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Research Article

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The Influence of Financial Literacy and Digital Literacy on the Performance of Muhammadiyah-Owned MSMEs in Bandung City

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Abstract: *This study aims to analyze the influence of financial literacy and digital literacy on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. The study employed a quantitative approach with a survey method of 100 MSMEs selected using a purposive sampling technique. Data were collected through questionnaires and analyzed using multiple linear regression with the help of IBM SPSS Statistics 27. The results of the study indicate that financial literacy and digital literacy have a positive and significant impact on MSME performance. Simultaneously, both variables also significantly influence MSME performance. The Adjusted R Square value of 0.140 indicates that financial literacy and digital literacy can explain 14.0% of the variation in MSME performance, while the remainder is influenced by other factors outside the research model. The research findings indicate that improving financial management skills and utilizing digital technology are crucial aspects in supporting the performance of MSMEs. The findings are expected to provide input for Muhammadiyah organizations and stakeholders in designing programs to empower their cadres economically through strengthening financial and digital literacy.*

Keywords: *financial literacy; digital literacy; MSME performance; Muhammadiyah; MSMEs.*

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars of the Indonesian economy, contributing approximately 61% to the national Gross Domestic Product (GDP) and absorbing approximately 97% of the workforce. This large contribution indicates that the existence of MSMEs plays a vital role in driving economic growth, creating jobs, and improving community welfare. In the city of Bandung, there are more than 250 thousand MSMEs dominated by the culinary, fashion, and creative industry sectors. The growth in the number of MSMEs indicates the increasing development of community economic activity. However, the increase in the number of business actors has not been fully followed by an increase in the quality of business management or sustainable performance.

One factor thought to be related to MSME performance is financial literacy. The National Survey of Financial Literacy and Inclusion conducted by the Financial Services Authority (OJK) shows that the level of financial literacy among Indonesians is still lower than the level of financial inclusion. This condition indicates that access to financial products and services has not been fully balanced by the community's ability to understand and utilize them optimally. In the context of MSMEs, limited financial literacy can affect the ability of business actors to manage cash flow, prepare financial reports, determine financing sources, and make rational business decisions. Several studies report that financial literacy has a positive relationship with business management capabilities and MSME performance achievements. Financial literacy is an individual's ability to understand and manage financial information so that they are able to make appropriate economic decisions. A good level of financial literacy contributes to more effective and sustainable business management.

In addition to financial literacy, the development of digital technology has changed business management patterns in various economic sectors. The use of digital technology is no longer limited to promotional activities, but has become part of operational management, financial transactions, customer service, and business decision-making. Digital transformation has become an important factor in increasing the competitiveness of MSMEs through the use of information technology in business processes, marketing, and customer service. The Ministry of Communication and Information Technology report shows that the use of digital ecosystems by MSMEs still needs to be continuously improved. This condition shows that the ability to utilize digital technology is one of the competencies needed for MSMEs to be able to adapt to changes in the business environment. Various studies also show that digital literacy contributes to increased productivity, operational efficiency, market expansion, and MSME performance. The digitalization of MSMEs in Indonesia still faces various challenges, especially related to human resource readiness and the ability to adapt to technological developments.

Within the Muhammadiyah organization, cadre-owned MSMEs are part of the community's economic empowerment efforts. In Bandung, various Muhammadiyah-owned businesses, including schools, universities, hospitals, and social institutions, have the potential to become a supporting ecosystem for the development of cadre-owned MSMEs. However, some business owners still face challenges in financial management and optimal use of digital technology. This situation indicates that improving financial and digital literacy remains a necessity to support the capacity development of Muhammadiyah cadre MSMEs.

