FINANCIAL FACTORS AND HALAL MSME PERFORMANCE: A QUANTITATIVE STUDY

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Abstract

This study is driven by the crucial contribution of Indonesia's MSME sector to the national economy, particularly in fostering growth, creating jobs, alleviating unemployment, and enhancing societal well-being. The primary objective is to examine the impact of financial literacy, financial inclusion, and financial technology (fintech) on the performance of halal-sector MSMEs in Padang City, with the goal of strengthening their financial management skills and broadening access to financial resources, ultimately boosting the overall effectiveness of these enterprises. The methodology employed is a descriptive quantitative design. The target population consists of operators of halal-industry MSMEs based in Padang City. Sample determination relied on the Slovin formula, yielding 174 halal-sector MSMEs. Sampling was conducted via non-probability methods, specifically purposive sampling based on predefined selection criteria. Hypotheses were tested using the Smart PLS 4.1 software. Findings indicate that financial literacy positively and significantly influences MSME performance, financial inclusion also exerts a significant positive effect on MSME performance, while financial technology shows no significant impact on MSME performance.

Keywords: *Financial Technology, Financial Inclusion, MSME Performance, Financial Literacy*

INTRODUCTION

Developments in the world economy will continue to experience very significant changes every year and this can be felt in various countries, as is also happening in Indonesia. In economic development in Indonesia, halal industry Micro, Small and Medium Enterprises (MSMEs) have an important role and have a big influence on the economy in Indonesia. The existence of halal industry MSMEs could be a breakthrough in increasing economic growth in society. This is because halal industry MSMEs have the capacity to absorb labor and are able to reduce the unemployment rate (Putri Fauziah, 2020).

The huge potential of MSMEs in the halal industry for the economy means that this sector must be exploited because it brings prosperity and benefit to the community, especially communities whose economy depends on this sector, plus cultural richness and the abundance of potential natural resources as well as wide market share, of course provide great opportunity in developing micro, small and medium enterprises (MSMEs) in Indonesia, especially in Padang City, West Sumatra Province. MSMEs in West Sumatra consist of various types of businesses that are driven and developed by the community, all of which are characteristic of the economy, sociological society and regional development. Likewise, the vision and mission of the Padang City Cooperatives and MSMEs Department is to create a civilized Padang City community based on superior and competitive education, trade and tourism with one of its missions, namely increasing the inclusive economic growth of Padang City (Nana Undiana, 2018).

Despite the growth in the number of MSME participants, various challenges persist, particularly among MSMEs in West Sumatra, which continue to grapple with performance issues. Performance is understood as an illustration of how program activities and policies are executed to achieve an organization's goals, objectives, vision, and mission, as outlined in its strategic planning (Moeheriono, 2014). Performance is also defined as work results that have been achieved both financially and non-financially with the economic resources they have. Based on the definition above, in general performance is an achievement to realize goals, objectives, vision and also mission. This assessment is a determinant of the effectiveness of the activities of an organization and its personnel as well as the organization itself which is carried out periodically based on specified criteria, standards and targets (Idrus, M. S, 2012).

Financial literacy emerges as a critical factor impacting MSME performance. This study primarily explores the significance of MSMEs possessing strong financial literacy skills. According to (Huston, 2010) he has a view of financial literacy, namely in the form of skills in mastering financial knowledge and its application, which can take the form of managing personal finances, including debt and savings management to planning investment activities. Financial literacy can shape every individual to achieve financial prosperity by paying attention to decision making in financial activities based on instincts, skills, behavior and attitudes.

In addition to that, financial inclusion plays a vital role in enhancing MSME performance. It refers to an individual's capacity to obtain and utilize essential financial services, such as savings accounts, credit facilities, and insurance options, which are offered in a secure, user-friendly, dependable, and adaptable format (Ibor, Offiong, and Mendie, 2017). According to Yanti's opinion in 2019 regarding financial inclusion, she has the view that a comprehensive study regarding activities eliminating any obstacles society has in using and exploiting facilities at financial institutions. Financial inclusion is an activity in accessing existing financial services through eliminating barriers in any form (Lumenta and Worang, 2019). Meanwhile, financial inclusion is positioned as a right that must be accepted by every community in the form of the best service in accessing financial products in an informative and timely manner, paying attention to cost efficiency and creating conditions that are comfortable and mutually respectful to uphold human values. This was conveyed by Bank Indonesia's National Strategy for Financial Inclusion (SNKI).

