

Financial Inclusion, Financial Literacy and Financial Technology on the Performance and Sustainability of Micro, Small, and Medium Enterprises (MSMES) In Denpasar City

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ABSTRACT:- This study aims to analyze the influence of financial inclusion, financial literacy, and financial technology on the performance and sustainability of Micro, Small, and Medium Enterprises (MSMEs). The research method used is quantitative with a survey approach. The population of the study was MSMEs in Denpasar City. The results of this study indicate that the variables of financial literacy and financial technology partially have a positive and significant effect on the performance of MSMEs, while financial inclusion does not affect the performance of MSMEs. The variables of financial inclusion and financial literacy have a positive and significant effect on the sustainability of MSMEs, while the variable of financial technology does not affect the sustainability of MSMEs in Denpasar City. The implications of this study are the importance of increasing MSME access to financial services, increasing the financial literacy of MSME actors, and encouraging the adoption of financial technology to support the growth and sustainability of MSMEs.

Keywords:- financial inclusion, financial literacy, financial technology, performance, sustainability, micro, small and medium enterprises

II. INTRODUCTION

A country's economic growth is an important indicator of successful development. It is an obligation to continue to monitor economic growth because economic growth is an indication of the success of economic development in people's lives. Indonesia, in 2023, managed to record economic growth of 5.05 percent. An achievement that deserves appreciation amidst various global challenges such as economic slowdown, increasingly tense geopolitics, inflation and climate change. Although lower than the previous year, Indonesia's economic growth in the fourth quarter of 2023 still showed a positive trend.

MSMEs have proven themselves as the backbone of the Indonesian economy, making significant contributions to creating jobs and driving economic growth. Data shows that MSMEs absorb more than 97% of the workforce in Indonesia and contribute 60.4 percent to total investment. This shows how MSMEs have become major contributors to creating jobs and reducing unemployment [1]. The flexibility of MSMEs in adapting to market dynamics allows them to create new jobs and encourage income equality. Moreover, MSMEs have also shown extraordinary resilience in facing various economic crises. When large companies experience difficulties, MSMEs are often able to survive and even grow. This shows that MSMEs not only act as engines of economic growth, but also as pillars of the economy in challenging situations. The ability of MSMEs to adapt and survive makes them a valuable asset in building an inclusive and sustainable economy. It is important to conduct a study on the performance and sustainability of MSMEs to help MSMEs adapt to changes in the business environment and be able to continue to strengthen the regional economy and community welfare.

The MSME sector that contributes the most to GDP is the culinary sector at 41.69 percent, the fashion sector at 18.15 percent and the craft sector at 15.70 percent. The number of MSMEs in Bali has increased rapidly over the past five years. Until 2023, the number of MSMEs in Bali registered with the Bali Cooperatives

and MSMEs Service is 442,848 MSMEs consisting of 107,656 (24.31%) formal sectors and 335,192 (75.69%) informal sectors. The growth of MSMEs in Bali over the past five years is 129,881 or 41.50 percent. In 2019, the growth of MSMEs in Bali was 13,042 or 4.17 percent, then in 2020 it was 1,344 or 0.41 percent. In 2021 it was 84,912 or 25.94 percent, and in 2022 it was 28,344 or 6.88 percent and in 2023 it was 2,239 or 0.51 percent [2]. Denpasar City as a metropolitan city is experiencing very rapid development of MSMEs.

MSMEs in Bali, despite having great potential, still face a number of challenges in terms of access to financing, financial knowledge and technology. For financial inclusion, Bali is at 92.21 percent. This figure is quite high but still below other provinces, such as North Sumatra, East Kalimantan and DKI Jakarta. Bali's financial literacy rate is 57.66 percent. This figure is below the provinces of Riau, North Kalimantan, NTB and Bangka Belitung. Access to formal financing for MSMEs in Bali is still limited, although there has been an increase in financial inclusion in recent years. Data shows that the financial inclusion index in Bali, although relatively high, is still below several other provinces in Indonesia. This indicates that most MSMEs in Bali still rely on their own capital or other informal sources to finance their businesses. The level of financial inclusion and literacy of several provinces in Indonesia in the period 2013-2022 is presented in Figure 1 below:

