



## The effect of business strategy, innovation, organizational culture on the performance of micro small medium enterprises (MSMES) moderated by financial literature

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### ABSTRACT

This research purpose is to empirically analyze the effect of business strategy, innovation, organizational culture, on the performance of MSMEs moderated by financial literacy in Banten Province. This study uses a sample of Small and Medium-scale SMEs in Banten Province. The data used is primary data. The data in the study were obtained from the results of questionnaires distributed to 100 MSME entrepreneurs in Banten Province both directly and online through the google form. Structural Equation Modeling is used as an analysis with the help of Smart SPSS software version 25. The results of this study indicates that Business Strategy, Innovation, and Organizational Culture have a positive effect on the performance of MSMEs in Banten Province, and Financial Literacy able to moderated Business Strategy, Innovation, and Organizational Culture on performance of MSMEs in Banten Province.



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## INTRODUCTION

In the era of globalization, business competition is very tight, so MSME entrepreneurs need to implement strategies starting from the product manufacturing process, marketing to financial management that produces financial reports so that they know whether the company is experiencing a profit or loss. Most MSME entrepreneurs do not understand financial management well. So the purpose of this study is to analyze the effect of business strategy, innovation, organizational culture, on MSME performance moderated by financial literacy in MSME companies. Understanding Performance (business performance) is referring to the level of achievement or achievement of the company within a certain period of time. Performance is the result of work achieved by an individual and can be completed with the individual's tasks within the company and for a certain period, and will be associated with the size of the value or standard of the company that the individual works for (Aribawa, 2016).

MSME performance is the result of work achieved by an individual and can be completed with the task of the individual within the company for a certain period, and will be linked to the size of the value or standard of the company that the individual works for. Performance here itself is the achievement that will be obtained by a person or company that will achieve in a certain purpose. According to Aribawa (2016) performance is the success of an organization that realizes strategic and predetermined targets with the behavior that will be expected by an organization. A good performance produced by an MSME will be stronger to become the backbone of the economy and will play an increasingly important role in the national economy.

According to Jati (2017), financial performance is used as a measure of profit because profit is an attraction for investors/investors to invest in the company and profit is a measure of the success of managers or owners in managing limited resources to obtain certain results. Profit is also a determining factor for business survival, and can be a motivator for owners and managers to improve business performance in the future.

The phenomenon that occurs in Micro, Small and Medium Enterprises (MSMEs) is that there are several business fields in Banten Province, with a negative growth trend in the fourth quarter of 2019 down 2.84 percent and the national scale down by 0.59 percent when compared to the third quarter of 2019. 2019. Meanwhile, production growth decreased by 1.54 percent (Banten) although nationally it decreased by 4.49 percent when compared to production in the fourth quarter of 2018. Another

phenomenon, bag craftsmen in Petir District, was due to the low level of education. which is not supported by increased development and training of advanced skills and strategic skills in marketing their products. In addition, these MSME actors are constrained by problems with financial resources (capital) and lack of knowledge of financial management. Craftsmen are constrained by having a company financial report to apply for a loan. On the other hand, Serang Regency does not yet have an education and training center for industrial HR development, especially in the fields of financial management, production engineering, management and business.

Business strategy is often also called functional business strategy, because the strategy is oriented towards marketing strategy, production strategy or operational strategy, distribution strategy, organizational strategy, and strategies related to finance (Rangkuti, 2016). The business strategy may emphasize increasing profits in the production and sale of the products and services produced. The business strategy should integrate with various functional activities to achieve the purpose to gain profit. (Joewono, 2012) says business strategy is a strategy to achieve goals which is often analogous to a chess strategy, in which systematic thinking, planning, agility to step, courage to take risks and passion to win matches are some of the characteristics of chess games that are relevant to business management practices. Innovation is needed to maintain position, improve the quality of the company and also as a driver in achieving the company's vision and mission. According to Moorma and Miner, 1998 innovation is the tendency to develop new elements or new combinations of products, technology or management and use new knowledge. The ability to innovate is one of the most important characteristics of entrepreneurs (Larsen & Lewis, 2007). Creativity and innovation have an important role for the growth of organizational performance in the global market (Davis et al., 2009). Several previous studies have shown that innovation has a positive effect on business performance (Piao et al., 2011; Rosenbusch et al., 2011).