Various previous studies have examined the influence of financial literacy and digital literacy on the performance of MSMEs and generally indicate that both variables are associated with improved business performance. However, most studies have been conducted on the general MSME population without considering the characteristics of specific business communities. Research examining the relationship between these two variables in MSMEs developing within community-based organizations, particularly Muhammadiyah, is still relatively limited. The characteristics of Muhammadiyah-based MSMEs, which develop within organizational networks, possess social values, and receive institutional support, allow for different business management dynamics compared to MSMEs in general. Therefore, this study was conducted to provide empirical evidence regarding the influence of financial literacy and digital literacy on the performance of Muhammadiyah-owned MSMEs in Bandung City.

Based on the above description, this study aims to analyze the influence of financial literacy and digital literacy on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City, both partially and simultaneously. The results are expected to enrich the study of factors influencing MSME performance and provide input for the Muhammadiyah Association in designing programs to empower cadres' economic development through strengthening financial and digital literacy.

Literature Review

Financial Literacy

Financial literacy is an individual's ability to understand financial concepts and use them as a basis for economic decision-making. In the context of MSMEs, financial literacy relates not only to knowledge of financial products and services, but also to the ability to manage cash flow, prepare budgets, maintain financial records, select financing sources, and evaluate business risks. Business owners with a high level of financial literacy tend to be more capable of managing financial resources effectively, thus supporting business sustainability and development.

Huston (2010) explains that financial literacy is not only related to knowledge of financial products, but also the ability to use that knowledge in decision-making. Meanwhile, Lusardi and Mitchell (2014) emphasize that financial literacy is a crucial factor influencing both individual economic well-being and business management success. The OECD (2020) defines financial literacy as the combination of knowledge, skills, attitudes, and behaviors necessary for making appropriate financial decisions, thereby improving the financial well-being of individuals and businesses.

In the context of MSMEs, financial literacy not only plays a role in improving understanding of financial management but also contributes to business growth through the ability of business actors to manage cash flow, prepare financial reports, and utilize financing access more effectively. Susan (2020) found that financial literacy has a positive effect on MSME growth in West Java.

Various studies have shown that financial literacy has a positive relationship with MSME performance. Business owners who understand financial management are generally better able to allocate resources efficiently, control operational costs, and make more informed investment decisions. These conditions ultimately contribute to increased business growth, profitability, and sustainability.

Digital Literacy

Digital literacy is an individual's ability to access, understand, evaluate, and effectively utilize digital technology to support daily and business activities. In the MSME environment, digital literacy encompasses the ability to utilize the internet, social media, marketplaces, digital financial applications, and various information technologies that support business operations.

Digital literacy is an individual's ability to access, understand, evaluate, and utilize digital technology effectively. This ability is a crucial asset for MSMEs in facing the increasingly digitalized business environment. In addition to the ability to access and utilize digital technology, digital literacy also relates to the ability to develop digital capabilities in organizational and business activities. Digital capabilities enable business actors to utilize technology to improve operational efficiency, expand market access, and encourage innovation in running a business.

The development of the digital economy has encouraged MSMEs to increasingly utilize technology as part of their business strategy. Business actors with good digital literacy tend to be more adaptable to changes in the business environment, expand their marketing reach, improve customer service quality, and develop business innovations. Various studies have shown that the ability to utilize digital technology contributes to increased operational efficiency, productivity, and MSME performance.

MSME Performance

MSME performance is the level of success a business has achieved in achieving its stated business goals. Performance measurement is not solely based on financial aspects, but also reflects a business's ability to sustain growth, increase competitiveness, meet customer needs, and maintain business continuity.

The performance of MSMEs is not only influenced by internal factors, but also by the ability of business actors to manage resources and adapt to changes in the business environment.

In this study, MSME performance was measured using indicators of business actors' perceptions of their business development over the past three years. These indicators include sales growth, customer growth, revenue growth, profit growth, profit consistency, business development, market expansion, business capacity increase, operational effectiveness, ability to meet customer needs, business resilience, and business development prospects. The perception approach was chosen because it is widely used in MSME research to describe business conditions when real financial data is not fully available.