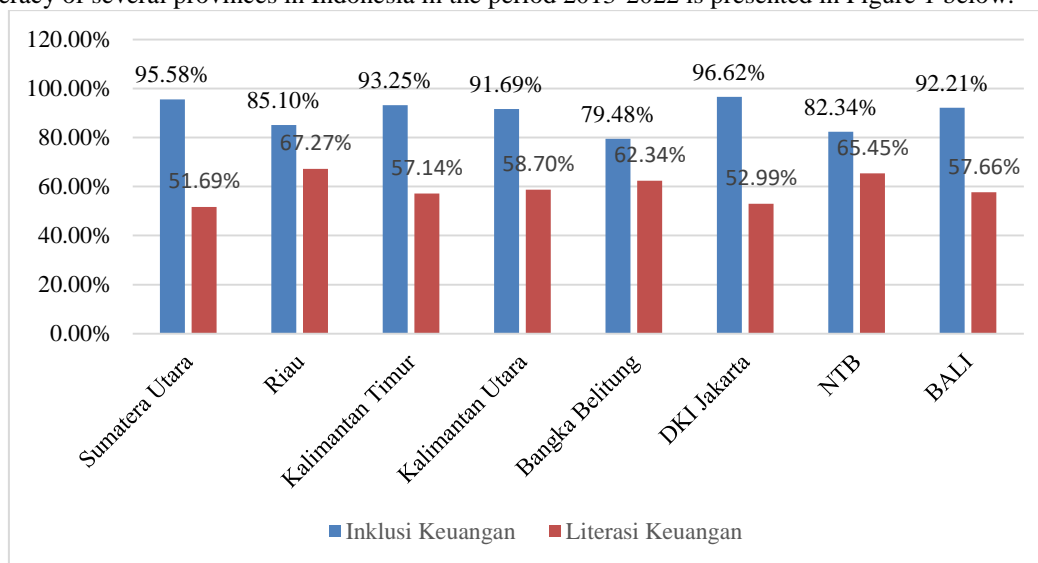


Figure 1 Comparison of Inclusion Index and Financial Literacy of Bali Province 2013-2022

In addition, the level of financial literacy of MSMEs in Bali is still relatively low compared to several other provinces. This low level of financial literacy has an impact on the ability of MSMEs to manage finances effectively, make the right business decisions and take advantage of existing opportunities. As a result, many MSMEs in Bali have difficulty developing their businesses and face higher financial risks. Another challenge faced by MSMEs in Bali is limited knowledge of available financial products and services and a lack of trust in financial institutions. This often causes MSMEs to have difficulty in choosing financial products that suit their business needs.

Research from [3] revealed that the financial management capabilities of MSMEs are still at an average level. The findings of the study conducted by [4] recommend that MSMEs that have little or no financial literacy training should enroll in related programs to improve their capacity. [5] explains the influence of financial literacy on the performance and sustainability of creative MSMEs in Central Java. The implication of this study is that with good financial literacy, it is hoped that MSMEs will be able to make the right management and financial decisions to improve business performance and sustainability. [6] in literacy showed results that financial literacy affects the performance and sustainability of MSMEs in Central Java. According to [7] financial literacy has a significant influence on the performance of small and medium enterprises. Different results were shown by [8], namely the financial literacy of owners of MSMEs in Gauteng Province, South Africa, was not related to the performance and growth of MSMEs. Research by [9] stated that financial literacy and financial inclusion have a significant influence on the performance of small businesses. However, these results are in contrast to the results of research by [10] which explains that financial inclusion does not have a significant influence on the performance and sustainability of MSMEs.

The development of technology, especially fintech, has provided great opportunities for MSMEs to grow and develop. However, on the other hand, the adoption of technology by MSMEs in Bali still faces a number of challenges. First, the level of digital literacy of MSMEs in Bali is still relatively low. This causes many MSMEs to have difficulty in understanding and utilizing technology effectively. Second, access to adequate technological infrastructure, such as a stable internet network and adequate computer devices, is still

limited, especially in rural areas. Third, concerns about data security and the risk of fraud are obstacles for MSMEs to use fintech services. Fourth, the costs required to adopt new technologies, such as website or application development, are often a heavy financial burden for MSMEs. Finally, the lack of support from the government and related institutions in encouraging the adoption of technology by MSMEs is a challenge in itself. Many MSMEs in Bali still rely on traditional methods in running their businesses, making them less able to compete with business actors who have utilized technology.

The emergence of technology has revolutionized the business environment and given rise to many innovations, including in the financial sector. Financial Technology is an innovation that combines financial services and technology. Previous research by [11] concluded that fintech has an impact on the sustainability of MSMEs. Although the presence of fintech can strengthen business, it also poses challenges to business continuity. Not all MSMEs are able to implement fintech well because of risk considerations that create challenges for business continuity [12]. [13] show that Financial Technology has an impact on MSME performance. The results of the study [14] show that Financial Technology has an impact on the sustainability of MSMEs. Meanwhile, according to [15], Fintech has no impact on business continuity.

