The Effect of Paper Title the Effect of Tax Compliance, Financial Inclusion, Financial Literacy, and the Use of Digital Payments on SME Performance

Halimatusyadiah[1], Nikmah[2], Isma Coryanata[3], Tria Pratiwi[4], Indah Oktari Wijayanti[5], Deasy Emalia[6]

[1,2,3,4,5,6] Faculty Of Economic and Business, University Of Bengkulu

ABSTRACT: This research to examine the influence of tax compliance, financial inclusion, financial literacy and the use of digital payments on the performance of SMEs in Bengkulu City. This research is limited to the financial performance of SMEs. The population in the study were all SMEs in Bengkulu City. The sampling technique used Solvin with a number of SMEs. This research uses a quantitative approach with primary data obtained from distributing questionnaires directly to SMEs in Bengkulu City. Data analysis uses multiple linear regression. The novelty of this research is that it looks at other things from the financial behavioral aspect, namely tax compliance and the use of digital payments in SMEs. The research results show that tax compliance has no effect on SME performance. On the other hand, financial inclusion, financial literacy and the use of digital payments can improve the performance of SMEs in Bengkulu City

KEYWORDS: SME performance, tax compliance, financial inclusion, financial literacy, digital payments

INTRODUCTION

The role of Small and Medium Enterprises (SMEs) is an important point in driving the country's economy. SMEs are business activities that are able to absorb jobs to reduce poverty and unemployment problems, and play a role in the formation of Gross Domestic Product (GDP) (Ministry of Finance, 2022). Indonesia has 843,834 units of SMEs out of a total of 64 million MSMEs in Indonesia (BPS, 2023)

The development of the number of SMEs in Indonesia is not balanced by the improvement in the performance of SMEs. This condition is caused by facing various obstacles, including poor quality resources, the absence of a good financial management system, the lack of technology used, and others. These obstacles are also experienced by SMEs in Bengkulu City. This condition is characterized by business performance that is still quite low.

To minimize these various obstacles, the government has made regulations through the implementation of the Job Creation Law and Government Regulation No. 7 of 2021, including covering the cost of micro business assistance in business licensing, infrastructure public as a forum for promotion and business development. In addition, the government also determines tax regulations for SMEs, namely tax rates ranging from 0.5% - 1% with certain conditions, and the ease of tax administration is expected to make SMEs compliant in paying taxes. Tax compliance will make it easier for SMEs to make capital loans and other administrative matters, so that it will facilitate SME operations, and ultimately is expected to improve SME performance.

The availability of various facilities and soft loan credits by banks, does not necessarily mean that SMEs can easily get these soft loans. This condition is because many business actors do not know how to access banking financial products and services to support business continuity (Cooperative Office, 2019). This situation shows the low level of financial inclusion of SMEs in Bengkulu City. Low financial inclusion has an impact on the low contribution of the SME sector to economic growth, especially in Bengkulu City (Cooperative Office, 2019). If financial inclusion among SMEs is increased, the performance of SMEs will also be higher (Septiani & Wuryani, 2020). This statement is also supported by the results of research by Sari et al., (2022), Kusuma et al., (2021), Ningsih & Tasman (2020), Septiani & Wuryani, (2020), Yanti (2019), which prove that financial inclusion has a positive effect on the performance of SMEs. In contrast to Hilmawati &

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Kusumaningtias (2021), who stated the results of their research that financial inclusion has no effect on the performance of SMEs.

Another problem is related to financial management. This condition is shown by low managerial capacity and lack of management ability to manage finances effectively, make investment-related financial decisions, set strategies to minimize financial risks, and analyze the financial performance of their businesses (Cooperative Office, 2019). The situation shows that low level of financial literacy of SMEs in Bengkulu City, and this supported by OJK data, that the level of financial literacy of the people of Bengkulu is at 34.12%, while the ILK nationally is at 38.04. Lack of financial literacy can cause SMEs to take Improper decisions can even lead to negative consequences. On the other hand, the better the financial literacy of SMEs, the better it will be business operationalization, and decision-making related to finance. With Thus, over time SMEs will continue to survive and continue to be sustainable (Aribawa, 2016). It can be interpreted that when SMEs have a high level of literacy, it is estimated that their business performance will also be higher, as well as on the contrary (Ilarrahmah & Susanti, 2021). The results of research by Sari et al., (2022 Maulatuzulfa & Rokhmania (2022), Kusuma et al., (2021), Ilarrahmah & Susanti (2021), Septiani & Wuryani (2020), Idawati & Pratama (2020), Ningsih & Tasman (2020), Yanti (2019) that financial literacy has a positive effect on the performance of SMEs.