Corporate culture is a values that can be understood and obeyed together, which are owned in a company so that its members can feel one family and can create an organization that is different from other organizations. The influence of organizational culture on business performance includes research by Eniola, et al. (2016), Sulhainiet al., (2018), Santosoet al., (2018), Gorondutse and Hilman (2018), Valmohammadi and Roshanzamir (2015), who found that organizational culture has an influence on business performance.

Financial literacy can simply be interpreted as the ability possessed to understand, know, and understand about how to manage finances well. According to Ningsih (2018), financial literacy is not only related to knowledge about finance, but also the ability to manage finances and make relatively appropriate financial decisions for future interests. this research is basic knowledge, finance, investment and saving and borrowing.

In this study, GAP was found as in research from (Njoroge & Gathungu, 2013) and (Otieno et al., 2013) where financial literacy builds one's self-confidence, makes business actors more knowledgeable and educated so that they are able to take responsibility for financial matters and are able to play a more active role in the market for financial services. However, the research results are different from the results of research from (Eresia-Eke & Raath, 2013), (Kusumadewi, 2017) and (Anggraeni, 2016) which state that there is no relationship between financial literacy and business growth and performance of SMEs.

GAP on the innovation variable, in previous research from Syarifatul Laili (2014) product innovation strategies were able to increase sales volume. The right product innovation will be able to lift the company's sales so that it is suspected that product innovation affects the business performance of D'Besto fast food SMEs, while innovation has no significant effect on business performance at D'Besto Mini Restaurant SMEs in Bekasi district, which is shown from the results of a random test. partial Indra P (2019).

In addition, there are differences in the results of previous studies regarding the effect of innovation and performance found by Darroch (2005), which states that innovation affects company performance while researchers use knowledge management variables, innovation and performance. The results show that innovation does not have a significant relationship with performance, while the research conducted by Davidet al.,(2007) aims to explore the nature of the interaction between the two strategies, innovation and market orientation on the performance of MSMEs.

This research is a continuation of previous research, namely research conducted by Klaus Siegmar Schuldt and Giancarlo Gomes (2020) Influence of organizational culture on the environments

of innovation and organizational performance, Lessons from Brazil. internal and external environment of innovation and organizational performance in textile sector organizations in Brazil. The difference with this study is the performance of micro, small and medium enterprises (MSMEs) and business strategies, innovation, financial literacy and the location of MSME companies in Banten Province. Based on this background, the focus of this research is to examine the effect of business strategy, innovation, organizational culture moderated by financial literacy on the performance of MSMEs in Banten Province.

## **HYPOTHESIS DEVELOPMENT**

### **The effect of business strategy on MSME performance**

Business strategy can improve business performance (Porter (1980), Barney (1991; 1997)). This result is also in line with the study conducted by Covin and Slevin (1991) where the performance of small companies depends on the strategy they use. This study implies that the ability of small businesses to formulate and implement effective strategies has a great influence on the survival or failure of small chi *et al.*, 2016), found a direct relationship between business strategy on company performance. In general, strategy contributes positively to financial performance, but only differentiation strategy improves performance directly through strategy alignment (Yuliansyah et al., 2016). So in this case, the research hypothesizes that:

**H1: Business strategy has a positive effect on performance (MSMEs).**

### **The Effect of Innovation on MSME Performance**

There is a significant positive relationship between innovation and organizational performance. Al-Ansari, Y., S. Pervan, and J. Xu. (2013). Innovation has a major influence in building and developing companies, which can be achieved through product innovation, process innovation and distribution innovation (Avanti Fontana, 2009). Research conducted by (Davidet *et al.*, 2007) which aims to explore the nature of the interaction between the two strategies, innovation and market orientation towards performance. The results show that innovation is positively correlated with market orientation and the two constructs are positively correlated positive with the company's performance in a competitive environment, so in this case, the research hypothesizes that:

