

Analyzing the Impact of Financial Literacy and Credit Scoring on MSME's Performance

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Abstract—MSMEs play an important role in the economy. However, many MSME actors experience obstacles in accessing formal financing. Low levels of financial literacy and lack of understanding of credit scores are often the main obstacles to the development of MSMEs. This study aims to analyze the effect of financial literacy and credit scoring on the performance of MSMEs in the city of Depok. The research design used is quantitative. Primary data was obtained from a questionnaire distributed to 99 respondents via Google from during August 2024. The criteria for respondents who could fill out the questionnaire were determined using a purposive sampling technique. Data processing was carried out using the Smart PLS 4 program which includes outer model analysis (convergent Validity, discriminant validity, reliability), inner model analysis (multicollinearity, R-square, goodness of fit, F-square, and path coefficients). This research concludes that financial literacy has a positive and significant effect on MSME's performance (t -statistic $3.278 > t$ table 1.96 and p value is $0.000 < 0.05$), whereas the credit does not have a significant effect on MSME's performance (t -statistic $1.114 < t$ table 1.96 and p value is $0.089 > 0.05$).

Keywords: Financial Literacy; Credit Scoring; MSME's Development; MSME's Performance

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the important pillars in the country's economy (Bayraktar and Algan 2019). MSMEs have the potential to contribute greatly to economic growth (Arifin et al, 2021). Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute around 60% to Gross Domestic Product and absorb more than 97% of the workforce. However, getting official funding might be difficult for a lot of MSMEs. The biggest barriers to MSMEs' use of broader financial services are frequently their low level of financial literacy and ignorance of credit scores (Mulyanti and Nurhayati 2022); (Mutsonziwa and Fanta 2021); (Damocho 2022). In this regard, two crucial elements that may have an impact on MSME success are understanding of the credit rating system and proficiency with financial management..

Financial literacy encompasses not just the aptitude for handling one's personal or professional finances, but also the comprehension of the various financial goods that are accessible in the market (Hastings et al, 2013). In the meantime, MSMEs frequently overlook credit scoring, which serves as a gauge of a company's financial health, because they are unaware of its advantages (Joko et al. 2014). In theory, credit scoring can help MSMEs find easier sources of funding (Riwayati et al, 2022), but in reality, a lot of them haven't made use of this possibility. Consequently, it's critical to assess how much credit scoring knowledge and financial literacy impact MSMEs' performance in Indonesia.

The level of financial literacy of MSMEs in Indonesia is generally still relatively low, despite efforts to improve it through government programs and financial institutions. Based on an OJK survey in 2019, the overall level of financial literacy in Indonesia for the general public was at 38.03%, which means that only around 38% of Indonesians have a good understanding of financial products and services. Meanwhile, the level of financial inclusion (use of financial products and services) is 76.19% (OJK 2022). However, this figure is still lower when only looking at MSMEs, especially in rural areas. This survey also shows that the level of financial literacy of MSMEs is still lower than the national average, especially for MSMEs located outside urban areas.

According to a Bank Indonesia report, around 70% of MSMEs in Indonesia lack sufficient access to formal financial services (Bank Indonesia, 2020). The poor level of financial literacy among MSMEs is attributed to a number of factors, including inadequate bookkeeping and financial record-keeping and limited awareness of financial products. Just 31% of MSMEs maintain accurate books, while the remaining majority do not retain sufficient records to control cash flow in their businesses.

Data from the International Finance Corporation (IFC) states that only around 20% of MSMEs in Indonesia are able to access financing from formal financial institutions due to limited financial literacy and the absence of adequate financial records (IFC, 2020). Lack of understanding of credit scores and loan application procedures is also a major barrier for MSMEs in accessing formal credit.

Meanwhile, credit scoring for MSMEs in Indonesia is still a relatively new concept and has not been widely implemented. Although credit scoring has the potential to help MSMEs gain access to formal financing, many MSMEs still do not understand how credit scoring works, and the credit scoring system for MSMEs itself is not yet fully mature in Indonesia. The OJK survey (2021) showed that only around 25-30% of MSMEs are aware of the importance of credit scores in influencing their access to formal credit, especially outside big cities (OJK, 2021). The Financial Services

Authority (OJK) through the Financial Information Services System (SLIK) has made efforts to increase the use of credit data to expand access to financing for MSMEs. However, the 2021 report showed that only 30-40% of MSMEs registered in SLIK have sufficient credit history to be comprehensively evaluated by banks. The majority of MSMEs still need to improve the regularity of financial records and the use of formal financial services in order to be included in this system.