Furthermore, financial technology (fintech) plays a key role in boosting MSME performance by delivering targeted financial services through the application of digital software. In essence, fintech represents innovative advancements in technology that enhance financial transaction processes (Alifah, 2022). According to Ivashcenko in 2018, fintech can be defined as a change in financial services and causes an increase in ease of access and use. Fintech can also be interpreted as an industry with high acceleration and dynamics based on any business model. The aim of fintech is to achieve a condition for society that makes transactions easy and simple and accesses various financial products. Where its emergence can increase the expansion of areas covered by financial services, provide funds more efficiently and easily so that there is potential for benefits for business people (Ansori, 2019).

With the expansion of MSMEs in all sectors in Padang City, it is hoped that it can have a positive impact on the Indonesian economy, especially in Padang City. However, the development of the number of MSMEs in Padang City is influenced by changes in population in recent years. To overcome the rapid fluctuations in MSME population growth, MSMEs need to maintain their existence as industrial players through various industrial management strategies. Small and medium businesses are considered to have advantages over large businesses in terms of eliminating waste and inefficiency in their business activities. Due to their small size, MSMEs can develop by learning, changing and adapting to market changes.

Based on background problems related to the performance of Halal Industrial MSMEs in Padang City, the author is interested in conducting further and in-depth research with the title "The Influence of Financial Literacy, Financial Inclusion and Financial Technology (Fintech) on the Performance of Halal Industrial MSMEs in Padang City".

LITERATURE REVIEW

Performance of MSMEs (Micro, Small and Medium Enterprises)

Performance encompasses a range of managerial processes that illustrate the degree of outcomes realized in fulfilling duties and obligations within the framework of public accountability, encompassing both accomplishments and any deficiencies that arise. In the opinion of (Srimindarti, 2006) performance is the periodic determination of operational effectiveness, parts of the organization and its employees based on previously established targets, standards and criteria. So performance is the result or level of success of the targets that have been set.

MSME is an abbreviation for Micro, Small and Medium Enterprises. According to Law no. 20 of 2008, MSMEs (Micro, Small and Medium Enterprises) are businesses owned by individuals or business entities that have met the criteria for being a micro enterprise. In assessing a country's progress, one important indicator is the level of welfare of its people.

Financial Literacy

Financial literacy assumes a vital function within the financial realm, particularly in promoting financial inclusion, which exerts a substantial influence on economic dynamics and routine existence. It is conceptualized as the amalgamation of knowledge, competencies, and convictions that shape an individual's conduct and mindset in financial decision-making and resource management, ultimately fostering financial well-being (Financial Services Authority, 2020). Financial literacy manifests when an individual possesses the requisite abilities and understanding to reach financial objectives by effectively leveraging existing resources. This notion is closely linked to one's proficiency in optimally overseeing all facets of personal finances (Yushita, 2017).

Financial Inclusion

According to the World Bank (2014), financial inclusion is access for every person or business to use financial products or services to meet daily needs, such as savings, credit, insurance, and various others. Financial inclusion also includes the availability of access for everyone to fulfill their life needs, such as savings, credit and insurance, through financial products or services, either official or digital. One national strategy to achieve financial inclusion is to provide complete access and services to everyone and services from financial institutions in a timely, safe, informative and affordable manner, while always respecting the dignity of the community. The aim of financial inclusion is to eliminate barriers, both price and non-price related, to people's access to utilizing financial products and services (Yolanda, Hermien, Dan Khomsiyah, 2020).

Financial Technology (Fintech)

Financial Technology (fintech) refers to the use of technology in the financial system, creating new products, services, technologies and business models. The application of fintech can have a significant impact on monetary stability, financial system stability, efficiency, smoothness, security and reliability of the payment system. Fintech also represents new innovations in the financial services sector that adapt technological advances to facilitate financial services and make the financial system more effective and efficient.

