

Religiosity Mediates the Influence of Entrepreneurial Orientation and Digital Financial Literacy on The Performance of Kudus District MSMEs

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ABSTRACT

This research aims to examine the role of religiosity in mediating the influence of entrepreneurial orientation and digital financial literacy on the performance of MSMEs. This research method uses quantitative methods. The object of this research was the UMKM Embroidery, Convection and Batik Cluster in Kudus Regency, Central Java. By using primary data sources by distributing questionnaires to MSME players, the collected data is then processed using the alternative partial least squares (PLS) structural equation modeling (SEM) method with the smartPLS program. The results of the research indicate that 1) Entrepreneurial Orientation does not affect Performance, 2) Financial Digital Literacy affects Performance, 3) Religiosity affects Performance, 4) Entrepreneurial Orientation affects Religiosity, 5) Financial Digital Literacy affects Religiosity, 6) Entrepreneurial Orientation does not affect Performance through Religiosity, and 7) Financial Digital Literacy affects Performance through Religiosity.

Keywords: : religiosity, entrepreneurial orientation, financial digital literacy, performance, MSMEs.

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are the drivers of the Indonesian economy that have the potential to be exploited, in order to improve the economy and community welfare. Apart from being known as the City of Kretek, Kudus is also famous as an embroidery center. Stretch out the creation of thread strokes on the fabric to sweeten the clothes. Hundreds of female craftsmen create embroidered creations, the results of which are spread throughout various cities. Based on data from the Kudus Industrial Cooperatives and Micro, Small and Medium Enterprises (UMKM) Service, the number of embroidery IKMs in Kudus is spread across four sub-districts.

Table 1
Location of the Embroidery/Embroidery Industry, Kudus Regency

No.	Location	Subdistrict	Production Type
1	Kajeksan	Kota	Mukena, Kerudung
2	Janggalan	Kota	Embroidered Silk Kebaya, Hicon, Tablecloth, Shawl, Mukena
3	Pegunungan	Bae	Embroidered Kebaya, Embroidered Gamis
4	Margorejo	Dawe	Embroidered Kebaya, Embroidered Gamis
5	Karangmalang	Gebog	Kebaya material, Stelan, Rukuh
6	Rahtawu	Gebog	Kebaya material
7	Padurenan	Gebog	Muslim clothes, Kebaya material
8	Gondosari	Gebog	Embroidery
9	Getasrabi	Gebog	Kebaya material
10	Jurang	Gebog	Kebaya material

Source: Business Development Report in the MSME Marketing Sector

The center for the apparel convection industry and embroidered fabric industry is in Padurenan Village, Gebog District, northern Kudus Regency, close to the coast. The location of the center is around 4 to 5 km from the center of Kudus city which is visited by many spiritual tourists/pilgrims at the Menara Sunan Kudus Mosque. Empirically, among the variables that can influence company performance, including SME performance, is entrepreneurial orientation (Sujith & Udayanga, 2020). Entrepreneurial orientation is a company's resource capability that can be used as a means or opportunity

to create competitive advantages to improve company performance, but its form cannot be seen (Kiyabo & Isaga, 2020).

Based on the results of a survey conducted by the Financial Services Authority (OJK) in 2019, it shows that of the 285 million population in Indonesia, only 108 million people are financially literate. However, it is not yet certain whether the 108 million population is also digitally literate. On the contrary, there are 171.7 million people who have used the internet and are financially literate (Bank Indonesia, 2020). Therefore, financial literacy skills and digital literacy skills are important capital for society in facing the digitalization of the financial services sector. Financial literacy is a combination of knowledge, skills and attitudes regarding financial management (Cohen & Candace Nelson, 2011).

Efforts to improve the high and superior performance of MSMEs by deepening knowledge and confidence. Religiosity is described as the degree of confidence a person adheres to their religion in the values and practices that are realized in everyday life (Rochmawati, 2022). Religiosity is the depth of a person's breadth of knowledge and understanding of religious knowledge (Makrifah & Trishananto, 2021). Apart from that, religiosity will have an influence on a person's behavior and attitudes in his heart (Anam et al., 2021).

