



## The Influence of Financial Literacy and Digital Literacy on MSME Performance in Merangin Regency Jambi Province with Innovation as a Mediating Variable

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### ABSTRACT

This study analyzes the influence of financial literacy and digital literacy on the performance of MSMEs in Merangin Regency, Jambi Province with innovation as a mediating variable. The research method used is quantitative descriptive with a sample of 380 MSME actors and analyzed using Smart-PLS 4.0. The results of the study indicate that financial literacy, digital literacy, and innovation have a positive and significant effect on MSME performance. Financial literacy and digital literacy have a positive and significant effect on innovation. In addition, innovation is able to mediate the relationship between financial literacy and digital literacy on MSME performance. From the results of the study, MSME actors must improve financial literacy, digital literacy, and innovation to improve long-term MSME performance.

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## **INTRODUCTION**

Due to their significant contributions to economic development, innovation, and employment, micro, small, and medium-sized enterprises (MSMEs) have become an essential component of the global economic system. MSMEs' agility allows them to quickly adjust to shifting market demands, which contributes to the development of economic resilience (Hidayat-ur-Rehman & Alsolamy, 2023). These MSME endeavors and accomplishments all help to fulfill the 2030 Sustainable Development Agenda and objectives (Larios-Francia & Ferasso, 2023). MSMEs have therefore made a substantial contribution to the global economy in a number of ways, including the creation of jobs, the alleviation of poverty, the production of money, the support of major industries, innovation, the encouragement of entrepreneurship, and the quick and suitable industrialization (Yahaya & Nadarajah, 2023). Because they are acknowledged as essential growth pillars in accomplishing the nation's long-term national development objective, MSMEs are the primary engines of the economy (Manyanga et al., 2023). Therefore, MSMEs must let go of their current capabilities and acquire new capabilities that are more suitable for personalized manufacturing.

In Merangin Regency, micro, small, and medium-sized businesses (MSMEs) hold enormous promise for boosting the local economy. MSMEs significantly contribute to Indonesia's economic growth, particularly in Jambi Province's Merangin Regency. The total assets of MSMEs in Merangin Regency from 2018 to 2023 were worth Rp 1,704,416,000. Other regencies with the largest MSME assets are Tanjung Jabung Barat worth Rp 1,360,502,200, followed by Kerinci worth Rp 1,344,385,500, and Muaro Jambi worth Rp 1,232,511,500. This shows that MSMEs in Merangin Regency have quite large and very efficient assets compared to most other regencies.

Meanwhile, the total turnover of MSMEs in Merangin Regency for six years was Rp 5,364,184,600. The regency with the highest turnover was West Tanjung Jabung worth Rp 328,791,655,600, which was much larger than other regencies. Other regencies with large turnover were East Tanjung Jabung worth Rp 23,777,384,200, Muaro Jambi worth Rp 4,281,678,000 and Batang Hari worth Rp 4,140,624,100. With this turnover, MSMEs in Merangin Regency are in a middle position among other regencies in Jambi Province.

Thus, the assets of MSMEs in Merangin Regency are quite optimal compared to other regencies. Meanwhile, the turnover of MSMEs in Merangin Regency is not optimal when compared to regencies such as West Tanjung Jabung which has a very high figure. Therefore, MSMEs in Merangin Regency are classified as developing with quite large assets, but still need improvement in financial management, especially in the turnover aspect to be more competitive with other regencies in Jambi Province.

Based on the data above, this phenomenon raises a writing problem related to the effectiveness of the utilization of MSME assets in Merangin Regency, Jambi Province in generating optimal turnover. With large enough assets, MSME turnover should also be higher, but in reality, MSME turnover in Merangin Regency is still far behind other regencies with smaller or comparable

assets. This indicates potential problems in financial management, especially in assets or other factors that hinder the increase in MSME turnover in Merangin Regency, Jambi Province. This writing, which focuses on the local context of Merangin Regency, offers actionable recommendations for the formulation of policies and training initiatives aimed at improving literacy among MSME stakeholders in Merangin Regency, Jambi Province. Furthermore, this writing contributes to the academic discourse on the interaction between financial literacy, digital literacy, and innovation in relation to MSME performance, while providing pragmatic insights that apply to improving economic performance both nationally and internationally.