Hypothesis Development

According to a survey by the Financial Services Authority, the MSME sector in Indonesia makes a substantial impact on the national economy, accounting for 61.9% of Gross Domestic Product and employing 97% of the country's labor force. Given its pivotal function in driving economic development, bolstering MSMEs becomes essential. A key strategy for this reinforcement involves enhancing their financial management capabilities and broadening their access to financial resources.

Financial literacy encompasses the knowledge, convictions, and abilities that shape individuals' attitudes and actions, thereby elevating the effectiveness of financial choices and oversight in pursuit of well-being. Through this perspective, the expectation is that entities in financial services, end-users of products, and the broader public will go beyond mere awareness of financial offerings to actually refine their decision-making processes. This viewpoint is backed by studies from Sanistasya (2019), Sari (2019), Suryani (2017), Dewi (2016), and Sabana (2014), all of which demonstrate that financial literacy positively influences MSME performance.

H_1 : It is suspected that there is a significant influence of financial literacy on the performance of halal industry MSMEs in Padang City

The expansion of MSMEs positively impacts community economic development through the availability of broad business prospects; however, MSME owners often encounter obstacles in growing their ventures primarily due to funding shortages. A practical approach to resolving these capital constraints involves promoting financial inclusion initiatives (Abdul Halim, 2020). The Center for Financial Inclusion defines financial inclusion as access to appropriate financial products including credit, savings, insurance and payments, providing quality access including comfort, affordability, suitability and by providing consumer protection and availability that is also provided to everyone (Sisilia Maharani and Wayan Cipta, 2022). Supported by the results of research conducted by Sanistasya in 2019, Yanti in 2019 and Riwayati in 2017 which stated that financial inclusion has a positive effect on financial performance.

H_2 : It is suspected that there is a significant influence of financial literacy on the performance

of halal industry MSMEs in Padang City

Financial Technology can be interpreted as a financial service that can facilitate financial services and financial systems to make them more efficient and effective in the future, especially in terms of payments, loans and investments (Hendra and Wiwiek, 2020). Business actors can use Fintech as a way for digital payments and also financial management (Vionna Agnesia and Agung Joni Saputra, 2020). In the past, when we wanted to make a payment, we had to meet in person and had to bring cash, we could make transactions, but now, just by using a gadget, we can make payments in a short time. Supported by the results of research conducted by Sari and Septyarini in 2018 and Purnamasari in 2020 which concluded that Financial Technology can improve business performance and regulate financial conditions so that it can boost a person's performance, especially MSMEs in an area.

H_3 : It is suspected that there is a significant influence of financial technology on the performance of halal industry MSMEs in Padang City

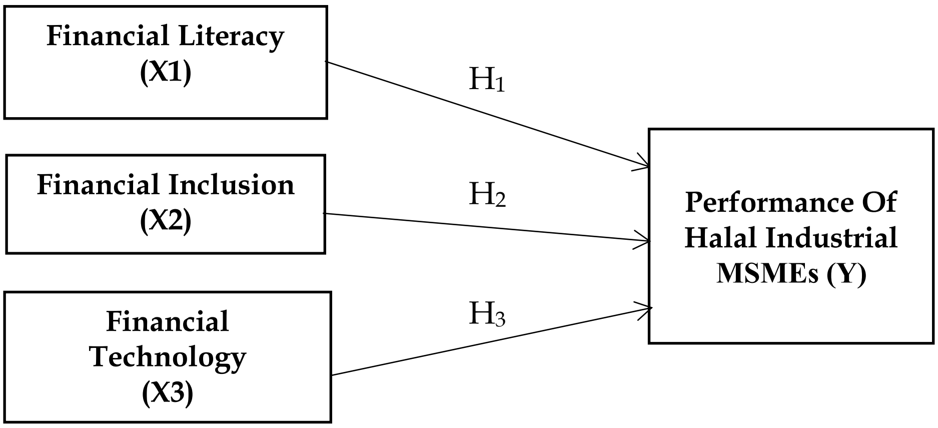

Figure 1. Conceptual Framework

RESEARCH METHODS

This research is field research. Where researchers go directly to the field to collect data, this research uses a quantitative approach. A quantitative approach is structured research where the data collected is quantitative data or a type of data that can be quantified and processed using statistical techniques (Muri Yusuf, 2014). Analysis of research data uses descriptive methods which aim to explain what is happening in society, different situations, and different variables that are the object of research based on what is happening.

