

## The system design of financial literacy strengthening and taxation in creative MSMEs supports sustainable competitiveness

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### ABSTRACT

**Purpose-**In order to determine whether the environment in the organization encourages creative micro, small, and medium sized enterprises to increase competitiveness through their level of financial and tax understanding, as well as encouraging organizations, this study aims to identify factors that affect the competitiveness of creative micro, small, and medium sized enterprises when viewed from that perspective. to establish a mechanism for enhancing taxation and financial literacy to boost long-term competitiveness that is then applied to creative micro, small, and medium sized enterprises.

**Design/Methodology/Approach-**Participants in this study were from Daerah Istimewa Yogyakarta and Jawa Tengah's creative micro, small, and medium sized enterprises. To obtain its data, this study used convenient, intentional, and snowball sampling procedures, 15 micro, small, and medium sized enterprises managers from various districts and the cities of Daerah Istimewa Yogyakarta and Jawa Tengah served as informants for this study. Combining these techniques makes it simpler to select respondents and collect data from them who have been successfully operating creative micro, small, and medium sized enterprises for more than five years. After finding the responders, the snowball sampling technique was applied.

**Findings-**The results show that having financial knowledge may be a great asset for micro, small, and medium sized enterprises. The digital age expands market chains and boosts the creation of micro, small, and medium sized enterprises, however owing to a lack of understanding of tax legislation, not all taxpayers, including micro, small, and medium sized enterprises, can comprehend the necessary tax reporting implementation rules and processes. Additionally, micro, small, and medium sized enterprises seem to be growing as a result of strategic initiatives to raise the human resource quality and growth of micro, small, and medium sized enterprises in Daerah Istimewa Yogyakarta and Jawa Tengah.

**Research limitations/Implications-**The limitations of a study are its flaws or shortcomings. Study limitations can exist due to constraints on research design, methodology, materials, etc., and these factors may impact the findings of your study.

**Originality/Value-**This is your opportunity to provide readers with an analysis of the value of your results. It's a good idea to ask colleagues whether your analysis is balanced and fair and again, it's important not to exaggerate.

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## 1. The Introduction

Micro, small, and medium-sized enterprises (MSMEs) are crucial to the economy because they employ people, generate foreign cash, and pay taxes toward regional income. MSMEs and cooperatives are required to be able to participate in fostering the independence of the national economy under the 2015-2019 National Mid-Term Development Plan (NMTDP). The goal is to make MSMEs and cooperatives more competitive so they may develop into larger, more sustainable businesses. In the meantime, the plan is to raise the standard of human resources, broaden financing options and enhance access to them, raise the added value of products and marketing reach, and raise company comfort, security, and protection.

Comprehensive and integrated planning is necessary to implement a strategy to enhance access to financing that yields the best possible targeted and integrated results. MSMEs are still a top goal for government development, and they are anticipated to continue creating numerous chances for people to engage in economic growth, according to Resmi et al. (2019). The role of MSMEs as the primary business players at the region's community level, both for generating jobs and offering lucrative business prospects, is integral to advancing the real sector (Zhao et al., 2020).

However, various studies on company governance reveal that MSMEs frequently encounter challenges while implementing their corporate governance processes following applicable rules, including taxation, business permits, financial reporting and recordkeeping, and others. There have been some contradicting research findings about the competitiveness of MSMEs. Beck et al. (2005) and Agyei (2018) discovered that MSMEs have a variety of challenges when attempting to boost competitiveness, particularly those that involve tax charges. The study also discovered that financial literacy is a significant underutilized organizational resource that can boost MSMEs performance by fostering sustained competitive advantage.

Public comprehension of tax payments is a component of tax literacy. Tax penalties, tax officials, tax understanding, and taxpayer morale are just a few variables that impact tax compliance (Garri & Konstantopoulos, 2013). According to studies (Demirbag et al., 2013; Mottola, 2013; Ponorică & Al-saedi, 2015), MSMEs find it difficult to comply with tax laws when their tax morale is low. Tax ignorance on the part of MSMEs could impede the development of their enterprise. The proprietor continues to manage creative MSMEs on a personal level. The firm's management will get overwhelming as the company grows, making it more challenging to gain a competitive advantage. Due to their incapacity to effectively and efficiently manage their resources, MSMEs of all sizes do not necessarily perform well.

