



UNLOCKING BUSINESS SUCCESS: THE ROLE OF FINANCIAL LITERACY, INNOVATION CAPABILITY, AND GOVERNMENT SUPPORT

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ABSTRACT

Purpose: This study aims to analyse the effect of financial literacy and innovation capability on business performance with government support as a mediating variable.

Theoretical framework: Government Support as a mediation was analyzed the effect of financial literacy and innovation capability on business performance.

Method: A quantitative methods approach was used by distributing questionnaires to 110 Food & Beverage MSME in Jakarta Area. The data collection process was carried out using google form, then analysed using path analysis processed using Smart-PLS.

Result: This study found that financial literacy has positive impact on government support but innovation capability has not, then innovation capability and government support have the positive effect on MSME performance, but financial literacy has no impact on MSME performance. The mediation test found that government support mediates the effect of innovation capability and financial literacy on MSME performance.

Research, Practical & Social implications: This finding suggests that the government as a regulator should continue to increase its support for MSME actors so as to improve the performance of MSME businesses. This finding encourages MSME actors to have strong instincts in creating and implementing the latest innovations in their business to get government support in improving their business.

Originality/value: This study uses 3 business performance indicators using primary data which are usually used in analysing the company's secondary data, with sufficient validity and reliability results, the use of these indicators is also suitable in analysing business performance in primary data.

Keywords: Financial Literacy, Innovation Capability, Business Performance, Government Support.

DESBLOQUEAR O SUCESSO DOS NEGÓCIOS: O PAPEL DA ALFABETIZAÇÃO FINANCEIRA, DA CAPACIDADE DE INOVAÇÃO E DO APOIO GOVERNAMENTAL

RESUMO

Objetivo: Este estudo tem como objetivo analisar o efeito da alfabetização financeira e da capacidade de inovação no desempenho empresarial com apoio do governo como variável mediadora.

Quadro teórico: O apoio do governo como mediação foi analisado quanto ao efeito da alfabetização financeira e da capacidade de inovação no desempenho empresarial.

Método: Uma abordagem de métodos quantitativos foi usada distribuindo questionários para 110 MSME de Alimentos e Bebidas na área de Jakarta. O processo de coleta de dados foi realizado usando formulário do Google, depois analisado usando análise de caminho processado usando Smart-PLS.

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Resultado: Este estudo concluiu que a literacia financeira tem um impacto positivo no apoio estatal, mas a capacidade de inovação não tem, pelo que a capacidade de inovação e o apoio governamental têm um efeito positivo no desempenho das MPME, mas a literacia financeira não tem qualquer impacto no desempenho das MPME. O teste de mediação constatou que o apoio do governo medeia o efeito da capacidade de inovação e da alfabetização financeira no desempenho das MPME.

Investigação, implicações práticas e sociais: Esta conclusão sugere que o governo, enquanto regulador, deve continuar a aumentar o seu apoio aos intervenientes nas MPME, a fim de melhorar o desempenho das empresas MPME. Essa constatação incentiva os atores do MSME a ter fortes instintos de criar e implementar as últimas inovações em seus negócios para obter apoio do governo na melhoria de seus negócios.

Originalidade/valor: Este estudo utiliza 3 indicadores de desempenho empresarial utilizando dados primários que são normalmente utilizados na análise dos dados secundários da empresa, com validade e resultados de fiabilidade suficientes, sendo o uso destes indicadores também adequado na análise do desempenho empresarial em dados primários.

Keywords: Alfabetização Financeira, Capacidade de Inovação, Desempenho Empresarial, Apoio Governamental.

DESBLOQUEAR EL ÉXITO EMPRESARIAL: EL PAPEL DE LA ALFABETIZACIÓN FINANCIERA, LA CAPACIDAD DE INNOVACIÓN Y EL APOYO DEL GOBIERNO

RESUMEN

Propósito: Este estudio tiene como objetivo analizar el efecto de la alfabetización financiera y la capacidad de innovación en el rendimiento empresarial con el apoyo del gobierno como variable mediadora.

Marco teórico: Se analizó el apoyo gubernamental como mediación y el efecto de la alfabetización financiera y la capacidad de innovación en el desempeño empresarial.

Método: Se utilizó un enfoque de métodos cuantitativos mediante la distribución de cuestionarios a 110 MSME de Alimentos y Bebidas en el área de Yakarta. El proceso de recolección de datos se llevó a cabo utilizando el formulario de google, luego se analizó mediante el análisis de ruta procesado utilizando Smart-PLS.

