal and unstructured, the financial information produced is not strong enough to support strategic decision-making, thus not contributing significantly to business performance.

In addition, the performance of MSMEs is more influenced by non-financial factors such as product quality, marketing strategies, customer networks, innovation, and market conditions. These factors tend to have a more direct impact on sales growth, customer growth, and profitability. Thus, even if financial management is carried out properly, the results may not immediately be reflected in improved business performance because the main factors affecting performance are outside the financial aspect.

Other findings point to the fact that most MSME players have not consistently implemented a sustainable financial management system. Although they are aware of the importance of recording and separating personal and business finances, this practice is often not carried out in a disciplined manner. This inconsistency means that financial management is unable to provide accurate information that can be used to evaluate or improve business performance, thereby rendering its impact insignificant.

In addition, financial management carried out by MSME players is generally administrative in nature, without being accompanied by financial analysis such as cash flow analysis, profit and loss analysis, or financial projections. Without such analysis, the financial information obtained is not optimally utilized in making important decisions such as pricing, working capital planning, and assessing the feasibility of expansion. As a result, even though MSME players have financial records, this does not directly lead to improved business performance.

Another factor is limited access to capital. Good financial management is not always accompanied by the ability to obtain additional capital from financial institutions. If MSME players do not have access to capital, they will still be unable to develop their businesses even if they have good financial management. This condition means that financial management variables do not have a significant effect on performance.

Thus, research results showing that financial management has no significant effect on MSME performance may be due to suboptimal and inconsistent financial management, underutilization of financial information, and the dominance of other factors outside the financial aspect that have a more direct impact on business performance. These findings are in line with previous studies stating that MSME performance is determined more by marketing, innovation, and capital than by financial management.

The Effect of Human Resource Competence on MSME Performance

Based on the results of regression analysis, the human resource competence variable does not have a significant effect on MSME performance. This indicates that the level of ability, skills, and knowledge possessed by MSME actors or employees does not directly contribute to improving business performance. These findings show that human resource competence is not yet a major factor determining the success of MSMEs in the research object.

One of the reasons for this insignificance is the characteristics of MSMEs, which are generally managed in a simple manner and on a small scale, with most of them being run independently by business owners without the involvement of many employees. In MSMEs like this, human resource competency is not a major determinant of performance, because business owners rely more on personal experience, intuition, and habits in carrying out daily operations. Thus, the level of formal competency possessed by human resources does not have a direct impact on business achievements.

In addition, human resource competencies have not been fully implemented in business processes. Many MSMEs do not have structured work systems, such as Standard Operating Procedures (SOPs), clear division of tasks, or performance evaluation mechanisms. Without adequate system and work structure support, individual competencies are difficult to optimize and therefore cannot be translated into increased productivity or business competitiveness. This results in human resource competencies not having a significant impact on performance.

This finding can also be explained by the mismatch between the competencies possessed by human resources and the actual business needs. Some MSME players or employees may have certain skills, but these skills are not relevant to market demands or strategic company needs, such as digital marketing, product innovation, or operational management. This misalignment prevents HR competencies from having a direct impact on performance indicators such as increased sales, customer growth, or profitability.

In addition, the performance of MSMEs is more influenced by external factors such as market conditions, competition, access to capital, product quality, and marketing capabilities. These factors tend to have a stronger influence on business success than human resource competencies. Thus, even if human resources have good competencies, their impact is overshadowed by the dominance of more significant external factors in determining performance.

High employee turnover in some MSMEs is also one of the reasons why human resource competencies have little impact. Rapid employee turnover means that the competencies possessed do not have a long-term impact on business operations and achievements. The absence of formal human resource training and development programs in most MSMEs also means that existing competencies do not improve significantly, thereby preventing them from contributing maximally to performance.

Based on the above description, it can be concluded that the insignificant effect of human resource competencies on MSME performance is due to the simple business structure, the dominance of the owner's role in decision-making, the absence of a work system that supports human resource optimization, the mismatch between competencies and business needs, and the dominance of external factors in influencing MSME performance. This finding is in line with several previous studies which state that MSME performance is more influenced by marketing, capital, and business strategy factors than by HR competencies.

The Effect of Capital on MSME Performance

Based on the results of the regression analysis that has been carried out, the capital variable has been proven to have a significant effect on MSME performance. These findings indicate that the greater or more adequate the capital owned by MSME players, the higher their ability to improve their business performance. Thus, capital is one of the main factors that determine the success of MSMEs in maintaining and developing their businesses.