**H2: Innovation has a positive effect on performance (MSMEs).**

### **The Effect of Organizational Culture and Performance (MSMEs)**

Boyne and Dahya (2002), revealed that organizational culture has a positive and significant effect on organizational performance. Meanwhile (Daniel R. and Aneil, 1995) states that there is a positive and significant relationship between organizational culture and the effectiveness of organizational performance. Likewise, the results of research by (Laforet, 2016) show that organizational culture has a positive and significant effect on company performance. Some experts can conclude that organizational culture is a value or norm in the way of thinking, perceiving and behaving that is carried out by members of the organization and will usually be taught to new members. So it can be said that organizational culture is a habit that is carried out or applied in an organization. Based on the explanation above, this study hypothesizes that:

**H3 : Organizational Culture has an effect on Performance (MSMEs)**

### **The Effect of Business Strategy and UMKN Performance on Financial Literacy Moderation**

In the context of small business, financially conscious entrepreneurs manage resources more broadly, using financial information better thereby increasing the profitability of the company's business (Ferreira et al., 2014). Lusardi (2013) suggested that financial literacy allows individuals to process economic information and make business strategic decisions in financial planning, savings, debt management, and investment diversification which are becoming increasingly important to enable individuals and businesses to cope with changes that are always increasing in complexity of products and services. financial services in the market. Fatoki (2014) stated that financial literacy conveys knowledge and skills that enable entrepreneurs to make business strategies for financial decisions in improving the financial well-being of businesses. Njoroge,

**H4. Business strategies have a positive effect on MSME Performance in Moderation by Financial Literacy**

### **The effect of innovation and performance of UMKN on financial literacy moderation**

Financing plays a fundamental role in corporate innovation (Martínez-Sola et al., 2018) and accessing financial resources enables organizations to invest strategically in the factors of production needed to develop a competitive advantage (Wu et al., 2016). However, SMEs often face financial limitations to access credit markets and this limits their development (Canales & Nanda, 2012). Innovating often depends on the availability of cash, so financial constraints can be an obstacle to encourage the company's innovative activities (Malamud & Zucchi, 2019). Such decisions always have financial consequences and therefore, to be effective, entrepreneurs must have solid financial literacy (EK. Oseifuh, 2010) Financial literacy is one of the most relevant skills for SME development (Dang et al., 2018).

Company knowledge is one aspect that is considered necessary to increase human capital, along with other aspects such as skills or abilities, which can be converted into productivity (IS Fulmer, 2014), and is very important to innovate (AAC Texeira, 2014). Human capital increases innovation and company performance (Khajavi et al., 2014), while the lack of human knowledge reduces business innovation activities (N. Hewwit, 2006). Based on the explanation above, this research hypothesizes that:

**H5. innovation has a positive effect on the performance of MSMEs in moderation by financial literacy**

### **The effect of Organizational Culture and UMKN Performance on Financial Literacy Moderation**

Henri (2006) argues that in order to examine and understand the performance of From a holistic perspective, it is necessary to understand culture as a contingent factor that influences almost all aspects of organizational interactions. For example, previous research proposed that organizational culture leads to superior financial performance, and its performance depends on the extent to which cultural values are widely and strongly shared within the organization (Agbejule, 2011). In particular, a strong culture leads to employee commitment and motivation. In this view, culture is a determining factor in building the dedication to outstanding performance that characterizes successful organizations (Hartnell et al., 2016). effective company. In other words, organizational culture among employees is able to predict future organizational performance. Based on the explanation above, this research hypothesizes that:

**H6. Organizational Culture has a positive effect on MSME Performance in Moderation Financial Literacy**

## **METHOD**

This study uses quantitative methods. Quantitative research examines populations and certain samples with the aim of testing the established hypotheses. This study will examine and explain the effect of independent variables, namely business strategy, innovation, organizational culture, financial literacy moderating variables on the dependent performance of MSMEs in Banten Province. in this study were all MSMEs in the province of Banten. The total population of MSME companies is 100 samples.