The development of technology and information has a major impact on the operational sustainability of SMEs. In the era of information technology, there are many people Utilizing the facility to facilitate transaction payments Digital Provided by business actors. The number of credit and debit card users in Bengkulu in the second quarter of 2022 was recorded at IDR 7.6 trillion, a significant increase of 229.5 percent from the previous quarter (Bank Indonesia, 2022). This increase shows the high level of transactions made by the people of Bengkulu with non-cash payments or digital payments. This condition must be able to be used by SMEs for the sustainability of their business. The use of digital payments provides convenience in transactions, which has an impact on increasing sales volume and revenue. The results of research by Subekti & Pahlevi (2022), Kwabena et al., (2021), Octavina & Rita, (2021) found that digital payments can affect the performance of SMEs.

Tax compliance is the obligation of SMEs to comply with government policies and regulations based on the laws and regulations that have been set. There are many advantages for MSME actors if they comply with taxation, including making it easier to develop their business, because NPWP (Taxpayer Identification Number) is always needed in administrative requirements, can apply for credit to banks in fulfilling their business capital, can avoid high tax rates and can increase business credibility. Thus, SMEs can improve their performance to grow and develop sustainably.

THEORETICAL FOUNDATIONS
Behavioral Finance *Theory*

Behavioral *Finance* Theory is a theory put forward by Kahneman & Tversky, (1979) this theory explains how humans take an action in the decision-making process with a psychological approach. *Behavioral finance* is built on various assumptions and ideas from economic behavior. The involvement of emotions, traits, preferences and various things inherent in humans as intellectual and social beings will interact based on the emergence of the decision to take an action (Widyastuti, 1990).

The performance of SMEs in relation to the theory *of Behavioral Finance* is the result of good decision-making behavior or actions of SMEs. Competitive advantage is the result of the implementation of the involvement of emotions, traits, and preferences of various things inherent in SMEs as intellectual and social beings will interact based on the emergence of decisions. Tax compliance is a decision-making action for the sake of SME business sustainability. Likewise with financial inclusion, that is, as a form of action where a person who has good financial behavior and is responsible and will be more effective in using his finances and investing his finances. SMEs that do not know financial services are very likely to experience difficulties in developing their businesses, because it is difficult to get capital loans and so on, which will hinder the performance of SMEs.

Financial literacy is associated with *behavioral finance* theory, namely as the ability to distinguish financial choices, and decision-making. This is the result of a combination of several skills, resources, and contextual knowledge to process information and make decisions based on the financial risks of these decisions (Widyastuti, 1990).

A. SME Performance

SME performance is the result or achievement that has been achieved by the management of a business in carrying out its function of managing business assets effectively for a certain period (Rudianto, 2013). SME performance can also be interpreted as the ability of a business to create or increase the profits generated to determine the stability of a business

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(Hudson et al., 2001). According to Septiani & Wuryani (2020), the performance of SMEs can be seen from 3 dimensions, namely:

1. Profitability

    Profitability is the ability of a business organization, in this case an SME, to generate profits with all the capital that works in it. Profitability is also used as a tool to measure the performance of SMEs.

2. Economic growth

    Economic growth is an increase in products or services produced by SMEs, which can be seen from the increase in the number of sales

3. Increase in the number of assets

    An increase in the number of assets is the ability of SMEs to increase or increase fixed or non-fixed assets in their business operations.

It can be concluded that SME performance is the overall result or success rate over a certain period. In this case, the performance of SMEs can be seen from the aspect of increasing the number of products which means that there is sales growth and customer growth, then with an increase in the number of fixed and non-fixed assets and the speed of return on capital can also be used as an aspect to see the performance of SMEs (Rapih et al., 2015).

