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The Influence Of Financial Literacy, Accounting System Implementation, And Product Innovation On The Performance Of Msmes In Maguwoharjo Village, Depok District, Sleman Regency, Special Region Of Yogyakarta

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Abstract

This study aims to analyze the influence of financial literacy, accounting system implementation, and product innovation on the performance of MSMEs in Maguwoharjo Village, Depok District, Sleman Regency, Yogyakarta Special Region. This study uses a quantitative method with primary data obtained through the distribution of questionnaires to 75 MSMEs selected using a purposive sampling technique. Data analysis was carried out using the SPSS version 23 program through validity and reliability tests, classical assumption tests, multiple linear regression, and hypothesis testing. The results show that product innovation has a positive and significant effect on MSME performance. Meanwhile, financial literacy and accounting system implementation do not affect MSME performance. This study shows that the ability of MSMEs to carry out product innovation is an important factor in improving business performance. Therefore, MSMEs are expected to continue to improve their creativity and product development to be able to compete and improve business sustainability.

Keywords:Financial Literacy, Accounting System Implementation, Product Innovation, MSME Performance

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a crucial sector in the Indonesian economy. MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the workforce, making them a key driver of economic growth and improved public welfare. Furthermore, the steadily increasing number of MSMEs in Indonesia demonstrates the sector's resilience in various economic conditions (Faidah & Produk, 2024).

This research was conducted in Maguwoharjo Village, Depok District, Sleman Regency, Yogyakarta Special Region, which has approximately 2,620 active MSMEs across various business sectors, including culinary, handicrafts, and services. Despite their significant potential, MSMEs in the region still face various obstacles, such as limited financial management, suboptimal transaction recording, and low product innovation, which can impact business performance.

Financial literacy is a crucial factor in supporting the success of MSMEs because it relates to the ability of business actors to manage finances, make decisions, and utilize financial products effectively. Previous research has shown that financial literacy positively impacts MSME performance, although several other studies have shown conflicting results, requiring further investigation. These inconsistent findings indicate a research gap regarding the influence of financial literacy on MSME performance, thus requiring further investigation.

In addition to financial literacy, implementing an accounting system is also crucial for MSMEs, helping them record and prepare financial reports more effectively and efficiently. An accounting system can provide accurate financial information, supporting better business decision-making.

Another factor influencing MSME performance is product innovation. Product innovation is the effort to develop or create new products to increase added value and business competitiveness. Several studies have shown that product innovation has a positive effect on MSME performance, but others have found it to have no significant effect. These differing research findings indicate that the influence of product innovation on MSME performance remains inconsistent and warrants further review.

Based on the phenomena and differences in the results of previous studies, this study was conducted to analyze the influence of financial literacy, implementation of accounting systems, and product innovation on the performance of MSMEs in Maguwoharjo Village, Sleman Regency, Special Region of Yogyakarta.

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METHOD

This study employed a quantitative method with a survey approach. The study was conducted among Micro, Small, and Medium Enterprises (MSMEs) in Maguwoharjo Village, Depok District, Sleman Regency, Yogyakarta Special Region. The population in this study was approximately 2,620 MSMEs. The sampling technique used purposive sampling with a sample size of 75 respondents. The sample size was determined based on the formula of Hair et al. (2014), which is the number of indicators multiplied by five.

The data used is primary data obtained through questionnaires distributed to MSMEs. The independent variables in this study consist of financial literacy, accounting system implementation, and product innovation, while the dependent variable is MSME performance. Data measurement uses a Likert scale with scores ranging from 1 to 5.

The data analysis technique was carried out using the SPSS version 23 program through validity tests, reliability tests, multiple linear regression tests, t-tests (partial), and F-tests (simultaneous) to determine the effect of independent variables on dependent variables.