In this context, the researcher identified a research gap in the previous study conducted by Herrera et al., (2023) on *Financial Literacy and MSME Performance: Mediation and Moderation Analysis*, the results of the study have not comprehensively explored the variation in the impact of financial literacy based on demographic characteristics. In addition, the focus of this study is on MSMEs in DKI Jakarta, Indonesia, which does not reflect the conditions of MSMEs in other regions or countries. This study also does not discuss the long-term impact of financial literacy on MSME performance, which is important for understanding the sustainability and growth of MSMEs.

The researcher also stated a research gap in the previous study conducted by Ojobo (2023) on *The Impact of Digital Literacy on the Performance of Small-Scale Business in Enugu State*, the results of this study cannot be generalized to other regions due to differences in economic, social, and cultural conditions. There is no differentiation in the level of digital literacy among MSME owners, even though the impact may vary based on the level of digital skills. Intervening factors such as the age of the owner, type of business, and business experience are not considered in the analysis of the relationship between digital literacy and MSME performance. The focus of this study is only on the short-term impact of digital literacy, without exploring its influence on business growth and sustainability in the long term.

Furthermore, the researcher also identified a research gap in the previous study conducted by Marelby et al. (2024) on *The Influence of reputation, innovation, and knowledge on the performance of MSMEs in the orange economy sector*, the results of this study emphasize more on the short-term relationship between innovation and MSME performance, without considering the long-term impact of innovation on the sustainability and growth of MSMEs. This study does not take into account how local contexts, such as financial literacy and digital literacy, affect the relationship between innovation and MSME performance. In addition, this study does not explore how innovation can provide additional insights into its influence on MSME performance.

Thus, the identification of this research gap indicates the need for further research to understand the complexity of the relationship between financial literacy and digital literacy on performance among MSMEs. In addition, this study also includes innovation as a mediating variable to add a new dimension to the analysis. Researchers will explore these variables with a more holistic and

contextual approach to gain deeper insights into the factors that influence the success of entrepreneurs in the MSME sector.

## **LITERATURE REVIEW**

### ***Theory Resource Based View (RBV)***

Theory Resource Based View (RBV), as stated by Barney (1991); Loo et al., (2023), aims to forecast and explain how businesses might acquire and manage uncommon, precious, unique, and non-replaceable resources to obtain a sustained competitive edge. These resources, which can be either material or immaterial, are essential to the creation and provision of goods and services. By making a distinction between resources that add to a firm's competitive edge and those that are of lower value, the Resource Based View (RBV) offers management at the individual business level useful information. A resource must be exclusive to the company, hard for rivals to copy, and improve the performance of the company in order to provide it a competitive edge.

### ***Financial Literacy***

Financial literacy is defined by Aristei et al., (2024) as a set of awareness, knowledge, skills, attitudes, and behaviors that prospective entrepreneurs, owners, and managers of micro, small, and medium-sized businesses (MSMEs) must possess in order to make wise financial decisions when starting, operating, and eventually ensuring the sustainability and growth of their businesses. Meanwhile, according to Zhao et al., (2025) Personal economic decision-making is significantly impacted by financial literacy, which is a comprehensive achievement that encompasses an individual's knowledge, abilities, and attitudes about finance.

H1: Financial Literacy has a positive and significant effect on MSME Performance

H2: Financial Literacy has a positive and significant effect on Innovation

### ***Digital Literacy***

According to Desmaryani et al., (2024) The ability to use, access, filter, evaluate, create, program, and share digital content is a component of digital literacy. According to Nguyen et al., (2024) The capacity to comprehend and use information in a variety of formats from a range of sources is known as digital literacy. Kim & Jin, (2024) claims that understanding and using digital tools and technology is part of digital literacy, which helps businesses gather, manage, and evaluate market data more effectively.

H3: Digital Literacy has a positive and significant effect on MSME Performance

H4: Digital Literacy has a positive and significant effect on Innovation

### ***MSME Performance***

Toni et al., (2024) asserts that performance results from one or more elements, including price fluctuations, volume variations, and exchange rate changes. Performance indicates a company's capabilities over time; higher levels of performance correlate with greater success in implementing plans. On

the other hand, Abrokwah-Larbi, (2024) states that MSME performance is a performance measurement in business organizations such as MSMEs which has attracted a lot of attention in various business backgrounds in various sectors.