Based on the phenomena described, the purpose of this study is to analyze the influence of financial inclusion, financial literacy and financial technology on the performance and sustainability of MSMEs in Bali.

II. LITERATURE REVIEW

2.1. Resource Based View (RBV)

The RBV theory states that a company can achieve a performance advantage and sustainable competitive advantage if it obtains valuable resources, has valuable capabilities that are insubstantial and cannot be imitated, and the company must have the ability to absorb and apply them. Resource Based View states that tangible resources and intangible resources in a company or organization can encourage in developing strategies to realize competitive advantage [16]. The RBV theory in this study is the basis that explains that financial inclusion, financial literacy and financial technology which are internal company resources have a value and potential in supporting the running of a business to achieve competitive advantage and sustainable performance growth.

2.2. Financial Inclusion

Financial Inclusion is a comprehensive study to eliminate various obstacles related to the use and utilization of financial institution services by the community [17]. In addition, Bank Indonesia's National Strategy for Inclusive Finance (SNKI) defines financial inclusion as the right for every individual to access and obtain maximum services from financial institutions in an informative and timely manner, at an affordable cost, while still paying attention to comfort and respect for their dignity.

2.3. Financial Literacy

Financial literacy is a unity of intuition, ability, knowledge, attitude, and action needed in making financial decisions so that an individual's financial well-being is achieved. In addition, the Financial Services Authority defines financial literacy as a form of improving the quality of decision-making and managing finances to achieve well-being using knowledge, skills, and beliefs that are applied in individual attitudes and behavior. The Association of Chartered Certified Accountants states that the components of financial literacy include insight into financial concepts, understanding communication about financial concepts, financial management skills both personally and in a company, and skills and accuracy in making financial decisions in every situation [5].

2.4. Financial Technology

Fintech is a combination of technology with financial services to help maximize the use of technology to sharpen, change, and accelerate various aspects related to financial services [18]. FinTech (abbreviation for financial technology, as an emerging technical term) is driven by a variety of emerging frontier technologies. It is a series of new business models, new technology applications, and new products and services that have a significant impact on the financial market and supply of financial services. It has attracted wide attention because of the following advantages: improving the efficiency of operations, reducing operating costs effectively, disrupting the existing industry structures, blurring industry boundaries, facilitating strategic disintermediation, providing new gateways for entrepreneurial ventures, and democratizing access to financial services ([19]; [20]; [21]; [22]; [23]; [24]; [25])

2.5. Performance of MSMEs

[4] defines SME performance as the work results achieved by individuals and adjusted to the role or task of the individual in a company in a certain period of time, which is linked to a certain value measure or standard of the company the individual works in. An achievement of the success or failure of the organizational goals that have been implemented. Performance is the success of personnel, teams, or organizational units in realizing previously set strategic goals with the expected behavior [26]. Good, maximum and optimal performance is the goal of all SMEs. Good performance in all sectors, both finance, production, distribution and marketing are

absolute requirements for SMEs to be able to continue to survive. With good performance, an SME is expected to be increasingly solid as the backbone of the economy and will play an increasingly important role in the national economy.

2.6. Sustainability of MSMEs

Sustainability is the ability of a company to continue running a business [27]. The business sustainability of an MSME can be known by looking at the level of success of a business in carrying out innovation, realizing employee and customer welfare, and regarding the return on equity of its business. This will show how the company has the opportunity to grow and is able to innovate sustainably [28]. According to [8] MSMEs that have business sustainability are MSMEs that always experience growth from time to time. This means that if an MSME experiences business stagnation, then it is certain that the MSME will not be able to continue its business [27].

III. HYPOTHESIS

a. The influence of financial inclusion on MSME performance

[29] stated that the problems often faced by MSMEs are related to capital and marketing processes. These problems can be overcome by facilitating access to financial services. Ease of access to financial institution services will make it easier for the community and business actors to obtain capital to run each of their business processes [30]. Research by [17] shows that if financial inclusion is increased, financial inclusion will be able to provide a positive and significant influence on the financial performance of a business. In addition, [9] also stated that financial inclusion has a positive and significant influence on the performance of small business businesses.

