

THE INFLUENCE OF FINANCIAL LITERACY, FINANCIAL INCLUSION,
FINANCIAL ATTITUDES, AND TAXATION KNOWLEDGE ON THE
PERFORMANCE AND SUSTAINABILITY OF SMALL AND MEDIUM INDUSTRIES
IN MATARAM CITY

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Abstract

This study aims to identify factors that influence the performance and sustainability of Small and Medium Industries (IKM) in Mataram City, focusing on financial literacy, financial inclusion, financial attitudes, and taxation knowledge. Primary data was obtained through the distribution of questionnaires to 93 IKM respondents using Google Forms, while secondary data was obtained from official documents, books, and scientific journals. Data processing was measured using a Likert scale of 1 to 5 and analyzed using Partial Least Square (PLS) through SmartPLS 3.0 software. The analysis showed that financial literacy did not significantly affect the performance and sustainability of SMEs. However, financial inclusion has a significant positive influence on the performance and sustainability of SMEs. In addition, financial attitudes also significantly positively influence the sustainability of SMEs, although not on performance. Knowledge of taxation has a significant positive effect on the performance of SMEs but not on sustainability. This finding underscores the importance of financial inclusion and financial attitudes in improving the performance and sustainability of SMEs in Mataram City.

Keywords: Financial Literacy, Financial Inclusion, Financial Attitude, Taxation Knowledge, Performance and Sustainability of SMIs, SMIs

INTRODUCTION

The rapid development of the business world encourages Small and Medium Industries (IKM) to improve their performance and maintain their business continuity in the long term. Based on data from the Ministry of Industry, throughout 2022, the number of SMIs was recorded at 4.4 million business units or 99.7% of Indonesia's total industrial business units. The number of SMIs contributes significantly to the Indonesian economy, including the ability to absorb labour of up to 12.39 million people or 66.25% of the total workforce in the industrial sector. The significant contribution of SMIs to the economy and employment shows that SMIs are very important for national economic growth, soimal performance and sustainability of SMIs are needed (Pangesti & Yushita, 2019). In order to achieve optimal performance and business continuity, various capabilities are needed to support the success of SMEs. The skills needed include basic knowledge

about finance and financial products used (financial literacy), utilizing access to the use of financial products (financial inclusion), the state of mindset and judgment about finance (financial attitude) and understanding of taxation (Rahadjeng et al., 2023).

SMEs in Mataram City play an important role in regional economic growth through producing goods and services and increasing local native income. They participate in the development of the local business sector, encourage the development of other sectors and produce a beneficial multiplier effect for the regional economy. SMEs also encourage an entrepreneurial culture in the community by providing opportunities for people to create and develop their businesses. However, in recent years, SMEs in Mataram City have decreased significantly, according to the following table:

Table 1. Data on the Number of SMEs in Mataram City 2019-2022

Industry Type	2019	2020	2021	2022
Food	400	170	248	400
Upstream Agro	19	21	82	57
Machinery	89	91	135	136
Mines	56	36	118	102
Chemical, Pharmaceutical, Cosmetic & Health	53	17	8	75
Creative Economy	320	159	131	131
Sum	937	494	722	901

Source: NTB Provincial Industry Office

In addition to COVID-19, the decline in the number of SMEs in Mataram was caused by the slow development of SMEs and financial problems (Hertadiani & Lestari, 2021). Financial problems that are often faced by SMEs are limited working capital and difficulties in managing their finances (Herdinata & Pranatasari, 2020). Many SMEs in Mataram City still do not know how to make business financial records, especially financial statements. This causes SMEs to have difficulty accessing financing because they do not meet the administrative requirements requested by banks. In addition, the lack of knowledge of IKM finance in Mataram City causes many SMEs to go out of business because they cannot distinguish business money from personal money, so business money is used for activities outside of IKM business activities. This problem ultimately impacts IKM decision-making, which is more oriented to the short term and needs more sustainable innovation, and the development of IKM performance becomes less directed (Aribawa, 2016). Therefore, appropriate efforts are needed to improve the performance and sustainability of SMEs themselves.