In this research, sampling was carried out using a non-probability sampling method. This method does not give every member of the population an equal opportunity to be selected as a member of the sample. In Sugiyono's opinion in 2019, purposive sampling is a technique for determining samples with certain considerations. This means that sampling is based on certain considerations or criteria that have been formulated in advance by the researcher. The sample criteria in this research are as follows: owners of Micro, Small and Medium Enterprises (MSMEs) operating in the food and beverage (culinary) industry sector are halal certified, and they have been operating for at least 3 years.

Determination of the sample size was carried out using the Slovin formula to ensure that the research results can be generalized and can be calculated in a simple way without the need for statistical tables. The Slovin formula is used to determine the number of representative samples and can be calculated in an easy way. Based on these calculations, the sample size for research is a minimum of 174 halal industry MSME players.

In this research, a quantitative approach was used to analyze the data. The quantitative approach focuses on variables that have certain characteristics in human life and analyzes the relationship between the variables using objective theory. After data was collected from all respondents, data analysis was carried out by grouping the data based on variables, tabulating the data and presenting the data for each variable studied. The data is then analyzed to answer the problem formulation and test the proposed hypothesis. Data processing in this research was carried out using SmartPLS 4 software to ensure accurate and reliable results.

RESULTS AND DISCUSSION

Description of research respondents

To retrieve the respondent data profile, classification or grouping of respondents is used. To determine the influence of financial literacy, financial inclusion and financial technology on the performance of halal industry MSMEs, the data was processed and filled in by 174 halal industry MSME players in Padang City. Then the data is explained in more detail by classifying gender, age and monthly income.

Table 1 Respondent Profile

Characteristics	Item	Achievement	
		Amount	Percentage %
Gender	Man	76	76%
	Woman	98	98%
Age	17-27 years old	83	83%
	28-37 years old	67	67%
	>37 years old	24	24%
Monthly Income	< dari Rp 5.000.000	103	103%
	Rp 5.000.000 – Rp 50.000.000	71	71%
	Rp 50.000.000 – Rp 100.000.000	0	0
	>Dari Rp 100.000 000	0	0

Source: Processed primary data (2024)

Outer Model Analysis (Measurement Model)

According to Hair et al., (2019) it is possible to define the outer model as a framework in which additional variables are connected to each indicator block. Convergent validity, discriminant validity, composite reliability and Cronbach's alpha test in measurement can be used to explain the outer model test.

Validity Test

Refers to the extent to which a research instrument actually measures whether a questionnaire is valid or not

1. Convergent validity

   is an indicator considered to have convergent validity in the good category if the outer loading value exceeds 0.6.