The difficulties faced by MSMEs are also not simple. The COVID-19 pandemic outbreak in Indonesia has had a variety of negative repercussions on the economy. Work-from-home policies, implemented under a social distancing strategy, have hurt Indonesian enterprises, notably MSMEs (Resmi et al., 2021). The food and beverage business unit and rattan wood crafts were the MSMEs scopes most significantly impacted by COVID-19, respectively, by 27% and 17.03%. Therefore, due to MSMEs businesses having to withstand the effects of COVID-19, a fall in consumer spending power is followed by increased competition. MSME players might use reserve cash or even increase efficiency to maintain the operations of their businesses.

The government and Otoritas Jasa Keuangan (OJK) have issued Peraturan Otoritas Jasa Keuangan (POJK) number 11/POJK.03/2020 about loan relaxation for MSMEs players, but if MSMEs run into problems. MSMEs actors can apply to the bank for credit relaxation, and the bank will determine whether or not they are eligible for it. In addition, the government offers tax burden alleviation to shield MSMEs players from taxation. These measures are hoped to help preserve economic stability so that this research can observe firsthand how the design of financial literacy and taxation strengthening systems in creative MSMEs supporting sustainable competitiveness is necessary to see how the system is needed to improve the competitiveness of MSMEs through strengthening financial literacy and taxation.

## 2. Research Methodology

The author used primary data for this investigation. The findings of interviews and focus group discussions with owners or managers of MSMEs serve as the study's primary data. Participants in this study included creative MSMEs from Daerah Istimewa Yogyakarta and Jawa Tengah. The private sector, which has three tiers, top, medium, and bottom, provided the research participants. This study combined convenient, purposive snowball sampling techniques to gather its findings. Combining these methods makes it easier to collect data from respondents. Convenient sampling is used to locate potential responders who are eager and willing to participate. Respondents who have effectively led creative MSMEs for more than five years are chosen using a purposive sampling technique. Following the identification of the respondents, the snowball sampling method was used. This method is employed to solicit recommendations from prior respondents for further respondents. Participants in this study were from Daerah Istimewa Yogyakarta and Jawa Tengah creative MSMEs. This study used convenient, intentional, and snowball sampling procedures. 15 MSMEs managers from various districts and the cities of Daerah Istimewa Yogyakarta and Jawa Tengah served as informants for this study. Combining these techniques simplifies selecting respondents and collecting data from those successfully operating creative MSMEs for over five years. After finding the responders, the snowball sampling technique was applied.

The author used in-depth interviews to conduct the interviews. Qualitative analysis of the descriptive variety is the analysis method used. When conducting research with qualitative analysis, the qualities of the data are presented in their natural condition, or just as they are, without being altered to take the shape of symbols or numbers (Moleong, 2017). Making an accurate depiction of the symptoms present in the study problem is the task of this descriptive research. This portrayal is accomplished by presenting symptoms as data or unvarnished truths (Bungin, 2015).

## 3. Result and Discussion

### **Strengthening The of MSMEs: Financial Literacy and Taxation**

According to the findings of interviews with research participants, MSMEs actors still lacked a basic understanding of finance. Therefore, education in financial literacy is necessary to ensure that business financial performance is favorable for the company's health. This demonstrates that financial knowledge is one criterion that is crucial in defining the standards for the degree of financial literacy (Lee et al., 2016). The level of financial literacy of MSMEs actors increases with their financial understanding (financial knowledge). Owned financial expertise can be a powerful asset to help MSMEs players overcome risks that may arise while managing and making financial decisions related to the organization financial performance (Kohtamäki et al., 2020).

Conversely, if financial knowledge is low, the level of financial literacy will also be below, which is, of course, related to the financial performance of a business. As the Head of Deriji Craft for Mendong Woven Craft stated, "My financial record-keeping continues to be a problem due to my administrative laziness. I used to make books and painstakingly compile notes. However, I had grown weary of being alone for a while. I increased my spending after realizing the gap between my income and expenses. Especially now that I have been given the responsibility of becoming a Plembonhamle when it comes to home bills". Furthermore, what is felt by MSMEs actors regarding financial literacy by Dragon Fruit Garden owners also said differently: "If there are no hurdles in terms of administration, marketing, or production in general. Our cash flow has only slightly changed over the past five years due to the current high rental price. When the rental rate was only 15 million per year, it is currently 20,000/m, or approximately 200 million annually. Therefore, we are uneasy moving from the first 20 to the second 20 years".

