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The Influence of Financial Literacy, Tax Knowledge, and Tax Regulations on MSME Business Performance in Medan Kota District

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ABSTRACT

In Medan Kota District, this research looks at how tax legislation, financial literacy, and awareness of taxes affect the performance of MSME. Primary data was gathered from 70 MSMEs using a saturation sampling strategy and analyzed quantitatively. As part of the data testing process, we used descriptive statistics, a validity and reliability analysis, a multiple regression analysis, and a T-test and an F-test to assess our hypotheses. According to the data, there is no significant relationship between financial literacy and MSME Business Performance (t-value of -0.797 < t-table of 1,99601). There is a statistically significant relationship between tax knowledge and company success (t-value 2,952 > t-table 1,99601). There is a statistically significant relationship between tax rules and company performance (t-value 5,667 > t-table 1,99601). With an F-value of 21,768 > F-table of 2,74, there is a strong simultaneous influence of financial literacy, tax awareness, and tax legislation on company performance. These three factors account for 49.7 percent of the variance in MSME company performance, according to the coefficient of determination (R^2) of 0.497. These results suggest that in order to help their businesses function better, MSME owners should educate themselves more on taxes. To further assist MSME businesses, the government can enhance its tax outreach efforts.

Keywords: *Financial Literacy, MSME Business Performance, Tax Knowledge, Tax Regulations*

INTRODUCTION

When it comes to Indonesia's economy, MSME is king. (Hartono & Lazuardi, 2025; Stefanny & Wahyuni, 2025) not only boost national GDP, but they also employ more people and have a major impact on people's quality of life (Hartono & Lazuardi, 2025; Stefanny & Wahyuni, 2025). Medan, one of Sumatra's main cities, is home to a thriving (Hartono & Lazuardi, 2025; Stefanny & Wahyuni, 2025) sector that spans a wide range of sectors, from food and beverage to services and the arts. In spite of this persistent expansion, many (Hartono & Lazuardi, 2025; Stefanny & Wahyuni, 2025) continue to encounter several obstacles in their pursuit of enhanced business performance and the maintenance of sustainable development.

The success of MSME is a key performance indicator as it shows how well company owners can keep and grow their companies. Profit, sales, and customer count growth are three ways that MSME success may be measured (Junaidi et al., 2023) according to the research. Many MSME owners confront several financial and management obstacles, making it difficult to achieve effective company performance. While (Setyaningrum, 2019) highlighted the need of sound financial management in sustaining company operations, (Ismanto et al., 2024) listed a lack of competent managers as a major challenge for MSME. According to the MSME Empowerment Report 2022, a quarter of MSMEs had trouble with cash flow management, and almost a third had trouble embracing financial technology. These factors show that the capacity of company

owners to handle financial and tax-related matters impacts MSME success in addition to operational operations.

Financial literacy is one aspect that might impact the success of MSME's firm. With the right level of financial literacy, company owners can keep track of money coming in and going out, make informed decisions about how to invest it, and plan for the future (Kaseng et al., 2024; Situmorang & Pane, 2025). When owners of MSME lack financial literacy, it might be challenging for them to assess their financial situation and make sound business choices (Limvica & Wahyuni, 2025). As reported by the Indonesian Chamber of Commerce and Industry, MSMEs experienced a growth rate of 1.52% in 2023. Approximately 66 million business units contributed 61% of Indonesia's GDP, which was equivalent to IDR 9,580 trillion, and employed around 117 million people (PEREKONOMIAN, 2023). Despite this, a lot of MSMEs still have a hard time keeping their businesses alive and growing. The capacity to handle financial resources may promote more successful corporate decision-making, which is why financial literacy is crucial to the debate of MSME company performance.

Factors influencing MSME company success include tax literacy and financial literacy. NPWP registration, tax computation, tax reporting, and tax payments are just a few of the many tax responsibilities that MSME owners must be aware of. When company owners don't have a good grasp of tax laws and regulations, they run the risk of making mistakes, falling into noncompliance, or even incurring fines that cut into their revenues. On the other side, MSME owners may benefit from having sufficient tax knowledge by better understanding their tax obligations, managing them, and minimizing the likelihood of tax-related issues. Thus, tax knowledge is associated with MSME owners' capacity to run their firms, in addition to being relevant to tax compliance.