The performance of MSMEs is of concern in all corners of the country and is a priority for business actors. MSMEs play a role in contributing a lot to the economy of a country, especially Indonesia (Aulia et al., 2022). Therefore, researchers are interested in studying the role of religiosity in mediating the influence of entrepreneurial orientation and financial digital literacy on the performance of MSMEs in Kudus Regency, Central Java.

RESEARCH METHOD

This research was carried out through the stages of preparation, data collection, data processing and data analysis, with an estimate of research completion from March 2024. The focus of this research is the MSME actors in the Embroidery, Convection and Batik cluster, Kudus Regency, Central Java. This research uses primary data through questionnaires and interviews as well as focus group discussions (FGD) with several stakeholders to strengthen the research results. Research hypothesis testing was carried out using a Structural Equation Model (SEM) approach based on Partial Least Square (PLS).

The conceptual framework of the research can be described as follows.

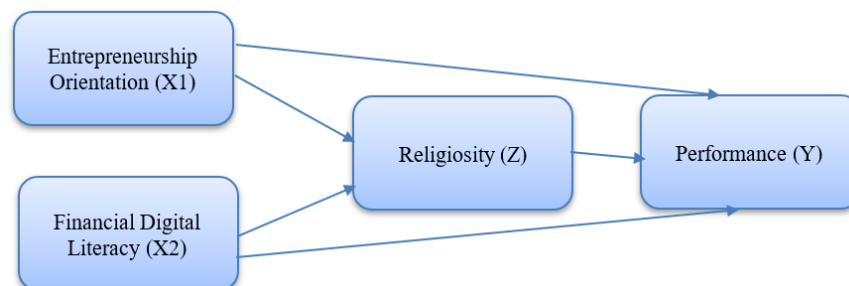


Figure 1. Conceptual Framework of Research

RESULTS AND DISCUSSION

Respondent Characteristics

The characteristics of the research respondents are seen based on gender, age, last education, type of business, and annual turnover which are presented in the table below.

Tabel 2. Respondent Characteristics

No	Respondent Characteristics		Amount	Percentage (%)
1.	Gender	1. Male	15	17,2
		2. Female	72	82,8
		Total	87	100%
2	Age	1. 18 – 28 years old	3	3,5
		2. 29 – 39 years old	27	31
		3. 40 – 50 years old	30	34,5
		4. < 50 years old	27	31
		Total	87	100%
3	Education	1. High School	39	44,8
		2. D3/D4/S1	45	51,7
		3. S2	3	3,5
		Total	87	100%
4	Type of Business	1. Batik	21	24,1
		2. Bordir	30	34,5
		3. Convections	9	10,3
		4. Others	27	31,1
		Total	87	100%
5	Annual Turnover	1. < Rp 60.000.000	60	69
		2. Rp 60.000.000 – Rp 180.000.000	15	17,2
		3. > Rp 180.000.000	12	13,8
		Total	87	100%

Based on gender, for male respondents as many as 15 people (17.2%) and for female respondents as many as 72 people (82.8%). So, the majority of respondents in this study were women. For age, most are 40-50 years old as many as 30 people (34.5%), followed by 29-39 years old and <50 years old as many as 27 people (31%), then 18-28 years old as many as 3 people (3.5%). Based on the last education, most are D3/D4/S1 as many as 45 people (51.7%), followed by high school as many as 39 people (44.8%) and finally S2 as many as 3 people (3.5%). Based on the type of business, most respondents have an

embroidery business as many as 30 people (34.5%), followed by other businesses as many as 27 people (31.1%), then batik business as many as 21 people (24.1%), and convection as many as 9 people (10.3%). Based on annual turnover, the majority of respondents have an annual turnover of < IDR 60,000,000 as many as 60 people (69%), IDR 60,000,000 – IDR 180,000,000 as many as 15 people (17.2%), and > IDR 180,000,000 as many as 12 people (13.8%).

