

DIGITAL BUSINESS LITERACY, FINANCIAL LITERACY, AND SME PERFORMANCE: A PATH ANALYSIS FROM EMERGING ECONOMY CONTEXTS

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Abstract

Background: MSMEs in Makassar City are the economic engine, but improving their performance is still constrained by the ability to manage finances and utilize digital technology. The purpose of the study: to analyze the influence of financial literacy and digital business literacy on the performance of MSMEs with entrepreneurial motivation as a mediating variable.

Research method: an inferential quantitative approach through a questionnaire survey of 99 MSME actors, tested for validity, reliability and analyzed using path analysis.

The results of the study: financial literacy and digital business literacy have a significant positive effect on entrepreneurial motivation; entrepreneurial motivation has a significant positive effect on performance; the direct influence of both literacy on performance is not significant, but indirectly significant through motivation.

Research novelty: affirms the role of entrepreneurial motivation as the main mediator in the relationship between financial and digital literacy to the performance of MSMEs in the context of Makassar. The implication is that literacy improvement programs should be designed to be practical and behavior-oriented in order to trigger motivation and business innovation in the midst of fierce digital competition.

Limitations of the study: the sample was limited to 99 MSMEs in a single city and the cross-section design was perception-based, so cross-region generalizations and time dynamics have not been tested.

Keywords: financial literacy, digital business literacy, entrepreneurial motivation, MSME performance

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play an important role in economic growth, especially in creating jobs and reducing poverty. Small and medium enterprises (MSMEs) are the economic pillars of many countries, including Indonesia and contribute greatly to GDP. Therefore, it is very important to pay attention to the performance of small and medium enterprises (MSMEs) to ensure sustainability and inclusive economic growth Rachman et al., (2023).

Monitoring the performance of micro, small, and medium enterprises (MSMEs) helps in determining the strengths, weaknesses, opportunities and threats faced by the business. Thus, business owners and policymakers can make effective plans to improve the quality and capacity of production, operational efficiency and innovation of products and services. A good understanding of MSME operations can also help you gain access to financial resources, technology, and a wider market Hasibuan et al.,(2021).

Efforts to increase competitiveness in the global market are very important to pay attention to the performance of small and medium enterprises (MSMEs). It is possible for MSMEs to implement sustainable business practices and more easily adapt to market changes and consumer trends if they are successful. This not only helps MSMEs survive in the fierce competition, but also helps them expand their local and international markets. As a result, the performance of MSMEs that are properly considered can have a positive impact on society as a whole through the creation of additional jobs and a more equitable distribution of income. It increases the social and economic resilience of the community, especially in the face of economic crises or natural disasters Astuti et al., (2020).

Entrepreneurial motivation is the main key in moving the wheels of small and medium businesses (MSMEs) to achieve the expected results. This motivation helps business owners achieve their personal goals and ensure the business continues to grow. Because of the various problems and challenges that MSMEs often face,

entrepreneurial motivation is very important. These include capital limitations, competition in the market and access to resources Tambunan (2021).

Entrepreneurial motivation helps establish the company's goals and vision, which is the first step in executing and planning a business strategy. High motivation encourages business owners to achieve strong goals and directions Funds (2021). This creates a strong foundation that allows MSMEs to develop and develop. Motivation also affects adaptation and innovation. The ability to innovate and adapt to market changes is essential to survive and thrive in a dynamic business world. Those who are motivated are more innovative entrepreneurs, proactive in finding opportunities, and agile when faced with problems. To build a solid team, motivated entrepreneurs can create a positive and productive work environment by inspiring and motivating their employees or teams. This is essential to improve operational efficiency and effectiveness, which in turn will result in improved company performance. Entrepreneurial motivation helps companies survive in the long run. Motivated entrepreneurs are constantly looking for ways to improve and strengthen their companies. One of the ways they do this is through continuous learning and self-development Baker & Welter (2020). This helps small and medium enterprises (MSMEs) not only survive in changing market conditions but also achieve sustainable growth. The economy as a whole is heavily influenced by entrepreneurial motivation. Fostering entrepreneurial motivation is not only important for individual business owners but also for national economic recovery and growth. Growing and high-performing MSMEs have the ability to increase job creation, innovation, and contribution to GDP.