Additionally, tax rules are significant since government policies and regulations dictate the tax responsibilities of MSMEs. When it comes to MSME taxes, owners should be aware that any changes to the rules might impact their calculations, payments, and reports. Unfortunately, not all owners of MSMEs have the cognitive capacity to comprehend and adjust to new tax rules. It may be difficult to put them into practice due to the complicated rules and the lack of tax socializing. Therefore, some MSME owners may see taxes as an extra cost that has the potential to impact the success of their firm. The Government rule No. 23 of 2018 (PP 23/2018) is a significant rule pertaining to MSMEs. It supersedes Government Regulation No. 46 of 2013 (PP 46/2013). As of PP 46/2013, MSMEs have to pay a final income tax of 1% of their gross turnover. Some MSMEs, especially those with thin profit margins, felt this policy was unfair and wanted it changed (Nugroho & Siregar, 2025). With the goal of making taxes easier for MSMEs, increasing tax compliance, and broadening the country's tax base, the government responded by lowering the final income tax rate to 0.5% of gross revenue by PP 23/2018 (Ministry of Finance, 2018). The impact of tax restrictions on the financial responsibilities and commercial endeavors of MSMEs may be seen clearly in this modification. Owners of MSMEs would do well to familiarize themselves with tax legislation so that they may effectively run their companies.

In North Sumatra, the emergence of MSMEs likewise reveals the significance of these elements. The following table compares the total number of MSMEs in North Sumatra and Indonesia from 2019 to 2023.

Year	Number of MSMEs in North Sumatra (Unit)	Number of MSMEs in Indonesia (Unit)	Proportion (%)
2019	127.152	4.380.176	2,90%
2020	120.163	4.209.817	2,85%
2021	132.382	4.162.688	3,18%
2022	120.914	4.339.228	2,79%
2023	126.907	4.500.584	2,82%

Source: (BPS, 2025) (https://webapi.bps.go.id)

Based on the table above, the number of MSMEs in North Sumatra Province varied from 2019 and 2023. There were 127,152 MSMEs registered in 2019. In 2020, the figure fell to 120.163 units, a 6.989 unit drop from the previous year. Because of the COVID-19 pandemic's impact on economic activity and business, the drop happened at that time.
Once again, the number of MSMEs in North Sumatra Province reached a record high of 132.382 units in 2021, as indicated in the table. The percentage of MSMEs in North Sumatra as a whole rose to 3.18%, which is higher than the national average. Nevertheless, in 2022, the quantity of MSMEs fell to 120,914 units, representing a decrease of 2.79%. On top of that, compared to 2022, the number of MSMEs in North Sumatra Province increased by 5.993 units, reaching 126.907 units in 2023. Additionally, their share of all MSMEs in Indonesia rose from 2.79 percent to 2.82 percent.
The ever-changing count of MSMEs is a sign of the ever-changing nature of MSME development and the continued importance of the problem of sustaining company performance. This situation is especially important in Medan Kota District since MSMEs there work in many industries and have to deal with managing money, paying taxes, and adapting to new rules. It is crucial to comprehend the elements linked to MSME company performance from the viewpoints of both company management and financial and tax management.
Before this study, researchers looked at how financial literacy relates to MSME performance, and how financial management and technology may help with MSME development. There have been research on MSMEs' tax knowledge and compliance, although most studies on tax laws have concentrated on compliance, tax burdens, or the execution of particular tax policies. When looking at the elements impacting the success of MSME businesses, few studies have taken a comprehensive approach, focusing on MSMEs in the Medan Kota District. These aspects include financial literacy, tax awareness, and tax rules. There is a lack of research on these three interrelated aspects of MSME management. Financial literacy refers to the capacity to handle one's own financial resources, tax knowledge to comprehend one's own tax responsibilities, and tax regulations to comprehend and adjust one's own business to new government tax policies.
There is an immediate need to fill this knowledge gap by studying the impact of financial literacy, tax awareness, and laws on the company performance of MSMEs in Medan Kota District. Although MSMEs continue to have difficulties with fiscal management and taxes, they make a significant contribution to economic activity and jobs, making this an essential problem. If the impact of these three elements can be better understood, we can see which parts of MSME need more work in terms of empirical data.
In this research, we take a unique approach by looking at how financial literacy, tax understanding, and laws all interact with MSME company performance in the Medan Kota District. Instead than looking at financial and taxation-related elements independently or with a primary emphasis on tax compliance, this research combines them into one model to see how they connect to MSME company success. Empirical evidence from a local MSME context is provided by the unique geographical emphasis on Medan Kota District. This evidence may vary from results acquired from other places.
Accordingly, the purpose of this research is to look at how MSMEs in Medan Kota District fare as a company when it comes to tax rules, financial literacy, and understanding of taxes. The results will hopefully help advance MSME studies and provide lawmakers and MSME owners useful information for boosting financial literacy, tax awareness, and comprehension of rules to help businesses do better financially.