Many previous studies have discussed the influence of financial literacy, financial inclusion, and financial attitudes on the performance and sustainability of SMEs. However, there are still inconsistencies in the results of these studies. For example, the research carried out by Ayu Rumini & Martadiani, (2020) shows that financial literacy has a significant effect on the performance and sustainability of SMEs, which is different from the results of the study by Masrurroh & Wardana, (2022) where financial literacy only affects performance and does not affect the sustainability of SMEs. Research results in Sanistasya et al., (2019) show that financial

inclusion affects performance and is inversely proportional to research results (Adiki, 2023) which show that financial inclusion does not affect performance. In addition, research by Hilmawati & Kusumaningtias, (2021) showing financial inclusion does not affect performance and sustainability. Inconsistencies in the results of previous studies make this study significant. In addition, researchers added a new variable, namely the understanding of taxation as a differentiator from previous studies.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

RBV Theory

RBV theory (Resource Based View) was proposed by Barney (1991). This theory explains that business actors can obtain good performance and sustainable excellence through quality resources, skills, and their application in business. RBV theory can be used to show a business's internal conditions Hertadiani & Lestari, (2021). In this study, RBV theory explains financial literacy, financial inclusion, financial attitudes, and understanding of taxation as internal conditions and potentials in a business unit and can be used to run a business in order to achieve optimal performance and business continuity in the long term.

Financial Literacy

OJK Regulation No.76/POJK.07/2016 defines financial literacy as knowledge, beliefs, and skills influencing attitudes, decision-making behaviour, and financial management to achieve prosperity. Financial Services Authority in Syafira & Nasution, (2021) divides the level of financial literacy into four parts, namely: well literate, sufficiently literate, less literate, and not literate. According to Chen and Volpe (1998) in Astohar et al. (2022), there are four aspects of financial literacy: Basic financial knowledge, savings and loans, financial protection through insurance, and investing assets to obtain future profits through investment.

Awareness of financial literacy can support the achievement of IKM performance and sustainability Ayu Rumini & Martadiani, (2020) SMEs need an understanding of financial literacy in order to be able to develop their business through additional capital provided by financing institutions Afifah et al. (2021) Many SMEs experience limited capital due to a lack of understanding of how to manage sound finances, making it difficult for SMEs to obtain financing from financial institutions (Dahrani et al., 2022). Therefore, understanding how to manage finances, especially income and expenditure, can help SMEs improve their performance, especially in business decisions (Nuraeni et al., 2023). In addition, understanding financial management through financial literacy can help SMEs achieve financial goals so that the sustainability of the IKM business can run smoothly without being constrained by financial problems (Rumbianingrum & Wijayangka, 2018). Research conducted by Hilmawati & Kusumaningtias (2021), Rumbianingrum & Wijayangka (2018) Aribawa, (2016) shows that financial literacy has a significant effect on the performance and sustainability of SMEs. So that the hypothesis is formulated as follows:

H1: Financial literacy affects the performance of SMIs

H2: Financial literacy affects the sustainability of SMIs

Financial Inclusion

Financial inclusion shows the condition of people able to access financial institution products or services (Sari & Kautsar 2020, n.d.) Financial inclusion is defined as an effort to minimize and eliminate various price and non-price barriers to maximize public access to financial services (Dahrani et al., 2022). Providing access to financial services must ensure that the costs incurred are affordable for many parties, especially SMEs Astohar et al., (2022). SMIs with good financial inclusion indicate that SMIs utilize financial services well, primarily to obtain business capital (Hilmawati & Kusumaningtias, 2021).