Goal Setting Theory, coined by Edwin A. Locke in the 60s, emphasizes how important it is to set clear and specific goals to improve individual performance and motivation. This theory states that setting specific and challenging goals can improve performance by giving direction and focus to the efforts made and increasing persistence. Applying the principles of Goal Setting Theory, entrepreneurs can increase their own and their team's motivation, which in turn can improve the overall business performance of MSMEs. Clear and challenging goals, along with strong commitment and effective feedback, create an environment conducive to growth and success Fachrurazi et al., (2022).

Efforts to encourage entrepreneurial motivation accompanied by financial literacy are very important, which has an impact on the business performance of MSMEs. Financial literacy includes the ability to understand and use a variety of financial products and services, such as knowledge of financial management, understanding of financial products, the ability to create budgets and the ability to make informed financial decisions. In making business decisions related to finance, entrepreneurs who have good financial knowledge tend to be more confident. They understand and manage risks, take advantage of investment opportunities, and plan budgets better. This confidence drives them to innovate and achieve business goals Amit & Zott (2020).

Previous research from Fachrurazi et al (2022) found that one of the important components of entrepreneurial motivation is financial literacy, which can assist entrepreneurs in setting realistic and strategic financial goals. Entrepreneurs can create a proper business strategy and measure progress by having clear financial goals. This will give them a sense of accomplishment and encourage them to keep moving forward. The ability to obtain and utilize financial services also helps small and medium-sized businesses (MSMEs) survive and thrive in the long run. When entrepreneurs have these capabilities, they can get funding, invest in business growth and better manage risk Patmawati & Muharsih (2023). Being highly financially educated can increase entrepreneurial motivation through increased self-confidence, better planning and wiser financial decision-making, which directly improves the performance of small and medium businesses (MSMEs).

In addition to acquiring financial knowledge, MSME actors must also acquire knowledge about digital business. This knowledge is an important foundation in the current digital economy era and is essential to increase entrepreneurial motivation and MSME business performance Fachrurazi et al., (2022). This knowledge includes an understanding of how to use digital technologies for business management, marketing, sales and operational purposes. Entrepreneurs have this ability to leverage digital tools and platforms to improve customer experience, optimize business processes and expand market reach. Digital business literacy and entrepreneurial motivation relate to the ability to discover and take advantage of new opportunities offered by digital technologies.

It is possible for skilled digital entrepreneurs to try new strategies, innovate and change their business models to keep up with market trends. The potential for greater growth and profits that can be achieved through the effective use of digital technology increases this motivation. By having digital business literacy, MSMEs can access real-time market data and insights, which is essential for fast and accurate decision-making. Accurate data helps employers better measure their company's performance, find areas for improvement and optimize their plans to achieve better results Lovelock & Patterson (2015).

Increasing knowledge about digital business has also led to an increase in digital management and leadership skills Wirtz & Lovelock (2021). These skills are essential for leading teams in an increasingly digital business environment. Those who are able to manage and lead digital resources will be better able to drive their teams, drive innovation and achieve optimal company performance. Digital business literacy not only improves the operational capabilities of MSMEs but also encourages entrepreneurship through empowerment in innovation, decision-making, and business strategy adjustments to achieve digital economy success.

Based on pre-observations, the analysis of MSME business performance in Makassar is often influenced by three main factors, namely financial literacy, digital business literacy, and entrepreneurial motivation. Financial literacy, which includes the ability to manage finances and understand financial concepts, is the key for MSMEs in Makassar to achieve stability and growth. Digital business literacy is also becoming increasingly important in the era of digitalization, helping MSMEs in Makassar utilize technology to improve efficiency and market access.

Entrepreneurial motivation serves as a powerful mediator, where the desire and passion for entrepreneurship can strengthen the impact of financial and digital literacy on business performance. Overall, the combination of these three elements can help MSMEs in Makassar achieve better and sustainable performance.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

The Effect of Financial Literacy on Entrepreneurial Motivation

Financial literacy is a person's ability to understand and use financial information to make informed financial decisions. Good financial literacy can help a person in managing personal finances, planning future finances and making the right financial decisions in entrepreneurship.