LITERATURE REVIEW

MSME Business Performance (Y)

Business performance is defined as the degree to which several departments, including accounting, manufacturing, sales, and marketing, are able to work together effectively to

accomplish the company's stated objectives (Aritonang et al., 2022). Capital, human resources, and distribution networks are examples of external elements that impact performance. According to (Nurlianti & Qhodriyah, 2022), a company's financial health is an important component of MSME business performance. This health may be measured using financial analysis techniques to ascertain performance over a certain time frame. Many people believe that MSMEs are the main forces behind economic development and the creation of new jobs (Safitri & Pangestika, 2025). Important components of a nation's prosperity are its original ideas, which contribute to the creation of one-of-a-kind items and the enhancement of manufacturing processes. Enhancing the efficiency of MSMEs has a multiplicative effect on the economy, boosting both internal efficiency and GDP growth. That is why MSMEs work: they help organizations reach their objectives by making good use of their resources and introducing new ideas, which boosts the economy and increases GDP.

Business performance indicators according to Gani et al. (2025)

1. Gross Profit
2. Net Profit
3. Gross Profit Margin
4. Net Profit Margin
5. Current Ratio

Financial Literacy (X1)

Having a solid grasp of financial concepts and risks is just the beginning of what the OECD calls "financial literacy." It also includes the ability to apply this knowledge in different situations, which in turn improves people's and society's financial well-being and allows them to take part in economic life (Lusardi & Mitchell, 2011). After considering all the many approaches and metrics, this may be the most thorough explanation of the subject (Rieger, 2020). (Lusardi & Mitchell, 2011) proposes a number of different measures, but one that stands out is the one that can differentiate between different levels of comprehension while still being brief, relevant, and easy to grasp. Consequently, this method was used to evaluate financial knowledge in this research. Many national surveys throughout the globe have addressed these same issues, which are based on basic principles that underpin most financial choices (Klapper & Lusardi, 2020). The five questions that make up the financial knowledge assessment center on topics such as interest rates, time value of money, risk diversification, inflation, and the risk-return connection (Lusardi & Mitchell, 2011).

Financial literacy indicators according to (OJK, 2017)

1. Knowledge
2. Skills
3. Confidence
4. Attitudes
5. Behavior

Tax Knowledge (X2)

A thorough familiarity with the laws and regulations that comprise the government's tax system is required for tax expertise. General tax knowledge, tax procedural knowledge, and legal tax knowledge are the three primary components of tax knowledge. Tax compliance processes are the domain of procedural knowledge, fiscal awareness is the domain of general tax knowledge, and laws and regulations are the domain of legal tax knowledge. Businesses might find themselves in a precarious position if its owners do not possess a basic understanding of tax laws and regulations; taxpayers who do so exhibit a readiness to comply with these laws (The Theory of Rational Action). Companies might lose money and face negative publicity if they aren't in conformity with tax laws, which can happen for a variety of reasons, including ignorance or willful

misconduct. So, one of the main factors that determines a company's success is tax expertise.

Tax knowledge indicators based on the General Provisions and Tax Procedures of Taxation (KUP 2011)

1. Knowledge of tax payment and reporting procedures
2. Knowledge of applicable tax rates
3. Knowledge of the role of taxes for the country
4. Knowledge of the tax system, including tax reporting and payment for MSMEs

Tax Regulations (X3)

The processes, rights, and responsibilities related to taxes are defined by a body of law known as tax rules. Ensuring that every taxpayer contributes to the nation is a top priority for the Ministry of Finance and the Taxation Act. These laws include specifics on collection techniques, reporting obligations, and punishments.