Resultado: Este estudio encontró que la alfabetización financiera tiene un impacto positivo en el apoyo del gobierno, pero la capacidad de innovación no, entonces la capacidad de innovación y el apoyo del gobierno tienen el efecto positivo en el rendimiento de las MIPYME, pero la alfabetización financiera no tiene impacto en el rendimiento de las MIPYME. La prueba de mediación encontró que el apoyo del gobierno media el efecto de la capacidad de innovación y la alfabetización financiera en el rendimiento de las MIPYME.

Implicaciones de investigación, prácticas y sociales: Este hallazgo sugiere que el gobierno como regulador debe continuar aumentando su apoyo a los actores de las MIPYMES para mejorar el desempeño de las empresas de MIPYMES. Este hallazgo alienta a los actores de las MIPYMES a tener fuertes instintos en la creación e implementación de las últimas innovaciones en sus negocios para obtener apoyo del gobierno para mejorar sus negocios.

Originalidad/valor: Este estudio utiliza 3 indicadores de desempeño del negocio utilizando datos primarios que se utilizan generalmente en el análisis de los datos secundarios de la empresa, con suficiente validez y resultados de confiabilidad, el uso de estos indicadores también es adecuado para analizar el desempeño del negocio en los datos primarios.

Palabras clave: Alfabetización Financiera, Capacidad de Innovación, Desempeño Empresarial, Apoyo Gubernamental.

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1 INTRODUCTION

The Covid 19 pandemic has been declared over by the Indonesian government in mid-March 2023, however the impact of the pandemic in recent years is still being felt by the business world, including MSMEs due to social restrictions. Even so, a number of community groups are trying to create creative innovations at home and give rise to various micro-scale home businesses. The high consumption pattern of the community has encouraged the growth of micro-scale businesses in Indonesia. Creativity and affordability are the reasons for the high growth of micro-scale businesses during the pandemic until now. The growth of MSME businesses does not only occur in every province in Indonesia, especially in Jakarta as the capital city of the country. Based on the results of a survey of MSMEs in DKI Jakarta, one of the factors that encourage the unstable performance of micro enterprises and encourage the weakening of business sustainability is low capital, fierce competition, to low innovation in marketing and also support from the Government.

Generally, the performance of MSMEs is seen in high turnover and business stability Elvina (2020), business performance is the main point that encourages the sustainability of micro businesses. In general, micro businesses or MSMEs are managed by the owner directly (Zuliyati & Delima, 2017), therefore the progress or development of micro businesses is highly dependent on their management. In general, micro businesses are managed by the owner directly and only assisted by a few people (Hoang et al., 2021), so the accuracy of business actors in developing ideas and creativity can affect business performance.

There are a number of factors that can affect the performance of MSMEs in Indonesia, including financial literacy and innovation capability (Nugraha et al., 2022). The stronger the understanding and experience of business actors in financial governance, the more capital they will have to improve business performance. Planned financial asset allocation will help improve business performance, while innovation capability will encourage the creation of competitive advantages to encourage increased business performance.

Financial literacy shows the knowledge and abilities that individuals have in matters related to finance (Desiyanti & Kassim, 2020), this encourages business actors to manage their wealth properly, and separate personal wealth from capital or business profits. A business actor who has good financial literacy will certainly make financial reports that show business development. These financial reports make it easier for MSMEs to process funding at financial institutions, especially banks. The literature concludes that financial literacy has a positive effect on business performance (Ahmad & Shah, 2020). The better financial literacy owned by



business actors can create healthy and effective financial governance so that it can encourage increased business performance (Chan et al., 2022; Purwati et al., 2020). High ability in finance encourages effective utilisation of good business funds and encourages business sustainability (Aslam et al., 2023). Good financial literacy creates good financial governance, making it easier to get government support and bank (Hussain et al., 2018; Aslam et al., 2023), so as to improve business performance (Wahyono & Hutahayan, 2021). With good financial literacy, MSME players can produce quality financial information so as to get a positive reaction from investors, both large companies and banks (Tarmidi et al., 2021; Setyani et al., 2023)

Meanwhile, the ability to innovate makes MSME actors creative in running a business, in addition to keeping up with the times and following trends favoured by the market. In bank financing, business innovation is considered a positive value in financing analysis (Susan (2020), as well as the Government which usually provides high support for entrepreneurs who have high innovation and creativity (Purwati et al., 2020; Mulyana & Sutapa, 2018; Tirtayasa et al., 2021; Yu et al., 2017; Lytras et al., 2022). With high innovation capabilities, business actors can develop their business because of the courage to implement creative ideas that have an impact on improving performance (Purwati et al., 2020; Mulyana & Sutapa, 2018; Akman & Yilmaz, 2019).