Previous Research and Hypothesis Development

Table 1. Summary of Previous Research

No	Researchers	Variables	Research result
1	Aribawa (2016)	Financial Literacy → MSME Performance	Financial literacy has a positive impact on the performance and sustainability of MSMEs.
2	Susan (2020)	Financial Literacy → MSME Growth	Financial literacy contributes to the growth of MSMEs by improving financial management and business decision-making capabilities.
3	Ye & Kulathunga (2019)	Financial Literacy → MSME Sustainability	Financial literacy improves the sustainability of MSMEs through risk management, access to financing, and the quality of financial decisions.
4	Khin & Ho (2019)	Digital Capabilities → Organizational Performance	Utilizing digital technology and digital capabilities improves organizational performance through digital innovation.
5	Bidasari et al. (2023)	Financial Literacy, Digital Literacy → MSME Performance	Financial literacy and digital literacy simultaneously have a positive impact on MSME performance.
6	This research	Financial Literacy, Digital Literacy → Performance of Muhammadiyah Cadres of MSMEs in Bandung City	Testing the influence of financial literacy and digital literacy on the performance of Muhammadiyah cadre MSMEs in Bandung City as a different research context.

Various previous studies have shown that financial literacy and digital literacy are crucial factors influencing the success of MSMEs. Aribawa (2016) found that financial literacy positively impacts the performance and sustainability of MSMEs in Indonesia. Similarly, Susan (2020) demonstrated that MSMEs' ability to understand and manage financial aspects contributes to business growth, particularly in West Java.

Internationally, Ye and Kulathunga (2019) explain that financial literacy is a crucial resource for improving the sustainability of MSMEs through better financial decision-making, risk management, and increased access to financing. Furthermore, Khin and Ho (2019) demonstrate that the ability to utilize digital technology and an organization's digital capabilities positively influence performance improvement through digital innovation. These results indicate that mastery of digital technology is a strategic factor in enhancing the competitiveness of organizations and MSMEs.

In the Indonesian context, Bidasari et al. (2023) found that financial literacy and digital literacy simultaneously had a positive impact on MSME performance. These findings demonstrate that the two variables complement each other in increasing business management effectiveness.

However, most previous research has focused on MSMEs in general and has not specifically examined MSMEs managed by Muhammadiyah cadres in Bandung City. Furthermore, research examining the influence of financial literacy and digital literacy simultaneously in this context is still limited. Therefore, this study aims to fill this research gap by examining the influence of financial literacy and digital literacy on the performance of MSMEs managed by Muhammadiyah cadres in Bandung City.

Hypothesis Development

The Influence of Financial Literacy on MSME Performance

The ability of MSMEs to understand and manage financial aspects is one of the factors supporting business success. Financial literacy helps entrepreneurs manage cash flow, control costs, determine capital needs, and make more rational financial decisions. This ability enables entrepreneurs to allocate resources more effectively, thereby improving business performance. Previous research also shows that financial literacy has a positive relationship with MSME performance. Based on this description, the first hypothesis is formulated as follows.

H1: Financial literacy has a positive influence on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City.

The Influence of Digital Literacy on MSME Performance

The development of digital technology provides opportunities for MSMEs to increase their competitiveness by utilizing various digital platforms in their business activities. Business actors with good digital literacy will more easily utilize technology for marketing, customer communication, business transactions, and business operational management. This capability has the potential to increase efficiency and productivity, thereby driving improved business performance. Previous research findings also indicate that digital literacy is positively related to MSME performance. Based on this description, the second hypothesis is formulated as follows.

H2: Digital literacy has a positive impact on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City.

The Influence of Financial Literacy and Digital Literacy on MSME Performance

Financial literacy and digital literacy are two complementary skills that support business management. Financial literacy helps business actors make informed economic decisions, while digital literacy supports the use of technology to improve business effectiveness. The combination of these two skills is expected to improve the adaptability, operational efficiency, and competitiveness of MSMEs, thereby impacting business performance. Based on these arguments, the third hypothesis is formulated as follows. Bidasari et al. (2023) showed that financial literacy and digital literacy simultaneously improve MSME performance.