Previous research by Yanti (2011) states that financial inclusion affects performance. Research by Masrurroh and Wardana (2022) Shows that financial inclusion affects financial performance and business continuity. So that the hypothesis is formulated as follows:

H3: Financial inclusion affects the performance of SMIs

H4: Financial inclusion affects the sustainability of SMIs

Financial Attitude

Financial attitude is a condition where a person makes financial decisions through careful thinking (Triani & Wahdiniwati, 2020). Financial attitudes can also be defined as conditions of thought, opinion, and internal financial judgment that will be applied to attitudes (Hayati & Prasetyo Budi, 2023). Financial attitude is also a factor that can significantly impact the performance and sustainability of SMEs Nuraeni et al., (2023). Business actors can make intelligent financial decisions with proper and quality financial management. Therefore, every business actor needs an excellent financial attitude as the primary basis for financial management (Nuryana & Rahmawati, 2020).

H5: Financial attitude affects the performance of SMIs

H6: Financial attitudes affect the sustainability of SMIs

Taxation Knowledge

Tax knowledge is related to tax regulations and the obligation to pay taxes by taxpayers that will encourage taxpayers to fulfil their tax obligations (Wati et al., 2022). Understanding taxation refers to taxpayers' knowledge and expertise in applying tax regulations well (Maghriby & Ramdani, 2020). Tax knowledge must be possessed by every taxpayer, especially general knowledge such as procedures for reporting tax returns, tax payment places, and the due date of tax returns (Ristanti et al., 2022).

The growing number of SMIs in Indonesia can contribute to increasing state revenue in taxation (Irham et al., 2023). SMIs need taxation knowledge as a form of IKM compliance in paying taxes Ristanti et al., (2022). Taxation knowledge has an essential role for SMEs. This is one of the factors that influence the behaviour of IKM taxpayers in carrying out their tax obligations because the higher the knowledge that IKM taxpayers have about tax regulations, the more able they will be able to manage and comply with tax obligations more effectively with tax regulations, especially in the small and medium industry sector (Anggriani et al., 2022).

H7: Knowledge of taxation affects performance of SMIs

H8: Knowledge of taxation affects sustainability of SMIs

RESEARCH METHOD

This type of research is quantitative because the data analyzed in this study is numerical and nominal. The data in this study used primary data obtained through the distribution of questionnaires to respondents using Google Forms and secondary data obtained through official documents, books, and scientific journals. Data obtained from respondents will be presented and calculated using a Likert scale of 1 to 5. In this study for hypothesis testing, the analysis tool used is the Partial Least Square (PLS) technique, where the processing uses SmartPLS 3.0 software. PLS has two model specifications, namely, the inner model and the outer model.

The population in this study is IKM business actors located in the Mataram City area. This study used a purposive sampling method with the following criteria: 1. SMIs registered with the NTB Provincial Industry Office. 2. The business has been operating for at least one year. 3. SMIs operate in the city of Mataram. The sample size is calculated using the slovin formula, and the formula is as follows:

$$n = \frac{N}{1 + Ne^2}$$

Information:

n = Sample

N = Population

E = error (10%)

By using this formula, the number of research samples obtained as below:

$$n = \frac{1.167}{1 + 1.167 (10\%)^2}$$

$$n = 92,107$$

Tabel 2. Operational Variables

Variable	Indicator	Scale
Financial Literacy (X1)	1. Basic knowledge of finance 2. Saving and borrowing 3. Investment 4. Insurance (Achirlita, 2021)	Likert
Financial Inclusion (X2)	1. Financial access 2. Customer welfare 3. Quality of financial services 4. Use of financial services (Solaekah Putri, 2020)	Likert
Financial attitude (X3)	1. Budget 2. Financial targets 3. Financial planning 4. Thrifty 5. Financial security (Ningsih, 2022)	Likert
Taxation Knowledge (X4)	1. TIN	Likert

	<ol style="list-style-type: none"> 2. Understanding of tax rights and obligations 3. Basic understanding of taxation 4. Understanding of tax rates 5. Understanding of tax regulations <p>(Agustina Naibaho, 2020)</p>	
Business Performance (Y1)	<ol style="list-style-type: none"> 1. Sales growth 2. Capital growth 3. Workforce growth 4. Market growth 5. Profit growth <p>(Solaekah Putri, 2020)</p>	Likkert
Sustainability (Y2)	<ol style="list-style-type: none"> 1. The increase in business is marked by an increase in profits 2. Competitiveness in industry <p>(Butar, 2021)</p>	Likert