B.   Tax Compliance and SME Performance

Tax compliance (*tax compli-ance*) is defined as a situation where the Taxpayer (WP) fulfills all tax obligations and exercises his tax rights (Nurmantu, 2000). According to the Decree of the Minister of Finance No. 544/KMK.04/2000, the compliance of the Taxpayer can be identified from:

a.   Timely in submitting tax returns for all types of taxes in the last 2 years .

b.   Do not have tax arrears for all types of taxes, unless they have obtained permission to pay taxes in installments or deferred payments.

c.   Never been sentenced for committing a criminal act in the field of taxation in the last 10 years, in the last 2 years of conducting bookkeeping and in the case of the Taxpayer has been audited, corrected in the last audit for each type of tax owed at most 5%.

d.   Taxpayers whose financial statements for the last 2 years are audited by a public accountant with a reasonable opinion without exception, or an opinion with exception as long as it does not affect fiscal profit and loss.

Behavioral Finance *theory* explains how humans take an action in the decision-making process with a psychological approach. The decision to fulfill tax obligations is a strategic decision for the sustainability of SMEs. By complying with tax provisions, SMEs can show the credibility of their business, as well as show the health of business finances. Healthy finances are certainly one of the keys to the success of a business. SMEs that obey to pay taxes have a good image, because they are not included in the blacklist of tax officers due to not paying taxes. In addition, SMEs will look more professional in the eyes of distributors and consumers, because they have an NPWP which is one of the most important parts in the contract cooperation letter with consumers and distributors. Having an NPWP is also beneficial in terms of borrowing with banks. With the ease of loans from banks, SMEs will find it easier to develop their business and achieve their goals. Based on this description, the hypothesis proposed is:

 C.   H1: Tax compliance can improve the performance of SMEs

D.   Financial Inclusion and SME Performance

According to Financial Services Authority Regulation Number 76/POJK.07/2016, financial inclusion is the availability of access to various financial institutions, products and services in accordance with the needs and capabilities of the community in order to improve people's welfare. Financial inclusion in SMEs is the result of SMEs' actions to use their finances more effectively so that they can prosper their businesses. Financial inclusion is needed by SMEs to obtain capital and access to financing to fund their business operations (Yanti, 2019).

The better the financial inclusion of SMEs, the better the source of funding and access to business finance (Hertadiani & Diyan, 2021). SMEs that do not have access to financial products and services will lead to a decline in their business performance. This condition is characterized by the difficulty of SMEs to develop their businesses due to limited capital, difficulty reaching customers outside the region because they are unable to make remote transactions caused by not having a savings account at the bank (Yanti, 2019). Access to a wide range of banking products and services is essential for SMEs (Okello *et al*., 2020). Through financial inclusion, SMEs are able to achieve competitive advantage and maintain their

businesses sustainably (Terzi, 2015). Ease of access to financial institution products and services will make it easier for SME owners to fund every business process. Good funding is directly proportional to improving business performance.

The research of Qamariyah *et al.*, (2021), found that financial inclusion is able to improve the performance of SMEs. The results of this study are also   supported by Hertadiani & Diyan (2021), Septiani & Wuryani (2020), Yanti (2019), Okello *et al.*, (2017). The better the financial inclusion that SMEs have, the more they will improve their business performance (Qamariyah *et al.*, 2021). Based on the explanation above, the hypothesis proposed is:

E. *H2: Financial inclusion can improve SME performance*

F. *Financial Literacy and SME Performance*

Financial literacy is knowledge, skills, and beliefs, which influence attitudes and behaviors to improve the quality of decision-making and financial management in order to achieve prosperity (OJK, 2017). Financial literacy helps to understand and evaluate the information needed to make decisions and have an impact on the finances of a business (Maulatuzulfa & Rokhmania, 2022). Financial literacy is knowledge of financial planning and management, financial information and technology, as well as knowledge of investment and risk management (Hilmawati & Kusumaningtias, 2021). Financial literacy can be seen from four dimensions, namely: Financial behavior, financial skills, financial knowledge, and financial attitudes.