H1: Financial inclusion has a significant positive effect on MSME performance.

b. The influence of financial literacy on MSME performance

According to [31] Financial literacy directly influences a person's mindset which will then influence the way a person makes decisions related to finance and how to manage it. Research by [32] said that the performance of MSMEs will increase along with the increase in financial literacy possessed by the actors. A high/good level of literacy makes business actors more careful in their operations and easier in managing so that business performance can be optimized. [5] also said that decisions taken by MSME actors related to finance must be accompanied by good financial literacy. A business will develop in a better direction over time with the right decision making.

H2: Financial literacy has a significant positive effect on MSME performance.

c. The influence of financial technology on MSME performance

Fintech enables MSMEs to increase access to financing, increase operational efficiency, improve financial management, encourage product and service innovation, and expand market access. Through solutions such as peer-to-peer lending, digital payment applications, and e-commerce platforms, fintech helps MSMEs strengthen their competitiveness in an increasingly complex market. Research [33] shows that digital finance has an effect on MSME performance. Similar results were shown by [34] who stated that fintech has a positive and significant effect on MSME financial performance.

H3: Financial Technology has a positive and significant effect on MSME Performance

d. The influence of financial inclusion on the sustainability of MSMEs

Several studies have shown that ease of financial access has an influence and plays an important role in the process of sustainable growth of MSMEs. [35] said that financial inclusion allows MSMEs to develop businesses and implement more productive investments, utilize the latest technology that will increase competitiveness and create innovation. In addition, [36] research also states that an organization that does not have sufficient access to financial institution services has a fairly large chance of experiencing a decline in performance.

H4: Financial inclusion has a significant positive effect on the sustainability of MSMEs.

e. The influence of financial literacy on the sustainability of MSMEs

Good financial literacy will facilitate business actors in the process of making the right decisions in various situations. [37] in their research discussing the ability of managers to use financial market instruments in MSMEs in Turkey said that the level of financial literacy of managers increases with financial training. Greater participation is shown by business actors with a high level of financial literacy. They have a big role in the financial market because they are able to reduce existing information constraints.

H5: Financial literacy has a significant positive effect on the sustainability of MSMEs.

f. The influence of financial technology on the sustainability of MSMEs

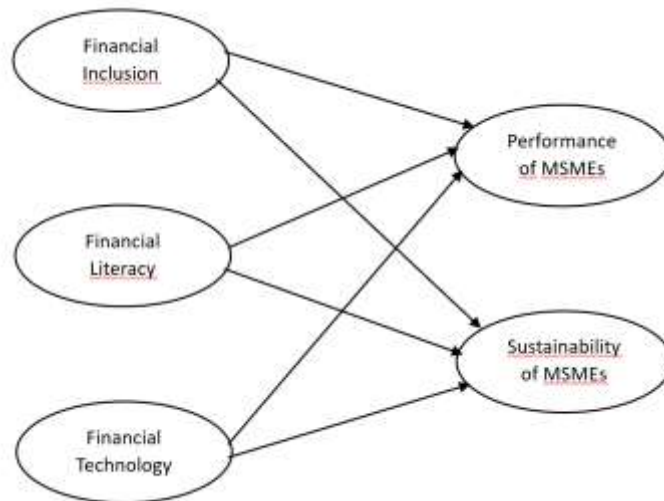
Research results on the role of fintech on MSMEs state that the presence of a number of fintechs has contributed to the development of MSMEs [38]. The role of fintech is not only limited to financing business capital but there are also those that have penetrated into various aspects such as digital payment services and financial management. The presence of fintech plays a role in strengthening financial inclusion and the growth of

MSMEs [39]. MSMEs will be greatly helped by the presence of fintech, because it can eliminate limited access to banking services. Based on research [11] which states that there is a positive relationship between fintech and financial inclusion on business sustainability. Research by [40] reveals that MSME managers need to adopt fintech which can be used to increase company efficiency.

H6: Financial Technology has a positive and significant influence on the sustainability of MSMEs

IV. METHOD

The research was conducted on Micro, Small and Medium Enterprises (MSMEs) in Denpasar City because Denpasar City is the city center and metropolitan city in Bali. The sample of this research was 100 respondents who would be randomly distributed in MSMEs in the culinary, fashion and craft sectors. These sectors were chosen because they are three sectors that have increased rapidly over the past five years in Denpasar City. Data collection was conducted through a survey using a questionnaire. The research questionnaire included several questions regarding the variables of financial inclusion, financial literacy, financial technology, performance and sustainability of MSMEs. The variable measurement scale used a 5-point Likert scale. The meaning of the 5 Likert scales is (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree. This study uses a structural equation model data analysis method based on partial least square (PLS). Smart PLS 4.0 software is used to help analyze the relationship between variables. The research framework is presented in Figure 2 below:



No	Variables	Classification	Amount (person)	Percentage
1	Gender	Man	58	58%
		Woman	42	42%
		Amount	100	100%
2	Age (years)	<30	22	22%
		30-50	68	68%
		>50	10	10%
		Amount	100	100%
3	Last education	JUNIOR HIGH SCHOOL	18	18%
		High School/Equivalent	57	57%
		Diploma	3	3%
		Bachelor	22	22%
		Amount	100	100%
4	Types of MSMEs	Craft industry	21	21%
		culinary	29	29%
		fashion	50	50%
		Amount	100	100%

Figure 2 Research Framework

V. RESULTS AND DISCUSSION

5.1 Respondent Characteristics

The characteristics of respondents in this study include gender, age, last education and type of MSME. The following is a summary of the questionnaire data regarding the characteristics of respondents:

Table 1 Respondent Characteristics

Source: SmartPLS Data Processing Results 4, 2024

Based on the results above, it can be seen that male MSME owners dominate in the city of Denpasar with a percentage of 58% (58 people) compared to female MSME owners of only 42% (42 people). The average age of MSME owners is productive age, namely from 30 to 50 years old. Around 68 people or 68% of MSME owners are in this age range. The last education of MSME owners is dominated by high school graduates or equivalent, which is 57 people or around 57%.

5.2 Measurement Model (Outer Model)

The measurement model (outer model) is used to test the construct validity and reliability of the instrument. The following are the results of the PLS program model scheme that was tested:

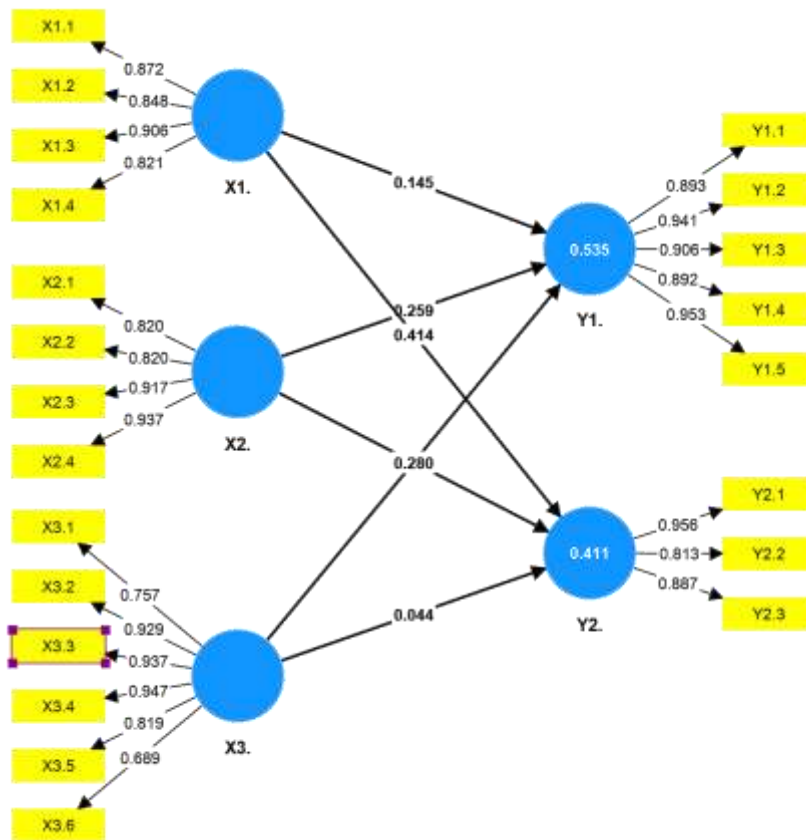


Figure 3 Outer Model

5.3 Convergent Validity

To test convergent validity, the outer loading or loading factor value is used. An indicator is declared to meet convergent validity in the good category if the outer loading value is > 0.7. The following are the outer loading values of each indicator in the research variables:

Table 2 Outer Loading

Variables	Indicator	Outer Loading
Financial Inclusion (X1)	X1.1	0.872
	X1.2	0.848
	X1.3	0.906
	X1.4	0.821
Financial Literacy (X2)	X2.1	0.820
	X2.2	0.820
	X2.3	0.917
	X2.4	0.937
Financial Technology	X3.1	0.757