RESULTS AND DISCUSSION

RESULTS

Measurement Indicators (Outside Models)

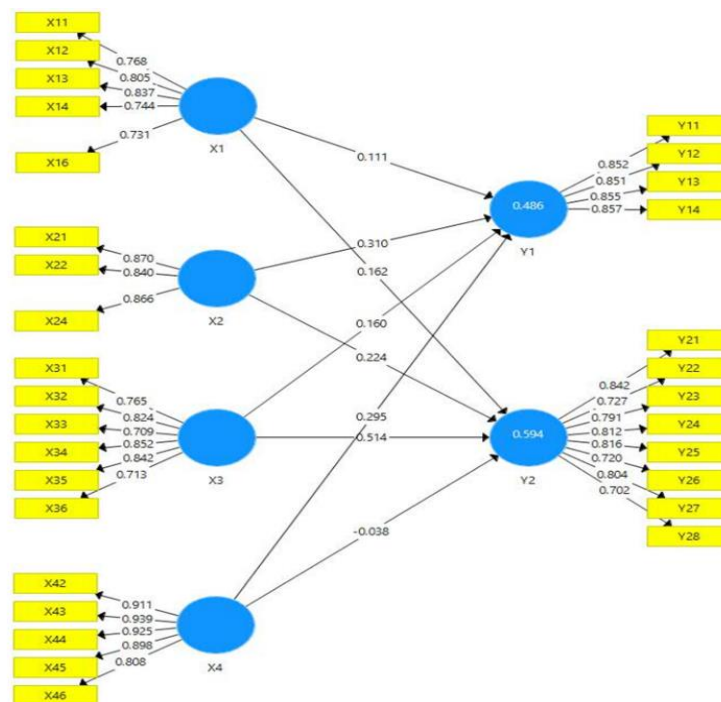


Figure 1: SmartPLS 3.0 Analysis Diagram

Information:

X1: Financial Literacy

X2: Financial Inclusion
X3: Financial Attitude
X4: Understanding Taxation
Y1: IKM Performance
Y2: Sustainability IKM

Measurement Model (*Outer Model*)

The data validity test consists of two stages: the convergent validity test and the discriminant validity test. The test results of this study will be described in the table below

Convergent Validity Test

Convergent validity tests on measurement models with reflective indicators are assessed based on the Loading Factor. The value of the loading factor on Partial Least Square (PLS) of 0,5 to 0,6 is acceptable and considered to have sufficient validity to explain latent constructs (Ghozali & Latan, 2015). In this model, the value Loading Factor A, a commonly used measure of convergent validity, is $> 0,7$. The following are the results of the convergent validity test in Table 3.

Table 3. Outer Loading Value

	X1	X2	X3	X4	Y1	Y2
LK1.1	0,768					
LK1.2	0,805					
LK1.3	0,837					
LK1.4	0,744					
LK1.6	0,731					
INK2.1		0,870				
INK2.2		0,840				
INK2.4		0,866				
SK3.1			0,765			
SK3.2			0,824			
SK3.3			0,709			
SK3.4			0,852			
SK3.5			0,842			
SK3.6			0,713			
PP4.2				0,911		
PP4.3				0,939		
PP4.4				0,925		
PP4.5				0,898		
PP4.6				0,808		
KNR1.1					0,852	
KNR1.2					0,851	
KNR1.3					0,855	
KNR1.4					0,857	
KBR2.1						0,842
KBR2.2						0,727

KBR2.3	0,791
KBR2.4	0,812
KBR2.5	0,816
KBR2.6	0,720
KBR2.7	0,804
KBR2.8	0,702

Source: SmartPLS 3.0 Output 2024

Discriminant Validity Test

The discriminant validity test is conducted to see the relationship between the construct and other constructs. Table 3 shows that the squared value (square root average) AVE result is greater than the correlation value between latent constructs horizontally and vertically. The square value of AVE is said to be good when it is more significant than 0,5, which means it explains 50% of the variance of the indicator (Ghozali & Latan, 2015). Suppose the value of the square root of each construct is greater than the value of the correlation between constructs in the model. In that case, it can be concluded that the construct has a reasonable degree of validity (Ghozali & Latan, 2015).

