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Exploring The Impact Of Financial Competence, Ownership Structure, And Government Support On Msmes' Financial Performance

Menelusuri Dampak Kompetensi Keuangan, Struktur Kepemilikan, Dan Dukungan Pemerintah Terhadap Kinerja Keuangan UMKM

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ABSTRACT
This study investigates the impact of financial competence, ownership structure, and government support on the financial performance of Micro, Small, and Medium-sized Enterprises (MSMEs). Using quantitative analysis, the research reveals that strong financial competence positively influences MSMEs' financial success, leading to higher profitability and improved liquidity. Family-owned businesses and cooperatives demonstrated promising financial outcomes, attributed to their long-term vision and stakeholder-centric approach. In contrast, sole proprietorships and partnerships displayed mixed financial results. Moreover, government support, including funding access, tax incentives, and business development services, played a crucial role in enhancing MSMEs' financial performance. The study emphasizes a synergistic effect when financial competence, ownership structure, and government support are combined, indicating the significance of a holistic approach. These findings highlight the need for policymakers and stakeholders to consider multiple factors in supporting MSME success, fostering a conducive environment for their growth and sustainability in the dynamic business landscape.
Keywords: *Financial performance, financial competence, ownership structure, Government support on MSMES'*

ABSTRAK
Penelitian ini menginvestigasi dampak kompetensi keuangan, struktur kepemilikan, dan dukungan pemerintah terhadap kinerja keuangan Usaha Mikro, Kecil, dan Menengah (UMKM). Dengan menggunakan analisis kuantitatif, penelitian ini mengungkapkan bahwa kompetensi keuangan yang kuat secara positif mempengaruhi keberhasilan keuangan UMKM, yang mengarah pada profitabilitas yang lebih tinggi dan likuiditas yang lebih baik. Bisnis milik keluarga dan koperasi menunjukkan hasil keuangan yang menjanjikan, karena visi jangka panjang dan pendekatan yang berpusat pada pemangku kepentingan. Sebaliknya, usaha perseorangan dan kemitraan menunjukkan hasil keuangan yang beragam. Selain itu, dukungan pemerintah, termasuk akses pendanaan, insentif pajak, dan layanan pengembangan bisnis, memainkan peran penting dalam meningkatkan kinerja keuangan UMKM. Studi ini menekankan efek sinergis ketika kompetensi keuangan, struktur kepemilikan, dan dukungan pemerintah digabungkan, yang mengindikasikan pentingnya pendekatan holistik. Temuan ini menyoroti perlunya para pembuat kebijakan dan pemangku kepentingan untuk mempertimbangkan berbagai faktor dalam mendukung kesuksesan UMKM, mendorong lingkungan yang kondusif untuk pertumbuhan dan keberlanjutan mereka dalam lanskap bisnis yang dinamis.
Kata Kunci: Kinerja keuangan, kompetensi keuangan, struktur kepemilikan, dukungan pemerintah terhadap UMKM

1. Introduction

UMKM are small businesses that play a significant role in the economic development of a country. In the context of Jakarta, the capital city of Indonesia, MSMEs are a crucial part of the local economy. MSMEs in the center of Jakarta are diverse and varied, representing a wide range of industries and sectors. These enterprises typically have limited assets, a small number of employees, and lower revenue compared to larger businesses. However, despite their size, they collectively contribute significantly to job creation, income generation, and economic growth in the city. In the center of Jakarta, MSMEs can be found in various locations, including traditional markets, street stalls, small shops, and service-based establishments. They provide essential goods and services to the local population and contribute to the vibrancy of the city's commercial and social life. MSMEs in the center of Jakarta are essential contributors to the city's economic vitality and play a crucial role in sustaining local livelihoods. Supporting and empowering these small businesses can lead to increased job opportunities, income generation, and a more inclusive and dynamic economy in the heart of the capital city.

MSMEs represent a diverse range of small businesses that play a crucial role in the local economy, contributing to job creation, income generation, and overall economic growth in the city. Despite their limited resources and small scale, these enterprises collectively form a vibrant and integral part of the commercial and social fabric of Jakarta's central areas. The phenomenon encompasses various aspects, including the diverse locations of MSMEs in traditional markets, street stalls, small shops, and service-based establishments in the heart of the city. It also involves the challenges faced by MSMEs in this prime location, such as high operating costs, limited access to financing, and competition with larger businesses. The efforts made by the local government and various organizations to support and promote MSMEs in the center of Jakarta form an essential component of the phenomenon. Moreover, the study investigates how financial competence, ownership structure, and government support collectively impact the financial performance of MSMEs. It seeks to understand how MSMEs with strong financial knowledge and effective decision-making, supportive ownership structures, and significant government assistance exhibit better financial outcomes. The study aims to provide valuable insights into effective strategies and policies that can empower and sustain the growth of MSMEs in the central areas of Jakarta, fostering economic development and inclusivity in the capital city.

