

# THE EFFECT OF FINANCIAL KNOWLEDGE AND INTERNAL LOCUS OF CONTROL ON MSMEs PERFORMANCE: THE MEDIATING ROLE OF QRIS ADOPTION IN SENTRA IKM GRESIK

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**Abstract.** Micro, Small, and Medium Enterprises (MSMEs) play a critical role in contributing to national economic growth. This study aims to examine the influence of financial knowledge and internal locus of control on MSMEs performance through the QRIS Adoption as a mediating variable among MSMEs in Sentra IKM, Gresik Regency. This research uses a quantitative approach, utilizing purposive sampling with a sample size of 89 respondents. Data analysis and hypothesis testing were conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The results indicate that financial knowledge significantly enhances both MSMEs performance and QRIS adoption. However, internal locus of control does not directly affect MSMEs performance, though it positively influences QRIS adoption. While QRIS adoption significantly impacts MSMEs performance, it fails to mediate the relationship between financial knowledge and MSMEs performance. Conversely, QRIS adoption successfully mediates the effect of internal locus of control on MSMEs performance.

**Keywords:** Financial Knowledge; Internal Locus of Control, QRIS Adoption, MSMEs Performance

## I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in driving economic growth and improving the welfare of Indonesian society. MSMEs contribute 60.3% to the Gross Domestic Product (GDP) and absorb 97% of the national workforce [1]. Despite their significant contribution to the national economy, MSMEs still face various challenges that can hinder their performance. MSMEs actors in Gresik Regency, for instance, continue to encounter complex challenges that impact their business performance and sustainability.

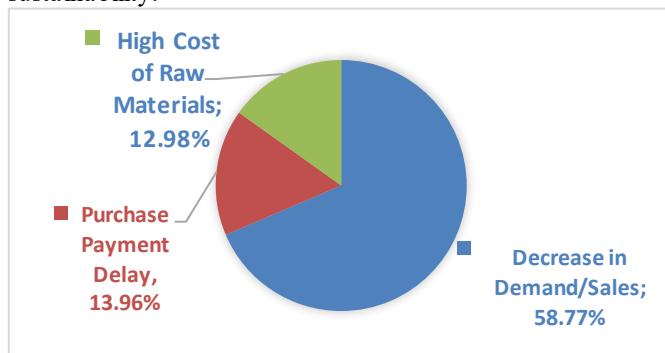


Figure 1 Percentage of obstacles faced by MSMEs in Gresik Regency

Source : BPS Gresik Regency (2022)  
According to data from the Gresik Regency Statistics Agency (BPS) in 2022, as many as 76.29 % of MSMEs actors

experience difficulties in running their businesses. The data presented indicates that as many as 14,245 businesses (73.61 percent) have been affected. The most significant impact is a decline in demand or product sales, experienced by 58.77 percent of businesses. Other impacts felt include delayed payments from buyers (13.96%) and the high cost of raw materials (12.98%)[2]. These findings indicate that the majority of business actors are experiencing decreased sales, which in turn leads to instability in their business performance, either due to limited access to capital or unstable sales. Market demand fluctuations and dependence on local buyers make business turnover difficult to predict. Furthermore, MSMEs actors in Gresik still have minimal utilization of digital technology, as evidenced by only 2.99% using the internet for promotion and 15.22% for purchasing raw materials [2].

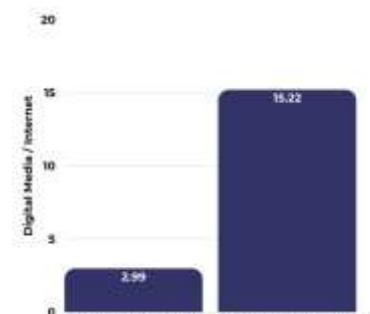


Figure 2 Percentage of digital media usage by MSMEs in Gresik Regency

Increasing market competition presents significant challenges for MSMEs in Gresik Regency. Most business actors still rely on traditional markets with limited purchasing power, while penetration into digital markets remains very low. Data from the Ministry of Cooperatives and SMEs, reveals that only 30% of MSMEs in Indonesia utilize e-commerce, and this figure is likely even lower at the regency level, such as in Gresik. This reliance on conventional markets makes it difficult for MSMEs in Gresik to reach broader markets. The impact is evident in the limited customer network, where most businesses rely solely on local consumers with low purchasing power. Efforts to expand the market are also hampered by a lack of product innovation and effective branding strategies, making it difficult for MSMEs to compete in the digital economy era.