MSMEs are certainly a strengthener of the national economy, the development of which is strongly supported by the government like as ease of licensing, administration, up to rules of financing from bank or non-bank financial institutions (Nugraha et al., 2022). The government will certainly provide assistance to business actors who have strong knowledge and are willing to innovate. The concept of financial literacy and innovation is certainly an important part of the Resources Base View Theory (RBV). According to (Barney, 1991), the development of a business cannot be separated from intellectual knowledge and the ability of business actors to innovate to encourage competitive advantages that can improve business performance. The literature concludes that government support has a positive impact on business performance (Zulu-Chisanga et al., 2021), government support has an important role and is able to encourage MSME actors to try their best (Hussain et al., 2018; Nguyen Thi, 2022; Nugraha et al., 2022). One of the government's supports is to assist MSME capital, so that MSME businesses can grow and develop (Ogujiuba et al., 2022).



2 LITERATURE REVIEW

2.1 RESOURCE BASE VIEW THEORY (RBV)

The success of the company is determined by the resources and capabilities it has, so that it is able to convert the resources it has into value or profit. Every company certainly has many resources, ranging from tangible resources such as machinery, office inventory, fixed assets to land and buildings (Barney, 1991), while intangible resources include expertise, perceptions, attitudes, culture, religion and so on (Ferreira, Azevedo & Ortiz, 2010).

Resources base view theory describes a company that can achieve competitive advantage by utilising its resources, so as to encourage the company to continue to be sustainable consistently (Barney, 1986). The main approach in the Resources Base View is an understanding of the relationship between resources, capabilities, competitive advantage over time. RBV theory was first expressed by (Wenerfelt, 1986) in a masterpiece entitled "A Competitive Advantage".

Based on the description of the theory, it is stated that every business field is ensured to have resources, both tangible and intangible. Each of these resources can certainly optimise its utilisation so as to encourage the business being managed to progress and develop, so as to create long-term sustainability. In addition, it is also implicitly conveyed in the theory that to create consistent sustainability, innovation is needed to create a competitive advantage. Thus, each business unit must be creative and brave to develop its potential, so that business performance increases. In addition, when business performance begins to be disrupted by competitors, business managers must be able to make breakthroughs by utilising existing resources to innovate with the aim of competitive advantage that can encourage business sustainability.

2.2 HYPOTHESIS DEVELOPMENT

Knowledge and experience in financial aspects will help business actors to manage their finances. The financial knowledge and experience possessed by business actors encourages success in the managed business which can be seen by the further development of the managed business. When business increases, this certainly becomes an attraction for the government to make contributions in the form of easy access to financing by financial institutions (Hussain et



al., 2018). The funds obtained will certainly encourage business development to become an instrument that can improve business performance.

Government support has a very important meaning for business performance (Nugraha et al., 2022). The ease of obtaining financing from financial institutions, as well as knowledge development programs for business actors through training and easy access in managing business legality can encourage increased business performance. Financial literacy possessed by business actors will encourage increased business performance and encourage the government to provide support for business operations (Aslam et al., 2023). Furthermore, Strong financial literacy and government support are triggers for increased business performance (Wahyono & Hutahayan, 2021).

H1. Financial literacy has impact on government support

Governments in developing countries such as India, Pakistan and Bangladesh do contribute to improving the performance of MSMEs, but they will only provide support when business actors are deemed capable of innovating (Purwati et al., 2020). Innovation is valued as a guarantee that government-assisted businesses will progress and develop. Something that is not much different was expressed by Mulyana & Sutapa (2014), the government does not always provide direct assistance to MSMEs in Indonesia. The government will only provide support through financing when the managed business is able to innovate.

The ability to innovate has a strong unidirectional relationship with government support Tirtayasa et al., (2021). Innovation is an attraction that encourages the government to provide full support to micro-entrepreneurs. The ability to innovate has high value in the view of stakeholders, especially the government (Yu et al., 2017). In China, every micro business actor who is able to encourage innovation in order to create a competitive advantage will receive financing assistance from government banks. Furthermore, innovation to create competitive advantage will encourage the government to contribute more to business development. Innovation is considered as one way to extend the business life cycle (Lytras et al., 2022).