Lack of financial literacy can cause a person to make inappropriate decisions and can even have negative consequences (Ilarrahmah & Susanti, 2021). Good financial literacy will provide adequate information about the product, understanding the risks to the customer and cost efficiency. This will result in competition in a healthy industry and competition will prioritize innovation in goods and services offered to consumers (Septiani & Wuryani, 2020). This is because financial literacy has a more detailed essence than financial knowledge because financial literacy is the ability to read, analyze, communicate, and manage financial conditions that have an impact on the welfare of SMEs and are able to comfortably distinguish financial choices, and discuss financial problems, and understanding in detail can provide the right financial decisions (Kusuma et al., 2021).

The research of Sari et al., (2022), proves that financial literacy has a positive effect on the performance of SMEs. The results of the study are also supported by the results of research by Kusuma et al., (2021), Septiani & Wuryani (2020), Idawati & Pratama (2020), Ningsih & Tasman (2020), and Yanti (2019) who found that financial literacy has an effect on the performance of SMEs. Based on the description above, the research hypothesis is as follows:

G. *H3: Financial literacy is able to improve the performance of SMEs in Bengkulu City.*

H. *The Use of Digital Payments and SME Performance*

Along with the development of technology, conventional activities have changed to all electronic. Digital payments are digital-based financial products. The digital payment process is money stored, processed, and received in the form of digital information and the transfer process is initialized through electronic payment instruments using   certain *software* (Tarantang et al., 2019). The transaction payment process using digital payments is enough to use *Short Message Service* (SMS), internet banking, mobile banking, e-money or e-wallet. All of these facilities are enough to be done using *smartphones* (Suryanto et al., 2022).

People's habits in terms of *a cashless society* make business actors have to adjust these habits by applying fintech to their businesses so that SMEs can run their businesses well (Asisa et al., 2022). The use of digital payments can provide ease of transactions in the business operational process. SMEs consider the convenience provided as an acceleration of their business. This convenience can make it easier to make transactions (Asia et al., 2022; Hermawan et al., 2022; Ozili, 2018). This will have an impact on improving the performance of SMEs. Research (Asisa et al., (2022), Subekti & Pahlevi, (2022), Kwabena et al., (2021), Octavina & Rita, (2021) found that digital payments have a positive effect on SME performance. Based on this description, the hypothesis proposed is:

I. *H4: The use of digital payments can improve the performance of SMEs in Bengkulu City.*

RESEARCH METHODS

This type of research is quantitative research. The data source in this study uses *primary* data obtained through the distribution of questionnaires to SMEs in Bengkulu City. The population in this study is all SMEs in Bengkulu City which totals 943 units of SMEs (Diskominformatics of Bengkulu Province, 2020). Based on the slovin formula, the minimum sample was 91, and in this study the sample used was 110 SMEs.

Hypothesis testing was carried out by multiple linear regression analysis, which was previously carried out classical assumption testing, namely data normality test, multicollinearity test, heteroscedasticity test. The formula for multiple linear regression is as follows: **$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$**

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J. RESULTS AND DISCUSSION

The SMEs participating in this study are 110 SMEs with various types of businesses which can be seen in the following table 4.1:

Table 1. 1 Types of SMEs

It	Type of Business	Sum	Percentage
1.	*Fashion*	40	30,36%
2.	Culinary	3	2,72%
3.	Service	6	6%
4.	Product & Creative	14	12,72%
5.	Technology & Electronics	16	14,54%
6.	Automotive	13	11,81%
7	Material	8	7,27%
8.	*Tour* & Travel	1	0,9%
9.	Grocery store	9	8,18%
Total		**110**	**100%**

Source: Results of the 2023 Questionnaire Distribution

Profiles of participating SMEs can be seen in Table 1.2 below:

Table 1. 2 SME Profile

CRITERION	Sum	Percentage
Number of Assets		
>50M – 500M	102	92,8%
>500M – 10M	8	7,2%
Total	**110**	**100%**
Length of Business		
>5 Years – 10 Years	61	55,5%
>10 Years	49	44,5%
Total	**110**	**100%**
Transaction Recording		
Manual	72	65,4%
Computerized	38	34,6%
Total	**110**	**100%**

Source: Primary Data, processed 2023

Based on Tables 1.1 and 1.2 above, it shows that most of the participating SMEs are fashion businesses. Judging from the profile, the participating SMEs are dominated by small businesses that have assets between 50 million – 500 million as much as 92.8%. All of the sample had been in business for more than 5 years, but the vast majority (65.4%) of the transactions recorded had not been co-authorized.