Digital transformation in the MSMEs sector still faces various challenges, particularly in the adoption of digital payment technologies such as QRIS (Quick Response Code Indonesian Standard). Although QRIS has been adopted by more than 30 million merchants in Indonesia in 2023, its penetration in one of the regions in Gresik Regency remains low due to the dominance of cash payments and low digital literacy among MSMEs actors. A survey by Bank Indonesia also shows that many business actors perceive the use of QRIS as complicated and requiring special training. In addition, the financial knowledge of MSMEs actors is still categorized as moderate, indicating a lack of skills and understanding in financial management.

MSMEs performance is highly influenced by the ability of business actors to manage finances and make appropriate business decisions. Financial knowledge is an important element to help business actors understand financial information, evaluate risks, and make more effective decisions [4]. However, previous studies have shown varied results regarding the influence of financial knowledge on MSMEs performance. Some studies found a significant positive relationship [5,6], while others found no significant effect [7,8]. This indicates a research gap that needs further exploration.

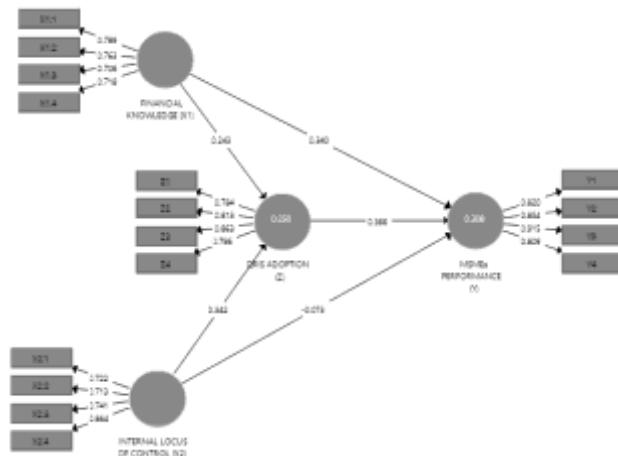
In addition to financial knowledge, internal locus of control also plays an important role in determining MSMEs success. Business actors with a strong internal locus of control tend to believe that the success or failure of their business depends on their own efforts and decisions [9]. Previous research has stated that business actors with internal locus of control have a positive influence on MSMEs performance [10], although some other studies found different results [11].

On the other hand, the QRIS adoption offers a potential solution to provide better access to financial services [12]. The utilization of this technology can increase operational efficiency for consumers in accessing financial products and services [13]. Therefore, this study aims to examine and analyze the influence of financial knowledge and internal locus of control on MSMEs performance with QRIS adoption as a mediating variable. This research offers novelty by integrating these three variables into one conceptual model to provide a holistic solution for improving MSMEs performance in Gresik Regency.

## II. RESEARCH METHODS

This study uses a quantitative research method. The population consists of MSMEs actors in the Sentra IKM area of Gresik Regency, totaling 114 individuals. The sampling technique employed is purposive sampling, with the following criteria: (1) business actors who use QRIS payment applications, and (2) businesses that have been actively operating for at least 2 years. The sample results obtained were 89 respondents from business actors. Data collection was conducted using a questionnaire instrument distributed online via Google Forms, along with brief interviews with several business actors containing statements related to the research. Data analysis was performed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) as the analytical tool.

## III. RESULTS AND DISCUSSION



**Figure 3 Output PLS Outer Model**

Source : PLS Data Processing

### A. The Influence of Financial Knowledge on MSMEs Performance

Based on the research findings, financial knowledge contributes positively to the improvement of MSMEs performance. Entrepreneurs with a high level of financial knowledge tend to enhance their business performance. Their knowledge and ability to manage finances effectively enable smooth operational activities, which in turn positively impact business outcomes. This result aligns with previous studies [14],[15],[16] that emphasize the importance of strong financial knowledge among business actors in making wise financial decisions and managing information effectively, thereby boosting MSME performance.