Research Results

In data processing, researchers used the Structural Equation Model (SEM) approach based on Partial Least Square (PLS) which was tested using SmartPLS software.

Discriminant Validity Test

Discriminant validity test needs to be conducted to see the validity of the indicator in measuring its latent variables. An indicator is declared valid if it has the highest loading factor to the intended construct compared to the correlation loading factors of other latent indicators. From the table above, it can be seen that the highest t value of the loading factor of each indicator is in the variable column to be measured. Thus, the latent variables predict the indicators in their blocks better than the indicators in other blocks. Another method to assess discriminant validity is to look at the Average Variance Extracted (AVE) value. The recommended value as an initial study is above 0.5. The following are the AVE values in this study:

Table 3. Average Variance Extracted (AVE)

	<i>Average Variance Extracted (AVE)</i>	Description
Performance (Y)	0.675	Valid
Religiosity (Z)	0.639	Valid
Entrepreneurship Orientation (X1)	0.622	Valid
Financial Digital Literacy (X2)	0.642	Valid

Composite Reliability

After the two validity tests, the next is the reliability test of each independent variable. The reliability test on the outer model can be measured by two criteria, namely composite reliability or cronbach alpha from the indicator block that measures the construct. The construct is declared reliable if the composite reliability value is above 0.70. The value can be seen in the following table:

Tabel 4. Composite Reliability

	Composite Reliability	Keterangan
Performance (Y)	0.935	Reliable
Religiosity (Z)	0.946	Reliable
Entrepreneurship Orientation (X1)	0.942	Reliable
Financial Digital Literacy (X2)	0.946	Reliable

Hypothesis testing

Hypothesis testing is based on the significance value in structural model testing which can be seen from the t-statistic value between the independent variable and the dependent variable in the Path Coefficient table. To test the hypothesis in this study using an alpha value of 5% with a t-table value of 1.65. The H0 decision criterion is rejected if the p-value $I \leq 5\%$ or $t \text{ statistic} > t \text{ table}$ (1.96). The path coefficient table and the t test can be seen in table 5:

Table 5. Path Coefficient and t test

Hypothesis	T Statistics (O/STD EV)	P Values	Result
Entrepreneurial Orientation (X1) -> MSME Performance (Y)	1.36	0.174	Not Significant
Financial Digital Literacy (X2) -> MSME Performance (Y)	2.722	0.007	Significant
Religiosity (Z) -> MSME Performance (Y)	2.705	0.007	Significant
Entrepreneurial Orientation (X1) -> Religiosity (Z)	2.843	0.004	Significant
Financial Digital Literacy (X2) -> Religiosity (Z)	8.221	0.000	Significant
Entrepreneurial Orientation (X1) -> Religiosity (Z) -> MSME Performance (Y)	1.795	0.073	Not Significant
Financial Digital Literacy (X2) -> Religiosity (Z) -> MSME Performance (Y)	2.497	0.013	Significant

CONCLUSION

Based on the results of the analysis described in, the conclusions of this study are as follows: 1) Entrepreneurial Orientation does not affect Performance, 2) Financial Digital Literacy affects Performance, 3) Religiosity affects Performance, 4) Entrepreneurial Orientation affects Religiosity, 5) Financial Digital Literacy affects Religiosity, 6) Entrepreneurial Orientation does not affect Performance through Religiosity, and 7) Financial Digital Literacy affects Performance through Religiosity. MSMEs can be more optimal if digital financial literacy education programs are designed to include relevant religious values. For example, training programs that teach the principles of financial management according to religious ethics, such as honesty and transparency, can help MSME owners better understand the importance of digital financial literacy while making their businesses more in line with the values they believe in. Then, collaboration between MSMEs, financial institutions, and educational institutions can be a solution to improving digital financial literacy. Financial institutions can offer ongoing financial education that is in line with the needs of MSMEs, while educational institutions, including religious institutions, can help provide deeper religious insights.

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