Although the business owner has kept track of income and expenses, receipts have not been appropriately documented. Current business owners have not used the budget as a source for business appraisal. Low literacy levels impact business owners' ability to manage their company's finances, which are only available to registrars and are not adequately documented for revenues and expenses (Kabanda & Brown, 2017). Therefore, it is essential to educate

business owners, particularly about value for money. Business owners will gain a better grasp of banking financial products, in this case, bank loans, enabling them to calculate or forecast future changes that will affect their company. It is envisaged that business owners will be better equipped to manage their money if they are familiar with the fundamentals of banking finance.

The growth of MSMEs with a focus on the digital economy will benefit Indonesia's taxation while also having a positive impact on the regional economy. The Indonesian government is actively promoting the growth of MSMEs by making taxation simple to access and offering lower final tax rates (Ulas, 2019). The MSMEs tax laws' simplicity and ease of use are intended to increase administrative transparency, order, and community participation in Indonesian taxation, particularly among MSMEs entrepreneurs (Hajawiyah, 2020). Ironically, one of the MSMEs participants operating in Kota Yogyakarta packaged food sector claims that: "Taxes must be paid in order to be taken into account for good luck removal. He hasn't processed taxes yet, but he will do it later because doing so will make all of his company dealings easier".

Among other things, business actors in Kabupaten Sleman also stated that: "Even though the income is still small, how much money will remain after taxes? I am dreadful at paying taxes. wanted to discover the amount of the actual tax, so he took part in this tax training". Tax awareness has been understood by several MSME business actors in Kabupaten Kulon Progo or Kabupaten Sleman. It is stated that: they "Have a Taxpayer Identification Number (TIN) already, are aware that they must pay, but believe that paying taxes still makes the administrative procedure cumbersome". Hajawiyah (2020) claims that Indonesia has a potentially significant number of MSMEs, which gives the government a chance to collect taxes from MSMEs. To raise MSMEs level of understanding, awareness, and tax compliance, training and help are therefore required. Given Indonesia's adoption of the self-assessment system, tax training is essential. To simplify it for MSME company players, this system demands taxpayers to comprehend, be aware of, be truthful, desire, and be able to compute, report, and pay their taxes (Fan & Chen, 2022).

### **Opportunities and Challenges for MSMEs In the Digital Transformation Era**

In Indonesia, digital technology has advanced quickly, as have micro, small, and medium-sized businesses. The introduction of digital technology has impacted how quickly goods and services are transferred from consumers to producers. Digital technology has transformed how goods and services are now marketed without being constrained by time or place when in the past, it required a specific amount of area and time (Lin & Ma, 2022). Millions of consumers from various locations can quickly access the internet, allowing producers of goods and services to introduce and sell their items quickly. This change effectively impacts the human resource competencies' requirement to utilize technology (Asiati et al., 2019).

In response to the advancement of digital technology, both the public and business sectors have taken action to support human resource preparation. SOE Creative House Program, 1.000 Startup Program from Ministry of Communication and Information Technology, Integrated Business Service Center (IBSC) Program from Ministry of Cooperatives and Small and Medium Enterprises and MSME, and Digital Village Program to address the problems of the digital economy, the Job Training Center under the Ministry of Manpower is also reorienting, rejuvenating, and rebranding. The national government typically announces these plans. However, the reality may differ by province and district or city.

The SOE Creative House Program aims to strengthen MSMEs access to the people's economy. The government is attempting to mobilize and promote small and medium-sized firms to boost the capacity and quality of production through the initiative started by the State-Owned Enterprise (SOE). In addition, this program aims to advance small and medium-sized businesses by enabling them to employ information technology as a foundation for production and marketing. Rumah Kreatif Yogya is one of the creative houses already in operation.

Rumah Kreatif Yogyakarta is an example of how the Ministry of SOE has implemented the SOE Creative House policy. The SOE Creative House serves as a platform for SOE

collaboration efforts in creating a Digital Economy Ecosystem by advising SMEs to improve their capacity and competency. In addition to being a center for education, development, and digitization for SMEs, the SOE Creative House serves as a data and information hub. The SOE Creative House primary objective is to boost MSME capabilities so that high-calibre Indonesian MSMEs may be realized.