RESULTS AND DISCUSSION

Results of validity and reliability tests

Table 1. Results of validity and reliability tests

Variables	r count	Cronbach Alpha	Information
Financial literacy	> 0.227	0.789	Valid and Reliable
Implementation of accounting systems	> 0.227	0.737	Valid and Reliable
Product innovation	> 0.227	0.780	Valid and Reliable
MSME Performance	> 0.227	0.680	Valid and Reliable

Based on Based on the table above, all statement items have a calculated r value greater than the table r of 0.227, thus being declared valid. Furthermore, all variables have a Cronbach's Alpha value greater than 0.60, thus being declared reliable and suitable for use in research.

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Multiple Linear Regression

Table 2. Multiple Linear Regression

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6,500	1,182		5,500	.000
Financial Literacy	.063	.087	.117	.730	.468
Implementation of Accounting System	.119	.083	.225	1,429	.157
Product Innovation	.224	.095	.294	2,371	.020

a. Dependent Variable: MSME Performance

Based on the results in table 2 as follows:

1. **The Influence of Financial Literacy on MSME Performance**

   The results of the first hypothesis test (H1) indicate that the Financial Literacy variable has a regression coefficient of 0.063 with a significance level of 0.468. Because the significance value obtained exceeds the predetermined significance threshold, it can be concluded that the Financial Literacy variable has no effect on MSME performance. Therefore, the first hypothesis (H1) is rejected.

2. **The Impact of Accounting System Implementation on MSME Performance**

   The results of the second hypothesis test (H2) indicate that the Accounting System Implementation variable has a regression coefficient of 0.119 with a significance value of 0.157. Based on these results, it can be concluded that the Accounting System Implementation variable has no effect on MSME performance. Therefore, the second hypothesis (H2) in this study is rejected.

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3. **The Influence of Product Innovation on MSME Performance**

The results of the third hypothesis test (H3) show that the Product Innovation variable has a regression coefficient of 0.224 with a significance level of 0.020. This finding indicates that the Product Innovation variable has a positive influence on MSME performance. Thus, the third hypothesis (H3) in this study is accepted.

Simultaneous Test

Table 3. Simultaneous Test Results

ANOVA

Model	Sum of Squares	f	Mean Square	F	Sig.
Regression	52,598	1	17,533	10,395	.000b
Residual	119,748	1	1,687		
Total	172,347	4			

a. Dependent Variable: MSME Performance

b. Predictors: (Constant), Product Innovation, Implementation of Accounting Systems, Financial Literacy

Based on the test results in Table 4.9, the calculated F value is 10.395 with a significance value of 0.000. This significance value is less than 0.05, so it can be concluded that financial literacy, accounting system implementation, and product innovation simultaneously have a significant effect on MSME performance.

DISCUSSION

Financial Literacy on MSME Performance

The results of the study indicate that financial literacy does not significantly impact the performance of MSMEs in Maguwoharjo Village. This finding aligns with Fitria's (2024) study, which found that financial literacy does not significantly impact MSME

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performance. The findings of this study reveal that the level of financial literacy possessed by MSMEs has not been able to directly improve business performance. Although some entrepreneurs have knowledge of financial management, this understanding has not been optimally applied in daily business activities. Many MSMEs still run their businesses simply and do not separate personal finances from business finances. Furthermore, some entrepreneurs still do not implement sound financial recording, financial planning, and financial decision-making in managing their businesses.

This situation indicates that financial literacy among MSMEs has not significantly contributed to improving business performance. Most entrepreneurs still operate based on their experience and habits without optimally applying financial management principles. Therefore, the level of financial literacy they possess has not been able to directly improve MSME performance. The results of this study align with those of Krisnandika and Zulkarnain (2025), who stated that financial literacy does not significantly impact MSME performance. However, these results differ from those of Wahyuni et al. (2021) and Setyorini (2021), who found that financial literacy has a positive and significant impact on MSME performance.

Implementation of Accounting Systems on MSME Performance

The research results show that the implementation of an accounting system has no impact on the performance of MSMEs in Maguwoharjo Village. This finding suggests that the implementation of an accounting system by MSMEs has not been able to directly improve business performance.

Most MSMEs still record financial transactions simply and have not yet implemented an optimal accounting system in their operations. Furthermore, some businesses still fail to prepare periodic financial reports and do not utilize accounting information as a basis for business decision-making.