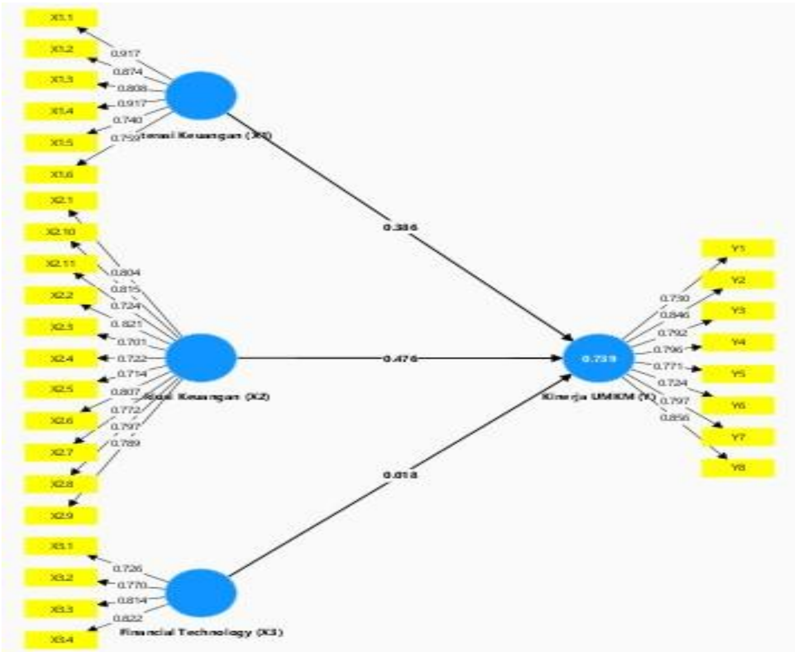

Figure 2: Convergent Validity

Source: Data processed using SEM – PLS 4.1 (2024)

Table 2 Outer loading

Variable	Indicator	Outer Loading
Financial Literacy	LK1	0.917
	LK2	0.874
	LK3	0.808
	LK4	0.917
	LK5	0.740
	LK6	0.759
Financial Inclusion	IK1	0.804
	IK2	0.821
	IK3	0.701
	IK4	0.722
	IK5	0.714
	IK6	0.807
	IK7	0.772
	IK8	0.797
	IK9	0.789
	IK10	0.815
	IK11	0.724
Financial Technology	TK1	0.726
	TK2	0.770
	TK3	0.814
	TK4	0.822
	KU1	0.730

MSME Performance	KU2	0.846
	KU3	0.792
	KU4	0.796
	KU5	0.771
	KU6	0.724
	KU7	0.797
	KU8	0.856

Source: Data processed using SEM – PLS 4.1 (2024)

Based on Figure 2 and table 7 above, it is known that all values are greater than 0.6, so the test is said to be valid and actionable.

2. Discriminant validity

   assess the uniqueness of reflexive indicators by testing cross-loading values. If the correlation between the latent construct and the measurement items is higher than the correlation between the others the same constructs and measurement items. This shows that the latent construct is a stronger predictor measurement compared to other constructs. In this assessment, the discriminant validity value exceeded 0.6, which shows that the latent variable is the benchmark for the model.

Table 3 Cross loading

Indicator	Financial Literacy (X1)	Financial Inclusion (X2)	Financial Technology (X3)	MSME Performance (Y)
LK1	**0.917**	0.804	0.475	0.796
LK2	**0.874**	0.821	0.454	0.654
LK3	**0.808**	0.809	0.538	0.628
LK4	**0.917**	0.804	0.475	0.796
LK5	**0.740**	0.717	0.338	0.724
LK6	**0.759**	0.748	0.678	0.592
IK1	0.917	**0.804**	0.475	0.796
IK2	0.874	**0.821**	0.454	0.654
IK3	0.585	**0.701**	0.449	0.542
IK4	0.733	**0.722**	0.365	0.714
IK5	0.553	**0.714**	0.600	0.536
IK6	0.804	**0.807**	0.541	0.622
IK7	0.627	**0.772**	0.650	0.569
IK8	0.759	**0.797**	0.590	0.618
IK9	0.665	**0.789**	0.565	0.671
IK10	0.748	**0.815**	0.537	0.771
IK11	0.547	**0.724**	0.489	0.605
TK1	0.657	0.686	**0.726**	0.510
TK2	0.267	0.356	**0.770**	0.314

TK3	0.403	0.504	**0.814**	0.468
TK4	0.392	0.462	**0.822**	0.405
KU1	0.423	0.464	0.404	**0.730**
KU2	0.568	0.600	0.434	**0.846**
KU3	0.578	0.575	0.445	**0.792**
KU4	0.917	0.804	0.475	**0.796**
KU5	0.748	0.815	0.537	**0.771**
KU6	0.740	0.717	0.338	**0.724**
KU7	0.530	0.601	0.434	**0.797**
KU8	0.579	0.605	0.428	**0.856**

Source: Data processed using SEM – PLS 4.1 (2024)

Based on table 8, each research variable indication shows the highest cross loading value for the variable it represents, exceeding the cross loading value of other variables. This shows that the latent variable is a reliable benchmark for each model.