### ***Innovation***

According to Larios-Francia & Ferasso, (2023) Innovation is defined as a new or enhanced technique or product that differs substantially from earlier versions and has been made available to prospective customers or utilized by manufacturing facilities. On the other hand, Jiao et al., (2025) explains that in order for organizations to establish and preserve a sustainable competitive advantage in a market that is becoming more global and competitive, innovation which includes activities that add value for stakeholders through the introduction of new products, services, business models, or procedures is crucial.

H5: Innovation has a positive and significant effect on MSME performance

H6: Innovation acts as a mediating variable in the relationship between Financial Literacy and MSME Performance

H7: Innovation acts as a mediating variable in the relationship between Digital Literacy and MSME Performance

This paper's conceptual approach uses innovation as a mediating variable to explain how financial and digital literacy affect MSME performance in Merangin Regency, Jambi Province. Figure 1 illustrates this writing's conceptual framework:

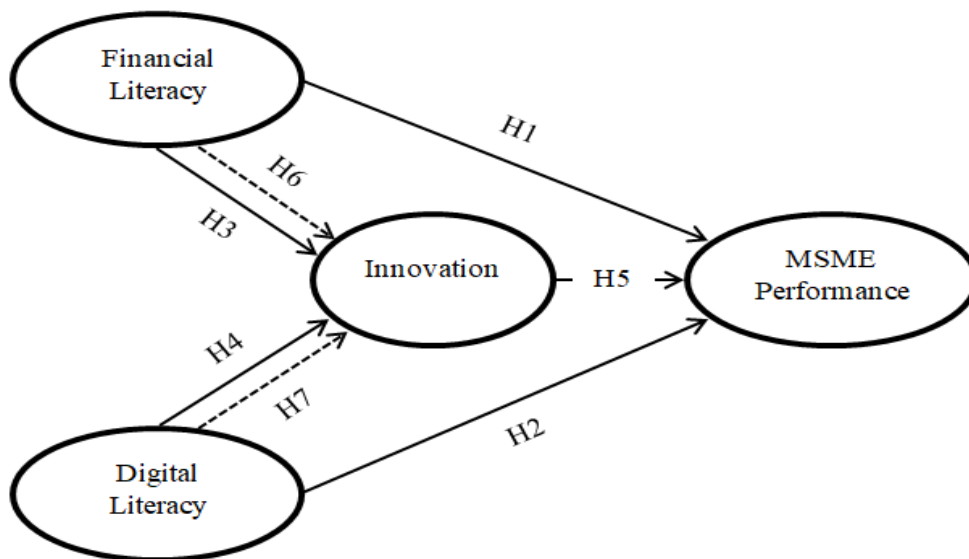


Figure 1. Conceptual Framework

### **METHODOLOGY**

The research entitled The Influence of Financial Literacy and Digital Literacy on the Performance of MSMEs in Merangin Regency, Jambi Province with Innovation as a Mediating Variable is a descriptive writing using quantitative methodology. Sahir (2022: 6) stated that the quantitative writing method has a higher level of complexity because it involves a larger sample. However, this method is more systematic in the entire writing process.

Quantitative writing aims to identify the relationship between variables, with the aim of answering the writing problems raised by the initial hypothesis through statistical techniques. The population in this study were MSME actors in Merangin Regency, Jambi Province.

This study uses the Probability Sampling method, namely Cluster Sampling (Area Sampling) which is used to determine the sample if the subject of writing or data source is broad. The location of the research sample is Bangko City and the sample participants are MSME actors in Merangin Regency, Jambi Province. The number of MSME participants in this study is 380 MSME actors. This writing will be further analyzed using Smart-PLS 4 to answer the problem formulation and writing objectives. The researcher used the questionnaire method for data collection. In addition, the researcher used the Likert Scale to assess the accuracy of the questionnaire. Amelia et al., (2023: 140) explains that the Likert Scale is frequently used to evaluate people's viewpoints, attitudes, or views regarding social phenomena that researchers have identified as writing factors.

## RESEARCH RESULTS

### Outer Model

According to Hatta Setiabudhi et al. (2025: 23) the measurement model describes the relationship between latent constructs and their indicators, and explains the relationship between these variables in the context of measurement theory.