The results of descriptive statistics can be seen in the following table 1.3:

Table 1. 3 Descriptive Statistics

Variable	N	*Min*	*Max*	*Mean*	Std. Deviation
SME Performance	110	4	5	4,40	0,340
Tax Compliance	110	2,3	5	3,73	0,621

Financial Inclusion	110	3,8	5	4,30	0,338
Financial Literacy	110	3,9	5	4,39	0,260
Use of Digital Payments	110	3,4	5	4,29	0,404

Source: Primary Data, processed 2023

Table 1.3 above shows that the SME performance variable has an actual mean value of 4.40. This shows the performance of SMEs in Bengkulu City in the good category. Meanwhile, the average tax compliance variable below 3.73 < 4 is in the neutral or sufficient category. The variables of financial inclusion, financial literacy, and the use of digital payments have an actual mean value of > 4. This shows that SMEs in Bengkulu City have access to various financial institutions, financial products and services in accordance with the needs and capabilities of SMEs. In addition, SMEs in Bengkulu City also have the ability to read, analyze and manage financial conditions well, and have used digital payments and are felt to be easy to transact by SMEs in Bengkulu City.

The results of the data validity test are shown in Table 1.4 below:

Table 1. 4 Validity Test Results

It	Variable	*Person Correlation*	*Significance Value (P-Value)*	Information
1.	SME Performance	0,613-0,821	0,000	Valid
2.	Tax Compliance	0,515-0,941	0,000	Valid
3.	Financial Inclusion	0,634-0,681	0,000	Valid
4.	Financial Literacy	0,416-0,632	0,000	Valid
5.	Use of Digital Payments	0,410-0,819	0,000	Valid

Source: Primary Data, processed 2023

Table 5.4 shows all statement items on all variables having a significance value of < 0.05 so that all statement items are declared valid.

The results of the data reliability test are shown in the following Table 1.5:

Table 1. 5 Reliability Test Results

It	Variable	Cronbach Alpha *Values*	Information
1.	SME Performance in Bengkulu City	0,711	Reliable
2.	Tax Compliance	0,916	Reliable
	Financial inclusion	0,710	Reliable
3.	Financial literacy	0,636	Reliable
4.	Use of digital payments	0,698	Reliable

Source: Primary Data, processed 2023

Table 1.5 explains that all variables have Cronbach's Alpha > 0.6 so that all statements are declared reliable.

The results of the data normality test with *one sample Kolmogorov-Smirnov t test* can be seen in Table 1.6 below:

Table 1. 6 Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
Asymp. Sig. (2-tailed)	Information
0.200	Usual

Source: Primary Data, processed 2023

The calculation results show that *Unstrandardized Residual* has an *Asymp. Sig. (2-tailed)* value > 0.05, so the data is normally distributed. The results of the multicollinearity test are shown in the following table 1.7:

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Table 1. 7 Multicollinearity Test Results

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
Tax Compliance	0,867	1,153	Free Multicollinearity
Financial Inclusion	0,726	1,377	Free Multicollinearity
Financial Literacy	0,712	1,405	Free Multicollinearity
Use of Digital Payments	0,736	1,358	Free Multicollinearity

Source: Primary Data, processed 2023

Table 1.7 above shows that all variables have a *tolerance* value of > 0.1 and a VIF value of < 10. Thus all variables are free from multicol.