H2. Innovation capability has impact on government support

The government has a very strategic role in encouraging the progress of micro, small and medium scale businesses. In countries in the Asian region, the government encourages the growth of MSMEs by supporting their activities through innovative funding programs. The convenience received by business actors will help them develop their business and encourage increased business performance which can be seen by increasing sales, increasing the share of profits with increasingly strong business market shares (Hussain et al., 2018). In this way, government support has a positive effect on the performance of MSMEs.



Government support has a positive effect on business performance (Zulu-Chisanga et al., 2021). Government support directly and indirectly influences business performance (Hussain et al., 2018). The government will encourage a number of programs to facilitate access for MSMEs to obtain financing from financial institutions which of course can affect business performance. Nguyen Thi, (2022) government support will encourage increased business performance. Government has an important role in encouraging the strengthening of MSME capital, through regulations so that it will help business actors to improve their business performance (Ogujiuba et al., 2022).

H3. Government support has impact on business performance

Understanding the financial literacy of business actors will encourage them to record business transactions in the form of financial reports. With the financial reports that have been prepared, business actors will make a number of strategic decisions which can certainly encourage increased business performance (Alharbi et al., 2022). The financial knowledge possessed by business actors will create awareness for business actors to prepare financial reports as a tool for evaluating businesses as well as being used as a tool for taking strategic policies in business development. With strong financial literacy from business actors, it is believed that funding activities in business activities will be better and can even encourage increased business performance (Wahyono & Hutahayan, 2021).

The better the financial literacy of business actors, the more healthy and effective financial governance will be created so that it can encourage increased business performance (Ahmad & Shah, 2020). The high level of financial capability of business actors means that the effectiveness of the use of business funds will be better, so that it can encourage increased business performance or business sustainability in the long term (Aslam et al., 2023). Good financial literacy is a beacon for business actors in managing their wealth, as well as a tool that separates personal wealth from capital or business profits. Better financial literacy among business actors will encourage increased business performance (Purwati et al., 2020).

H4. Financial literacy has impact on business performance

The ability to innovate is one way that MSMEs can create competitive advantages. The development of creative ideas from business actors becomes a momentum to create uniqueness so that it can encourage increased business performance which can be seen from increased sales value, increased business profits and continued increase in business market share. Thus, it can be concluded that innovation capability has a positive effect on business performance (Yu et al., 2017). The ability and ability of a business actor to innovate will be able to create uniqueness



and improve product quality so that it becomes momentum that encourages increased business performance.

Innovation capability has a positive effect on business performance (Purwati et al., 2020). These findings show that the higher the ability of business actors to develop their ideas and creativity in business, both in encouraging innovation in products, the marketing activities they carry out, the more likely they are to increase business sales, strengthen their profit position or encourage increased business performance (Mulyana & Sutapa, 2018; Akman & Yilmaz, 2019).

H5. Innovation capability has impact on business performance

3 METHOD

This research is clause research which aims to statistically prove the influence of variable interactions that occur between independent variables on dependent variables or are mediated by mediating variables (Hair et al., 2019). This research was conducted on 100 owners and operators of F&B MSMEs in the DKI Jakarta area. Sample selection was carried out using a purposive method, in this case the business actors who will be the target respondents are those who already have a F&B business that has survived for more than five years. Data collection was carried out by distributing questionnaires directly to owners and operators of F&B businesses in the DKI Jakarta area.

In this research, three categories of variables were used, the first is the dependent variable, namely business performance which is measured using three indicators adopted from Nakos et al., (2019), namely sales growth, customer growth and profitability. The second is the independent variable, namely financial literacy, which is measured using indicators adopted from Ghasarma & Andaiyani, (2021), which include behavior and attitude. Third is the mediating variable, namely government support which is measured by indicators consisting of financial support and non-financial support (Zulu-Chisanga et al., 2021). In this research, the innovation capability variable was also used as the second independent variable which was measured using indicators adopted from Borah et al., (2022), namely creative and unique.

The data analysis method used in this research is Structural Equation Modeling (SEM) by SmartPLS software with each procedures like validity, reliability, outer and inner model.