Entrepreneurial motivation is a factor that drives a person to start and grow their business. Entrepreneurial motivation can come from a variety of factors, such as the desire to be independent, create jobs, or generate higher incomes.

Good financial literacy can increase a person's confidence in entrepreneurship. This is because by having a good knowledge of finance, a person will better understand the risks and opportunities that exist in entrepreneurship Aldi et al., (2019)

The Influence of Digital Business Literacy on Entrepreneurial Motivation

The influence of digital business literacy has an important role in entrepreneurial motivation. Digital business literacy refers to an individual's ability to understand and use digital technology in a business context. There are several reasons why the influence of digital business literacy is important for entrepreneurial motivation.

Digital business literacy provides better access to relevant and up-to-date business information. With this ability, entrepreneurs can study market trends, analyze competitors and identify new business opportunities. Digital business literacy allows entrepreneurs to leverage digital platforms to market and promote their products or services. They can use social media, websites and other digital marketing strategies to reach a wider audience and increase the visibility of their business.

Digital business literacy also helps improve operational efficiency. Entrepreneurs can use digital tools and applications to automate business processes, manage inventory and track business performance more effectively. Furthermore, digital business literacy encourages entrepreneurs to think critically, creatively and innovatively. They can use digital technology to develop new ideas, create unique solutions, and bring innovative products or services to the market. Digital business literacy allows entrepreneurs to connect with people in their industry and build strong networks. They can collaborate with business partners, mentors and other industry experts through digital platforms, such as online forums and discussion groups Scuotto & Morellato (2013).

The Effect of Financial Literacy on MSME Performance

Financial literacy is very important for the performance of MSMEs. Financial literacy is the understanding and knowledge of financial concepts such as financial management, investment, planning, and wise financial decision-making. Here are some reasons why financial literacy greatly affects the performance of small and medium enterprises (MSMEs):

1) Better Financial Management:

MSME owners with financial knowledge can better understand and manage their finances better. By understanding financial concepts, they can create effective budgets, manage cash flow, and make informed decisions about finances, which can help them avoid financial problems such as excessive debt, insufficient capital, or failure to pay their debts.

2) Wise Investment Decision-Making:

MSME owners who have financial knowledge can also make wise investment decisions Siekei et al., (2013).

The Effect of Digital Business Literacy on MSME Performance

There are many reasons why digital business literacy is essential for the success of MSMEs. First, MSMEs can expand their market access by understanding digital business. This can be done by using digital technologies such as marketplaces, websites, and social media. By doing this, MSMEs can reach potential customers in various places, both local and international.

In addition, understanding digital business can also help MSMEs run their businesses better. They can better manage their finances by using digital tools and technologies such as digital accounting software.

Digital business literacy also helps in the marketing and promotion of MSMEs. They can use digital marketing strategies such as digital marketing, SEO (Search Engine Optimization) and online advertising to increase visibility and attract more customers Mubarak, Shaikh, Mubarik, Samo and Mastoi (2019).

The Influence of Entrepreneurial Motivation on MSME Performance

There are several reasons why the influence of entrepreneurial motivation on the performance of MSMEs is very important. Entrepreneurial motivation is an internal factor that encourages MSME owners to achieve their goals and improve their performance.

MSME owners who are motivated by entrepreneurship can increase their enthusiasm and dedication to running their business. They will be more passionate and dedicated to achieving their business goals.

Entrepreneurial motivation encourages people to be creative and innovative. Passionate MSME owners will be more open to new ideas and dare to take risks to change the world. This creativity and innovation can increase the competitiveness of MSMEs and improve their performance. MSME owners may be more productive with entrepreneurial motivation. Singh, Chakraborty and Roy (2016).