Table 4. AVE root value

	X1	X2	X3	X4	Y1	Y2
LK	0,778					
INK	0,608	0,859				
SK	0,652	0,541	0,786			
PP	0,539	0,478	0,257	0,857		
KNR	0,563	0,605	0,476	0,544	0,854	
KBR	0,613	0,582	0,731	0,288	0,679	0,778

Source: SmartPLS 3.0 Output 2024

Table 4 shows that the comparison of AVE root values shows that each value is greater than the correlation between other variables. So, it can be concluded that all latent variables in the study have good validity and discriminant validity constructs.

Reliability Test

Reliability testing measures the consistency and accuracy of instruments in measuring research constructs. The reliability instrument in this study was measured by two methods, namely Cronbach's alpha value and Composite reliability. The construct can be reliable if Cronbach's alpha value-is > 0,6 and indigo Composite reliability-is > 0,7. Here is the output of Table 5.

Table 5. Reliability Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
LK	0,837	0,844	0,844	0,605
INK	0,822	0,824	0,894	0,738
SK	0,875	0,883	0,906	0,618
PPJK	0,939	0,942	0,954	0,805
KU	0,876	0,880	0,915	0,729

KBR	0,906	0,910	0,924	0,606
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Source: SmartPLS 3.0 Output 2024

The results of Table 5 show that Cronbach's alpha and composite reliability of all constructs have values above 0,7. This shows that each construct can be considered reliable by meeting good standards and according to established criteria.

Structural Model (*Inner Model*)

Coefficient of Determinant (R^2)

The structural model is commonly called (inner relation, inner model, and substantive theory). Structural model testing is carried out to see the relationship between the research model's construct, significance value and R-square. The R-square value can be used to assess the effect of the independent variable on the dependent variable. Here is the output of the R-square value in SmartPLS 3.0 in Table 6.

Table 6: R-Square values

	<i>R-Square</i>	<i>R-Square Adjusted</i>
Business Performance	0,486	0,463
Sustainability	0,594	0,578

Source: SmartPLS 3.0 Output 2024

The R-square value in the IKM Performance variable in Table 6 above is 0,486. The acquisition of this value explains that the percentage of the magnitude of IKM performance can be explained by the variables of financial literacy, financial inclusion, financial attitude, and taxation knowledge, which are 48,6%. Other variables outside this research model explain the remaining 51,4%. Furthermore, the R-square obtained the Sustainability variable of 0,594, which means that 59,4% of the Sustainability variable can be explained by the variables of Financial Literacy, Financial Inclusion, Financial Attitude, and Taxation Knowledge, while other variables outside this research model explain the remaining 41,6%.

Hypothesis Testing

Whether or not a hypothesis is accepted or proposed, testing it using the Bootstrapping function in SmartPLS 3.0 is necessary by looking at the T-statistics values and P-values results. The hypothesis in the study can be accepted if the P-value is <0,05. The following are the results of the hypothesis test obtained in this study through the structural model.

Table 7: Path Analysis Results

Relationship	Original Sample (O)	SAMPLE Mean (M)	Standard Deviation	T-Statistic	P-Values	Result
X1 -> Y1	0,111	0,117	0,151	0,736	0,462	Rejected
X1 -> Y2	0,162	0,165	0,125	1,290	0,198	Rejected
X2 -> Y1	0,310	0,308	0,102	3,047	0,002	Accepted
X2 -> Y2	0,224	0,218	0,089	2,503	0,013	Accepted
X3 -> Y1	0,160	0,168	0,128	1,248	0,213	Rejected
X3 -> Y2	0,514	0,497	0,109	4,729	0,000	Accepted
X4 -> Y1	0,295	0,294	0,120	2,459	0,014	Accepted