4 RESULTS

The research was carried out by distributing questionnaires using a Google Form link to 100 F&B MSME business actors in the DKI Jakarta area. After all data and information has been successfully collected, data processing can be carried out immediately. In accordance with the identification data of respondents, the general demographics of respondents are as follow:

1) Based on gender, the majority of those participating in this research were men, namely 74 people or 67.27% of the total respondents, while the remaining 35 people or 32.73% of the other respondents were women. 2) Based on age level, most of the respondents were aged between 23 years and 27 years, namely 37 people or 33.64% of the total respondents, while the respondents with the least number were those aged between 18 years and 22 years, namely 6 people or 5.45%. of the total respondents. 3) Based on education, majority of respondents had high school level education, namely 56 people or 50.91%, while the respondents with the least number were those who had D3 or diploma level education, namely 3 people or 2.73% of the total respondents. 4) Based on type of business, it is found that most of the F&B business actors in the DKI Jakarta area are developing the Coffee Shop business, which is recognized by 20 people or 18.18% of the total respondents, while respondents who are developing the F&B business of serving Ice Cream, Nasi Padang, Banana, Es Durian and Warmino each amounted to 3 people or 2.73% of the total respondents. 5) Based on omzet, it was found that 31 people or 28.18% of respondents had a monthly turnover of IDR 1,500,001 to IDR 3,500,000, while 10 other people admitted to having a monthly turnover of IDR 1,500,000 per month, and 10 people or 9 Another .09% of respondents admitted to having a net monthly turnover of IDR 10,000,000 to IDR 12,500,000 per month.

Table 1

Validity and Reliability

	Outer Loading Variables	Outer Loading Dimensions	Cronbach's Alpha	Composite Reliability	AVE
Business Performance	0,627 – 0,856	0,800 – 0,844	0,809	0,865	0,522
Government Support	0.806 – 0,940	0.882 – 0,979	0,842	0,885	0,801
Financial Literacy	0,616 – 0,845	0,931 – 0,950	0,927	0,937	0,827
Innovation Capability	0,616 – 0,832	0,822 – 0,912	0,950	0,960	0,584

Source: Prepared by Authors (2024)

Based on the results of convergent validity testing for each research variable used, it was found that the outer loading of each statement used as a measurement was above 0.60.



Apart from that, the Cronbach's Alpha value was > 0.70 and the Composite Reliability value was > 0.70 . The results obtained are strengthened by the AVE value is above than 0.50. Thus explain that each research variable used are valid and reliable.

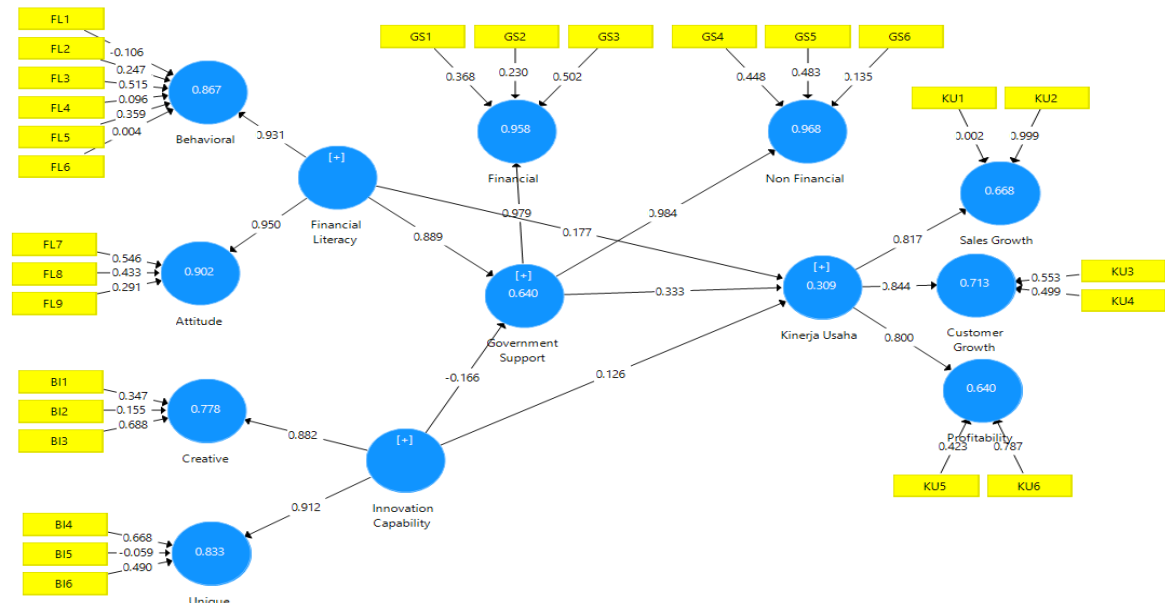
Before carrying out the hypothesis testing stage, the inner model is first tested using R² analysis. Based on the results of inner model tests, recognized that all dimensions of each variable have good coefficient in the range 0.640 up to 0.968 and these mean all dimensions and indicator used in this study is fit to explain the variable. While the first sub structure, an R-square value of 0.640 is obtained. The results obtained show that financial literacy and innovation capability are able to influence changes in government support by 0.640 or 64%, while the remaining 36% of other contributions are influenced by other variables not used in the current research model. In the second sub structure, business performance is used as the dependent variable. The R-square value was obtained at 0.309. These findings show that financial literacy, innovation capability and government support are only able to influence changes in the business performance of F&B MSMEs in the DKI Jakarta area by 30.90%, while the remaining 69.10% of other contributions are influenced by other variables that have not been used in the current research. .