H3: Financial literacy and digital literacy simultaneously have a positive influence on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City.

Method

This study uses a quantitative approach with an explanatory research design to analyze the influence of financial literacy and digital literacy on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. The quantitative approach was chosen because the study aims to examine the relationship between variables based on data obtained through questionnaires distributed to respondents.

The research population was all MSMEs owned by Muhammadiyah cadres in Bandung City. The sample was determined so that the data obtained could represent the characteristics of the population so that the research results could be used to explain the phenomenon being studied. This was done using a purposive sampling technique, namely selecting respondents based on certain criteria, including: (1) being a Muhammadiyah cadre who owns or manages MSMEs, (2) actively running a business for at least one year, and (3) willing to be research respondents. Based on these criteria, 100 respondents were obtained who met the requirements as research samples.

Primary data were obtained through a questionnaire using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The research instrument was developed based on indicators used in various previous studies and adapted to the characteristics of the study. Financial literacy was measured using indicators of financial knowledge and management skills, digital literacy was measured based on the ability to utilize digital technology in business activities, while MSME performance was measured through business actors' perceptions of their business development, including business growth, profitability, operational effectiveness, and business sustainability.

Prior to analysis, the research instrument was tested for validity using Pearson Product Moment correlation and reliability using Cronbach's Alpha coefficient. All statement items were declared valid if their correlation coefficient was greater than the critical value and reliable if the Cronbach's Alpha value exceeded 0.70.

Data analysis was conducted using IBM SPSS Statistics version 27. The analysis stages included descriptive statistical analysis, instrument quality testing, classical assumption tests consisting of normality, multicollinearity, and heteroscedasticity tests, followed by multiple linear regression analysis to examine the effect of financial literacy and digital literacy on MSME performance. Hypothesis testing was conducted through partial tests (t-test), simultaneous tests (F-test), and coefficient of determination (R^2) with a significance level of 5%. These analysis stages refer to the multivariate analysis procedures recommended by Hair et al. (2019).

Table 2. Operational Definitions of Variables

Variables	Operational Definition	Indicator
Financial Literacy	The ability of MSME actors to understand and apply financial knowledge in business management.	Financial knowledge, cash flow management, budgeting, financing management, financial decision making.
Digital Literacy	The ability of MSMEs to utilize digital technology to support business activities.	Utilization of the internet, social media, marketplaces, digital applications, digital communications.
MSME Performance	The level of business success is based on the business actor's perception of the development of his business.	Sales growth, customers, revenue, profits, business development, operational effectiveness, business sustainability.

Source: Compiled by the author based on research indicators.

Result and Discussion

Respondent Characteristics

This study involved 100 MSMEs owned by Muhammadiyah cadres in Bandung City who met the criteria for respondents. Respondent characteristics are presented based on gender, age, education level, length of business, and type of business to provide a profile of the entrepreneurs who were the subjects of the study.

Table 3. Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Man	56	56.0
	Woman	44	44.0
Age Group	< 25 years	5	5.0
	25–34 years	13	13.0
	35–44 years	32	32.0
	45–54 years	41	41.0
	≥ 55 years	9	9.0
Last education	High School/Vocational School	30	30.0
	Diploma	6	6.0
	Bachelor degree)	51	51.0
	Postgraduate (S2)	13	13.0
Length of Business	1–3 years	18	18.0
	4–6 years	31	31.0
	7–10 years	34	34.0
	>10 years	17	17.0
Business fields	Culinary/Food and Drink	29	29.0
	Service	21	21.0
	Trading	17	17.0
	Craft	13	13.0
	Fashion	12	12.0
	Agriculture/Livestock	8	8.0

Source: Processed primary data (2026).