Another challenge is that the credit scoring system in Indonesia is still in the development stage, especially in terms of reaching MSMEs. The credit scoring system in Indonesia is generally based on formal banking data, while many MSMEs still do not have strong access to formal financial services. This means that most MSMEs do not have adequate data to be assessed by financial institutions.

Along with the development of financial technology (fintech), there has been innovation in the use of alternative data to assess MSME credit scoring, such as digital transaction data, utility payment records, and activities on e-commerce platforms. However, the use of this data is still very limited. Bank Indonesia together with OJK encourage the integration of digital financial data as an alternative to complement formal credit data. Currently, only a few MSMEs are involved in the digital ecosystem that allows the use of this alternative data.

In recent years, fintech companies in Indonesia have begun to use technology to evaluate MSME credit more flexibly and based on alternative data (CIPS, 2023). According to data from the Indonesian Joint Funding Fintech Association (AFPI), in 2020, fintech lending provided financing to more than 10 million borrowers, most of whom were MSMEs. Through fintech, MSMEs can be assessed for their eligibility based on transaction history and payment behavior. However, the integration of fintech systems with traditional banking institutions in the context of credit scoring still requires further development.

The development of MSMEs in Depok City continues to develop. After the COVID-19 pandemic, the development of MSMEs in Depok City has shown significant dynamics in efforts to recover the economy. The Depok City Government provides intensive support to MSME actors to help recover the economy after the pandemic. Programs such as the People's Business Credit (KUR) with an interest subsidy of IDR 1.8 billion are one of the government's real steps in easing the capital burden of MSME actors (Depok City Central Statistics Agency). The Depok City Government has also launched a program to create 5,000 new entrepreneurs and 1,000 women entrepreneurs, with the aim of accelerating economic growth through the development of MSMEs. In addition, there is a business coaching and mentoring program that focuses on strengthening financial management and digital marketing.

Several studies have been conducted on financial literacy. Meanwhile, research on credit scoring is still relatively limited and is mostly conducted overseas. Previous studies have shown that financial literacy has a positive effect on business performance and access to financing ((Sari et al. 2022); (Sari and Widodo 2022); (Mulyanti and Nurhayati 2022)). A good credit score can increase the trust of lenders (Aye 2023); (Mutsonziwa and Fanta 2021).

Based on this background, several main problems can be formulated in the following research questions: 1) How does financial literacy affect the performance of MSMEs in Depok? 2) How does credit scoring affect the performance of MSMEs in Depok? This study aims to answer these questions in the hope of providing a deeper understanding of the importance of financial literacy and credit scoring in supporting MSME performance. In addition, the findings of this study are expected to be input for policy makers in designing programs that can increase MSME access to formal financial services.

2. RESEARCH METHODS

2.1 Theoretical Framework

Financial literacy is the ability to understand and manage various aspects of finance effectively. This includes knowledge of basic financial concepts such as budgeting, savings, investment, debt, and risk, as well as the ability to make informed decisions in managing personal finances (OJK 2017). The main goal of financial literacy is to help individuals achieve financial well-being by planning, managing, and protecting their assets wisely. According to the OJK in 2017, financial literacy can be defined as the level of knowledge, skills, and self-confidence. This level of knowledge will affect attitudes and behaviors, thereby improving the quality of decision-making and financial management, thereby achieving well-being. Furthermore, 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 behaviors. Financial literacy is very important for MSMEs because it helps business actors understand proper financial management, which has a direct impact on the continuity and growth of their business. With financial literacy, MSME owners can make wiser decisions in managing cash flow, determining product prices, and making appropriate investments for business development (Widjanarko et al. 2022).

