

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in the Indonesian economy. However, in the midst of the digital era and increasingly competitive business competition, many MSMEs face challenges in maintaining their financial performance. Digital transformation offers opportunities to increase efficiency and competitiveness, but its utilization is still not optimal. In addition, low financial literacy, weak internal control, lack of self-efficacy, and limited entrepreneurial competence are also factors that influence the financial performance of MSMEs. Based on these problems, this study aims to analyze the effect of digitalization, financial literacy, internal control, self-efficacy, and entrepreneurial competence on the financial performance of MSMEs.

The analysis method used in this study is multiple linear regression using the SPSS application. This study uses primary data obtained from MSMEs in the Klaten area. The number of respondents in this study was 200 people. The approach used is a quantitative approach, with a data collection method through distributing questionnaires online using Google Form and offline using printed questionnaires.

The results of the study indicate that digitalization, financial literacy, self-efficacy, and entrepreneurial competence have a positive and significant effect on the financial performance of MSMEs. Conversely, internal control has a negative and significant effect on the financial performance of MSMEs.

Keywords: The effect of digitalization, financial literacy, internal control, self efficacy, entrepreneurial competence, financial performance of MSMEs