Tax knowledge indicators based on Minister of Finance Regulation (PMK), 03 (2019)

1. Quality of Regulation
2. Tax Procedures
3. Facilities & Incentives
4. Legal Certainty & Fairness

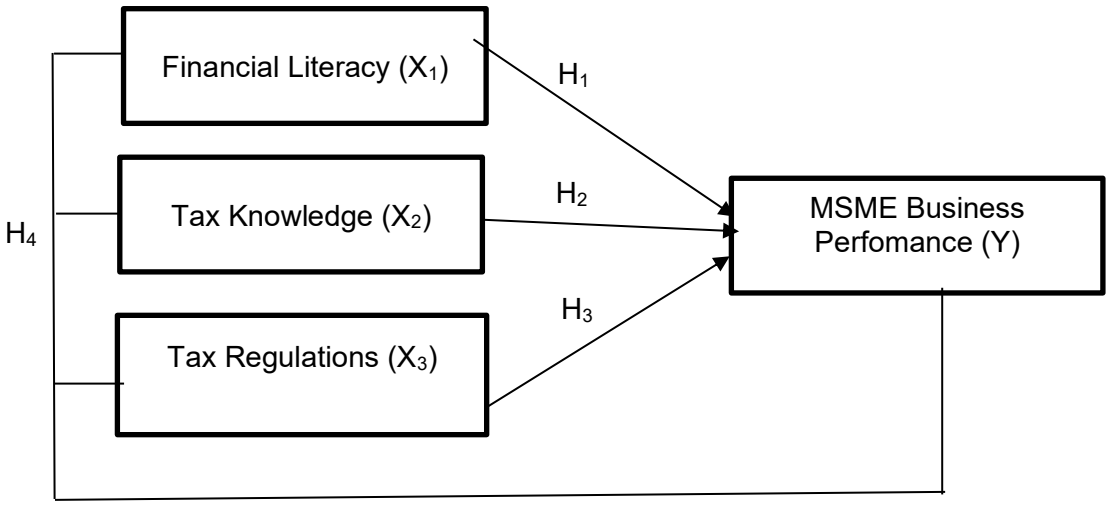


Figure 1. Theoretical Framework

The hypotheses of this study are:

H_1: How well MSMEs in Medan Kota District manage their finances affects how well their businesses do.

H_2: Medan Kota District MSMEs' company success is influenced by their tax understanding.

H_3: Medan Kota District MSMEs' bottom lines are impacted by tax restrictions.

H_4: Medan Kota District MSMEs' company success is influenced by their level of financial literacy, their understanding of taxes, and the rules and laws governing taxes.

RESEARCH METHOD

Using a quantitative approach and primary data gathered from a survey of MSMEs in Medan Kota District, this research presents its findings. The study included the months of July through October 2026. The population is the whole set of things or people that meet the researcher's criteria for analysis and conclusions; it's also a numerical representation of this set (Sugiyono, 2013a). A sample is a representational subset of a larger population that captures some of the population's salient features (Sugiyono, 2013b). Seventy MSMEs participated in the research, which employed a saturation sampling method. This is what the data analysis and testing included:

1. Validity Test
2. Reliability Test
3. Descriptive Statistical Test
4. Classical Assumption Tests:
   a. Normality Test
   b. Heteroscedastisity Test
   c. Multicolinearity Test
5. Multiple Linear Regression Analysis
6. Hypothesis Testing:
   a. T-Test
   b. F-Test
   c. Coefficient of Determination Test (R^2)

RESULTS

Validity Test

To find out whether a questionnaire measures the target construct correctly, researchers do a validity test (Ghozali, 2021a; Hidayat et al., 2025). To be legitimate, a questionnaire must include items that can measure and expose the characteristics it claims to evaluate. To check for correctness, we compare the computed correlation coefficient (r-count) to the crucial value (r-table). A statement item is deemed legitimate if its r-count value is positive and exceeds the r-table value.

The r-table value of 0.235 in this research was calculated using the degree of freedom (df) formula, where df = N − 2 = 70 − 2 = 68. In the following table, you can see the outcomes of the validity tests conducted on each study factor:

Table 1.
Financial Literacy Validity Test Results (X_1)

Questions	R_{count}	r_{tabel}	Kriteria	Keterangan
1	0,746	0,235	$r_{count} > r_{table}$	Valid
2	0,779	0,235	$r_{count} > r_{table}$	Valid
3	0,715	0,235	$r_{count} > r_{table}$	Valid
4	0,771	0,235	$r_{count} > r_{table}$	Valid
5	0,785	0,235	$r_{count} > r_{table}$	Valid
6	0,752	0,235	$r_{count} > r_{table}$	Valid
7	0,826	0,235	$r_{count} > r_{table}$	Valid
8	0,812	0,235	$r_{count} > r_{table}$	Valid
9	0,706	0,235	$r_{count} > r_{table}$	Valid
10	0,733	0,235	$r_{count} > r_{table}$	Valid

Source: Processed data, 2026

According to the data in the table, all of the Corrected Item-Total Correlation values for the financial literacy factor are higher than the r-table value of 0,235, indicating that the study was legitimate. Accordingly, the research may make use of the whole financial literacy questionnaire.