X4 -> Y2	-0,030	-0,021	0,103	0,365	0,715	Rejected
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Source: SmartPLS 3.0 Output 2024

Based on Table 7 above, it is known that four of the eight hypotheses proposed in this study were accepted, and four were rejected.

a. Financial Literacy does not influence the Performance of SMIs

The output results in the form of significant p-values of $0,462 > 0,05$, it can be concluded that H1 is rejected, and the Financial Literacy variable does not significantly affect the performance of SMIs

b. Financial Literacy does not influence the Sustainability of SMIs

The output results are in the form of significant p-values of $0,198 > 0,05$, so it can be concluded that H2 is rejected and that the financial literacy variable does not significantly affect the sustainability of MSIs.

c. Financial Inclusion has a positive influence on the performance of SMIs

The output results in the form of significant p-values of $0,002 < 0,05$, it can be concluded that H3 is accepted, and the Financial Inclusion variable has a significant positive effect on the performance of SMIs.

d. Financial Inclusion has a positive influence on the Sustainability of SMIs

The output results in the form of significant p-values of $0,013 < 0,05$, it can be concluded that H4 is accepted, and the Financial Inclusion variable has a significant positive effect on the Sustainability of MSIs.

e. Financial Attitude does not influence the Performance of SMIs

The output results in the form of significant p-values of $0,213 > 0,05$; it can be concluded that H5 is rejected, and the Financial Attitude variable does not significantly affect SMIs' performance.

f. Financial Attitude has a positive influence on the Sustainability of SMIs

The output results in the form of significant p-values of $0,000 < 0,05$, it can be concluded that H6 is accepted, and the variable Financial Attitude has a significant positive effect on the Sustainability of MSIs

g. Taxation Knowledge has a positive influence on the Performance of SMIs

The output results in the form of significant p-values of $0,014 < 0,05$, it can be concluded that H7 is accepted; the variable of Tax Knowledge has a significant positive effect on the performance of SMIs.

h. Knowledge of Taxation does not influence the Sustainability of SMIs

The output results are in the form of significant p-values of $0,715 > 0,05$, so it can be concluded that H8 is rejected, and the variable of tax awareness does not significantly affect the sustainability of MSIs.

DISCUSSION

The Effect of Financial Literacy on the Performance of SMIs

Based on the results of hypothesis testing, the original value of the Financial Literacy (X1) sample against the IKM Performance (Y1) was positive at 0,111 with a t-statistic value of 0,736 and a significant p-value of 0,462. It can be concluded that the first hypothesis (H1) is rejected. The Financial Literacy variable does not significantly affect the performance of SMIs in Mataram City, which is shown by a statistical value of $< 1,65$ and a p-value of $> 0,05$.

The results of this study show that although financial literacy has a positive impact on the performance of SMIs in Mataram City, there are still other factors that are more dominant in influencing or contributing to the performance and success of SMIs, such as operational management, marketing, access to markets, human resource capabilities (HR) or can also be caused by production quality. In addition, financial literacy must also be seen from the knowledge of IKM workers in the financial sector, not only limited to the owner, so that business performance runs well. These results are in line with research conducted by Khoiri (2023), Naufal, and Purwanto (2022) (Suryandani & Muniroh, 2018), which states that financial literacy does not have a significant effect on the performance of SMEs. Similar research was conducted (Pangesti & Yushita, 2019) where financial literacy did not have a significant effect on the performance of SMIs because the research sample lacked adequate financial knowledge and behaviour, so it is still not enough to improve the performance of SMIs.

The Effect of Financial Literacy on Sustainability of SMIs

Based on the results of hypothesis testing, the original value of the Financial Literacy (X1) sample against Sustainability (Y2) was positive at 0,162 with a t-statistic value of 1,290 and a significant p-value of 0,198. It can be concluded that the second hypothesis (H2) is rejected. The Financial Literacy variable does not significantly affect the Sustainability of SMIs in Mataram City, which is shown by the t-statistic value of $< 1,65$ and the p-value of $> 0,05$.