## **RESULTS AND DISCUSSION**

In this study using the Slovin formula, which is to calculate the minimum sample size of a study that estimates the proportion of the population. The following is the determination of the sample characteristics of respondents based on the type of company, contained in table 1 as follows:

**Table 1 Characteristics of Respondents by Type of Company**

No	The type of company	Amount	Percentage
1	Culinary	64	64%
2	craftsman	21	21%
3	Fashion	12	12%
3	agribusiness	3	3%
	Total	100	100%

Source: Processed primary data (2022)

Based on table 1, the data used in this study is primary data. Primary data in this study were obtained directly from respondents, namely MSME companies operating in Banten Province. Judging

from the type of company, it is more dominated by MSME companies in the culinary sector compared to other fields, such as in the fields of craftsmen, fashion and agri-business, because culinary is more often visited by people/ consumers.

**Table 2 Characteristics of Respondents Based on Gender**

No	Gender	Amount	Percentage
1	Man	44	44%
2	Woman	56	56%
Total		100	100%

Source: Processed primary data (2022)

Based on table 2, respondents are more dominated by women in MSME companies operating in Banten Province, the sample in this study is small and medium-scale MSMEs where MSMEs originally came from micro-enterprises because these businesses are mostly carried out by housewives who open businesses in on a small scale, from a hobby that eventually becomes a family income, then progresses / developments from the Micro MSME scale to a small MSME scale and even to a medium scale.

**Table 3 Characteristics of Respondents by Age**

No	Respondent Age	Amount	Percentage
1	20 – 35 years	48	48%
2	> 35 years old	52	52%
Total		100	100%

Source: Processed primary data, 2022

Based on table 3, it is known that the category >35 years old is more numerous, because they will have more experience in the business field and know the picture for the future. This happens because as a person ages, they will become more moralistic (Sankaran & Bui, 2003).

**Table 4. Characteristics of Respondents Based on Education Level**

No	Level of education	Amount	Percentage
1.	SMA/SMK	47	47%
2.	Diploma	20	20%
3.	Bachelor degree	28	28%
4.	Master	5	7%
Total		100	100%

Source: Processed primary data, 2022

Based on table 4, it is known that the majority of MSME entrepreneurs who have final education at the Vocational High School/SMA level already have the basics of knowledge in general as well as practice in vocational education and practical skills as well as very adequate work skills to be able to work well in accordance with their job duties and responsibilities according to field of work.

In this study, no non-response bias test was conducted with the consideration that all questionnaires distributed to research respondents according to the criteria could be collected before the deadline determined by the researcher ended, which is 2 weeks for all questionnaires filled out *viagoogle forms* or directly to the field, where the data can be received directly by the researcher to be processed and analyzed further to be able to answer the hypothesis proposed in this study.

## DISCUSSION

### The effect of business strategy on MSME performance

**Hypothesis-1** stated that business strategy has a positive effect on the Performance of Micro, Small and Medium Enterprises (MSMEs) based on the results of research on respondents' responses, it is known that the statement items are more respondents answered agree (score 4) and strongly agree

(score 5), and obtain the mean value (average value).) from the respondents' responses to each question item on the business strategy variable (X1) with a score of 39.8800, which is a score of 4, meaning that a business strategy is needed to improve performance in the MSME sector in particular.

Based on the data that has been processed by the researcher, the results of the regression analysis calculation show that the business strategy variable has a t-value of 8.410 which is greater than t-table 1.660 and a significance value of 0.001 is obtained which is smaller than a significance level of 0.05 ( $0.001 < 0.05$ ). Therefore, it can be concluded that the first hypothesis (H1) is accepted.