Discriminant validity can also be assessed through alternative methods, such as trial and error involves the average variance extracted (AVE), in addition to evaluating cross-loading values. The model it is considered satisfactory if the increase in each indicator exceeds 0.5

Table 4 AVE (Average Variance Extracted)

Variable	**AVE**
Financial Literacy (X1)	0.703
Financial Inclusion (X2)	0.594
Financial Technology (X3)	0.614
MSME Performance (Y)	0.624

Source: Data processed using SEM – PLS 4.1 (2024)

Based on the table, it can be seen that the dimensions of all variables have an AVE value of more than 0.5, so that the variable data can be said to have a good model.

Reliability Test

Reliability tests are carried out to assess the consistency of research results when repeated. As levels reliability increases, research becomes more reliable.

1. **Composite reliability**

   is used for the purpose of assessing the actual reliability value of a construct. A composite reliability value greater than 0.7 indicates a high level of construct reliability.

Table 5 Composite reliability

Variable	Composite Reliability
Financial Literacy (X1)	0.934
Financial Inclusion (X2)	0.941
Financial Technology (X3)	0.864
MSME Performance (Y)	0.930

Source: Data processed using SEM – PLS 4.1 (2024)

Based on Table 10, it is known that all variables have values greater than 0.7. Therefore, it could happen concluded that the data were reliable.

2. **Cronbach's Alpha**

Cronbach's Alpha is used to assess the minimum threshold for the reliability of a construct. A construct considered dependent or meets Cronbach's alpha criteria if the results exceed 0.7.

Table 6 Cronbach's Alpha

Variable	Cronbach Alpha
Financial Literacy (X1)	0.914
Financial Inclusion (X2)	0.932
Financial Technology (X3)	0.794
MSME Performance (Y)	0.915

Source: Data processed using SEM – PLS 4.1 (2024)

Based on table 11, this research variable exceeds 0.7. This shows that the research variables are adequate standard Cronbach Alpha value criteria.

Inner Model Analysis (Measurement Model)

1. **Test R Square**

The R-square coefficient of determination is a statistical method used to measure the extent to which an endogenous constructs can be explained by exogenous constructs. This is useful for estimating model quality. The criteria for a strong model is an R2 value greater than 0.75, a medium model if R2 value is greater than 0.50, and a bad model is an R2 value greater than 0.25.

Table 7 R-Square

Variable	R – Square	R – Square Adjusted
MSME Performance	0.739	0.735

Source: Data processed using SEM – PLS 4.1 (2024)

It can be seen that the MSME Performance variable has an R square of 0.739. This means that the variables Financial Literacy, Financial Inclusion and Financial Technology can explain the MSME Performance variable by 73.9% and the rest is explained by other factors.

2. **Effect Size (F-Square)**

The F-square coefficient of determination is a statistical method used to measure the extent to which an endogenous construct can be explained by an exogenous construct. This is useful for estimating model quality. The criteria for a large effect size model is an F2 value smaller than 0.35, a medium effect size model if the F2 value is smaller than 0.15, and a small effect size model if the F2 value is smaller than 0.02.

Table 8 F-Square

Variable	F-Square
Financial Literacy (X1) -> MSME Performance (Y)	0.072
Financial Inclusion (X2) -> MSME Performance (Y)	0.091
Financial Technology (X3) -> MSME Performance (Y)	0.001

Source: Data processed using SEM – PLS 4.1 (2024)

Based on table 13, it is explained that the contribution between variables shows that the Financial Literacy variable (X1) has a contribution of 0.072 to MSME Performance (Y). This means that Financial Literacy (X1) has a small contribution to MSME Performance (Y). Contribution of Financial Inclusion (X2) to MSME Performance (Y) is 0.091. This means that financial inclusion (X2) has a small contribution to MSME Performance (Y) and Financial Technology (X3) to MSME Performance (Y) of 0.001. This means that Financial Technology (X3) does not have any contribution to MSME Performance (Y).