Financial literacy is not the main factor affecting a business's sustainability. The large number of SMIs in Mataram City causes intense competition, requiring SMIs to be more careful in making decisions and opportunities. Therefore, IKM employees are required to have knowledge and sound financial management to maintain business continuity. The results of this research are relevant to the research of Ayu et al. (2023), Mila & Nurhidayah (2022), and Naufal & Purwanto (2022), which state that financial literacy does not affect the sustainability of SMEs.

The Effect of Financial Inclusion on the Performance of SMIs

Based on the results of hypothesis testing, the original value of the Financial Inclusion (X2) sample against the positive IKM Performance (Y1) was obtained at 0,310 with a t-statistic value of 3,047 and a significant p-values value of 0,002. It can be concluded that the third hypothesis (H3) is accepted. Financial Inclusion variables have a positive and significant effect on the performance of SMIs in Mataram City, shown by a t-statistical value of $> 1,65$ and a p-value of $< 0,05$.

The effect of financial inclusion on the performance of SMIs shows that the higher the financial inclusion, the higher the level of performance of SMIs. Conversely, the lower the financial inclusion, the lower the level of financial performance. This is because financial inclusion is needed to increase capital for SMEs, especially in Mataram City, in improving and developing their businesses. Hence, it influences the performance of SMEs. It is proven that indicators of financial inclusion in the form of financial access dimensions can improve performance through

additional capital. In contrast, welfare indicators can be seen from SMEs feeling helped to achieve success in the local economy. The results of this study are in line with and supported by research (Ratnawati, 2020) Sanistasya et al., (2019) Isdarini et al., (2022) and Febrianti & Sari (2016) which states that financial inclusion has a positive and significant effect on the performance of SMEs.

The Impact of Financial Inclusion on Sustainability of SMIs

Based on the results of hypothesis testing, the original value of the Financial Inclusion (X2) sample against Sustainability (Y2) was positive at 0,224 with a t-statistic value of 2,503 and a significant p-value of 0,013. It can be concluded that the fourth hypothesis (H4) is accepted. Financial Inclusion variables have a positive and significant effect on the Sustainability of SMEs in Mataram City, as shown by the t-statistic value $> 1,65$ and the p-value $< 0,05$.

This shows that the ease of using and getting financial access services will make it easier for business actors to improve the sustainability of SMEs in Mataram City. This research follows the concept of theory Resources Based View (RBV), namely the use of non-formal financial services and products that are more accessible than formal financial services, will have a positive impact on maximizing resources in SMEs so that business actors can improve on competitive aspects which will later have an impact on the sustainability of a business. The results of this study are in line with previous research by Sunistasya et al. (2019), W. Yanti et al. (2022), Nugraha Sugita & Ekayani Series (2022) and Tan & Syahwildan (2022), which state that financial literacy has a positive and significant effect on sustainability.

The Effect of Financial Attitudes on the Performance of SMIs

Based on the results of hypothesis testing, the original value of the Financial Attitude (X3) sample towards IKM Performance (Y1) was positive at 0,160 with a t-statistic value of 1,248 and a significant p-value of 0,213. It can be concluded that the fifth hypothesis (H5) is rejected. The Financial Attitude variable does not significantly affect the performance of SMIs in Mataram City, which is shown by a t-statistic value of $< 1,65$ and a p-value of $> 0,05$.

The low understanding of financial attitudes owned by business actors is due to a lack of concern for the money held, so there is no attention and critical assumptions to the finances of the business being run. Although the influence of financial attitudes on SMEs' performance is insignificant, business actors need to pay attention to and improve their financial attitudes. Because the level of one's financial attitude can affect one's financial performance, it can be concluded that neglected financial attitudes can hurt business actors. Because if the financial attitude is high, it will affect the performance of SMEs. This research is in line with research conducted by Hayati & Prasetyo Budi (2023), Utami & Abdullah (2024) (Ashari et al., 2023), which shows that financial attitudes do not affect the performance of SMEs. However, the results of this research are not in line with research conducted by Fitria (2024), which states that financial attitudes have a positive and significant effect on the performance of SMEs.