So it can be concluded that if the business strategy is getting stronger it will improve the performance of MSMEs, so that the business strategy affects the achievement of company performance, such as the existence of marketing strategies both directly and indirectly, strategies for production or creating new products, service strategies for customers, management strategies In today's financial era, a lot of digital technology is used, so these strategies can be carried out easily for business people, so that everything can be quickly fulfilled, this has an effect on increasing revenue as well as company performance.

The results of this study support previous research which shows that business strategy can improve business performance (Porter (1980); Barney (1991; 1997)). This result is also in line with the study conducted by Covin and Slevin (1991) where the performance of small companies depends on the strategy they use. This study implies that the ability of small businesses to formulate and implement effective strategies has a great influence on the survival or failure of small businesses. *et al.*, (2016), found a direct relationship between business strategy on company performance. And supported (Yuliansyah et al., 2016)., (Yoshikuni and Albertin, 2018), (Suci, 2009), and (Supardi & Ie, 2019).

### **The Effect of Innovation on MSME Performance**

**Hypothesis-2** stated that Innovation has a positive effect on the Performance of Micro, Small and Medium Enterprises (MSMEs). Based on the results of the statement, more respondents answered agree (score 4) and strongly agree (score 5), and it is known on the question items to obtain the mean (average value) of respondents' responses to each question item on the Innovation variable (X2) of 39,7600. namely Score 4, which means that innovation needs to be improved in terms of products and marketing so that companies can compete and improve performance from year to year and the company's ability to continue to innovate on its products will keep these products in line with customer desires and needs.

Based on the data that has been processed by the researcher, the results of the regression analysis calculation show that the Innovation Variable has a t-count value of 1.807 greater than t-table 1.660 and a significance value of 0.001 is obtained which is smaller than a significance level of 0.05 ( $0.001 < 0.05$ ). Therefore, that innovation affects MSME performance, the second hypothesis (H2) is accepted. it can be concluded that innovation has a positive effect on the performance of MSMEs and can be accepted. So the company's ability to continue to innovate its products will keep the product in accordance with the wishes and needs of customers so that consumers do not switch to other products instead of increasing enthusiasts on our products, resulting in an increase in income which leads to an increase in the performance of MSMEs.

The results of this study support previous research which shows that there is a significant positive relationship between innovation and organizational performance. (Al-Ansari, Y., S. Pervan, and J. Xu. 2013). Innovation has a major influence in building and developing companies, which can be achieved through product innovation, process innovation and distribution innovation (Avanti Fontana, 2009). Supported by researchers including: Bharadwaj *et al* (1993) and David *et al.*, (2007). So the results of the study show that innovation is positively correlated with market orientation and both constructs are positively correlated with company performance in a competitive environment.

### **The Influence of Organizational Culture on MSME Performance**

**Hypothesis-3** stated that Organizational Culture has a positive effect on the Performance of Micro, Small and Medium Enterprises (MSMEs). Based on the results of the statement items, more respondents answered agree (score 4) and strongly agree (score 5), and based on the question items obtained the mean value (average value) of the respondents' responses to each question item on the organizational culture variable (X3) of 39.8039, which is a score of 4, which means that innovation needs to be improved in terms of product and marketing so that companies can compete and improve

performance from year to year and the company's ability to continue to innovate on its products will keep the product in line with customer wants and needs.

Based on the data that has been processed by the researcher, the results of the regression analysis calculation show that the organizational culture variable has a t-count value of 2.452 which is greater than t-table 1.660 and a significance value of 0.004 is obtained which is greater than a significance level of 0.05 ( $0.004 < 0.05$ ). It can be concluded that organizational culture affects the performance of SMEs, then the third hypothesis (H3) is accepted.