The Influence of Financial Literacy on MSME Performance through Entrepreneurial Motivation

The following is an explanation of how financial literacy affects the performance of MSMEs through entrepreneurial motivation. Small and medium business owners (MSMEs) gain a better understanding of financial concepts such as financial planning, fund management, and financial products through financial literacy. MSME owners who have a better understanding of finance can manage their resources more efficiently and effectively and financial literacy can also improve their performance.

With a better understanding of finance, MSME owners can make better financial decisions, manage their cash flow more efficiently and optimize the use of their resources. This can increase the revenue, profitability, and business growth of MSMEs. A good understanding of finance can also increase the entrepreneurial motivation of MSME owners. With a good financial understanding, MSME owners can see business opportunities and identify risks Savannah (2014).

The Influence of Digital Business Literacy on MSME Performance through Entrepreneurial Motivation

Digital business literacy affects the performance of MSMEs through entrepreneurial motivation. Digital business literacy allows MSMEs to access more information and business opportunities. By using digital technology, they can more quickly and efficiently find information about markets, competitors, business trends and new opportunities. In addition, digital business literacy helps MSMEs improve their operational efficiency. Software or applications can be used by MSMEs to manage finances, manage inventory, and automate some business processes.

In addition, digital business literacy has the potential to increase MSME marketing and sales. By using digital platforms such as social media, websites, or e-commerce platforms, MSMEs can reach a wider audience and use digital analytics tools to understand behavior Rita & Utomo (2019).

Based on the explanation above, the conceptual framework of this research can be described as follows:

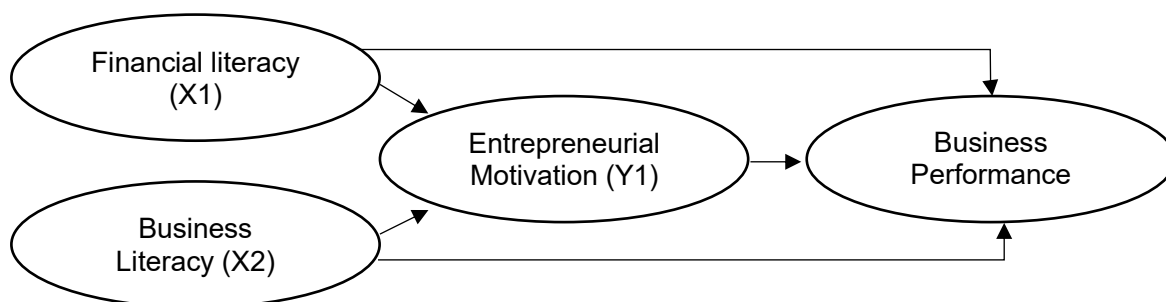


Figure 1. Concept Framework

Based on the conceptual framework image, the hypothesis in this study can be described as follows:

- 1) Financial literacy has a positive and significant effect on entrepreneurial motivation
- 2) The influence of digital business literacy has a positive and significant effect on entrepreneurial motivation
- 3) Financial literacy has a positive and significant effect on the performance of MSMEs
- 4) Digital business literacy has a positive and significant effect on the performance of MSMEs
- 5) Entrepreneurial motivation has a positive and significant effect on the performance of MSMEs
- 6) Financial literacy has a positive and significant effect on the performance of MSMEs through entrepreneurial motivation
- 7) Digital business literacy has a positive and significant effect on the performance of MSMEs through entrepreneurial motivation

RESEARCH METHODS

The researchers chose to use quantitative methodologies in their research, which focuses on the processing and analysis of numerical data. This method is mainly used in inferential research, where pre-made hypotheses are tested. The quantitative approach uses objective numerical data analysis to generate strong empirical evidence to support or reject hypotheses; Statistical methods as a key tool in data processing allow researchers to accurately measure research variables and find out how they relate to each other. To support the data analysis process, the researchers used the IBM SPSS Version 26 program, an advanced statistical software that enables more efficient and effective data processing.