(X3)	X3.2	0.929
	X3.3	0.937
	X3.4	0.947
	X3.5	0.819
	X3.6	0.689
MSME Performance (Y1)	Y1.1	0.893
	Y1.2	0.941
	Y1.3	0.906
	Y1.4	0.892
	Y1.5	0.953
Sustainability of MSMEs (Y2)	Y2.1	0.956
	Y2.2	0.813
	Y2.3	0.887

Source: SmartPLS Data Processing Results 4, 2024

Based on the table 2 data above, it is known that each indicator of the research variables has many outer loading values > 0.7 . However, there are still indicators that have outer loading values, namely the tourism decline indicator ($X3.6 = 0.689$). According to Chin as quoted by Imam Ghozali, an outer loading value between 0.5 - 0.6 is considered sufficient to meet the requirements of convergent validity [41]. The data above shows that there are no variable indicators whose outer loading values are below 0.5, so all indicators are declared feasible or valid for use in research and can be analyzed further.

5.4 Discriminant Validity

Discriminant validity test uses cross loading value. An indicator is declared to meet discriminant validity if the indicator's cross loading value on its variable is the largest compared to other variables [41].

Table 3 Cross Loading

Indicator	Variables				
	Financial Inclusion (X1)	Financial Literacy (X2)	Financial Technology (X3)	MSME Performance (Y1)	Sustainability MSMEs (Y2)
X1.1	0.872	0.369	0.803	0.558	0.483
X1.2	0.848	0.334	0.692	0.486	0.505
X1.3	0.906	0.451	0.831	0.584	0.523
X1.4	0.821	0.502	0.673	0.544	0.516
X2.1	0.470	0.820	0.540	0.497	0.433
X2.2	0.403	0.820	0.490	0.437	0.388
X2.3	0.397	0.917	0.562	0.542	0.458
X2.4	0.423	0.937	0.589	0.571	0.490
X3.1	0.583	0.517	0.757	0.574	0.447
X3.2	0.852	0.515	0.929	0.625	0.512
X3.3	0.833	0.521	0.937	0.607	0.533
X3.4	0.845	0.527	0.947	0.664	0.540
X3.5	0.694	0.493	0.819	0.545	0.489
X3.6	0.608	0.632	0.689	0.566	0.431
Y1.1	0.521	0.503	0.551	0.893	0.817
Y1.2	0.605	0.576	0.684	0.941	0.815
Y1.3	0.547	0.562	0.664	0.906	0.736
Y1.4	0.579	0.489	0.612	0.892	0.848
Y1.5	0.636	0.560	0.698	0.953	0.810
Y2.1	0.611	0.480	0.583	0.858	0.956
Y2.2	0.363	0.335	0.406	0.727	0.813
Y2.3	0.546	0.508	0.529	0.745	0.887

Source: SmartPLS Data Processing Results 4, 2024

Based on table 3 above, it can be seen that each indicator in the research variable has the largest cross loading value on the variable it forms compared to the cross loading value on other variables. In addition to the cross loading value, discriminant validity can also be known through other methods, namely by looking at the

average variant extracted (AVE) value for each indicator whose value is required to be > 0.5 for a good model [41].

Table 4 Average Variant Extracted (AVE)

Variables	AVE
Financial Inclusion (X1)	0.744
Financial Literacy (X2)	0.766
Financial Technology (X3)	0.726
MSME Performance (Y1)	0.841
Sustainability of MSMEs (Y2)	0.787

Source :SmartPls Data Processing Results 4, 2024

Based on table 4 above, it can be seen that the AVE value of the financial inclusion variable (X1), financial literacy (X2), financial technology (X3), MSME performance (Y1) and MSME sustainability (Y2) > 0.5 . These results indicate that each variable has good discriminant validity.

5.5 Composite Reliability

Composite Reliability is a section used to test the reliability value of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value > 0.6 . The following are the composite reliability values of each variable used in this study:

Table 5 Composite reliability

Variables	Composite Reliability
Financial Inclusion (X1)	0.921
Financial Literacy (X2)	0.929
Financial Technology (X3)	0.940
MSME Performance (Y1)	0.964
Sustainability of MSMEs (Y2)	0.917

Source: SmartPls Data Processing Results 4, 2024

Based on the data in table 5 above, it can be seen that the composite reliability value of all research variables is > 0.6 . This result shows that each variable has met the composite reliability so that it can be concluded that all variables have a high level of reliability.