MSMEs can compete in products, packaging, and quantity if the SOE Creative House program can be coordinated with initiatives from adjacent ministries, such as the Ministry of Cooperatives and MSMEs. The training will significantly impact business players in MSMEs because the course will offer fresh perspectives and teach participants how to deal with competition and enhance product quality. Additionally, it will be pretty simple for businesses in the creative sector to compete, as training would naturally also rely on the skills of performers in the commercial world. The effectiveness of the creative industry is positively and significantly impacted by business training. If training is continued and support is provided continuously, the creative business will grow even more. It is necessary to explore and hone the potential to develop high-quality products.

To compete with foreign products, business actors must increase their competence, particularly with the digital economy phenomenon, which creates chances for the creative industries to be taken advantage of. The two critical components in the creative economy that must be utilized to achieve high productivity are labor and technology. As a result, small and medium-sized businesses should carry out the transfer of expertise rapidly. If the planned expansion in managerial and marketing knowledgeability is not carried out, it will be challenging to expand the MSMEs class.

The Provincial Government of the Special Region of Yogyakarta is working to close the gap between other subdistricts. An enormous business will oversee this region in collaboration with small and medium-sized business owners. Large business owners will offer advice and support so that goods from small business owners can be sold to the global market via large business owners. Small business owners can manufacture their goods in industrial regions or store them locally. This policy is not yet fully implemented, however. Although, at the time of this research, the industrial estates were already operated by large firms and were establishing business locations that could be utilized by small and medium enterprises, the stages being passed are still in the early stages.

Due to the absence of a Regional Job Training Center (RJTC), the government's numerous laws and programs addressing the growth of digital technology still left one peculiarity. Government institutions like this one should be more adaptable and prepared to foresee how digital technology would change the economy, especially MSMEs. However, several RJTC-led initiatives demonstrate that their participation is still minimal and frequently nonexistent. Compared to other institutions, particularly private ones, RJTC is underperforming when it comes to addressing the difficulties of digital technology. Therefore, for this institution to operate efficiently, the development of RJTC becomes necessary. The Brajan bamboo craft industry's MSMEs players were disclosed: "Because we have baskets for souvenirs and the tourist is down as a result of the pandemic, the turnover has indeed fallen somewhat, making it somewhat challenging. However, the day before Eid, I was pessimistic, but thank God I received a lot of parcel orders to the point where I had to refuse some of them. In terms of internet marketing, I don't do it myself, but others do (as a reseller or dropshipper) through Shopee or Bukalapak. I solely pay attention to the web company Google. Like tourists, they are aware of it thanks to Google, thus they frequently visit at night to view the items. As a result, while there have been a few orders since Eid, they have decreased slightly from before the outbreak because fewer tourists are traveling to Yogyakarta. In addition, we are currently fulfilling orders and transporting goods".

In the last few years, MSME communities in the Daerah Istimewa Yogyakarta sector have been expanding that are mobile and flexible, not tied to physical locations but to communication networks. These new communities have evolved into venues for the growth of MSMEs in the Daerah Istimewa Yogyakarta sector that exhibit strong social traits and their apparent economic drive. Through the idea of mutual assistance and support in creative ways,

such as sharing experiences, problem-solving, developing new goods, developing marketing strategies, and so forth, they collaborate to develop each other's enterprises.

Added by the Head of the Deriji Craft for Mendong Woven Craft: "At initially, I only handled offline marketing. Currently, I receive assistance from several students, including those who work with me to create Instagram posts that connect customers placing orders to Whatsapp. The construction of a showroom and front gate was then assisted by Bank Rakyat Indonesia. There is an accounting system as well, but I haven't used it. In fact, I need a specific person to perform it; but, up to this point, I still do it myself. I therefore do everything myself, from design to accountancy. So that it will be easier for us MSMEs players in the future, I hope that there will be more digital villages".

As part of Telkom's commitment to assisting Indonesian MSMEs to increase economic growth and modernization and increase the competence and competitiveness of MSMEs through ICT, the Chairman of the Manager of Deriji Craft Craft Woven Mendong Crafts hopes that equal distribution of digital villages will be made available if it turns out that a digital MSMEs village already starts a digital village. The internet network in this "digital community" is supported by Telkom. In addition, it offers a marketplace like Belanja.com. This digital village's presence is anticipated to impact the local economy, mainly where small and medium-sized businesses are concentrated. Moreover, business competition is very pronounced in the digital era like today. If small and medium enterprises cannot access production continuity, the business will be unable to compete.