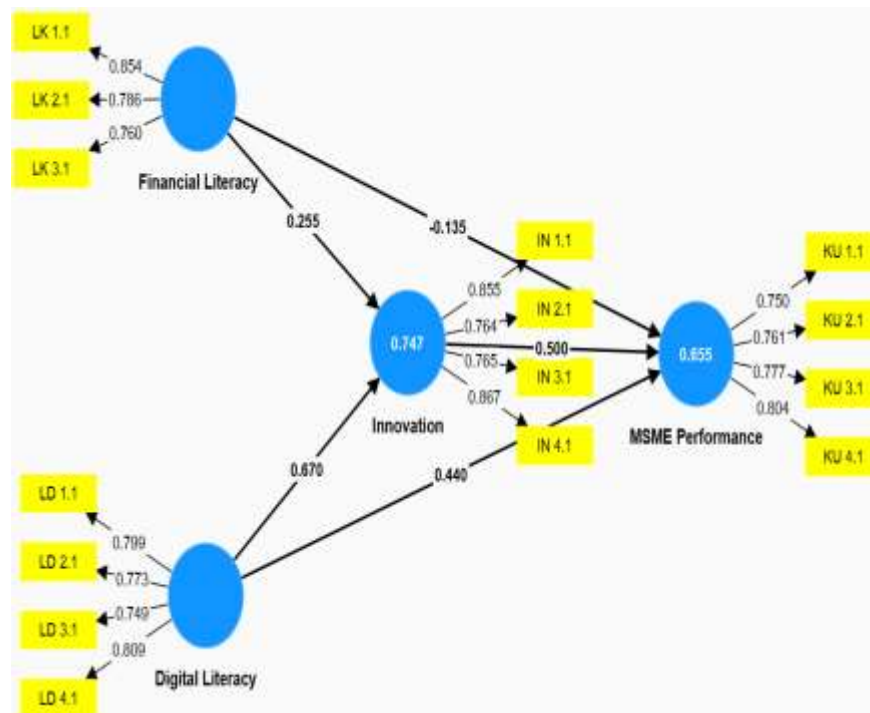


Figure 2 Graphical Output - PLS SEM Algorithm

Referring to Figure 1, it can be concluded that the direction of the arrow in the Graphical Output of the PLS-SEM Algorithm represents the relationship between latent variables (constructs) and the indicators that form them.

**Convergent Validity**

According to Rahadi (2023: 102), convergent validity can be proven through the Average Variance Extracted (AVE) value, where the AVE value must reach at least 0.5 so that construct validity can be met.

Table 1 Validity - Overview

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Innovation (M)	0,829	0,830	0,887	0,663
MSME Performance (Y)	0,778	0,793	0,856	0,598
Digital Literacy (X2)	0,792	0,799	0,864	0,613
Financial Literacy (X1)	0,723	0,731	0,843	0,641

Source: SmartPLS Statistical Analysis 4.0 (2025)

Based on the results of the convergent validity test, all variables have an Average Variance Extracted (AVE) value above 0.5 (marked in green), so it can be concluded that convergent validity has been met and the process can be continued to the next testing stage.

**Reliability**

According to Hatta Setiabudhi et al. (2025: 44) stated that in PLS-SEM analysis, Composite Reliability is considered a more appropriate reliability indicator compared to Cronbach's Alpha. A construct is said to be reliable if its Composite Reliability value exceeds 0.7.

Table 2 Reliability - Overview

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
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Source: SmartPLS Statistical Analysis 4.0 (2025)

Referring to the reliability test results shown in Table 2, all Composite Reliability (rho\_a) and Composite Reliability (rho\_c) values show numbers above 0.7 (marked in green), so it can be concluded that each construct has an adequate level of reliability.

**Inner Model**

**Coefficient of Determination (R2)**

According to Rahadi (2023: 121) explains that the R-Square (R<sup>2</sup>) value reflects how strong the predictive ability of the structural model is in SEM-PLS analysis. An R<sup>2</sup> value approaching 0.67 is categorized as high, around 0.33 is considered moderate, and around 0.19 indicates a weak prediction.