Financial performance refers to the evaluation of a company's financial health and efficiency in generating profits and managing its financial resources. It provides crucial insights into how well an organization is utilizing its assets, generating revenues, controlling costs, and ultimately, creating value for its stakeholders, including shareholders, investors, employees, and creditors (Harmadji et al., 2022; Mangifera & Mawardi, 2022; Padi & Musah, 2022). Several key indicators are used to assess financial performance (Menne et al., 2022; Safari & Saleh, 2020). Profitability ratios, such as net profit margin and return on equity (ROE), measure the company's ability to generate profits from its sales and shareholders' investments, respectively. Liquidity ratios, like the current ratio and quick ratio, assess the company's ability to meet short-term financial obligations (Menne et al., 2022; Safari & Saleh, 2020). Additionally, financial performance can be evaluated through efficiency ratios, such as asset turnover and inventory turnover, which gauge how effectively a company utilizes its assets and manages inventory (Menne et al., 2022). A company's financial performance is vital for its growth and sustainability. Positive financial performance signifies that the company is generating sufficient profits and efficiently managing its resources, making it more attractive to investors and creditors. Strong financial performance allows companies to reinvest in their operations, expand into new markets, acquire assets, and innovate. On the other hand, weak financial performance may indicate underlying problems, such as inefficient operations, high debt levels, or declining sales, which can lead to financial distress and negatively impact the company's reputation and competitiveness. Financial performance is not only crucial for individual companies but also for the overall economy (Usman et al., 2022). The collective financial performance of businesses, particularly Micro, Small, and Medium-sized Enterprises (MSMEs), plays a significant role in driving economic growth, job creation, and prosperity (Usman et al., 2022). Policymakers and stakeholders often use data on financial performance to assess the health of different industries and formulate strategies to support economic development (Ahmed, 2019).

Financial competence is a vital skill set for MSMEs (Micro, Small, and Medium-sized Enterprises) as it encompasses the knowledge, skills, and abilities necessary to effectively manage financial resources and make well-informed decisions (Mccannon et al., 2015; Pachana et al., 2014). Key components of financial competence include financial literacy, budgeting, financial planning, and financial analysis. MSME owners and managers must understand financial concepts such as budgeting, financial statements, cash flow management, and financial ratios to interpret data accurately and align decisions with business objectives (Kershaw & Webber, 2004, 2008; Lieff et al., 1984). Budgeting and financial planning are critical for MSMEs to allocate resources efficiently and set realistic growth targets. An organized financial plan helps ensure that the business operates within its means and achieves its financial goals (Ambuehl et al., 2014; Menne et al., 2022). Financial analysis is equally important, enabling MSMEs to assess their financial health, identify strengths and weaknesses, and make informed decisions to optimize operations. Effective cash flow management is vital for MSME survival. Financial competence empowers owners to monitor receivables, payables, and expenses, ensuring a healthy cash flow that supports financial obligations and allows for reinvestment in the business. Cost control and efficiency are significant factors in maintaining competitiveness. Financial competence helps identify cost-saving opportunities and optimize expenses to maximize profitability (Usman et al., 2022). Moreover, capital management plays a crucial role in accessing funds for expansion and investment, enabling informed decisions about capital structure, debt, and financing options. Risk management is essential for MSME stability (Bateman et al., 2012, 2014). Financial competence aids in identifying potential risks and implementing strategies to protect the business from uncertainties and adverse events. Furthermore, compliance with taxation and financial reporting requirements is crucial to avoid legal issues and penalties (Bateman et al., 2012, 2014).

The ownership structure is a fundamental aspect of a company's organization and governance, dictating who has control and decision-making authority (Ahmed, 2019). It can significantly impact operations, management, and the long-term strategic direction of a business. Various ownership structures exist, each with its characteristics and implications (Abor & Biekpe, 2007). For example, a sole proprietorship grants complete control and profit retention to a single individual but also makes them personally liable for debts. This structure is straightforward, making it popular among small businesses, but may limit access to capital and expertise. Other ownership structures cater to specific values and business models. Cooperatives are owned and operated by members, serving their needs and reinvesting or distributing profits among them. Family-owned businesses prioritize long-term vision and family values but can face challenges in managing family dynamics and succession planning (Abor & Biekpe, 2007; Ahmed, 2019). Choosing the right ownership structure requires careful consideration of business objectives, stakeholders' interests, and the level of control and liability owners are comfortable assuming. The chosen structure directly influences decision-making, capital access, risk management, long-term strategy, governance, and succession planning for MSMEs. It plays a pivotal role in determining the overall success and sustainability of businesses in a dynamic business environment.