Respondent characteristics indicate that the study involved MSMEs with quite diverse backgrounds. Respondents were predominantly male (56.0%), while females accounted for 44.0%. Most respondents were aged 45–54 (41.0%) and 35–44 (32.0%), indicating that the majority of entrepreneurs were of productive age with relatively extensive business experience.

In terms of education level, the majority of respondents had a bachelor's degree (51.0%), followed by high school/vocational school (30.0%), and postgraduate (13.0%). This indicates that the MSMEs in the study had a relatively good level of formal education, which is expected to enable them to understand aspects of financial management and the use of digital technology.

Based on business experience, the majority of respondents have been running their businesses for 7–10 years (34.0%) and 4–6 years (31.0%). In terms of business sector, the culinary sector is the most common business sector (29.0%), followed by the service sector (21.0%) and trade (17.0%). This distribution of characteristics indicates that respondents have sufficient business experience and come from various economic sectors, thus providing a representative picture of the condition of MSMEs owned by Muhammadiyah cadres in Bandung City.

Descriptive Analysis of Variables

Descriptive analysis was conducted to determine the tendency of respondents' answers to each research variable, namely financial literacy, digital literacy, and MSME performance.

Table 4. Descriptive Statistics of Variables

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Financial Literacy	100	2.43	4.86	3,777	0.564
Digital Literacy	100	2.75	5.00	4,131	0.508
MSME Performance	100	2.33	4.92	3,837	0.623

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

Descriptive statistical analysis was conducted to provide an overview of the condition of each research variable based on respondents' responses. The analysis showed that digital literacy had the highest average score of 4.131, followed by MSME performance at 3.837, and financial literacy at 3.777. These average scores indicate that respondents generally gave relatively high ratings to all three variables studied.

In terms of data distribution, all variables have standard deviations smaller than their mean values. This indicates that respondents' responses are relatively homogeneous and do not exhibit significant variation. Therefore, the data obtained can fairly consistently reflect respondents' perceptions of financial literacy, digital literacy, and MSME performance.

Instrument Quality Test

The research instrument was tested using validity and reliability tests before further analysis was carried out.

a. Validity Test

The test results show that all statement items have a correlation coefficient value greater than the critical value so that all indicators are declared valid as research measuring tools. An indicator is declared valid if it has a Corrected Item-Total Correlation (CITC) value > 0.30.

Table 5. Validity Test Results

Variables	Number of Items	CITC Range	Information
Financial Literacy	14	0.534–0.700	All items are valid
Digital Literacy	12	0.473-0.668	All items are valid
MSME Performance	12	0.537-0.729	All items are valid

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

Prior to data analysis, the research instrument was tested to ensure that each item adequately measured the construct under study. Validity was tested using the Corrected Item–Total Correlation (CITC). An item is considered valid if its CITC value is greater than 0.30.

Based on these results, all items in the financial literacy variable have CITC values between 0.534–0.700, the digital literacy variable between 0.473–0.668, and the MSME performance variable between 0.537–0.729. All of these values are above the minimum threshold of 0.30, thus all statement items are declared valid and suitable for use in further analysis.

b. Reliability Test

The results of the reliability test show that all variables have a Cronbach's Alpha value above 0.70 so that all research instruments are declared reliable.

Table 6. Reliability Test Results

Variables	Cronbach Alpha	Information
Financial Literacy	0.910	Reliable
Digital Literacy	0.883	Reliable
MSME Performance	0.902	Reliable

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

Reliability testing was conducted to determine the level of consistency of the research instrument in measuring each variable. Reliability was measured using the Cronbach's Alpha coefficient, with the criterion that an instrument is considered reliable if its Cronbach's Alpha value is greater than 0.70.

Based on these results, the financial literacy variable obtained a Cronbach's Alpha value of 0.910, the digital literacy variable 0.883, and the MSME performance variable 0.902. All of these values are above the minimum required limit, thus concluding that all research instruments have a good level of internal consistency and are suitable for further analysis.