The results of the hypothesis test can be seen in the following table 1.8:

Table 1. 8 Hypothesis Test Results

Variable	Constant B	t-static	Sig.
Tax Compliance	0,006		0,795
Financial Inclusion	0,436	8,109	0,000
Financial Literacy	0,162	4,226	0,000
Use of Digital Payments	0,111	2,570	0,016
R2	0,655		
Adjusted R2	0,642		
F	49,926		
Sig.	0,000		

Source: Primary Data, processed 2023

Based on table 1.8 above, it can be concluded that:

1. It is known that the statistical value of F is 49.926 with a significance value of 0.000 indigo < 0.05 so that the model can be declared fit *(fit)*. This means that the variables of tax compliance, financial inclusion, financial literacy, and the use of digital payments are able to predict the performance variables of SMEs.

2. The Coefficient of Determination (R2) has an *Adjusted* R2 value of 0.642. This means that the performance of SMEs can be explained by the variables of tax compliance, financial inclusion, financial literacy, and the use of digital payments by 64.2%, while the remaining 35.8% is influenced and explained by other factors that are not included in the study.

3. Tax compliance has a sig value of 0.795 > 0.05 and a coefficient value of β >0 indicates a positive direction, proving that tax compliance has no effect on the performance of SMEs. Thus H1 was rejected.

4. Financial inclusion has a sig value of 0.000 < 0.05 and a coefficient value of β>0 indicates a positive direction, this proves that financial inclusion has a positive effect on the performance of SMEs. Thus H2 is accepted

5. Financial literacy has a sig value of 0.000 < 0.05 and a coefficient value of β > 0 indicates a positive direction, this proves that financial literacy has a positive effect on the performance of SMEs. Thus H3 is accepted.

6. The use of digital payments has a sig value of 0.016 < 0.05 and a coefficient value of β > 0 indicates a positive direction. This proves that the use of digital payments has a positive effect on the performance of SMEs. Thus H4 is accepted.

DISCUSSION

Tax Compliance and SME Performance

The results of this study prove that tax compliance has no effect on the performance of SMEs in Bengkulu City. This means that the compliance of SMEs with taxation does not affect the performance of SMEs in Benkulu City. This condition can be caused, generally SMEs in Bengkulu City already have an NPWP but do not carry out their tax obligations properly. This can be seen from descriptive statistics where the average respondent's answer is neutral, meaning that the average respondent's answer has not fully complied with the tax rules.

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The results of this study do not support the theory *of Behavioral Finance* which explains how humans take an action in the decision-making process. Compliance or non-compliance with taxation is not a factor considered in decision-making for the sake of SME business sustainability/SME performance in Bengkulu City

Based on profile data from SMEs, it is known that SMEs who are respondents are mostly small business actors, which is 92.8%. When viewed from the product life cycle, generally small businesses are in the business phase that is still in the introduction and growth stage. In this phase, it generally requires large costs in running business operations. Working capital is more focused on introducing products in a wider market, so in this phase it experiences high costs. Thus it has a great impact on the profits or profits they obtain. This explanation is in line with the results of research conducted by Benedicta et al (2021) which found that tax payments have a negative effect on the performance of SMEs. This means that tax payments cause low performance for SMEs, because tax payments are a burden for SMEs.

Financial Inclusion and SME Performance

The results of this study prove that financial inclusion has a positive effect on the performance of SMEs in Bengkulu City. This shows that the better the financial inclusion that SMEs have, the more they will improve their performance. When SMEs are able to access financial services properly, it will have an impact on sales growth, capital, and employment so as to improve business processes and increase competitiveness and have an impact on the performance of SMEs (Kusuma et al., 2021). SMEs in Bengkulu City feel helped by the existence of banking financial products and services to maintain their businesses sustainably. Ease of access to various banking financial products and services will make it easier for SMEs to fund their business ventures. Good funding will improve business performance which is characterized by profit growth, increased sales, increased number of customers, and increased number of assets.

The results of this study support *Behavioral Finance*, where the actions taken are a process in decision-making. Financial inclusion is a form of action where a person who has good financial behavior and is responsible and will be more effective in using his finances and investing his finances for the benefit of SME growth in the future. The results of this study show that SMEs in Bengkulu City already have the ability to access financial products and services produced by banks to be able to achieve good business performance. The results of this study support the research results of Sari et al., (2022), Septiani & Wuryani, (2020), Kusuma et al., (2021), Ningsih & Tasman (2020), Yanti (2019), which prove that financial inclusion is able to improve the performance of SMEs.