This research also provides various statistical analysis tools that can be used in various types of quantitative research. Researchers can perform complex statistical tests such as regression analysis and moderating analysis more quickly and efficiently with IBM SPSS. This is very important to identify possible errors in the rejection of

the null hypothesis. This affects the results of the study. As a result, the quantitative approach, supported by powerful data analysis tools, provides a solid foundation for researchers to produce reliable and valid findings. This research was carried out in Makassar City, one of the largest economic and business centers in Eastern Indonesia. Makassar, located in the province of South Sulawesi, has a strategic role in the regional and national economy, making it an ideal location to study the dynamics of Micro, Small, and Medium Enterprises (MSMEs). As a diverse and dynamic city, Makassar offers a rich picture of various types of MSMEs that are growing, ranging from the culinary industry, handicrafts, to digital technology. The implementation of this research lasted approximately 2 months from February to April 2024. The sample used was 99 MSMEs for this study with an error rate of 10% based on the results of the slovin calculation. The operational definition of the variable can be seen in table 2 as follows:

Table 2. Variable Operational Definition

Variable	Definition	Indicators
Business Performance	Business performance is interpreted operationally as a measure of business effectiveness and efficiency based on net profit, scope of marketing area, number of workers, and capital used. This performance is assessed from the net profit obtained, the breadth of the product distribution area, the number of employees employed, and the total investment managed in business operations. (Harris et al., 2020)	1) Profit 2) Marketing region 3) Workforce 4) Capital
Entrepreneurial Motivation	Entrepreneurial motivation is an individual's motivation to start and run a business that is influenced by environmental factors (economic conditions, culture, policies), sociological factors (social and network support), resource availability factors (access to capital, technology, information), personal factors (personality, experience, skills), and Adversity Quotient (ability to face difficulties). (Alimuddin & Poddala, 2023)	1) Environmental factors 2) Sociological factors 3) Resource availability factors 4) Personal factors 5) Adversity Quotient
Financial Literacy	Financial literacy is the ability of individuals to understand financial products and services, manage personal finances effectively, make wise planning and investments, and have knowledge of regulation and compliance in a financial context. (Morgan et al., 2019)	1) Understanding Financial Products and Services 2) Financial Management Skills 3) Ability in Planning and Investment 4) Knowledge of Regulation and Compliance
Digital Business Literacy	Digital business literacy in MSMEs refers to the ability and knowledge possessed by MSME owners and employees in utilizing digital technology to support, improve, and optimize their business operations. (Sponder, Marshall., Khan, 2021)	1) Utilization of Digital Technology 2) Data Management Skills 3) Digital Security and Privacy 4) Digital Innovation and Adaptation

RESULTS OF RESEARCH AND DISCUSSION

The effect of financial literacy on entrepreneurial motivation

Financial literacy has a significant influence on entrepreneurial motivation, which in turn affects their ability to manage as well as develop businesses effectively. A financially literate entrepreneur usually has a strong understanding of important aspects of financial management, such as budgeting, investing and risk control. This understanding provides a solid foundation for making smart and responsible decisions, reducing financial stress and boosting confidence in facing business challenges. With this solid foundation, entrepreneurs feel more empowered and motivated to push their business to greater heights.

In addition, financial literacy allows entrepreneurs to access a wider range of financial resources and utilize them more effectively. With the ability to navigate the complexities of financial products and understand the consequences of financial decisions, entrepreneurs can secure better financing, invest funds wisely, and maximize the economic growth potential of their businesses. The opportunity to grow a business with these resources not only increases the potential for business success but also increases the motivation of entrepreneurs to achieve their long-term vision.

Finally, financial literacy also affects entrepreneurial motivation through increasing the ability to plan and anticipate the future of business finance. Entrepreneurs who understand how to manage finances well are likely

to be able to manage cash flow and financial commitments more effectively, avoid unexpected financial crises, and ensure business continuity. The ability to maintain financial stability and plan for the future clearly provides additional motivation for entrepreneurs to stay focused on their long-term goals, feel more secure in running their businesses and continue to innovate in strengthening their market position.

The results of the research on Makassar MSME actors are that it is found that empirical facts that financial literacy has a positive and significant influence on entrepreneurial motivation. The results of this study support the results of previous research from Lladós-Masllorens & Ruiz-Dotras (2022) which states that financial literacy is able to significantly influence entrepreneurial motivation.