The new economic opportunities that MSMEs will create are looked upon with hope. Factory workers have been gradually laid off due to digitalization, and MSMEs are growing due to the creation of new supply chains and increased production from MSMEs. On the other hand, it does not seem like changes in manufacturing technology are accompanied by the growth of MSMEs. From this vantage point, it can be claimed that, in contrast to what transpired in large industries in the manufacturing sector, MSMEs have not been subject to digitalization. The technology used by MSMEs in this digital age hasn't evolved much; it still relies on essential tools and traditional techniques. In other words, MSMEs technology is still entirely manual, carried out by individual, group, or collective human hands.

### **Create A Mechanism to Improve Taxation and Financial Literacy to Boost MSMEs Long-Term Competitiveness**

Most MSMEs in the Daerah Istimewa Yogyakarta and Jawa Tengah, particularly in Kabupaten Klaten, kept records of their sales, purchases, supplies, salaries, and other costs. Reports on sales, purchases, inventories, and payroll are produced in the interim. Education, comprehension, the lack of accounting apps, and needing to attend accounting training are some barriers that MSMEs must overcome to apply for accounts. Additionally, it is anticipated that the study's findings will enable the actors to provide entrepreneurs with technical knowledge to help them comprehend their tax duties, particularly concerning how to complete annual notification letters and the necessary tax management.

It's crucial to comprehend the idea of financial literacy. They will find it simpler to understand how a value for money will benefit them today and how much of an impact it will have on their future (Saridakis et al., 2018). Consequently, MSME strategic measures are required to enhance their sustainability and performance (Aribawa, 2016). The performance and sustainability of MSMEs can be improved by enhancing MSME actors' financial understanding, allowing for greater management and accountability as befits a major company (Aribawa, 2016).

Income levels and financial literacy are positively correlated. The majority of low-income households need more basic financial literacy. Contrarily, most high-income households have a high level of rudimentary financial literacy. Several interviews with Mrs. Wiwik (Gudeg Entrepreneur) and her statements provide examples of the role of financial literacy: "My family's finances were more organized when I discovered the advantages of literacy since I had a large consumer base. I initially started a business to receive a loan from the Baitul Maal wat

Tamwil (BMT) cooperative for business purposes. The results every week, in addition to using it to pay employees, I also left my business income to pay in installments. Even now, my household has enough money to cover my daily needs and pay my school loans".

Meanwhile, Suparno, a pottery craftsman in Kabupaten Klaten, also has very interesting experiences and impressions about the existence of Microfinance Institutions (MFIs), and financial literacy is very helpful in developing his business. Pak Suparno stated: "It's true that my business has advanced; a year ago, I borrowed money from multi-purpose cooperative and utilized it to help the pottery group's business grow. My current method of financial management involves setting aside money every day at a multi-purpose cooperative so that I won't have to worry about making payments on a regular basis. However, keeping the high quality of my company's pottery goods will prevent losses from occurring".

The many business models that Islamic and conventional MFIs have funded demonstrate that most are focused on the independent business sector and trade. MSMEs significantly reduce poverty in the Special Region of Yogyakarta and Central Java, as is widely known. The importance of MSMEs and financial literacy are interrelated. Small business owners are understood thus far because they want to avoid declaring bankruptcy. Additionally, a close connection exists between traditional or Islamic MFIs and their clients (members).

The reciprocal need, strengthening, and benefit tenets underlie the interaction between Financial Services Authority (FSA), MFIs, and MSMEs. The mutual need principle between MFIs and MSMEs entails several methods for getting to know each other's possible business partners and identifying their advantages and disadvantages. Understanding its benefits will improve efficiency and reduce production costs and other factors. Utilizing the workforce held by MSMEs in major business partnerships might save energy in reaching certain goals. On the other hand, smaller industries are typically less technologically advanced and rely on the MFIs money to function. As a result, the partners are dependent on one another. There is absolutely something added value that each partnering party wishes to achieve. Thus, the principle of mutual strengthening in a business partnership is needed before both parties start to work. This added value includes non-economic benefits like improved management skills, technological expertise, and a certain level of happiness and economic benefits like increased capital, profits, and market share.