According to (Thomas et al, 2017) credit scoring is an evaluation method used by financial institutions to assess the creditworthiness of an individual or entity based on their financial history. This system combines data such as payment history, amount of debt, duration of credit, and type of credit held to provide a score that reflects the risk of default. The resulting credit score helps lenders determine whether a prospective debtor is eligible for a loan and at a reasonable interest rate. Credit scoring is a credit risk assessment method used by financial institutions to assess the eligibility of an individual or company to obtain a loan. This system uses historical data related to financial behavior, such as payment history, amount of debt, and duration of credit use, to provide a score that reflects the creditor's risk. This credit score is one of the important indicators in the decision-making process by creditors, because it helps speed up the assessment of loan

eligibility in a more objective and efficient manner. In the context of an increasingly digital economy, the use of credit scoring has become a vital component in the credit granting process, both to individuals and small and medium enterprises (SMEs). For MSMEs, credit scoring has a very important role in increasing access to formal financing. In some cases, MSMEs face obstacles in obtaining loans due to limited collateral and disclosure of financial information. With the credit scoring system, financial institutions can assess the credit risk of MSMEs more accurately, thus facilitating the credit approval process. However, despite its many benefits, credit scoring also faces challenges, especially for individuals or business entities that have not been reached by the formal financial system, which makes it difficult for them to get an adequate credit score. Based on this theory, the research framework can be described as shown in Figure 1.

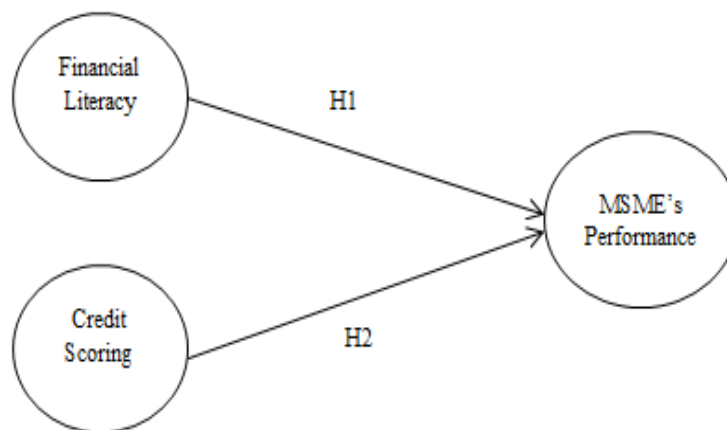


Figure 1. Research Framework

Thus, the hypotheses of this research was formulized as follow:

H1: Financial literacy has a positive effect and a significant impact on MSME’s performance,

H2: Credit Scoring has a positive effect and significant impact on MSME’s performance.

2.2 Research Design, Data Collection Method, Population and Sampling Technique

This study uses quantitative research design with a descriptive approach. The research variables are financial literacy (X1) and Scredit Scoring (X2) as independent variables, MSME performance (Y) as dependent variable. The definition of research variables is presented in Table 1. The primary data used is in the form of a questionnaire distributed to MSME actors in Depok City. Based on data from the Central Statistics Agency of West Java Province which was last updated on January 11, 2024, there are 11,429 Micro and Small Enterprises in Depok City. This data can be accessed at the link: <https://jabar.bps.go.id/en/statistics-table/2/NzUyIzI=/banyaknya-usaha-mikro-dan-kecil-menurut-kabupaten-kota.html>. In this study, the purposive sampling technique was utilized. This technique is used by distributing questionnaires in August 2024. The criteria for MSMEs that can fill out the questionnaire are as follows:

1. MSMEs have been operating for at least 2 years.
2. MSMEs manage business finances, either with the help of accounting software, manual recording.
3. MSMEs have applied for loans to financial institutions or have experience in the credit assessment process.
4. MSMEs that have participated in government programs aimed at developing MSMEs

The number of samples taken using the Slovin formula is as follows:

$$n = \frac{N}{1+(Nxe^2)} = \frac{11.429}{1+(11.429x)0.1^2} = 99,1 = 99 \text{ responden}$$