5.6 Cronbach's Alpha

Reliability testing with composite reliability can be strengthened by using the cronbach alpha value. A variable can be declared reliable or meets the cronbach alpha if it has a cronbach alpha value > 0.7 . The following are the cronbach alpha values of each variable:

Table 6 Cronbach's Alpha

Variables	Cronbach's Alpha
Financial Inclusion (X1)	0.885
Financial Literacy (X2)	0.897
Financial Technology (X3)	0.921
MSME Performance (Y1)	0.953
Sustainability of MSMEs (Y2)	0.866

Source: SmartPls Data Processing Results 4, 2024

Based on the data in table 6 above, it can be seen that the cronbach alpha value of each research variable is > 0.7 . These results indicate that each research variable has met the requirements of the cronbach alpha value, so it can be concluded that all variables have a high level of reliability.

5.7 Structural Model Testing (Inner Model)

The structural model in PLS is evaluated using R2 for the dependent variable and the path coefficient value for the independent variable which is then assessed for significance based on the t-statistic value of each path. The structural model of this study can be seen in the following figure:

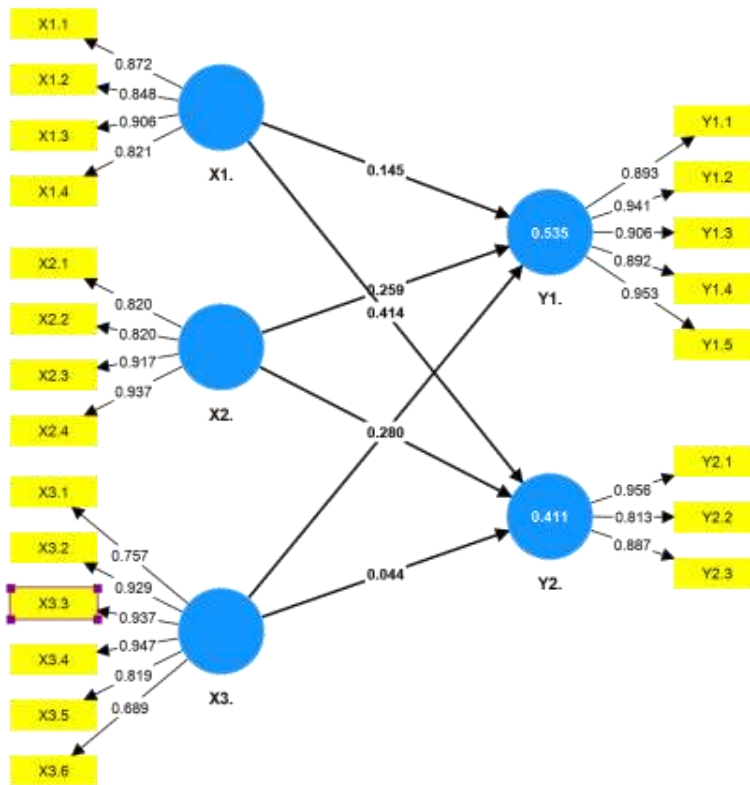


Figure 4 Inner Model

5.8 Goodness of Fit

Based on the data processing that has been carried out using the smartPLS 4.0 program, the R-Square value is obtained as follows:

Table 7 R-Square Values

Variables	R-Square Value
MSME Performance (Y1)	0.535
Sustainability of MSMEs (Y2)	0.411

Source: SmartPLS Data Processing Results 4, 2024

Based on the data in table 8, it can be seen that the R-Square value for the UMKM performance variable is 0.535. The acquisition of this value explains that the percentage of UMKM performance can be explained by financial inclusion and financial literacy of 53.5 percent. The R-Square value obtained for the UMKM sustainability variable is 0.411. The acquisition of this value explains that the percentage of UMKM sustainability can be explained by financial inclusion and financial literacy of 41.1 percent.

The assessment of goodness of fit is known from the Q-Square value. The Q-Square value has the same meaning as the coefficient of determination (R-Square) in regression analysis, where the higher the Q-Square, the better the model can be said to be or the more fit the data. The results of the Q-Square value calculation are as follows:

$$\begin{aligned}
 \text{Q-Square} &= 1 - [(1 - R21) \times (1 - R22)] \\
 &= 1 - [(1 - 0.535) \times (1 - 0.411)] \\
 &= 1 - (0.465 \times 0.589) \\
 &= 1 - 0.274 \\
 &= 0.726
 \end{aligned}$$

Based on the calculation results above, the Q-Square value is 0.726. This shows that the magnitude of the diversity of the research data explained by the research model is 72.6 percent. While the remaining 27.4 percent is explained by other factors outside this research model. These results state that this research model has good goodness of fit.