The significant impact of capital on MSME performance can be explained by the role of capital as a basic resource in carrying out business activities. Adequate capital enables MSME players to meet operational needs such as purchasing raw materials, providing production tools, adding labor, and maintaining business assets. The availability of sufficient capital increases production capacity, enabling MSMEs to meet market demand in greater quantities and faster. This has a direct impact on increasing business output and productivity.

In addition, adequate capital provides opportunities for MSMEs to expand their businesses, such as opening new branches, expanding distribution networks, or adding product variety. This expansion directly increases market share and boosts sales and profits. In other words, capital acts as a driver of sustainable business growth, thereby contributing significantly to improving MSME performance.

Capital also affects performance by improving product and service quality. MSMEs with sufficient capital can invest in quality raw materials, more modern machinery, or production support technology. Improved product quality will increase customer satisfaction, loyalty, and business competitiveness in the market. Thus, capital plays an important role in creating competitive advantages that ultimately improve business performance.

In addition, strong capital strengthens the ability of MSMEs to deal with uncertainty and business risks. With capital reserves, MSMEs can withstand fluctuations in raw material prices, changes in consumer demand, or equipment damage. This resilience makes business performance more stable and sustainable, so that capital has a significant influence on operational success.

The impact of capital can also be seen in its ability to facilitate cash flow and improve the efficiency of working capital management. Sufficient capital enables MSMEs to pay their obligations on time, take advantage of purchase discounts, and maintain smooth production. Stable cash flow will strengthen their financial position and increase their ability to make long-term investments.

The findings of this study are in line with various previous studies which state that capital is one of the main factors that affect the performance of MSMEs. Several studies show that the availability of capital is closely related to production capacity, innovation, marketing, and business stability. Therefore, adequate capital is very important to encourage the improvement of MSME performance in the short and long term.

Based on the above, it can be concluded that capital has a significant influence on SME performance because capital is the main foundation for operations, expansion, product quality improvement, and business stability. Adequate capital provides SMEs with the flexibility and financial strength to adapt to market dynamics and increase competitiveness.

The Impact of Marketing Strategies on MSME Performance

The results of the study prove that marketing strategies have a significant impact on MSME performance. This shows that choosing the right marketing strategy—such as digital promotion, improving customer service, strengthening branding, or product diversification—can increase sales and business visibility.

SMEs that are able to utilize modern marketing channels, particularly social media and marketplaces, have proven to be more successful in reaching new consumers and increasing turnover. In addition, well-planned marketing strategies enable SMEs to better understand customer needs, build good relationships, and increase customer loyalty.

These findings are in line with marketing theory, which states that effective marketing strategies are key to facing business competition and improving performance in a sustainable manner.

Research Implications

The results of this study indicate that not all internal business factors have a direct impact on MSME performance. Factors such as financial literacy, financial management, and human resource competencies require a stronger implementation process and managerial support in order to have a significant impact. Conversely, capital and marketing strategies have been proven to play a more dominant role in improving MSME performance during the growth stage. Therefore, this study provides practical implications for MSME players, the government, and coaching institutions to:

1. Focus on improving access to capital and marketing assistance.2
2. Strengthen the implementation of financial literacy in practical terms, not just at the knowledge level.
3. Encourage human resource development that is integrated with operational and marketing strategies.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussion in the previous chapter, the following points can be concluded:

1. Financial literacy does not have a significant effect on MSME performance.
   This shows that the financial knowledge possessed by MSME players has not been optimally applied in business manag ement practices. Good financial literacy does not directly impact performance improvement if it is not followed by consistent implementation.
2. Financial management does not have a significant effect on MSME performance.
   MSMEs generally still use simple financial recording methods and do not utilize financial reports as a basis for decision making. Therefore, financial management has not been able to improve business efficiency, productivity, or profits.
3. Human resource competencies do not have a significant effect on MSME performance.
   The human resource competencies possessed by MSMEs have not been fully utilized due to limitations in capital, technology, and managerial structure. Thus, improving competencies does not directly improve business performance.
4. Capital has a significant effect on MSME performance.
   The availability of adequate capital is a major factor in driving increases in production capacity, product quality, and operational stability. Capital enables MSMEs to expand their businesses and increase their competitiveness.

Marketing strategies have a significant impact on MSME performance.

The implementation of appropriate marketing strategies, including the use of social media, branding, and strengthening customer service, has been proven to increase

Overall, this study confirms that improvements in SME performance are more influenced by factors related to increasing business capacity (capital) and market reach (marketing strategies), while internal knowledge and competency factors have not had a significant impact without strong managerial implementation.

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