3. **Path Coefficients Test**

The evaluation path coefficient quantifies the extent of influence or impact that the independent variable has on the dependent variable. The path coefficient value has a standard value that ranges from -1 to +1. Path coefficient with a positive or negative value of 1 indicates a strong and generally statistically significant relationship.

Table 9 Path Coefficients

Variable	Path Coefficients
Financial Literacy (X1) -> MSME Performance (Y)	0.386
Financial Inclusion (X2) -> MSME Performance (Y)	0.476
Financial Technology (X3) -> MSME Performance (Y)	0.018

Source: Data processed using SEM – PLS 4.1 (2024)

Based on table 14, the financial literacy variable has an influence on the MSME performance variable of 0.386 or 38.6%. The Financial Inclusion variable has an influence on MSME performance of 0.476 or 47.6%. The Financial Technology variable has an influence on MSME performance of 0.018 or 1.8%.

Hypothesis Testing

Bootstrapping is used to carry out hypothesis testing. This research utilizes analysis Structural equation modeling as a method for describing and explaining the relationships between various variables within the framework of the research model. Hypothesis testing is carried out by comparing t-count with t-statistics. T-count test and t-statistics to find out whether there is a relationship significant between variables in this study. In the bootstrapping test, the t-count value must exceed the t table value namely α 1.96 given a standard error of 5% or a p-value of less than 0.05 (Hair et al., 2019).

Table 10 Hypothesis Testing

Variable	Original Sampel (O)	Sampel Mean (M)	Standar Deviantion	t – Statistik (O/STIDEV)	P – Values
X1 → Y	0.386	0.382	0.123	3.135	0.001
X2 → *Y*	0.476	0.482	0.125	3.812	0.000
X3 → *Y*	0.018	0.021	0.060	0.295	0.384

Source: Data processed using SEM – PLS 4.1 (2024)

Based on the table above, it can be explained that the path coefficient for variables X to Y has a positive coefficient value (seen in the original sample). The conclusions from the direct effect values in the table above are:

1. The influence of Financial Literacy (X1) on MSME Performance (Y) has a path coefficient value of 0.386 (Positive). Furthermore, the P Values are 0.001 (<0.05). So H0 is rejected and

H1 is accepted, meaning that the influence of Financial Literacy on MSME Performance has a significant effect. The proficiency in financial matters plays a crucial role in enhancing the success of Micro, Small, and Medium Enterprises (MSMEs), particularly through aspects like grasping basic financial concepts, investment strategies, and insurance options. Studies indicate that such proficiency positively influences MSME outcomes, both by directly boosting operational effectiveness and by promoting long-term business viability. Drawing from the financial inclusion metrics employed in this research, it is evident that financial literacy plays a pivotal role in elevating the operational success of Micro, Small, and Medium Enterprises (MSMEs), fostering community well-being, and enabling Indonesians to gain a deeper comprehension of their financial affairs and handle them more adeptly. When it comes to bolstering MSME performance, financial literacy exerts a straightforward influence on the capacity of business owners to devise and execute sound financial plans. Those MSME operators who excel in financial management are better positioned to elevate their enterprise outcomes. The findings from this study align closely with the research carried out by Alamsyah (2020) and Butar (2021).

2. The effect of financial inclusion (X2) on MSME performance (Y) has a path coefficient value of 0.476 (Positive). Furthermore, the P Values are 0.000 (<0.05). So H0 is rejected and H2 is accepted, meaning that the influence of Financial Inclusion on MSME Performance has a significant effect. The success of Small and Medium Enterprises (SMEs) similarly reflects the direct influence of financial literacy on the proficiency of SME participants in formulating and applying robust financial approaches. SME operators with strong financial management skills are more likely to maximize resource allocation, pursue suitable investment opportunities, and adapt swiftly to evolving market dynamics. This implies that the operations of Micro, Small, and Medium Enterprises (MSMEs) in the halal industry within Padang City emphasize the utilization of internet-based tools for financial services. This approach holds substantial potential for enhancing performance through the adoption of more streamlined and efficient financial technologies, along with expanded access to international markets via online platforms. Furthermore, financial inclusion demonstrates a strong correlation with MSME performance across various indicators, such as quality, access, welfare, and usage. In terms of quality, financial inclusion boosts MSME effectiveness by incorporating advanced financial technologies that are both effective and