Tabel 3 Koefisien Determinasi ( $R^2$ ) - R-Square (Overview)

Variable	R-Square	R-Square Adjusted
Innovation (M)	0,747	0,745
MSME Performance (Y)	0,655	0,653

Source: SmartPLS Statistical Analysis 4.0 (2025)

Based on Table 3 regarding the Determination Coefficient ( $R^2$ ) - R-Square (Overview), it is known that the R-Square value for the Innovation variable (M) is 0.747. This means that the Financial Literacy (X1) and Digital Literacy (X2) variables are able to explain 74.7% of the variation that occurs in Innovation (M), while the remaining 25.3% is influenced by other factors not included in this research model. The R-Square value for the MSME Performance variable (Y) is recorded at 0.655, which shows that the combination of Financial Literacy (X1), Digital Literacy (X2), and Innovation (M) explains 65.5% of the variation in MSME Performance (Y), while the other 34.5% comes from other variables not analyzed in this study.

### Statistical Hypothesis

#### Direct Relationship Test

Hatta Setiabudhi et al., (2025: 47) states that if a hypothesis shows a unidirectional relationship, for example a positive influence, then the hypothesis is classified as a one-way hypothesis. Conversely, if the hypothesis only shows an influence without mentioning the direction, then the hypothesis is classified as a two-way hypothesis. Because the hypothesis indicates an influence without a clear positive or negative direction, this article employs a two-way strategy. The hypothesis is accepted if the P-Value is less than 0.05 and rejected if the P-Value is more than 0.05.

Table 4 Path Coefficients - Mean, STDEV, T Values, P Values

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Financial Literacy -> MSME Performance	-0,135	-0,135	0,057	2,395	0,017
Digital Literacy -> MSME Performance	0,440	0,439	0,083	5,294	0,000
Financial Literacy -> Innovation	0,255	0,254	0,053	4,777	0,000
Digital Literacy -> Innovation	0,670	0,672	0,049	13,680	0,000
Innovation -> MSME Performance	0,500	0,502	0,077	6,500	0,000

Source: SmartPLS Statistical Analysis 4.0 (2025)

The proposed hypothesis is accepted based on the results of the Path Coefficients-Mean, STDEV, T-Values, and P-Values in Table 4 above. These results show that Innovation (M), Digital Literacy (X2), and Financial Literacy

(X1) have a positive and significant impact on MSME Performance (Y). The P-Values value of is less than 0.05.

**Indirect Relationship (Indirect Effects)**

Rahadi, (2023: 128) The degree to which the independent variable influences the dependent variable through the mediator is known as the indirect impact in the basic mediation paradigm. The hypothesis is accepted since the P value is 0.000, which is less than 0.05.

Table 5 Specific Indirect Effects - Mean, STDEV, T values, P Values

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Financial Literacy -> Innovation -> MSME Performance	0,128	0,127	0,031	4,139	0,000
Digital Literacy -> Innovation -> MSME Performance	0,335	0,338	0,062	5,440	0,000

Source: SmartPLS Statistical Analysis 4.0 (2025)

Innovation (M) effectively mediates the relationship between Financial Literacy (X1) and Digital Literacy (X2) on MSME Performance (Y), according to the calculation results of Specific Indirect Effects - Mean, STDEV, T-Values, and P-Values in Table 5. This is supported by the P value of 0.000, which is less than 0.05, indicating that the proposed hypothesis is accepted.

**DISCUSSION**

***The Influence of Financial Literacy (X1) on MSME Performance (Y)***

The results of the study indicate that financial literacy has a favorable and significant impact on MSME performance in Merangin Regency, Jambi Province. This indicates that MSME players with higher degrees of financial literacy have better company success. High financial literacy enables MSME participants to effectively manage financial resources, make prudent financial decisions, and develop business plans that support growth.

The results of this study are in line with previous research conducted by Asrini et al., (2024) shows that financial literacy has a significant effect on the performance of MSMEs. Meanwhile, research conducted by Rahmawati et al., (2023) shows that financial literacy has a positive effect on MSME performance.

Therefore, it is important for MSME stakeholders, including government agencies and educational institutions, to improve financial literacy initiatives aimed at MSME participants. This initiative will improve their financial understanding and can also stimulate regional economic progress by improving MSME performance.

***The Influence of Digital Literacy (X2) on MSME Performance (Y)***

The results of the study show that digital literacy has a favorable and significant impact on MSME performance in Merangin Regency Jambi Province.

This illustrates how improving the digital literacy of MSME players improves their capacity to do business. In other words, MSME players perform better as a company-in terms of increasing product sales, breaking into new markets, and enhancing operational efficiency-the more digitally literate they are. This study highlights how important it is to comprehend digital technology and use digital media to improve MSMEs' sustainability and competitiveness in the current digital era. Furthermore, the development of digital literacy is a key element of the strategy to improve MSME performance.