Based on the results of the validity and reliability tests, it can be concluded that all research instruments meet instrument quality requirements. All statement items were declared valid and had a good level of internal consistency, making them suitable for use in hypothesis testing through multiple linear regression analysis.

Classical Assumption Test

Before conducting multiple linear regression analysis, classical assumption testing was performed to ensure that the regression model met the required assumptions. This testing included tests for normality, multicollinearity, and heteroscedasticity.

a. Normality Test

The normality test aims to determine whether the residuals of the regression model are normally distributed. The test is performed using the One-Sample Kolmogorov–Smirnov Test.

Table 7. Normality Test Results

Statistics	Mark
Asymp. Sig. (2-tailed)	0.178

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

The Asymp. Sig. (2-tailed) value was 0.178, which is greater than 0.05. These results indicate that the residuals of the regression model are normally distributed, so the normality assumption has been met.

b. Multicollinearity Test

A multicollinearity test is performed to determine whether there is a strong relationship between the independent variables in the regression model. The test is performed using Tolerance and Variance Inflation Factor (VIF) values.

Table 8. Multicollinearity Test

Variables	Tolerance	VIF
LK	0.976	1,025
LD	0.976	1,025

Source: Primary data processed using IBM SPSS Statistics 27 (2026)

The test results show that all independent variables have a Tolerance value greater than 0.10 and a VIF value less than 10. Thus, it can be concluded that the regression model does not experience symptoms of multicollinearity so that the relationship between independent variables does not interfere with the model estimation process.

Heteroscedasticity Test

The heteroscedasticity test was conducted by observing the residual distribution pattern on the scatterplot graph between the standardized predicted values (ZPRED) and standardized residuals (ZRESID).

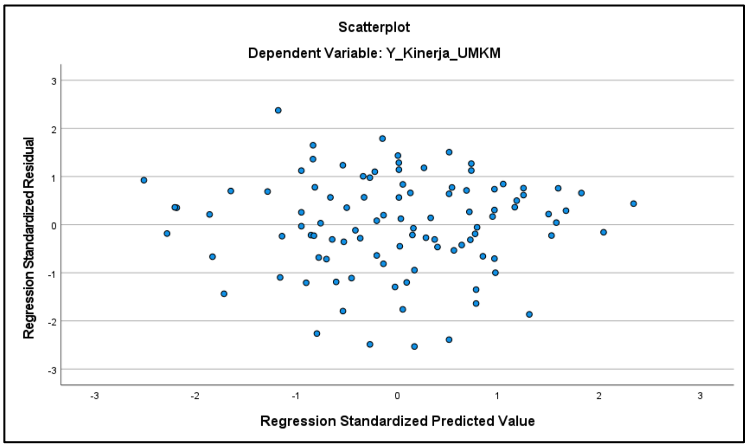

Figure 1. Scatterplot

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

The scatterplot results show that the residual points are randomly distributed above and below the zero line and do not form any particular pattern, whether tapered, wide, or wavy. This condition indicates that the regression model does not exhibit symptoms of heteroscedasticity, thus meeting the assumption of homogeneity of residual variance.

Multiple Linear Regression Analysis

Multiple linear regression analysis was used to examine the effect of financial literacy and digital literacy on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. The results of the regression analysis are presented as follows:

Table 9. Results of Multiple Linear Regression Analysis

Variables	B	Std. Error	Beta	t	Sig.
Constant	1,057	0.667	–	1,586	0.116
Financial Literacy	0.364	0.104	0.330	3,493	0.001
Digital Literacy	0.340	0.116	0.278	2,941	0.004

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

A multiple linear regression analysis was conducted to determine the effect of financial literacy and digital literacy on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. The results of the regression analysis yielded the following regression equation:

$$Y=1.057+0.364X1+0.340X2$$

The equation shows that financial literacy and digital literacy have positive regression coefficients. This indicates that improvements in both financial and digital literacy tend to be followed by improved MSME performance, assuming other variables remain constant.