The hypothesis testing process refers to the measurement framework model, where the framework explains the relationships that are formed between each research variable used. In carrying out testing there are two stages of analysis. The framework of the first measurement model used is shown in Figure 1 as follows:



Figure 1

Full Structure Model



Source: Output of SmartPLS (2024)

In the measurement framework model, it can be seen that the concept used is second order. From the model, it can be seen that the research variables used, apart from being measured using valid statement instruments, are also measured using indicators. From the model, it can be seen that each variable has been measured with an instrument that has an outer loading value of > 0.60 . Apart from that, in general the measurement model framework is formed from two sub-structures. In the first sub structure, with the government support variable as an endogenous variable, the R-square value is 0.640, while in the second sub structure model, using business performance as the endogenous variable, the R-square value is 0.309. Even though the model formed is not very fit, the model can still be analyzed, and the weaknesses contained in the analytical model are limitations in this research.

After all testing procedures have been fulfilled, the hypothesis testing stage can be carried out. The testing stage consists of two stages, namely direct effect testing and indirect effect testing. The direct effect test is carried out by observing the original sample coefficient and t-statistical testing.

**Table 2***Main Hypothesis Results (Direct Effect)*

	<i>Original Sample</i>	<i>T-statistic</i>	<i>P-value</i>	Result
<i>Financial literacy -> Government Support</i>	0,889	17,293	0,000***	Accepted
<i>Innovation Capability -> Government Support</i>	0,126	1,162	0,246	Rejected
<i>Government Support -> Business Performance</i>	0,433	2,996	0,003**	Accepted
<i>Financial literacy -> Business Performance</i>	0,177	1,052	0,293	Rejected
<i>Innovation Capability -> Business Performance</i>	0,333	2,427	0,016**	Accepted

Source: Prepared by Authors (2024)

Based in table 2 that the result hypothesis are: 1) with amount of p-value 0.000 and original sample is 0.889 state that financial literacy has positive impact on government support and first hypothesis is accepted, 2) with amount of p-value 0.246 and original sample is 0.126 state that innovation capability is not significant impact on government support and second hypothesis is rejected, 3) with amount of p-value 0.003 and original sample is 0.433 state that government support has positive impact on business performance and third hypothesis is accepted, 4) with amount of p-value 0.293 and original sample is 0.177 state that financial literacy is not significant impact on business performance and forth hypothesis is rejected, 5) with amount of p-value 0.016 and original sample is 0.333 state that innovation capability has positive impact on business performance and fifth hypothesis is accepted.

Table 3*Mediating Result (Indirect Effect)*

	<i>Original Sample (O)</i>	<i>T-statistik</i>	<i>P-value</i>	Result
<i>Financial literacy -> Government support -> Business Performance</i>	0,206	2,927	0,004**	Accepted
<i>Innovation Capability -> Government Support -> Business Performance</i>	-0,055	1,976	0,049**	Accepted

Source: Prepared by Authors (2024)

At the stage of testing the indirect effect on table 3, it can be seen that the path coefficient indicating government support in mediating the relationship between financial literacy and business performance has a positive sign of 0.206. The results obtained are strengthened by a P-value of 0.004. Data processing was carried out using an error rate of 0.05. The results obtained show a P value <0.05. So it is concluded that government support is able to mediate the relationship between financial literacy and the performance of F&B MSME businesses in the DKI Jakarta area.