Table 1. Definition of Research Variables

Research Variable	Position	Definition	Source
Financial Literacy	Independent Variable	Financial literacy is the ability to understand and manage various aspects of finance effectively, which includes knowledge, skills, beliefs about financial service institutions, as well as financial attitudes and behavior to assess efforts to improve the quality of decision-making and financial management.	(OJK 2017)
Credit Scoring	Independent Variable	Credit scoring is an evaluation method used by financial institutions to assess a person's creditworthiness, which includes Knowledge of Credit Scores, Use of Credit Scores to check financial health, benefits of credit scores to check financial health, and ease of access to credit scores.	(Thomas et al. 2017)

Research Variable	Position	Definition	Source
MSME's Performance	Dependent Variable	The performance of MSMEs (Micro, Small and Medium Enterprises) can be defined as the ability of MSMEs to achieve their economic and social goals. MSME performance can be measured through assets, turnover and net profit	(Septiani and Wuryani 2020), (Fanani and Fitrayati 2021)

2.3. Data Analysis Technique

The data analysis technique used in the study is regression with the Smart Partial Last Square (PLS) version 4 tool. PLS is a Structural Equation Modeling (SEM) equation model with an approach based on variance or component-based structural equation modeling. PLS-SEM analysis consists of two sub-models, namely the measurement model or outer model and the structural model or inner model.

3. RESULTS AND DISCUSSION

3.1 Analysis Outer Model

3.1.1 Convergent Validity

3.1.1.1 Loading Factor

Convergent validity is used to determine the validity of each indicator against its construct. To see the results of validity in software Smart PLS 4,, it can be seen in the outer loading table. In the outer loading table there are numbers or values of items that show similarities with the construct variable. The value for an indicator is said to be valid if the indicator explains the construct variable with a value > 0.7 (more than zero point seven), based on the explanation (Hair, Hult, Ringle, & Sarstedt, 2014). While the value of items below <0.7 will be eliminated. The results of the outer loading value after going through the elimination process for indicators with a value <0.7 can be seen in Table 2.

Table 2. Nilai Outer Loading

	X1. Financial Literacy	X2. Credit Scoring	Y. MSME Performance
X1.1	0.868		
X1.2	0.903		
X1.3	0.948		
X1.4	0.903		
X2.1		0.837	
X2.2		0.798	
X2.3		0.947	
Y.1			0.722
Y.2			0.854
Y.3			0.801
Y.4			0.837

Based on Resul in Table 2, the outer loading value is more than 0.7. This means that the convergent validity based on the loading factor has been met the criteria, so it can be said that all indicators are valid.

3.1.1.2 Average Variance Extracted (AVE)

Convergent validity is also seen from the AVE value with the provision that if the AVE value can be said to be valid if it is greater than 0.5 (Chin and Dibbern, 2010).

Table 3. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Y. MSME_Performance	0.648
X2. Credit Scoring	0.745
X1. Financial Literacy	0.821

In Table 3, it can be seen that the AVE value for each variable is > 0.5. Thus, it can be said that the convergent validity based on AVE has been fulfilled, which means that all indicators are valid.

3.1.2 Discriminant Validity

Discriminant validity assessment has become a generally accepted prerequisite for analyzing relationships between latent variables. Discriminant validity is the degree of differentiation of an indicator in measuring the construct of the instrument.

For variance-based structural equation modeling, such as the Fornell-Larcker criterion and cross-loading examination are common approaches to evaluate discriminant validity.

3.1.2.1 Cross Loading Evaluation

In discriminant testing, cross-loading examination can be carried out, namely by comparing the indicator correlation coefficient to its association construct (cross-loading) with the correlation coefficient to other constructs (cross-loading). The value of the indicator correlation construct must be greater than its association construct than other constructs. The greater value indicates the suitability of an indicator to explain its association construct compared to explaining other constructs. (Jorg Henseler et al., 2014). The results of the cross-loading factor from the discriminant validity test are seen in Table 4.

Table 4. Cross Loadings

	X1. Financial Literacy	X2. Credit Scoring	Y. MSME Performance
X1.1	0.868	0.560	0.409
X1.2	0.903	0.603	0.562
X1.3	0.948	0.560	0.605
X1.4	0.903	0.603	0.844
X2.1	0.437	0.837	0.656
X2.2	0.555	0.798	0.393
X2.3	0.683	0.947	0.643
Y.1	0.309	0.403	0.722
Y.2	0.467	0.698	0.854
Y.3	0.263	0.435	0.801
Y.4	0.364	0.586	0.837

The results in Table 4 show that the construct indicators are higher compared to the correlation of indicators on other constructs. It can be concluded that all constructs already have valid discriminant validity, with the provision that each construct indicator has a better value than the other construct indicators.