Hypothesis Testing

a. Partial Test (t-Test)

A partial test was conducted to determine the influence of each independent variable on MSME performance. The test results are shown below:

Table 10. Partial Test Results (t-Test)

Variables	Beta	t	Sig.	Decision
Financial Literacy	0.330	3,493	0.001	H1 accepted
Digital Literacy	0.278	2,941	0.004	H2 accepted

Source: Primary data processed using IBM SPSS Statistics 27 (2026)

Based on the partial test results, the financial literacy variable has a significance value of 0.001 (<0.05), thus having a positive and significant effect on MSME performance. Thus, Hypothesis 1 is accepted.

The digital literacy variable also has a significance value of 0.004 (<0.05), indicating a positive and significant effect on MSME performance. Therefore, Hypothesis 2 is accepted.

b. Simultaneous Test (F Test)

Simultaneous testing was conducted to determine whether financial literacy and digital literacy jointly influence MSME performance.

Table 11. Simultaneous Test Results (F Test)

F count	Sig.	Decision
9,048	0,000	H3 is accepted

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

The simultaneous test results showed a calculated F-value of 9.048 with a significance level of 0.000 (<0.05). These results indicate that financial literacy and digital literacy together significantly influence the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. Thus, Hypothesis 3 is accepted.

c. Coefficient of Determination

The coefficient of determination is used to determine the extent of the independent variable's ability to explain variations in the dependent variable.

Table 12. Results of the Determination Coefficient

R	R Square	Adjusted R Square
0.397	0.157	0.140

Source: Primary data processed using IBM SPSS Statistics 27 (2026).

Based on the analysis results, the Adjusted R Square value was 0.140. These results indicate that financial literacy and digital literacy together can explain 14.0% of the variation in MSME performance, while the remaining 86.0% is influenced by factors outside the research model.

These findings indicate that MSME performance is not only influenced by financial literacy and digital literacy, but also by various other factors, such as entrepreneur characteristics, innovation, entrepreneurial orientation, managerial skills, market conditions, institutional support, and business environmental factors that were not analyzed in this study.

The Influence of Financial Literacy on MSME Performance

The research results show that financial literacy has a positive and significant impact on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. This finding suggests that the better MSME owners understand financial concepts, such as cash flow management, budgeting, financial record-keeping, and financial decision-making, the better their business performance.

The ability to manage finances enables business owners to use resources more effectively, control operational costs, and make business decisions based on more rational financial information. In practice, MSMEs with good financial literacy tend to be better able to maintain business continuity, manage risks, and capitalize on financing opportunities to support business development.

These findings reinforce the research findings of Bidasari et al., Susan, and Ye & Kulathunga, who stated that financial literacy contributes to improving MSME performance by improving the ability to manage financial resources and the quality of business decision-making. Furthermore, it also reinforces the concept of financial literacy as proposed by Huston (2010) and Lusardi and Mitchell (2014), who stated that the ability to manage financial information is the basis for business decision-making. The similarity of these results indicates that financial literacy is an important factor in increasing the competitiveness of MSMEs.

In the context of MSMEs owned by Muhammadiyah cadres, these findings indicate that improving financial management skills is a crucial aspect of cadre economic empowerment programs. Capacity building through training in financial record keeping, simple financial reporting, cash flow management, and business financial planning can be a strategy to support sustainable MSME performance improvement.

The Influence of Digital Literacy on MSME Performance

The research results show that digital literacy has a positive and significant impact on MSME performance. This finding demonstrates that business actors' ability to utilize digital technology is a factor supporting improved business performance.

Utilizing digital technology extends beyond social media for promotion, encompassing the ability to leverage marketplaces, digital payments, communicate with customers, and even use simple applications for business management. MSMEs with strong digital literacy have a greater opportunity to expand their market reach, improve operational efficiency, and build stronger relationships with customers.