5.9 Hypothesis Testing

Hypothesis testing in this study was conducted by looking at the results of the T-Statistic and P-Values. The research hypothesis can be declared accepted if the P-Values <0.05 [42]. The following are the results of the hypothesis test obtained in this study through the inner model:

Table 8 T-Statistics and P-Values

Hypothesis	T-Statistic	P-Values
X1→Y1	0.879	0.379
X2→Y1	2.195	0.028
X3→Y1	3.190	0.001
X1→Y2	2,647	0.008
X2→Y2	2,587	0.010
X3→Y2	0.217	0.828

Source: SmartPls Data Processing Results 4, 2024

Based on the data in table 8 above, it can be seen that of the four hypotheses formulated in this study, three hypotheses, namely hypotheses 2,3,4 and 5 can be accepted because each influence shown has a P-Value <0.05 . So it can be stated that the independent variables of financial literacy and financial technology have a significant influence on the dependent variable of MSME Performance and the independent variables of financial inclusion and financial literacy do not have a significant effect on the sustainability of MSMEs). The first hypothesis, namely financial inclusion has an effect on MSME performance cannot be accepted. Likewise, the sixth hypothesis, namely financial technology has an effect on the sustainability of MSMEs cannot be accepted.

The results of this study indicate that financial inclusion does not affect the performance of MSMEs. MSMEs in Bali are heavily dependent on the tourism sector which is vulnerable to fluctuations, access to financing becomes increasingly crucial. Access to financing allows MSMEs to invest in production equipment, product development or market expansion. MSME performance is influenced by internal and external factors. The ability of MSMEs in business planning, marketing and financial management plays a crucial role in determining the improvement of MSME performance. Even though there is access to financing, if the internal management of MSMEs is not good, then the funds cannot be used efficiently. The ability of MSMEs to innovate and adapt is also important in improving MSME performance. Access to financing alone is not enough if MSMEs are unable to use it to develop products and services that are in accordance with market needs. To improve MSME performance, a holistic approach is needed, not only focusing on access to financing, but also on the internal capabilities of MSMEs.

However, financial inclusion is an important factor for the sustainability of MSMEs. The results of this study indicate that financial inclusion has an impact on the sustainability of MSMEs. Financing can be used to make long-term investments that can strengthen the position of MSMEs in the market. Access to financing can also ensure that MSMEs have sufficient liquidity to meet their short-term obligations. Financing can also be used to open wider market access and greater resources.

The results of this study indicate that financial literacy has a positive and significant effect on the performance and sustainability of MSMEs. This means that the higher the level of financial literacy possessed by MSME actors, the more the performance of MSMEs will increase and the MSMEs will be able to maintain their sustainability. Financial literacy is the ability of individuals to understand and use financial information to make effective financial decisions. For MSME actors, financial literacy has a very crucial role in the sustainability and growth of their business. Financial literacy includes knowledge and understanding related to financial planning, risk management and investment. MSME actors with good financial literacy will be able to make more mature financial plans, can identify and manage risks that may be faced and help MSME actors in making wiser investment decisions.

The results of this study suggest that financial technology has an impact on the performance of MSMEs. MSMEs must adapt to current technological developments. Fintech allows MSMEs to automate various business processes, such as payments, financial records and inventory management. This can save time and operational costs, and reduce human error. Fintech encourages the use of digital payments that can expand the reach of the MSME market and facilitate transactions with customers. The better the use of fintech, the better the performance of MSMEs in today's technological world.

Although fintech has significantly changed the business landscape, many MSMEs, especially in the regions, still have limitations in terms of digital literacy. These MSMEs have difficulty understanding and using existing financial technology. The results of this study found that financial technology has no effect on the sustainability of MSMEs. Distrust of data security and privacy is often a barrier for MSMEs to adopt fintech. In addition, the

cost of switching to a fintech system such as hardware, software and employee training costs can be a burden for MSMEs that have a small business scale.

VI. CONCLUSION

This study aims to analyze the influence of inclusion, financial literacy and financial technology partially on the performance and sustainability of MSMEs in Denpasar City. Respondents in this study were 100 MSME owners in the craft, fashion and culinary industries. The results of this study indicate that the variables of financial literacy and financial technology partially have a positive and significant effect on MSME performance while financial inclusion does not affect MSME performance. The variables of financial inclusion and financial literacy have a positive and significant effect on the sustainability of MSMEs while the variable of financial technology does not affect the sustainability of MSMEs in Denpasar City. This study has limitations, so that further researchers can develop research concepts related to the performance and sustainability of MSMEs. Indonesia's fairly large area allows further researchers to study not only one region related to other variables that affect the performance and sustainability of MSMEs.

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