At the second indirect influence testing stage, it was seen that the magnitude of the path coefficient indicating government support in mediating the relationship between innovation capability and MSME business performance had a weak negative sign, namely -0.055. The results obtained are strengthened by a P-value of 0.049. The results obtained show a P value <0.05 . So it can be concluded that government support is able to mediate the relationship between the ability to innovate and the performance of food and beverage MSME businesses in the DKI Jakarta area.

5 DISCUSSION

5.1 FINANCIAL LITERACY AND GOVERNMENT SUPPORT

Based on the results of hypothesis, it was found that financial literacy had a positive effect on government support for F&B MSMEs in the DKI Jakarta area. The findings obtained show that the stronger the knowledge or financial references that business actors have, the stronger the government support for MSMEs will be. The results obtained show that the fourth hypothesis is accepted. This situation is because the majority of business actors who were respondents already have financial literacy obtained through experience or formal education. The good financial literacy possessed by business actors has encouraged them to be able to make convincing financial reports, thus encouraging the government through the DKI Cooperatives and MSMEs Agency to provide support in terms of education and funding. The support that business actors receive from the government will of course be used for business development, so that they can improve the performance of F&B MSMEs in the DKI Jakarta area.

The findings obtained with literature which states that government support has a very important meaning for business performance (Nugraha et al., 2022). The ease of obtaining financing from financial institutions, as well as knowledge development programs for business actors through training and easy access in managing business legality can encourage increased business performance. Financial literacy possessed by business actors will encourage increased business performance and encourage the government to provide support for business operations (Aslam et al., 2023). Furthermore, Strong financial literacy and government support are triggers for increased business performance (Wahyono & Hutahayan, 2021).



5.2 INNOVATION CAPABILITY AND GOVERNMENT SUPPORT

Based on the results of testing the fifth hypothesis, it was found that the ability to innovate did not have a significant effect on government support for F&B MSMEs in the DKI Jakarta area. The results obtained show that an increase or decrease in the innovation ability of business actors will not affect government support for F&B MSMEs in the DKI Jakarta area. Thus the fifth hypothesis is rejected. This result is because the government has a very strong commitment to helping or supporting the development of MSMEs, so that whether with strong or weak innovation capabilities the government will continue to support the progress and development of MSMEs, starting from educational programs, exhibitions, to providing financial assistance and various facilities for get funding assistance from banks or financial institutions throughout the DKI Jakarta area.

The result hypothesis is supported by literature which found that innovation capability had no significant effect on government support (Na & Shin, 2019). However, the results hypothesis were not in line with literature stating that the ability to innovate has a strong unidirectional relationship with government support (Tirtayasa et al., 2021; Lytras et al., 2022). Also literature fund that ability to innovate has high value in the view of stakeholders, especially the government (Yu et al., 2017).

5.3 GOVERNMENT SUPPORT AND BUSINESS PERFORMANCE

In accordance with the results of hypothesis, it was found that government support had a positive and significant effect on the performance of F&B MSME businesses in the DKI Jakarta area. The findings obtained show that when government support for MSMEs increases, it will be in line with the increasing performance of F&B MSME businesses in the DKI Jakarta area. Thus the third hypothesis is accepted. The results obtained are because the government views MSMEs as the foundation of economic growth, where the performance of MSMEs is able to make a significant contribution to national GDP. For this reason, the government really supports the progress and development of MSMEs by encouraging the ease of obtaining banking services, as well as the existence of educational programs for the development of MSMEs. Thanks to this government support, MSMEs become more advanced and are able to push to improve their business performance which can be observed from increasing sales, market share, and Consistent operating profits continue to increase over time.



The results hypothesis testing stage are supported by literatures which found that government support had a positive effect on business performance (Zulu-Chisanga et al., 2021; Supono et al., 2019). Government support directly and indirectly influences business performance, because the government has a fairly strong role in encouraging increased business performance (Hussain et al., 2018). The government will encourage a number of programs to facilitate access for MSMEs to obtain financing from financial institutions which of course can affect business performance. Furthermore, other literatures state that government support will encourage increased business performance and as an important role in encouraging capital strengthening (Ogujiuba et al., 2022; Nguyen Thi, 2022).