The results of this study are in line with research (Husein Umar, 2010), where organizational culture is the glue of the organization whose members have the same vision, mission, goals and ways of thinking that are actualized in behavior by each member by an organization. This organizational culture must be controlled by leaders to make their employees behave as they wish and organizational goals can be achieved so that company performance increases. Supported by Boyne and Dahya (2002) revealed that organizational culture is influential and significant between organizational culture and organizational performance effectiveness. And Daniel R. and A Neil (1995) stated that there is a positive and significant relationship between organizational culture and organizational performance effectiveness.

### **The Influence of Business Strategy on MSME Performance is moderated by financial literacy**

**Hypothesis-4** stated Business Strategy on UMKN Performance in Financial Literacy Moderation, based on the results of statements regarding financial literacy, more respondents answered agree (score 4) and strongly agree (score 5), and it is known on the question items to obtain the mean (average value) of Respondents' responses to each question item on the financial literacy variable (X2) were 40.2900, namely a score of 4, which means that the entire sample has implemented financial literacy, as well as respondents regarding statements about companies that have implemented financial management effectively and efficiently.

Based on the results of the research, the hypothesis shows that the results of the data processing of the moderating variable regression analysis have a positive regression value of 8.001 and a significance value of 0.000 which is smaller than the significance level of 0.05 ( $0.000 < 0.05$ ). Therefore, it can be concluded that the fourth hypothesis (H4) is accepted.

So in this case it can be concluded that the Business Strategy is significantly related to the performance of MSMEs, which is further strengthened by the existence of financial literacy as a moderation, that financial literacy conveys knowledge and skills that enable entrepreneurs to make business strategies for financial decisions in improving business financial welfare, so that MSME performance increases. as well as strategies in managing company finances, for example financial management for production, processes for paying debts if on time everything will be smooth and resolved so that company performance increases.

The results of this study support previous research including according to (Treptow, 2014 and Morrison, 2006). Lusardi, (2013) suggested that financial literacy allows individuals to process economic information and make business strategic decisions in financial planning, savings, debt management, and investment diversification which are becoming increasingly important to enable individuals and businesses to cope with changes that are always increasing in complexity of products and services. financial services in the market. Fatoki, (2014) stated that financial literacy conveys knowledge and skills that enable entrepreneurs to make business strategies for financial decisions in improving the financial well-being of businesses. Supported by other experts Njoroge, (2013), Cherugong Patrick, (2015) the effect of financial literacy on the performance of SMEs among 85 small and medium enterprises in Trans Nzoia County and the findings establish that financial literacy has a significant influence on the performance of SMEs.

### **The Effect of Innovation on MSME Performance is moderated by financial literacy**

**Hypothesis-5** states that Innovation on UMKN Performance in Financial Literacy Moderation, based on statements regarding financial literacy, more respondents agree (score 4) and strongly agree (score 5), and it is known on the question items to obtain an average score (average value). ) from respondents' responses to each question item on the financial literacy variable (X2) of 40.2900, namely Score 4, which means that the sample has implemented literacy, as well as respondents regarding statements in companies that have implemented finance effectively and efficiently. Based on the results

of the fifth hypothesis research (H5) shows that the results of the data processing of the moderating variable regression analysis have a regression value of 1.130 positive and a significance value of 0.000 which is smaller than a significance level of 0.05 ( $0.000 < 0.05$ ). Therefore, it can be said that the fifth hypothesis (H5) is accepted.

So it can be said that in MSME companies to develop businesses and are very beneficial for company finances, then if finances are available well then the company will be effective. MSMEs are increasing. Just as a company will develop a new product, it must be supported by finance, if the financial management is good then the product development will be successful, then the success of product development will affect the company's performance.