Lack of awareness regarding the importance of implementing accounting systems has led MSMEs to focus more on operational activities than on financial administration. This situation has resulted in the implementation of accounting systems being unable to make a significant contribution to improving MSME performance. Consequently, the implementation of accounting systems by business actors has not directly improved their business performance.

The results of this study align with previous research, which found that the implementation of accounting systems had no significant impact on MSME performance. However, this study differs from the research by Ermawati and Arumsari (2021), which

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found that the implementation of accounting systems had a positive and significant impact on MSME performance.

Product Innovation on MSME Performance

The research results show that product innovation has a positive impact on the performance of MSMEs in Maguwoharjo Village. This finding demonstrates that the better the product innovation implemented by MSMEs, the better their business performance. Product innovation is a crucial factor in increasing business competitiveness because it allows businesses to create more attractive, high-quality products that meet consumer needs. Furthermore, product innovation plays a role in retaining customers and attracting new ones.

Most MSMEs in Maguwoharjo Village have implemented various product innovations, such as improving product quality, creating variations, and improving product design and appearance to make them more attractive. These innovations have added value and enabled them to compete with other products in the market. This demonstrates the crucial role product innovation plays in supporting increased sales, profits, and MSME business growth.

The results of this study align with those conducted by Chow and Utama (2023) and Shidiq et al. (2024), which stated that product innovation has a positive and significant impact on MSME performance. However, these results differ from those of Albert William et al. (2023), which stated that product innovation has no significant impact on MSME performance.

The Influence of Financial Literacy, Accounting System Implementation, and Product Innovation on MSME Performance

The results of the ANOVA significance test indicate that financial literacy, accounting system implementation, and product innovation jointly influence MSME performance. This finding indicates that improving a company's performance is not solely influenced by a single factor but is driven by various complementary aspects of company management.

Financial competency is beneficial for micro, small, and medium enterprise leaders in managing company finances in a more structured manner. Implementing an accounting system helps provide more systematic and structured financial information. Furthermore, product innovation serves to increase a company's competitiveness in the market. These

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three factors complement each other in driving growth and improving company performance.

From a Resource-Based View (RBV) perspective, financial competence, accounting system implementation, and product innovation can be classified as internal resources that can create competitive advantage if optimally managed. Therefore, the better a micro, small, and medium enterprise entrepreneur's ability to manage these three aspects, the better their company's performance will be.

CONCLUSION

Based on the results of research on the influence of financial literacy, implementation of accounting systems, and product innovation on the performance of MSMEs in Maguwoharjo Village, it can be concluded that:

Financial literacy has no effect on MSME performance. This indicates that MSMEs' financial knowledge has not been optimally applied in business management. The implementation of accounting systems has no effect on MSME performance. Most MSMEs still maintain simple financial records, resulting in underutilization of accounting information in business decision-making. Product innovation has a positive effect on MSME performance. The better the innovation, the greater the MSME's ability to increase competitiveness and develop its business. Financial literacy, the implementation of accounting systems, and product innovation collectively influence MSME performance. This indicates that all three variables contribute to improving MSME performance.

IMPLICATIONS/SUGGESTIONS

MSMEs need to improve their creativity and product development to increase their competitiveness and attract consumers. The better their product innovation, the greater their opportunities to improve their business performance. Furthermore, MSMEs need to improve their financial management and accounting skills. Good financial management can help businesses plan, control, and make business decisions more effectively. This research is expected to inform the government and relevant agencies in developing training and mentoring programs for MSMEs, particularly in the areas of product innovation, financial literacy, and the implementation of simple accounting systems to support the sustainable development of MSMEs. MSMEs need to improve their creativity and product development to increase their competitiveness and attract consumers. The better their product innovation, the greater their opportunities to improve their business performance. Furthermore, MSMEs need to improve their financial management and

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accounting skills. Good financial management can help businesses plan, control, and make business decisions more effectively. For the government and related agencies, this research is expected to be a consideration in developing training and mentoring programs for MSMEs, especially in the areas of product innovation, financial literacy, and the implementation of simple accounting systems to support the sustainable development of MSMEs.

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