### B. The Influence of Internal Locus of Control on MSMEs Performance

Based on the research findings, internal locus of control does not contribute significantly to MSMEs performance. This indicates that entrepreneurs' belief that business success depends entirely on their own efforts and self-control is insufficient to substantially improve business performance. External factors such as limited resources, intense business competition, and lack of support from the surrounding

environment are believed to be major obstacles that weaken the influence of internal locus of control on MSMEs performance. Even though entrepreneurs may have high motivation and self-confidence, these do not translate into improved business performance. These results contradict studies by reference [10],[17],[18], which suggest that entrepreneurs with a strong internal locus of control positively contribute to enhancing MSMEs performance. However, the findings align with research by reference [11],[19], which found that locus of control has no significant effect on MSMEs performance, as some entrepreneurs tend to lack initiative and believe that success or failure will not change their predetermined fate.

### C. The Influence of Financial Knowledge on QRIS Adoption

Based on the research findings, financial knowledge contributes positively to the QRIS Adoption. This indicates that entrepreneurs with strong financial knowledge are more capable and better prepared to adapt to new technologies. They tend to have a strong perception of the benefits of using appropriate technology to support their business, such as the use of QRIS (Quick Response Code Indonesian Standard). Entrepreneurs become more proactive in seeking financial information due to the ease of accessing information through fintech platforms. These results align with studies by [20], [21] which state that financial knowledge has a positive and significant effect on the use of QRIS Adoption.

### D. The Influence of Internal Locus of Control on QRIS Adoption

Based on the research findings, internal locus of control contributes positively to the QRIS Adoption. This suggests that entrepreneurs who strongly believe that their business success depends on their own efforts, strategies, and personal adaptation are more motivated to proactively adopt new technologies such as financial technology, including QRIS. With high motivation and self-confidence, these entrepreneurs not only find solutions to various business challenges but also remain open to digital innovations that enhance transaction efficiency and financial management. These results align with studies by [23],[24], which state that individuals with an internal locus of control tend to be more proactive in managing finances using financial technology for cash flow management, payments, and financial strategies. They believe that financial success depends on their own decisions and efforts.

### E. The Influence of QRIS Adoption on MSMEs Performance

Based on the research findings, the QRIS Adoption contributes positively to the improvement of MSMEs performance. This indicates that entrepreneurs who utilize financial technology can positively impact the performance of their businesses. The use of QRIS offers benefits that support the continuity of business processes by providing greater efficiency in operations. These benefits are felt because fintech facilitates more effective business management for entrepreneurs. This result aligns with studies by reference [18] and [25] which state that the use of financial technology has a positive and significant effect on MSMEs performance.

### F. The Influence of Financial Knowledge on MSMEs Performance through QRIS Adoption

Based on the research findings, QRIS Adoption does not effectively serve as a mediator between financial knowledge and MSMEs performance. This is because financial knowledge already has a positive direct contribution to MSMEs performance. Although entrepreneurs possess a basic understanding of financial management, the diversity of businesses in Gresik Regency with varying needs across different business types, can affect and reduce the effectiveness of fintech usage. Optimal use of fintech requires adaptation and adequate supporting facilities, which may not always be available. As a result, this limits the enhancement of financial knowledge's impact on improving MSMEs performance [14]. These findings contrast with those of [5], who stated that fintech is capable of mediating the effect of financial knowledge on MSMEs performance.

### G. The Influence of Internal Locus of Control on MSMEs Performance through QRIS Adoption

Based on the research findings, QRIS Adoption effectively serves as a mediator between internal locus of control and MSMEs performance. This indicates that strengthening entrepreneurs' self-confidence leads to the integration of knowledge that supports the use of new technologies such as fintech in their business activities, which in turn can improve business performance. These results are supported by studies reference [27] and [28], which state that internal locus of control has a significant positive effect on fintech adoption, and that effective utilization of financial technology positively impacts MSMEs performance.

## IV. CONCLUSION

Based on the analysis results, financial knowledge can influence the improvement of MSMEs performance. Internal locus of control does not affect MSMEs performance, meaning that the level of internal locus of control among entrepreneurs does not contribute to MSMEs performance. High financial knowledge will affect the QRIS adoption. A high internal locus of control in entrepreneurs will contribute to the QRIS adoption. Furthermore, the QRIS adoption is able to contribute to the improvement of MSMEs performance. QRIS Adoption does not serve as a mediator between financial knowledge and MSMEs performance. However, QRIS Adoption is able to serve as a mediator between internal locus of control and MSMEs performance.

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