3.1.2.2 Fornell-Larcker Criteria

In the Fornell-Larcker criteria test, discriminant validity can be said to be good if the root of AVE on the construct is higher compared to the correlation of the construct with other latent variables.

Table 5. AVE Square Root

	X1. Financial Literacy	X2. Credit Scoring	Y. MSME Performance
X1. Financial Literacy	0.906		
X2. Credit Scoring	0.642	0.863	
Y. MSME Performance	0.451	0.684	0.805

The results of the examination in Table 5 show that the square root value of AVE is greater than the correlation value between its constructs. Thus, it can be said that the construct indicators in this study already have good discriminant validity.

3.1.3 Reliability Test

In testing the reliability of a construct if the total composite reliability value owned by the data is more than 0.7 then it can be considered reliable. In addition to composite reliability, reliability can also be confirmed from the Cronbach Alpha value which is more than 0.60. The results of the Reliability test can be seen in Table 6.

Table 6. Composite Reliability dan Cronbach Alpha

	Composite Reliability (rho-c)	Cronbach Alpha
X1. Financial Literacy	0.948	0.927
X2. Credit Scoring	0.897	0.831
Y. MSME Performance	0.880	0.822

Based on the results in Table 6, it can be seen that the composite reliability and Cronbach Alpha values for each construct are > 0.6. Thus, it can be said that the variable is reliable.

3.2 Structural Test (Inner Model)

The inner model is a structural model used to predict causal relationships (cause-and-effect relationships) between latent variables or variables that cannot be measured directly. The structural model (inner model) describes the causal

relationship between latent variables that have been built based on the substance of the theory. The inner model based on the results of data processing with SEM-PLS is presented in Figure 1.

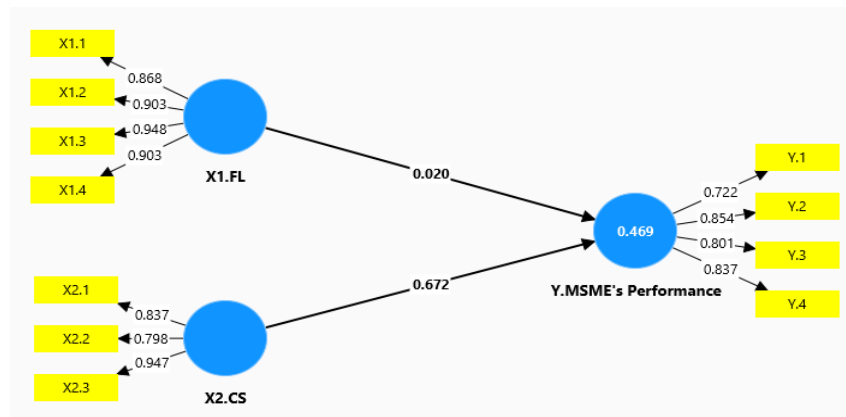


Figure 1. Inner Model

3.2.1 Multicollinearity

The Multicollinearity test reveals whether or not the independent variables in the regression model have a significant relationship with one another. The indicator used for the Multicollinearity test is a VIF value of less than 5. The results of the Multicollinearity test can be seen in Table 7.

Table 7. VIF

	VIF
X1.1	4.022
X1.2	4.088
X1.3	5.736
X1.4	4.088
X2.1	1.953
X2.2	3.269
X2.3	8.853
Y.1	2.202
Y.2	2.404
Y.3	3.084
Y.4	3.309

3.2.2 R-Square

The determination coefficient test is carried out with the intention of measuring the model's ability to explain how much influence the independent variables together (stimulus) affect the dependent variable which can be indicated by the adjusted R-Squared value. The determination coefficient value is between 0 and 1. If the value approaches 1, it means that the independent variables provide almost all the information needed to predict the dependent variable. However, if the R2 value is getting smaller, it means that the ability of the independent variables to explain the dependent variable is quite limited. (Ghozali, 2016). The results of the R-Square test can be seen in Table 8.