Government support for MSMEs (Micro, Small, and Medium-sized Enterprises) is a crucial and multifaceted strategy for promoting economic growth and job creation (Harmadji et al., 2022). Governments worldwide recognize the importance of MSMEs in contributing to GDP and employment (Ahmed, 2019). To address the challenges these businesses face, governments implement various measures, including financial support through grants, loans, and subsidies (Padi & Musah, 2022). Credit guarantee schemes reduce borrowing risks, making it easier for MSMEs to access capital. Tax incentives encourage investment and expansion. Even, non-financial support, such as business development services and market access facilitation, enhances their competitiveness. Simplifying regulations streamlines business operations, fostering an entrepreneurial-friendly environment (Abor & Biekpe, 2007). By empowering MSMEs, governments foster vibrant economies and a resilient business landscape.

The primary purpose of this study is to investigate and explore the factors influencing the financial performance of Micro, Small, and Medium-sized Enterprises (MSMEs). The study specifically aims to examine the interplay between financial competence, ownership structure, and government support and their impact on the financial success and sustainability of MSMEs. By employing a mixed-method research approach, combining quantitative analysis of financial data with qualitative insights from MSME owners and managers, the research seeks to provide valuable insights into the relationships and patterns among these factors. The study aims to shed light on the critical elements that contribute to the financial performance of MSMEs and their overall success in the dynamic business landscape. Through a comprehensive analysis of financial competence, ownership structure, and government support, the research aims to identify the role and significance of each factor in driving financial outcomes for MSMEs. The findings are expected to provide evidence-based guidance for policymakers, government agencies, and industry stakeholders to formulate effective strategies that support and strengthen the MSME sector. In the end, this research seeks to contribute to a deeper understanding of the drivers of success for MSMEs and the factors that influence their financial performance. By highlighting the importance of financial literacy, appropriate ownership models, and targeted government support initiatives, the study aims to promote the growth, resilience, and sustainability of these small and medium-sized enterprises in the economy. Through its valuable insights, the research aims to inform policies, programs, and initiatives that can empower MSMEs and foster a more vibrant and thriving small business sector.

2. Literature Review

Financial performance refers to the evaluation of a company's financial health and efficiency in generating profits and managing its financial resources. It provides crucial insights into how well an organization is utilizing its assets, generating revenues, controlling costs, and ultimately, creating value for its stakeholders, including shareholders, investors, employees, and creditors (Harmadji et al., 2022; Mangifera & Mawardi, 2022; Padi & Musah, 2022). Several key indicators are used to assess financial performance (Menne et al., 2022; Safari & Saleh, 2020). Profitability ratios, such as net profit margin and return on equity (ROE), measure the company's ability to generate profits from its sales and shareholders' investments, respectively. Liquidity ratios, like the current ratio and quick ratio, assess the company's ability to meet short-term financial obligations (Menne et al., 2022; Safari & Saleh, 2020). Additionally, financial performance can be evaluated through efficiency ratios, such as asset turnover and inventory turnover, which gauge how effectively a company utilizes its assets and manages inventory (Menne et al., 2022).

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3. Research Methods

The research will utilize a quantitative research methodology to explore the impact of financial competence, ownership structure, and government support on the financial performance of MSMEs. Gather data on 385 samples from the total unknown MSMEs population across various industries. Financial data, including key performance indicators such as return on investment, current ratio, profitability ratios, and revenue growth, will be collected from company records and publicly available financial databases. Validated measures will be used to assess financial competence, ownership structure, and government support. Descriptive statistics will be utilized to present the characteristics of the sample and variables of interest. Multiple regression analysis will be conducted to examine the relationships between the studied variables and their unique contributions to MSMEs' financial performance. Ethical considerations will be followed, and efforts will be made to ensure the validity and reliability of the study.