The findings of this study support the research of Bidasari et al., Khin & Ho, and Nasution et al., who found that digital literacy and digital transformation are positively related to improved MSME performance. Furthermore, the research findings also support the view that digital literacy is a key competency in facing the development of the digital economy. This indicates that the ability to adapt to technological developments is becoming an increasingly important factor in facing business competition.

For MSMEs owned by Muhammadiyah cadres, this study demonstrates that improving digital capabilities needs to be part of economic empowerment programs. Training in digital marketing, social media management, marketplace utilization, and the use of digital applications in business operations can support MSME competitiveness in the digital economy era.

The Influence of Financial Literacy and Digital Literacy on MSME Performance

Simultaneous test results indicate that financial literacy and digital literacy simultaneously have a significant impact on MSME performance. This finding suggests that these two variables complement each other in supporting business management.

Financial literacy provides a foundation for businesses to manage financial resources effectively, while digital literacy expands their ability to utilize technology to increase efficiency and expand markets. The combination of these two skills enables MSMEs to operate more adaptively to changes in the business environment.

Simultaneously, research findings indicate that mastery of financial aspects and digital technology complement each other in increasing the competitiveness of MSMEs, in line with the concept of digital transformation proposed by Bharadwaj et al. (2013) and Vial (2019).

However, the Adjusted R Square value of 0.140 indicates that financial literacy and digital literacy only explain 14.0% of the variation in MSME performance. These results indicate that MSME performance is a complex phenomenon and is influenced by various factors other than the research model, such as entrepreneurial characteristics, innovation, market orientation, managerial capabilities, access to capital, institutional support, and business environmental conditions.

Thus, the results of this study provide evidence that financial literacy and digital literacy are factors that play a role in improving MSME performance, but they are not the sole determinants. Therefore, efforts to improve MSME performance require a more comprehensive approach that considers other factors that influence business success.

Conclusion

This study shows that financial literacy and digital literacy have a positive and significant impact on the performance of MSMEs owned by Muhammadiyah cadres in Bandung City. Partially, both variables contribute to improving MSME performance, while simultaneously, both variables are proven to have a significant impact on business performance.

However, the model's ability to explain variations in MSME performance remains relatively limited. This suggests that improved MSME performance is influenced not only by financial literacy and digital literacy, but also by various other factors not analyzed in this study.

The research findings provide practical implications: strengthening the capacity of MSMEs through increased financial and digital literacy should be part of the economic empowerment strategy for Muhammadiyah cadres. Training programs focused on business financial management and the use of digital technology are expected to support increased MSME competitiveness and sustainability.

Research Implications

This study reinforces previous research findings that financial literacy and digital literacy are factors associated with improved MSME performance. The results also expand empirical evidence in the context of MSMEs developing within community-based organizations, particularly Muhammadiyah cadres in Bandung City.

The research results provide input for the Muhammadiyah Regional Leadership of Bandung City, the economic council, and MSME development institutions to design programs to increase the capacity of cadres through:

a. financial literacy training,
b. preparation of simple financial reports,
c. cash flow management,
d. digital marketing,
e. utilization of marketplace,
f. use of digital applications in business management.

The program is expected to support increasing the competitiveness and sustainability of Muhammadiyah cadre MSMEs.

Research Limitations

This study has several limitations. First, the study only involved MSMEs owned by Muhammadiyah cadres in Bandung City, so the results cannot be generalized to all MSMEs in Indonesia. Second, the variables used only covered financial literacy and digital literacy, meaning other factors could potentially influence MSME performance. Third, the study used a cross-sectional approach, so the relationships obtained reflect conditions at the time of the study.

Suggestions for Further Research

Further research is recommended to add other relevant variables, such as innovation, entrepreneurial orientation, managerial skills, access to financing, and market orientation, to obtain a more comprehensive model for explaining MSME performance. Furthermore, research could be conducted over a broader area or using a longitudinal approach to provide a snapshot of MSME performance development over time.

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