5.4 FINANCIAL LITERACY AND BUSINESS PERFORMANCE

In accordance with the results of testing the first hypothesis, it was found that financial literacy had no effect on MSME business performance in the DKI Jakarta area. These findings show that the knowledge or references of MSME actors in the financial sector are not factors that influence the increase or decrease in the performance of F&B MSMEs in the DKI Jakarta area. Thus the first hypothesis is rejected. This finding occurred because the majority of business actors who were respondents had business experience so they were certain to have experience in the financial sector. Apart from looking at the educational level of business actors, most of them had bachelor level education, so their knowledge and insight in the financial sector was not is considered to influence the performance of F&B MSMEs in the DKI Jakarta area, but the important thing that business actors must prepare is the ability to read opportunities and encourage innovation in order to create a competitive advantage so that it can encourage stable business performance for F&B MSMEs in the DKI Jakarta area.

The results hypothesis are in line with some literature which also not found financial literacis' impact on business performance (Tuffour et al., 2020). The findings obtained not in line with other literatures which found that better financial literacy of business actors will encourage increased business performance (Chan et al., 2022; Purwati et al., 2020).

5.5 INNOVATION CAPABILITY AND BUSINESS PERFORMANCE

Based on the results hypothesis, it was found that the innovation capability had a positive and significant effect on the performance of F&B MSME businesses in the DKI Jakarta area. The findings obtained show that when the innovation ability of business actors becomes



stronger, it will encourage increased performance of F&B MSME businesses in the DKI Jakarta area, thus the second hypothesis is accepted. This situation is because the majority of F&B MSMEs in the DKI Jakarta area have innovated, starting from production innovation, marketing to the financial sector. When the innovation process is carried out continuously and pays close attention to changes in market tastes, it encourages each F&B MSME to be unique in the food products they offer to customers. This specific uniqueness is an attraction that encourages increased sales of food and beverage products offered by MSMEs, thus encouraging increased performance of F&B MSME businesses in the DKI Jakarta area.

The results hypothesis is supported by the literature who found that innovation capability had a positive effect on business performance (Purwati et al., 2020; Mokodompit et al., 2019). These findings show that the higher the ability of business actors to develop their ideas and creativity in business, both in encouraging innovation in products, the marketing activities they carry out, the more likely they are to increase business sales, strengthen their profit position or encourage increased business performance. The findings obtained are also in line with other literatures which found that innovation capability had a positive effect on business performance (Mulyana & Sutapa, 2018; Akman & Yilmaz, 2019) because the courage of business actors to develop their ideas and creativity will encourage competitive advantage and create opportunities for improving business performance.

5.6 MEDIATION ROLE OF GOVERNMENT SUPPORT

Based on the results of mediating table, it was found that government support was able to mediate the impact of financial literacy on business performance of F&B MSMEs in the DKI Jakarta area. It explains that good financial knowledge from business actors will increasingly convince the government through its institutions to provide assistance for the progress of MSMEs, so that they can encourage increased business performance. This is because business actors tend to use their knowledge, references and financial experience to create various archives to provide reports on the development of the business they manage to government institutions, especially banks, with the aim of getting support in the form of ease in borrowing funds. When this is successfully done, the funds will be used to encourage increased business performance, so that the existence of MSMEs can continue to survive in the long term.

The mediating results also was found that government support was able to mediate the impact of innovation capability on business performance MSMEs in the DKI Jakarta area. It explains that innovative ability increases, this actually reduces government support financially



and non-financially, but this is still able to encourage increased business performance. Innovations carried out by F&B business actors have proven to be able to create uniqueness that makes the products they produce different from competitors' products. Apart from that, the innovations carried out also encourage an increase in the market share of products produced by MSMEs. Seeing this progress, the government openly encourages and supports these activities, but in a limited capacity. Business actors are certainly aware that they cannot hope for government support alone, but they must try with their own abilities, encouraging creative and unique thinking skills so that the innovations they carry out can encourage competitive advantage which will improve the performance of F&B MSME businesses in the DKI Jakarta area.

6 CONCLUSION

Based on the results and some discussion, it can be concluded that the ability to innovate and government support can help MSME business performance, while financial literacy is not strong enough to encourage MSME performance. However, government support can help the financial literacy of MSME actors to improve their business performance, as well as help the innovation ability of F&B MSME in Jakarta area.

Based on the description of the conclusions obtained, the researchers put forward several suggestions, namely that F&B MSME actors are expected to continue to increase their knowledge and add references that can increase their financial literacy. When business actors have higher financial literacy, this can be used as an indicator that is a consideration for the government. to provide support, especially support in the form of funding. MSME actors are advised to improve their ability to understand market conditions and opportunities, so that they can utilize all forms of potential resources they have to innovate in order to create a competitive advantage so that it can become a tool to improve the performance of MSMEs, especially the F&B delights that they manage in the long term.

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