The Influence of Financial Attitudes on Sustainability of SMIs

Based on the results of hypothesis testing, the original value of the sample Financial Attitude (X3) towards Sustainability (Y2) was positive at 0,514 with a t-statistic value of 4,729 and a significant p-value of 0,000. It can be concluded that the sixth hypothesis (H6) is accepted.

Financial Attitude variables have a positive and significant effect on the Sustainability of SMEs in Mataram City, as shown by the t-statistic value of $> 1,65$ and the p-value of $< 0,05$.

The influence of Financial Attitudes on the Sustainability of SMEs in Mataram City is significant and positive. Hence, the influence on the performance and sustainability of MSMEs is positive and significant. This is in harmony with Rahayu & Musdholifah (2017); Setiawan (2023) that The results of the analysis show that financial literacy affects the performance and sustainability of MSMEs.

The Effect of Understanding Taxation on the Performance of SMIs

Based on the results of hypothesis testing, the original value of the Taxation Knowledge sample (X4) against IKM Performance (Y1) was positive at 0,295 with a t-statistic value of 2,459 and a significant p-value of 0,014. It can be concluded that the seventh hypothesis (H7) is accepted. The variable of Understanding Taxation has a positive and significant effect on the performance of SMIs in Mataram City, which is shown by the t-statistic value $> 1,65$ and the p-value value $< 0,05$.

Understanding taxation on taxpayer performance or compliance is a concept that describes the relationship between taxpayer understanding of tax regulations and taxpayer awareness of taxpayer compliance. Research conducted in Semarang City shows that taxation understanding and taxpayer awareness have a positive and significant effect on the level of compliance of individual taxpayers (Riyanto & Ningsih, 2021). This is because understanding taxation and taxpayer awareness can increase taxpayer compliance by understanding tax obligations, tax systems, and tax sanctions (Pradana, 2019).

The Effect of Understanding Taxation on Sustainability OF SMIs

Based on the results of hypothesis testing, the original value of the Taxation Knowledge sample (X4) against Sustainability (Y2) was negative (0,030) with a t-statistic value of 0,365 and a significant p-value of 0,715. It can be concluded that the eighth hypothesis (H8) is rejected. The variable of Tax Understanding does not affect the Sustainability of SMIs in Mataram City, which is shown by the t-statistic value of $< 1,65$ and the p-value of $> 0,05$.

This is in harmony with Setiawan's (2023) Knowledge of tax provisions so that they can find legal solutions to minimize the tax burden, such as through loopholes and various fiscal and tax policies by the government, such as tax allowances and tax holidays. Through this solution, it is hoped that MSMEs will not feel burdened with their tax burden so that sustainable development in Indonesia can be realized.

CONCLUSION

In the context of Small and Medium Industries (SMIs) in Mataram City, factors such as financial inclusion, financial attitudes, and taxation knowledge significantly influence the performance and sustainability of SMIs. Financial literacy has yet to be proven to influence the performance and sustainability of SMEs significantly. Financial inclusion has a positive and significant influence on the performance and sustainability of SMEs, while financial attitudes positively influence the sustainability of SMEs. Knowledge of taxation positively affects the performance of SMIs but does not affect the sustainability of SMIs.

Suggestions for future research focus on further understanding the factors affecting Small and Medium Industries (SMIs) in Mataram City. This includes analysis of government regulations, market access, and socio-cultural aspects. Expanding the research sample to involve various industrial sectors and longitudinal research will provide comprehensive insight into the factors that affect the performance and sustainability of SMEs over time. An in-depth analysis of financial inclusion and taxation knowledge is needed to understand the mechanisms underlying the growth of SMEs. In addition, comparative research between SMIs in Mataram City and other regions will provide an understanding of the differences in influence factors, which can be used to formulate policies that support the overall growth of SMIs in various regional contexts.

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