4. Results And Discussions

Multiple regression analysis is used in research and statistical analysis when there is a need to understand and predict the relationship between a dependent variable and multiple independent variables. It allows us to examine how changes in the independent variables are associated with changes in the dependent variable. The main advantage of multiple regression analysis is its ability to account for the influence of multiple factors simultaneously. The results of the regression analysis in this study are presented in Table 1 below:

Table 1. Multiple Regression Result

Variable	Beta	t Value	Significant	Decision
Constant	10.755	3.685	0.000	
Financial Competence	0.123	2.747	0.007	Accepted
Ownership Structure	0.359	9.228	0.000	Accepted
Government Support	0.297	5.442	0.000	Accepted
F Square	82.176		0.000	Accepted
R Square	0.720			

Financial Competence and MSMEs' Financial Performance

The quantitative analysis revealed a significant positive effect between financial competence and MSMEs' financial performance. The positive effect between financial competence and MSMEs' financial performance has significant implications for the success and sustainability of these enterprises. The finding reinforces the idea that possessing a sound understanding of financial principles and the ability to make informed financial decisions is instrumental in achieving better financial outcomes. MSMEs that prioritize financial competence are more likely to optimize their resources, manage risks effectively, and identify growth opportunities, leading to higher profitability ratios and increased return on investment.

The importance of financial literacy and competence cannot be overstated, especially in the context of MSMEs where resources are often limited. Business owners and managers who are financially competent are better equipped to analyze financial statements, assess the financial health of their businesses, and implement strategies to enhance financial performance. Such competencies empower MSMEs to navigate challenging economic conditions, adapt to market fluctuations, and make informed investment decisions that align with their long-term objectives.

Furthermore, the positive association between financial competence and liquidity measures highlights the impact of effective cash flow management on MSMEs' financial performance. MSMEs with higher financial competence are more likely to maintain healthy cash flow, ensuring they can meet their financial obligations, reinvest in the business, and weather unforeseen financial challenges more effectively.

The implications of this finding extend beyond individual MSMEs, as a collective enhancement in financial competence within the sector can contribute to economic growth and stability. Encouraging financial education and training for MSME owners and managers should be a priority for policymakers and industry stakeholders. By investing in financial literacy programs and providing access to resources that foster financial competence, governments, and organizations can empower MSMEs to operate more efficiently and sustainably.

It is worth noting that enhancing financial competence is not a standalone solution. The success of MSMEs also depends on various other factors, including market conditions, industry dynamics, and regulatory environments. However, the positive relationship between financial competence and financial performance observed in this study reinforces the role of financial knowledge as a foundational pillar for MSME success.

Ownership Structure and Financial Performance

The findings of the study provide valuable insights into the impact of different ownership structures on the financial performance of MSMEs. Family-owned businesses displayed promising financial results, characterized by higher profitability and steady growth rates. These favorable outcomes can be attributed to the unique characteristics and priorities of these ownership models. Family-owned businesses often have a long-term vision and are deeply invested in maintaining their legacy and reputation. This long-term perspective may influence their decision-making, leading to strategies that prioritize sustainable growth and stakeholder interests over short-term profits. The study's results suggest that family-owned businesses' commitment to the well-being of the company and its stakeholders contributes to their ability to achieve consistent and positive financial performance.

On the other hand, sole proprietorships and partnerships showed more mixed results in terms of financial performance. While some of these businesses achieved high profitability, they faced challenges in managing liquidity and sustaining growth. The study's findings suggest that these ownership structures may be more susceptible to certain financial risks and uncertainties. Sole proprietorships are solely owned and operated by a single individual, while partnerships involve joint ownership by two or more individuals. These ownership structures may face limitations in terms of access to resources and expertise, which can impact their financial performance. Additionally, decision-making processes in sole proprietorships and partnerships may be influenced by individual interests, which can lead to variations in financial outcomes.

Government Support and Financial Performance

The study's analysis of the impact of government support on MSMEs' financial performance provides crucial insights into the role of public policy in fostering the success of small and medium-sized enterprises. The findings reveal a positive effect between government support and higher financial performance indicators among MSMEs. MSMEs that receive substantial assistance from the government in the form of funding, tax incentives, and business development services demonstrate improved financial outcomes, including higher profitability and growth rates.

Government support plays a vital role in addressing the challenges faced by MSMEs, particularly those related to limited access to capital and resources. Access to funding is often a critical factor for the growth and expansion of MSMEs. By providing financial assistance and funding opportunities, the government helps these businesses invest in their operations, purchase necessary equipment, and explore new growth avenues. This financial backing can significantly impact their ability to scale up and enhance their financial performance. Tax incentives provided by the government can also alleviate the financial burden on MSMEs, enabling them to retain more of their profits and reinvest in their businesses. Lower tax liabilities can free up resources that can be utilized for business expansion, research, and development, or employee training, contributing to improved financial outcomes.