Financial Literacy and SME Performance

The results of this study prove that financial literacy has a positive effect on the performance of SMEs in Bengkulu City. This shows that the better the financial literacy of SMEs, the better the performance of SMEs, especially financial performance. Financial literacy is knowledge about financial management that can help SMEs in making business strategies and planning steps to minimize risks so that they can maintain business continuity. Good financial planning will produce relevant financial information. Through financial literacy, SMEs will be able to achieve a good financial performance (Hilmawati & Kusumaningtias, 2021). The financial literacy owned by SMEs in Bengkulu City is good. SMEs have knowledge of how to manage money, create budgets, and the actions needed to make financial-related decisions. Based on data obtained by SMEs in Bengkulu City, they already have daily cash bookkeeping, prepare financial plans, manage finances by adjusting between expenses and income, although most of these SMEs still carry out it by manual accounting. SMEs are also able to set strategies to minimize financial risks, have the knowledge to dare to take risks in decision-making.

The results of this study support the theory of *behavioral finance*. Good knowledge will help SMEs take appropriate actions in managing their business finances, so that they can improve their business financial performance. This is marked by profit growth, increased sales, increased number of customers, and an increase in the number of assets owned. The results of this study support the research of Sari et al., (2022), Maulatuzulfa & Rokhmania (2022), Kusuma et al., (2021), Ilarrahmah & Susanti (2021), Septiani & Wuryani (2020), Idawati & Pratama (2020), Ningsih & Tasman (2020), Yanti (2019) which proves that financial literacy is able to improve the performance of SMEs.

The Use of Digital Payments and SME Performance

The use of digital payments has a positive effect on the performance of SMEs in Bengkulu City can be proven in this study. This shows that the better the ability of SMEs to utilize digital-based banking financial products and services, the better their business performance. This is because SMEs can easily find out the income and expenses that occur in the transactions that occur. The use of digital payments provides convenience, practicality, and speed in transactions and recording so that transaction process activities are more efficient and effective (Asisa et al., 2022). The use of digital payments is able to improve business performance, when SMEs in Bengkulu City know and have the ability to access digital-based financial products and services owned by the Bank in the process of their business operations. Through the digital payment service provided by the

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Bank, SMEs can conduct remote transactions, so that they can expand product marketing because buying and selling transactions can be done easily. The use of digital payments also increases sales results, and profits and minimizes cash losses because the money sent and received will be added to the recipient's balance automatically and transaction data will be recorded automatically making it easier to book business finances. This will be able to help improve the financial performance of SMEs in Bengkulu City.

The results of this study support the theory *of behavioral finance*, where the action of using digital payments will affect business decisions in maintaining SMEs' businesses in the midst of competition. Thus, the performance of SMEs will survive and get better, because digital payments can provide convenience for both customers and SMEs. The results of this study support the research of Asisa et al., (2022), Subekti & Pahlevi (2022), Kwabena et al., (2021), Octavina & Rita, (2021) which found that the use of digital payments can improve the performance of SMEs.

CONCLUSIONS AND SUGGESTIONS

This study aims to test and obtain empirical evidence of the influence of tax compliance, financial inclusion, financial literacy, and the use of digital payments on the performance of SMEs in Bengkulu City. Based on data analysis and hypothesis testing conducted in this study, the results were found: Tax compliance has no effect on the performance of SMEs in Benkulu City; Financial literacy improves the performance of SMEs in Bengkulu City; Financial inclusion improves the performance of SMEs in Bengkulu City; The use of digital payments improves the performance of SMEs in Bengkulu City.

The limitation of this study is that the sample is dominated by small businesses as much as 92.8% so that the results of the study are more representative of the special situation and characteristics for small businesses. In addition, the measurement of SME performance in this study only focuses on revenue without considering operational expenses, so this study cannot evaluate how efficient SMEs are in running their business operations. The next researcher is advised to measure the performance of SMEs with a broader perspective, namely by considering the income side and the expenditure side, so that they can describe the performance of SMEs more accurately. Researchers should then use a research sample that includes a balanced representation between small and medium-sized businesses.

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