The findings of this study are in line with previous research conducted by Amggreni & Muchran (2023) shows that digital literacy has a positive effect on the performance of MSMEs. Meanwhile, the writing done by Panjaitan et al., (2023) shows that digital literacy enables MSME owners or leaders to improve their knowledge of shifting market competitiveness.

Therefore, it is important for various stakeholders, including government agencies and educational institutions, to formulate training programs and initiatives that improve digital literacy among MSME participants. These initiatives will improve MSME performance and encourage broader economic development in a region.

#### ***The Influence of Financial Literacy (X1) on Innovation (M)***

The study's findings suggest that financial literacy significantly and favorably influences innovation. This suggests that encouraging innovation requires people or organizations to have a solid understanding of and capacity to handle money. To put it another way, the economy's capacity to produce novel concepts, new products, or inventive process enhancements grows along with the literacy rate. This suggests that the assessment of financial factors is a key factor in creating and executing innovations that can boost business daya saing and keberlanjutan, in addition to being a tool for determining daya sumber. To sum up, efforts to increase creative capability across all industries should strategically prioritize raising financial literacy.

The findings of this writing are in line with previous writings conducted by Edi Wibowo et al., (2022) which shows that financial literacy has a significant influence on innovation. Research Wahyono & Hutahayan (2021) shows that financial literacy has an impact on innovation.

As a result, it's critical that MSME stakeholders keep enhancing their financial literacy. Strategic enhancement of MSME innovation capacity can be achieved through financial literacy-focused training and educational programs.

#### ***The Influence of Digital Literacy (X2) on Innovation (M)***

The study's findings demonstrate that innovation is positively and significantly impacted by digital literacy. This demonstrates how the innovation process may be fueled by people's or organizations' capacity to comprehend, access, and use digital technology efficiently. To put it another way, raising digital literacy will improve one's ability to come up with fresh concepts, create cutting-edge goods and services, and use more inventive and productive working practices. This research highlights how crucial it is to become proficient in digital technology since it speeds up innovation, which advances

organizations' and businesses' competitiveness. Additionally, the strategy to boost innovation in a variety of disciplines must prioritize the growth of digital literacy.

The findings of this writing are in line with previous writing by Firmansyah & Dede (2022) shows that digital literacy influences innovation. Research by Cuevas-Vargas et al., (2024) shows that digitalization techniques substantially increase innovation, thus positively impacting sustainability excellence.

Therefore, it is important for MSMEs to improve their digital literacy through relevant training and educational initiatives. These initiatives will increase their innovative capacity and strengthen the sustainability and competitiveness of companies in an increasingly competitive market.

### ***The Influence of Innovation (M) on MSME Performance (Y)***

The results of the study indicate that innovation has a favorable and significant impact on MSME performance in Merangin Regency, Jambi Province. This illustrates how increasing financial management innovation in the areas of assets, turnover, investment, processes, and services directly increases the effectiveness and efficiency of MSME operations, which in turn enhances business performance. To put it another way, MSMEs that can continuously apply innovation will acquire a competitive edge that helps them grow their revenue, market share, and business resilience in the face of escalating competition. Strengthening innovation capability should be a priority in the overall MSME development plan, as this research demonstrates that innovation is a critical component in promoting the expansion and sustainability of MSMEs in a given location or region.

The results of this writing are in line with previous writings conducted by Wijaya et al., (2025) shows that innovation skills are considered to have a positive influence on company performance. Research Wahyono & Hutahayan (2021) shows that innovation has a positive effect on business performance.

Therefore, it is important for MSME stakeholders to continue to foster a culture of innovation within their organizations. Implementing training programs, obtaining government assistance, and fostering partnerships with research institutions or universities can increase innovation capacity.

### ***Innovation (M) Acts as a Mediating Variable in the Relationship between Financial Literacy (X1) and MSME Performance (Y)***

According to the study's findings, innovation acts as a mediating factor in the relationship between MSME performance and financial literacy in Merangin Regency, Jambi Province. This illustrates how financial literacy affects MSME performance both directly and indirectly by encouraging MSME operators to be more innovative. Put another way, MSME actors' ability to understand and manage financial issues fosters innovation, which raises business efficacy and competitiveness. This study shows that efforts to increase inventive ability must be conducted in concert with the development of financial literacy in order to improve MSME performance and make it more sustainable and optimal.