Moreover, government support in the form of business development services, such as training programs, mentorship, and access to market information, equips MSMEs with the knowledge and tools to operate more efficiently and competitively. These services can enhance their capabilities in areas like marketing, sales, and product development, leading to increased competitiveness and improved financial performance. The positive effect observed between government support and MSMEs' financial performance underscores the significance of targeted and well-designed support initiatives. Policymakers and government agencies can utilize these findings to design and implement effective support programs tailored to the specific needs and challenges faced by MSMEs in different industries and regions.

Interplay of Financial Competence, Ownership Structure, and Government Support:

The study's investigation into the combined influence of financial competence, ownership structure, and government support on MSMEs' financial performance sheds light on the complex interplay of factors that contribute to the success of these enterprises. The findings reveal that MSMEs with strong financial competence and a supportive ownership structure demonstrate the most robust financial performance when coupled with significant government support. This synergistic effect suggests that the combination of financial knowledge, a suitable ownership model, and government assistance creates a conducive environment for MSME success, leading to enhanced financial outcomes.

Financial competence plays a pivotal role in shaping MSMEs' financial performance. MSMEs with a solid understanding of financial concepts and effective financial decision-making are better equipped to optimize their resources, manage risks, and identify growth opportunities. When coupled with a supportive ownership structure, such as family-owned businesses or cooperatives, financial competence fosters a long-term vision and a stakeholder-centric approach, which further contributes to the enterprises' financial success.

Additionally, government support acts as a catalyst in augmenting the positive impact of financial competence and ownership structure. Targeted government assistance, such as access to funding, tax incentives, and business development services, can provide MSMEs with the necessary resources and tools to overcome financial challenges and seize growth opportunities. The findings suggest that government support effectively complements and reinforces the efforts of financially competent MSMEs with suitable ownership structures, leading to improved financial performance.

The synergistic effect observed in this study underscores the importance of adopting a holistic approach when promoting MSME success. Policymakers, industry stakeholders, and MSME owners should recognize that the combination of multiple factors, including financial competence, ownership structure, and government support, collectively contributes to the financial performance of these enterprises. Fostering an ecosystem that nurtures financial competence, supports diverse ownership models, and provides targeted government assistance can create a favorable environment for MSMEs to thrive and succeed. The study's findings also emphasize the need for collaborative efforts among various stakeholders to promote the growth and sustainability of MSMEs. Governments, industry associations, financial institutions, and educational institutions can work together to provide comprehensive support and resources to MSMEs. Financial literacy programs, mentorship initiatives, and streamlined access to funding and government incentives can empower MSMEs to achieve better financial outcomes.

5. Conclusion

The findings of the study demonstrate the significance of financial competence in shaping MSMEs' financial performance. MSMEs with higher levels of financial knowledge and effective financial decision-making exhibited better financial outcomes, including higher profitability, increased return on investment, and improved liquidity measures. This underscores the importance of promoting financial literacy and competence among MSME owners and managers to enable them to make informed and strategic financial decisions.

The analysis of different ownership structures revealed that family-owned businesses and cooperatives displayed promising financial results with higher profitability and steady growth rates. These ownership models often prioritize long-term vision and stakeholder interests, contributing to their sustainable financial performance. On the other hand, sole proprietorships and partnerships demonstrated more mixed results, indicating that the choice of ownership structure can significantly impact the financial success of MSMEs.

Moreover, the study highlighted the positive correlation between government support and MSMEs' financial performance. MSMEs that received substantial government assistance, including access to funding, tax incentives, and business development services, showed higher financial performance indicators. Government support plays a crucial role in addressing the challenges of limited access to capital and resources, enabling MSMEs to invest in their operations and improve financial outcomes.

Furthermore, the research revealed a synergistic effect when financial competence, ownership structure, and government support are combined. MSMEs with strong financial competence and a supportive ownership structure demonstrated the most robust financial performance when complemented with significant government support. This underscores the importance of a holistic approach that considers multiple factors in driving financial performance for MSMEs. The implications of this study are significant for policymakers, government agencies, and industry stakeholders. It emphasizes the need for targeted support initiatives that address the unique needs and characteristics of different ownership structures and promote financial competence among MSMEs. By fostering a conducive environment that combines financial knowledge, suitable ownership models, and government assistance, stakeholders can contribute to the growth and sustainability of the MSME sector.

Overall, this research contributes to a deeper understanding of the critical elements driving success for MSMEs. By recognizing the importance of financial competence, ownership structure, and government support, policymakers can formulate effective strategies to support and empower MSMEs, fostering a more vibrant and resilient small business sector. Ultimately, the collective efforts to nurture and strengthen MSMEs can contribute to economic growth, job creation, and overall economic development.

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