efficient, and by offering greater opportunities to engage with global markets through the internet. Regarding the dimension of access, financial inclusion empowers Micro, Small, and Medium Enterprises (MSMEs) to obtain a wider array of financial services and resources that were once challenging to secure. This, in turn, enhances their overall performance by facilitating greater entry into global markets. In the welfare dimension, financial inclusion boosts the well-being of MSMEs by providing pathways to financial services and resources that were previously inaccessible, while also strengthening their resilience in dealing with financial obstacles. Finally, in terms of usage, financial inclusion encourages the adoption of more advanced and streamlined financial technologies, ultimately elevating MSME performance through expanded opportunities for engaging with international markets. Key elements include routinely evaluating financial health as part of core financial awareness, which is essential for informed decision-making. Similarly, engaging in capital market investments—such as leveraging insurance advantages and securing loans from banks for operational funding—serves as a vital measure. Ultimately, strong financial literacy empowers MSME owners to handle their resources more effectively, leading to superior overall business results. The findings from this study align closely with the research carried out by Sanistasya et al (2019) and Wuryani (2020).

3. The influence of Financial Technology (X3) on MSME Performance (Y) has a path coefficient value of 0.018 (Positive). Furthermore, the P Values are 0.384 (>0.05). So H0 is accepted and H1 is rejected, meaning that the influence of Financial Technology on MSME Performance has no significant effect. This indicates that operators of Micro, Small, and Medium Enterprises (MSMEs) are increasingly adopting digital payment applications, which accelerate transaction processes and conserve valuable time, as fintech replaces traditional manual methods. Consequently, fintech enhances the operational efficiency and productivity of MSMEs in handling transactions, leading to a notable uplift in their overall effectiveness. Although Financial Technology (Fintech) shows a non-significant correlation with MSME performance across certain indicators—such as crowdfunding, peer-to-peer lending, market aggregators, and payment, settlement, and clearing processes—these elements still offer substantial benefits. For instance, crowdfunding and peer-to-peer lending enable MSMEs to secure more accessible business funding and

reduce financial risks through reliable credit assessment mechanisms. Market aggregators assist SMEs in obtaining tailored financial products that align with their specific needs, while streamlined payment, settlement, and clearing systems promote quicker and more effective financial exchanges. Overall, fintech contributes to greater financial efficiency and broader access for SMEs, supporting their business development and expansion. Based on the financial technology indicators analyzed in this research, it is apparent that a substantial number of individuals continue to favor in-person cash transactions, even as digital payment systems have advanced significantly. This trend highlights a persistent preference for conventional manual methods, such as handling payments with physical currency. As a result, the study identifies various obstacles that hinder the widespread adoption of digital payment technology, including insufficient public understanding of its advantages, limited availability of required technological tools, and apprehensions about the security of digital platforms. To address these issues, it is crucial to undertake measures that promote greater public education and expand access to digital payment solutions, ultimately aiming to enhance financial efficiency and broaden financial accessibility. The findings from this study align closely with the research carried out by Fadilah et al (2022).

CONCLUSION

Based on the results of data analysis and discussion regarding the influence of financial literacy, financial inclusion, and financial technology on the performance of halal industry MSMEs in Padang City, this research used 174 MSME respondents in Padang City. The research results obtained after testing the hypothesis using Smart PLS 4.1 can be concluded as follows the Financial Literacy variable has a significant influence on the performance of Halal Industry MSMEs in Padang City, the Financial Inclusion variable has a significant influence on the performance of Halal Industry MSMEs in Padang City, and the Financial Technology variable does not have a significant influence on the performance of Halal Industrial MSMEs in Padang City.

Based on the results of the research and conclusions that have been carried out, researchers provide suggestions and input as considerations for future improvements, these suggestions are as follows this research can be a basis for further research that is more specific and expands the business sector studied and adds research variables that are not included in this research.

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