The results of this study are in line with previous research conducted by Muhammad Hasan et al., (2024) stated that financial literacy has a positive and significant effect on the success of MSMEs. Research conducted by Edi Wibowo et al., (2022) shows that financial literacy and innovation have a significant impact on financial performance.

Consequently, it is critical that MSME stakeholders enhance their financial literacy through pertinent educational and training programs. Additionally, collaborating with financial and academic organizations might help MSME innovation performance and capacities.

***Innovation (M) Acts as a Mediating Variable in the Relationship between Digital Literacy (X2) and MSME Performance (Y)***

According to the study's findings, innovation functions as a mediating factor in the association between MSME performance and digital literacy in Merangin Regency Jambi Province. This demonstrates that digital literacy influences performance through increased innovation by MSME actors in addition to directly enhancing MSME performance. To put it another way, MSME actors' proficiency with digital technology promotes creativity in enhancing MSME performance. In order to positively affect MSME performance and enable them to adapt and grow in an increasingly digitalized business environment, this research demonstrates that the development of digital literacy must be supported by an increase in innovative capacity.

The findings of this study are in line with previous research by Cuevas-Vargas et al., (2024) which shows that innovation not only directly benefits from digitalization but also significantly mediates the increase in sustainability benefits. Simultaneously, a study by Al Tahrawi & Al Shawabkeh (2024) shows that researchers also refer to innovation as an intermediary variable in the relationship between digital transformation and strategic performance.

Consequently, it is crucial for MSME stakeholders to improve their digital literacy through relevant training and educational initiatives. In addition, government support and partnerships with writing or educational institutions can be useful tools to improve MSME innovation capabilities and performance.

**CONCLUSION AND RECOMMENDATION**

The analysis conducted indicates that the performance of MSMEs in Merangin Regency, Jambi Province, is positively and significantly impacted by financial and digital literacy. MSMEs can manage their financial resources more effectively by raising their level of financial literacy. Similarly, by enabling the effective use of digital technology, digital literacy raises the operational effectiveness and competitiveness of MSMEs. Furthermore, it has been demonstrated that innovation plays a significant role in mediating the relationship between digital and financial literacy for MSMEs' performance. This demonstrates that enhancing MSME success greatly depends on their ability to innovate, which is made possible by high financial and digital literacy.

In order to support the growth and sustainability of MSMEs in an era of increased competition, it is crucial that MSMEs, the government, and educational institutions create training programs that emphasize enhancing

financial literacy, digital literacy, and innovation skills. Therefore, the long-term growth and success of MSMEs depend on the promotion of innovation, the development of digital and financial literacy, and other factors.

Implementation of the results of this study includes the development of structured financial literacy and digital literacy training programs for MSMEs, involving the government, educational institutions, and financial institutions so that the material is delivered effectively. In addition, a culture of innovation needs to be encouraged by providing supporting facilities and collaboration with universities and the private sector to strengthen creativity and the development of new products. The government must also provide incentives and policy support to support access to capital, technology, and markets for innovative MSMEs. Strategic partnerships with financial institutions are important to ensure optimal use of financial resources to support business development and innovation. Periodic evaluations need to be carried out to measure the impact of the program so that improvements can be implemented in a timely manner. The synergy between financial literacy, digital literacy, and innovation supported by adequate policies and facilities is expected to improve MSME performance and make a positive contribution to sustainable local economic growth.

#### **ADVANCED RESEARCH**

Further research from this study can focus on many aspects to improve understanding of the impact of financial literacy and digital literacy on MSME performance:

1. Other factors, such as social, cultural, and business contextual factors, that affect how financial literacy, digital literacy, and innovation interact with MSME success might also be examined in the essay.
2. A comprehensive examination of the function of innovation as a mediating variable can be conducted by analyzing several forms of innovation, including product, process, and marketing innovation, and their respective contributions to MSME performance.
3. Research could involve longitudinal studies to observe changes in MSME performance over time following the implementation of financial literacy and digital literacy programs, as well as innovations to assess the long-term impact of these interventions.
4. Research could be conducted in other areas to compare results and identify contextual differences that may influence the relationships between these variables.

With this approach, further writing is expected to provide more comprehensive and practical insights for developing strategies to improve MSME performance in various contexts.

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