The results of this study support previous research showing that financing plays a fundamental role in corporate innovation (J.Garcia, 2018) and accessing financial resources that support organizations to invest strategically in the factors of production needed to develop competitive advantage (J.Wu , 2016). However, SMEs often face financial limitations to access credit markets and limit their development (R.Canales, 2012). Innovating is a financial priority on the availability of money, so that the obstacle is to encourage innovative activities, 2019. Decisions always have effective financial and financial consequences, therefore, to have solid literacy (E.K. Oseifuh, 2010) Financial literacy is one of the most important skills. relevant to the development of SMEs (M.S. Hakim, 2018). In addition, it is supported by other researchers, including (I.S. Fulmer, 2014), (A.A.C. Texeira, 2014). (J. Partanen, 2014), (N. Hewwit, 2006).

### **The influence of organizational culture on MSME performance is moderated by financial literacy**

**Hypothesis-6** declare Organizational Culture on UMKN Performance in Moderation of Financial Literacy, based on the results of statements regarding financial literacy, more respondents answered agree (score 4) and strongly agree (score 5), and it is known on the question items to obtain the mean value (average value) of the respondents' responses to each question item on The financial literacy variable (X2) is 40.2900, which is a score of 4, which means that all samples have implemented financial literacy, as well as respondents regarding statements about companies that have implemented financial management effectively and efficiently.

Based on the results of the research on the sixth hypothesis (H6), it shows that the results of the data processing of the moderating variable regression analysis have a positive regression value of 3.156 and a significance value of 0.002 which is smaller than a significance level of 0.05 ( $0.002 < 0.05$ ). Therefore, it can be concluded that the sixth hypothesis (H6) is accepted. So it can be concluded that the culture within the organization solidly forms the financial information needed for effective company performance, and the organizational culture among employees is able to predict future organizational performance. So the better the organizational culture, the better the performance of MSMEs will be. The results of this study support previous research where according to Henri (2006) that to examine and understand performance from a holistic perspective, It is necessary to understand culture as a contingent factor influencing almost all aspects of organizational interactions. For example, previous research proposed that organizational culture leads to superior financial performance, and its performance depends on the extent to which cultural values are widely and strongly shared within the organization (Agbejule, 2011), particularly strong culture leads to employee commitment and motivation. From this point of view, culture is a determining factor in building dedication to outstanding performance that characterizes successful organizations (Hartnell et al., 2016). In the opinion of another researcher, Wise (2013) increased literacy. Financial statements cause businesses or businesses to make financial reports more often, with frequent financial reports making entrepreneurs less likely to default when they have loans and have a small chance of accidentally closing their business. The results of this study are supported by research conducted by Chepngetich (2016).

### **CONCLUSION**

Based on the results of the study, it can be concluded that the: (1) business strategy has a positive effect on the performance of MSMEs and is acceptable. If the business strategy is stronger, it will improve the performance of MSMEs. So that business strategy affects the achievement of company performance, namely an effective strategy to build and strengthen a position in financial management and product competition in a company. (2) innovation has a positive effect on MSME performance and



can be accepted. Therefore, that innovation affects MSME performance, the second hypothesis (H2) is accepted, it can be concluded that innovation has a positive effect on MSME performance and can be accepted. (3) organizational culture has a positive effect on MSME performance and is acceptable. Then the application of organizational culture is so that all individuals in the company or organization comply and are guided by the value system, beliefs and norms that apply within the company or organization. (4) business strategies have a positive effect on MSME performance which is moderated by financial literacy and can be accepted. Therefore, it can be concluded that the fourth hypothesis (H4) is accepted. Thus, it can be concluded that business strategy in financial planning is becoming increasingly important to enable a business to improve the financial welfare of doing business, especially increasing the profitability of a company's business performance. (5) innovation has a positive effect on MSME performance which is moderated by financial literacy and can be accepted. MSME companies to develop business and to innovate is very dependent on company finances, so if finances are available well then the company will be effective. (6) organizational culture has a positive effect on MSME performance which is moderated by financial literacy and can be accepted. Therefore, it can be concluded that the hypothesis is accepted. So it can be concluded that the culture in the organization solidly forms the financial information needed for effective company performance, and the organizational culture among employees is able to predict future organizational performance. The better the organizational culture, the better the performance of SMEs.

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