The Influence of Digital Business Literacy on Entrepreneurial Motivation

Digital business literacy has a significant impact on entrepreneurial motivation, especially in today's digital era. A deep understanding of digital tools and platforms not only expands the market reach for entrepreneurs but also opens up access to new resources and tools that can accelerate business growth. Entrepreneurs who master digital business literacy tend to be more confident in using technology for business operations, online marketing, and electronic transactions, which can significantly reduce costs and increase efficiency. The ability to leverage digital technologies also allows entrepreneurs to innovate and adapt to rapidly changing market trends, strengthening their competitiveness in the market. In addition, digital business literacy facilitates a wider network, providing a platform for entrepreneurs to collaborate and learn from others. Thus, digital business literacy not only improves operational capabilities but also becomes a major driver in increasing entrepreneurial motivation through increased access to markets and wider business opportunities.

The results of the research on Makassar MSME actors are that empirical facts are found that digital business literacy has a positive and significant influence on entrepreneurial motivation. The results of this study are not in line with the results of previous research from Apidana (2022) which states that there is no significant relationship between financial literacy and entrepreneurial motivation.

The Effect of Financial Literacy on MSME Performance

Financial literacy is a critical aspect that affects business performance, especially in managing company finances effectively. The ability to understand and apply basic financial principles such as bookkeeping, budget planning and investment analysis allows entrepreneurs to make more informed decisions and better manage resources. This directly contributes to financial stability and the ability of businesses to survive during difficult financial periods, as well as take advantage of growth opportunities during favorable market conditions. Thus, financial literacy not only helps in reducing financial risks but also maximizes profitability and company value.

Furthermore, financial literacy empowers entrepreneurs to access external financing more easily. A good understanding of financial ratios and the ability to present accurate financial information to lenders increases the trust and credibility of a business. This is especially important for small and medium-sized businesses that often rely on loans for expansion or day-to-day operations. High financial literacy allows entrepreneurs not only to obtain more favorable loan conditions but also to choose the financial instrument that best suits their needs and business risk profile.

Finally, financial literacy contributes to strategic decision-making that supports the long-term growth of businesses. With the ability to analyze financial statements, market trends, and economic indicators, entrepreneurs can identify new opportunities and make evidence-based investment decisions. This not only concerns aspects such as business diversification and market expansion but also includes cost optimization and operational improvement. Therefore, financial literacy is key in supporting entrepreneurs to make decisions that have a direct impact on the competitiveness and performance of businesses in a dynamic market.

The results of the research on Makassar MSME actors are that it is found that empirical facts that financial literacy does not have a significant influence on the performance of MSMEs. The results of this study are in line with the results of previous research from Cahya et al., (2022) which states that financial literacy has no effect on the performance of MSME businesses.

The Influence of Digital Business Literacy on MSME Performance

Digital business literacy has a substantial impact on business performance in the current digital era. A strong understanding of digital tools and technologies enables businesses to harness the power of automated online marketing, e-commerce and operational management. With the ability to market products or services through digital platforms, businesses can reach a wider and more diverse audience, increasing sales opportunities and revenue growth. In addition, digital business literacy makes it easy to track and analyze consumer behavior, which is crucial for adapting business strategies that effectively target consumer needs and preferences.

The application of digital tools in daily operations also increases efficiency and reduces operational costs. Systems such as digital inventory management and business process automation reduce human error and speed up operations, enabling businesses to respond to customer needs faster and at a lower cost. The use of this technology not only optimizes resources but also strengthens the capacity of businesses to compete in a fast-paced market.

Furthermore, digital business literacy allows entrepreneurs to make data-driven decisions. Analytics and big data tools provide in-depth insights into market trends, campaign performance, and consumer behavior. With access to this kind of data, entrepreneurs can make better-informed strategic decisions, such as identifying new market opportunities, adjusting product offerings, or optimizing marketing strategies. These data-driven decisions increase the likelihood of continued success and growth.