The greater additional value will be realized as a result of this synergy. As a result, there is room to compensate for or increase each other's weaknesses. Along with helping one another, the partnership tenet also entails moral duty. This is so that MFIs may assist small company owners in growing their enterprises and becoming dependable, tenacious partners in achieving benefits for both parties' well-being. Each partner must acknowledge their differences and be conscious of the limitations of the other, whether it has to do with management, knowledge mastery, or human resources. As a result, each party must be able to compensate for any current shortcomings. The little community, often known as the little people, has a dual function as business owners on the one hand and workers on the other. Thus, it is crucial to understand this. They work irregular hours, use insufficient human resources, and use inexpensive labor. Small business actors rely solely on kinship ties and need a distinct management pyramid. Their human resources are constrained.

This restriction is a significant barrier for MSMEs, particularly in some entrepreneurial, management, production, product development, quality control, organizational, financial, data processing, marketing, and market research-related areas. Therefore, substantial consideration must be given to the strategic endeavor to raise financial literacy among families and micro and small business owners in the Daerah Istimewa Yogyakarta and Jawa Tengah by enhancing the quality and development of human resources for small business operators. If business actors have the necessary abilities, quality of skills, and human resources, their performance can be improved. Developing an environment favorable to business, emphasizing nurturing an entrepreneurial spirit through a learning-by-doing approach and an awareness of sound financial management, can be done concurrently with raising the quality of skills and human resources.

In addition, the industrial revolution 4.0 has modified the pattern of economic transformation into technological finance, another phenomenon that has occurred. Peer to Peer

(P2P) lending is a type of financial technology that has lately gained popularity, particularly in the form of an application that makes it simple and quick to offer loans or credit. At the same time, stakeholders in the MSMEs sector also have issues with the availability of finance for the expansion of MSME enterprises. According to the study's findings, P2P lending has the potential to grow because there is a funding gap for Indonesia's MSME players of about US \$ 165 billion, or 19 percent of gross domestic product, compared to their demands.

Additionally, it was discovered that P2P lending contributed significantly and favorably to the growth of MSMEs based on earlier empirical studies. In addition, various easy access points, adaptability in use, rapidity in credit disbursement, and affordable interest rates are important drivers of P2P lending's explosive growth in Indonesia. According to Mr. Dwi, the Chairman of the Manager of the Mendong Weaved Handicraft Craft, the government has developed a "Vocational Road Map" to develop human resources, including in the current digital era. It is feared that the industrial sector, particularly large industries, will drive vocation in Indonesia since the vocational road plan has a strong inclination to follow the demand for the demands of the industrial sector. This results in occupational bias in the industrial sector and limits employment opportunities to mainly large enterprises, leaving MSMEs and other sectors like agriculture, tourism, and others behind. Based on these factors, the vocational roadmap must be created for comprehensive human resource development, including in the digital era, and include vocational as one of the human resource development strategies in Indonesia covering all levels of education so that vocational is used not only as a practical necessity, namely overcoming mismatch issues and apprenticeship burdens, but also for the development of character, knowledge, and skills in human resources from a young age.

The author's research revealed that respondents (MSMEs in the Daerah Istimewa Yogyakarta) need more grasp of financial concepts, such as value for money, inflation rate, and loan interest rates was the root cause of their low financial literacy. Consequently, it is essential to educate business owners continuously. Business owners with low reading levels may only be able to register their company but may need to track their income and spending adequately. Planning and creating a lasting competitive advantage is thus one of the cornerstones of the success of MSMEs. Excellence creates a set of core capabilities that MSMEs can use to outperform their rivals in serving consumers (Naidoo, 2010; Kottika et al., 2020). Core competencies are a set of unique skills that businesses have established in the key areas of a business, such as quality, innovation, and customer service (Petzold et al., 2019).

#### 4. Conclusion

The findings demonstrate that possessing financial expertise can be a valuable benefit for MSME businesses. In addition, MSMEs appear to be expanding as a result of the digital era's creation of new supply chains and increase in MSMEs production, as well as strategic efforts to improve the financial literacy of small and medium micro-entrepreneurs in the Daerah Istimewa Yogyakarta and Jawa Tengah by enhancing the quality and development of human resources.

The necessity for continuing education for business owners is present. A poor level of literacy impacts business owners' capacity to manage their company's finances because they can only register but need to maintain accurate records of their earnings and outgoings. In addition, it is important to help MSMEs gradually but regularly, notably concerning their tax records. The MSMEs competitive advantage is anticipated to raise support for their performance. The internal and external environments must provide the best assistance for MSMEs' performance. It is vital to improve the internal environment, including finances, human resources, and the deployment of information technology. With these restrictions, the government's assistance will be a crucial external factor in determining the expansion and development of MSMEs.



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