Table 8. R-Square Test

	R-Square	R-Square Adjusted
Y. MSME_Performance	0.469	0.458

Based on the results of the adjusted R-Square value calculation, it can be interpreted that the financial literacy and credit scoring variables are able to explain the MSME's performance construct in a moderate way, namely 0.458 (45.8%).

3.2.3 Goodness of Fit

Checking the SRMR index value is to find out the average of all differences between the tested data and the model that are indirectly correlated. The SRMR value received by the structural equation model can be said to be fit if the SRMR value is <0.10 and the model is declared unfit if the SRMR value is > 0.15. The SRMR results can be seen in Table 9.

Tabel 9. SRMR

	Saturated Model	Estimated Model
SRMR	0.096	0.096

Based on the SRMR value, it can be said that the model fits

3.2.4 F-square

F-Square can be said to be useful for knowing the influence of exogenous variables on endogenous variables. There are several statements from F-Square, it is said to be weak 0.02, moderate 0.15, and strong 0.35 (Hair et al, 2012). F-Square is presented in Table 10.

Tabel 10. F-Square

Y. MSME Performance	
X1. Financial Literacy	0.001
X2. Credit Scoring	0499

Based on the results in Table 10, it can be concluded that financial literacy in explaining MSME’s performance is said to be weak and credit scoring in explaining MSM’s performance is said to be strong.

3.2.5 Path Coefficients

The hypothesis testing is conducted to show whether or not there is an influence between variables in a study. Hypothesis testing in this study uses the T-statistic value, with the provision that the T-statistic value used is > 1.96. Hypothesis testing is conducted by looking at the output path coefficient from the bootstrap resampling results. If the t-statistic is greater than 1.96 and the P Value < 0.05, then the hypothesis is accepted. The path coefficient is presented in Table 11.

Tabel 11. Path Coefficients

	Original Sample	Sample Mean	Std. Deviation	t Statistics	P Value
Fin.Literacy to MSME’s Performance	0.020	0.031	0.006	3.278	0.000
Credit Scoring to MSME’s Performance	0.672	0.668	0.603	1.114	0.089

Based on the results in Table 11, the t-statistic value of the financial literacy variable is 3.278 > t table 1.96 and the p value is 0.000 < 0.05, so hypothesis 1 is accepted. This means that financial literacy has a positive and significant effect on the performance of MSMEs in Depok. While the t-statistic value of the credit scoring variable is 1.114 < t table 1.96 and the p value is 0.089 > 0.05, then hypothesis 2 is rejected. This means that credit scoring does not affect the performance of MSMEs in Depok.

3.3 Discussion of the Research Findings

3.3.1 Respondents Profile

Most of the respondents of the study were female (62.63%), aged 30-40 years. The majority of respondents were educated at Senior High School (48.48%). Most of the respondents' business types were culinary (73.73%). Generally, the businesses they run are less than 5 years (82.82%) with annual income of less than Rp500 million (89.89%). The respondent profile in this study is presented in Table 12.

Tabel 12. Respondents Profile

Profile	Information	Frequency	Percentage
Gender	Male	37	37.37%
	Female	62	62.63%
Age	<30	23	23,23%
	30-40	55	55.55%
	>40	21	21.22%
Level of Education	Junior High School	4	4.04%
	Senior High School	48	48.48%
	Diploma 1/2/3/4	39	39.39%
	Bachelor	9	9.09%
Length of Business	< 5 years	82	82,82%
	5-10 years	15	15.15%
	>10 years	2	2.03%
Income/year	<Rp500 milion	89	89.89%
	Rp 50m million - Rp 1 billion	10	10.11%
	Kind of Business	Culinary	73

Profile	Information	Frequency	Percentage
	Retail trade	19	19.19%
	Textile and clothing	7	7.07%

3.3.2 The Impact Financial Literacy on MSME's Performance

Hypothesis 1 test shows that financial literacy has a significant effect on the performance of MSMEs in Depok city in terms of assets owned, sales turnover and the ability to generate profits. The direction of the relationship in this hypothesis is positive, which means that the better the level of financial literacy, the more it improves MSME performance. This result support the study conducted by (Sari et al. 2022); (Sari and Widodo 2022)(Septiani and Wuryani 2020); and (Fanani and Fitriyati 2021).