Finally, digital business literacy supports innovation in business models. The ability to understand and implement new technology solutions facilitates the exploration of innovative business formats, such as fully digital

businesses, online marketplaces, or subscription-based models. This kind of innovation often paves the way for significant added value creation and differentiation from competitors. Therefore, digital business literacy is not only important to maintain relevance in an ever-changing economy but is also an important driver in creating a competitive advantage and improving business performance.

The results of the research on Makassar MSME actors are that it is found that empirical facts are found that business literacy does not have a significant influence on the performance of MSMEs. The results of this study are not in line with the results of previous research from Farhan et al., (2022) which states that there is a positive and significant influence between digital literacy on the performance of MSME businesses.

The effect of entrepreneurial motivation on MSME performance

Entrepreneurial motivation has a fundamental role in determining the performance and success of a business. A high level of motivation in an entrepreneur is often associated with greater initiative in facing challenges and committing to long-term business goals. Motivated entrepreneurs tend to show high perseverance and persistence in overcoming obstacles, making them more adaptive and resilient in the face of market uncertainty. In addition, high motivation can encourage entrepreneurs to continuously seek new opportunities, innovate, and improve the quality of their products or services, all of which directly impact improving business performance.

Furthermore, entrepreneurial motivation also influences the tendency to take calculated risks, which is an important component in business decision-making. Entrepreneurs who have a strong drive are not only willing to take risks but are also more capable of managing those risks wisely. This includes the ability to make strategic investment decisions or enter new untapped markets. The courage to take such bold steps is often a decisive factor in gaining a competitive advantage and securing a stronger position in the market, which in turn drives business growth and profitability.

In addition, entrepreneurial motivation also plays an important role in building and maintaining a positive work culture in the organization. Motivated entrepreneurs are often a source of inspiration for their teams, encouraging high morale and commitment to the company's vision. When leaders show high levels of energy and dedication to business goals, this is contagious to employees, which ultimately increases productivity and work efficiency. Thus, a high level of motivation in entrepreneurs not only improves individual performance but can also overall lift team performance and business performance in general.

The results of the research on Makassar MSME actors are that it is found that entrepreneurial motivation has a significant influence on the performance of MSMEs. The results of this study are in line with the results of previous research from Claudia & Sangen (2020) which states that there is a positive and significant influence between entrepreneurial motivation on MSME business performance.

The Influence of Financial Literacy on MSME Performance through Entrepreneurial Motivation

Financial literacy plays a crucial role in improving business performance by strengthening entrepreneurial motivation. An entrepreneur who has good financial knowledge tends to have greater control over the finances of his or her venture, which provides a solid foundation for making informed economic decisions. The ability to create and follow realistic budgets, understand financial statements, and manage cash flow effectively increases the confidence of entrepreneurs in managing resources. This confidence significantly affects their motivation to pursue more ambitious business goals and face market challenges more calmly.

Furthermore, financial literacy helps entrepreneurs in identifying potential investment opportunities and managing risks effectively. With these skills, entrepreneurs can take advantage of growth opportunities they may not have previously considered due to uncertainty or lack of financial understanding. This leads to a higher level of motivation, as entrepreneurs not only react to market conditions but are also proactive in creating opportunities. This motivation to grow and innovate directly impacts business performance, driving sustainable growth and financial stability.

Finally, financial literacy allows entrepreneurs to communicate more effectively with investors, financial institutions, and other stakeholders. This ability adds legitimacy and credibility to the business, which is critical in building strong business relationships and securing external funding. With better access to capital and resources, entrepreneurs are more motivated to execute expansion strategies, adopt innovations, and explore new markets. Financial literacy, therefore, not only supports daily operations but also increases business motivation and performance through empowerment and expansion of entrepreneur networks.

The results of the research on Makassar MSME actors are that it is found that empirical facts that entrepreneurial motivation has a significant influence on business performance. The results of this study are in line with the results of previous research from Claudia & Sangen (2020) which states that there is a positive and significant influence between entrepreneurial motivation on MSME business performance.

The results of the research on Makassar MSME actors are that it is found that entrepreneurial motivation has a significant influence to moderate the relationship between financial literacy and MSME performance. The results of this study are in line with the results of previous research from Njoroge (2013) which states that entrepreneurial motivation can moderate the relationship between financial literacy and business performance.

The effect of digital business literacy on MSME performance through entrepreneurial motivation

Digital business literacy plays an important role in improving business performance by facilitating entrepreneurial motivation. An entrepreneur who is proficient in digital technology has the necessary tools to optimize processes, increase market reach and improve communication with customers, all of which can significantly affect business growth. These skills give entrepreneurs the confidence to implement innovative marketing strategies and manage business operations more efficiently. Digital skills allow them to access in-depth analytics, understand consumer

trends, and respond quickly to market demands, all of which contribute to increased motivation and drive to achieve success.

In addition, digital business literacy helps entrepreneurs to continue to innovate and adapt in a changing environment. With these expertise, entrepreneurs can more easily adopt new business models, leverage the latest technologies, and expand their operations to digital platforms. This not only opens up new market opportunities but also attracts a wider and more diverse clientele. The proficiency in leveraging digital technologies motivates entrepreneurs to explore beyond traditional boundaries and try untested approaches, driving the growth of creativity and innovation in business.

Ultimately, digital business literacy gives entrepreneurs a significant competitive advantage, allowing them to operate at a lower cost while offering better services. The efficient use of digital tools in marketing, customer service, and logistics operations can reduce costs while improving service quality. These advantages not only increase profit margins but also provide greater market appeal. The motivation generated by the ability to compete effectively and efficiently in the modern marketplace encourages entrepreneurs to continuously invest in the development of their digital skills, which directly contributes to better business performance.

The results of the research on Makassar MSME actors are empirical facts that business financial literacy has a positive and significant effect on the performance of MSMEs through entrepreneurial motivation as an intervening variable. The results of this study support the results of previous research from Ojobo et al., (2023) which states that significantly entrepreneurial motivation can mediate the relationship between digital business literacy and business performance.

Research Implications

The theoretical implication of this research is to strengthen the MSME performance literacy framework by emphasizing that the relationship is not always direct, but works mainly through psychological mechanisms in the form of entrepreneurial motivation; These findings clarify the position of motivation as a key mediating variable and provide empirical support for the theory of entrepreneurship and the dynamic capability that increased knowledge (financial literacy and digital business literacy) only produces performance when it drives action drive and entrepreneurial orientation. The practical implication is that MSME development programs both by the government, accompanying institutions, and business actors themselves need to prioritize improving financial and digital literacy that is applicable and designed to trigger motivation, confidence, and the courage to innovate; In other words, literacy training should not stop at skill transfer, but should be directed at changing behavior and entrepreneurial spirit so that business performance is really boosted.

CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS OF THE STUDY

This study concludes that financial literacy and digital business literacy both have a positive and significant effect on the entrepreneurial motivation of MSME actors in Makassar City. However, both have not been proven to have a significant direct effect on the performance of MSMEs. On the other hand, entrepreneurial motivation has been proven to have a positive and significant effect on the performance of MSMEs, and is an important mediation channel: increasing financial and digital literacy can improve the performance of MSMEs if they first encourage entrepreneurial motivation. So, the key to improving the performance of MSMEs in this context lies in strengthening entrepreneurial motivation supported by financial and digital literacy.

The research suggests three parties. For entrepreneurs/MSMEs, financial and digital literacy needs to be instilled as part of a business development strategy because both are effective in increasing motivation and ultimately performance. For the government/policymakers, financial and digital literacy training programs and workshops need to be expanded and made more applicable so that MSME actors are able to adapt and compete in the digital era. For the next researcher, it is recommended to explore other factors that may more directly affect the performance of MSMEs in Makassar, as well as test this model in the context of the broader region/character of MSMEs.

This study is quantitative with a sample of 99 MSMEs all located in Makassar City, so that the results are strongest for the context of the region and are not necessarily identical in other regions or different MSME sectors. In addition, the measurement of variables used a questionnaire of respondents' perceptions over a period of time (cross-sectional), so that the findings better described the relationship at the time of data collection and did not capture the dynamics of changes in motivation and performance over time.

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