Good financial literacy allows MSMEs to understand basic financial principles, such as cash management, financial planning, and capital management. This helps them make wiser decisions about the use of capital for investment and business expansion, which ultimately has an impact on increasing business assets. With a better understanding, MSMEs can also allocate funds more efficiently, increase financial resilience and the ability to survive in the long term.

In addition, MSMEs who have high financial literacy tend to be better able to manage sales turnover effectively. They better understand how to utilize financial technology, such as e-commerce, to expand market reach and increase sales. Understanding digital marketing and financial analysis also allows them to determine the right pricing and promotion strategies. This helps increase the competitiveness of MSMEs in the market, which leads to increased sales turnover. Business actors who are able to manage sales and finances well are quicker to capture opportunities for business growth.

A good level of financial literacy also helps MSMEs maximize profits. With a deeper understanding of cost management, they can reduce unnecessary expenses and increase operational efficiency. Knowledge of debt and working capital management strategies allows them to maintain the financial health of their business, avoid high debt burdens, and increase profit margins. MSMEs with high financial literacy tend to be better prepared to face financial risks, so they are able to maintain business sustainability and profit growth.

3.3.3 The Impact of Credit Scoring on MSME's Performance

Hypothesis 2 test shows that financial literacy has a significant effect on the performance of MSMEs in Depok City. Credit scoring of MSMEs in Depok City may not have a significant effect on MSME performance in terms of assets, sales turnover, and profits. This result is contrary to the results of this study of (Aye 2023) in Myanmar which concluded that credit risk identification and credit risk monitoring had a positive and statistically significant effect on SMEs loan performance, where loan performance will indirectly affect performance in terms of assets, onset and profits.

The contradiction in the results of this study could be caused by various. One of the main reasons is that many MSME actors do not yet have a deep enough understanding of the concept of credit scoring. Although credit scores have the potential to open access to formal financing, many MSMEs in Depok have not utilized credit scores optimally. This is due to low financial literacy and lack of access to formal financial institutions that implement a credit scoring system as a basis for credit assessment.

In addition, MSMEs in Depok tend to rely more on informal sources of financing such as family, friends, or local cooperatives than formal banking institutions that use credit scoring to assess creditworthiness. The credit scoring system often does not reflect the actual conditions of micro and small businesses that may not have complete formal financial records, but are still able to run their business operations well. As a result, access to formal credit based on credit scores is not a major factor influencing asset growth, sales turnover, or profits of MSMEs in this area.

Then, there are also limitations in credit data owned by MSMEs in Depok. Many MSMEs do not have a credit history or are not registered in the credit service system used by banks and financial institutions. This causes credit scoring to not be carried out comprehensively, so it does not affect their chances of getting formal financing. Because of this constraint, MSMEs rely more on financing from other sources or even use personal funds, which makes credit scores not a major determining factor in developing their businesses.

4. CONCLUSION

Based on the results of research conducted, it can be concluded that the level of financial literacy has been proven to have a positive and significant influence on the performance of MSMEs in Depok. MSME actors who have good financial literacy are able to manage business finances more efficiently, including in financial planning, cash management, and investment. This contributes to increasing assets, sales turnover, and profits. On the other hand, credit scoring does not show a significant influence on the performance of MSMEs in Depok. This is due to the low utilization of the credit scoring system by MSME actors, who tend to rely more on informal financing than formal banking institutions. The implication of the results of this study is that increasing financial literacy should be a priority in the MSME development program in Depok. The government and related institutions need to provide more financial training to help MSME actors in better financial management. On the other hand, increasing access and understanding of the credit scoring system also needs to be considered but does not have to be the main focus in the short term. The development of a more inclusive financing ecosystem that is in accordance with the needs of MSMEs will be more effective in encouraging the growth of

this sector in Depok. For future research, it would be beneficial to explore targeted financial literacy programs that focus on the most impactful aspects for MSME growth, such as financial planning and investment decisions. Additionally, studies should investigate ways to make credit scoring systems more accessible and relevant to MSME actors who traditionally rely on informal financing, potentially encouraging more integration with formal financial institutions

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