Table 2.
Tax Knowledge Validity Test Results (X_2)

Questions	r_{count}	r_{table}	Criteria	Information
1	0.783	0,235	$r_{count} > r_{table}$	Valid
2	0.804	0,235	$r_{count} > r_{table}$	Valid
3	0.781	0,235	$r_{count} > r_{table}$	Valid
4	0.804	0,235	$r_{count} > r_{table}$	Valid
5	0.810	0,235	$r_{count} > r_{table}$	Valid
6	0.719	0,235	$r_{count} > r_{table}$	Valid
7	0.609	0,235	$r_{count} > r_{table}$	Valid
8	0.768	0,235	$r_{count} > r_{table}$	Valid

Source: Processed data, 2026

Table 1 shows that all Corrected Item-Total Correlation values are higher than the r-table value of 0,235, indicating that the tax knowledge measure has been successfully tested for validity. Therefore, the tax knowledge questionnaire contains genuine and usable questions.

Table 3.
Tax Regulations Validity Test Results (X_3)

Questions	r_{count}	r_{table}	Criteria	Information
1	0.616	0,235	$r_{count} > r_{table}$	Valid
2	0.593	0,235	$r_{count} > r_{table}$	Valid
3	0.690	0,235	$r_{count} > r_{table}$	Valid
4	0.477	0,235	$r_{count} > r_{table}$	Valid
5	0.443	0,235	$r_{count} > r_{table}$	Valid
6	0.576	0,235	$r_{count} > r_{table}$	Valid
7	0.628	0,235	$r_{count} > r_{table}$	Valid
8	0.563	0,235	$r_{count} > r_{table}$	Valid

Source: Processed data, 2026

All of the corrected item-total the coefficients for the tax regulations factor are higher than the r-table value of 0,235, as shown in the validity test results table. Which means we may utilize every single item from the tax regulations survey.

Table 4.
MSME Business Performance Validity Test Results (Y)

Questions	r_{count}	r_{table}	Criteria	Information
1	0.568	0,235	$r_{count} > r_{table}$	Valid
2	0.618	0,235	$r_{count} > r_{table}$	Valid
3	0.542	0,235	$r_{count} > r_{table}$	Valid
4	0.643	0,235	$r_{count} > r_{table}$	Valid
5	0.689	0,235	$r_{count} > r_{table}$	Valid
6	0.594	0,235	$r_{count} > r_{table}$	Valid
7	0.729	0,235	$r_{count} > r_{table}$	Valid
8	0.593	0,235	$r_{count} > r_{table}$	Valid
9	0.706	0,235	$r_{count} > r_{table}$	Valid
10	0.600	0,235	$r_{count} > r_{table}$	Valid

Source: Processed data, 2026

Every single one of the Corrected Item-Total Correlation values is higher than the r-table value of 0,235, as can be seen in the validity test results table for the MSME business performance indicator. Accordingly, the MSME company performance questionnaire contains only legitimate questions that may be used for the examination.

Reliability Test

A reliability test is carried out to determine how consistent a questionnaire is when employed as an indication of a factor or construct (Ghozali, 2021b). After the validity test, the next step is to check the reliability of the questionnaire to see how consistently respondents answered each item. If a questionnaire has a Cronbach's alpha score greater than 0.60, it is deemed reliable. The following table displays the results of the reliability tests for all of the study factors.

Table 5.
Financial Literacy Reliability Test Results

Cronbach's Alpha	N of Items
0,918	10

Source: Processed data, 2026

The financial literacy items achieved a score of 0.918, which is higher than 0.60, as seen in the table above. This indicates that this factor's dependability is satisfactory.

Table 6.
Tax Knowledge Reliability Test Results

Cronbach's Alpha	N of Items
0,890	8

Source: Processed data, 2026

The items for the tax knowledge factor had a value of 0,890, which is more than 0,60, as seen in the table above. This factor's dependability may be considered satisfactory.

Table 7.
Tax Regulations Reliability Test Results

Cronbach's Alpha	N of Items
0,703	8

Source: Processed data, 2026

It is clear from the data in the table opposite that tax rules factor items got a value of 0,703, which is more than 0,60. This factor's dependability may be considered satisfactory.

Table 8.
MSME Business Performance Reliability Test Results

Cronbach's Alpha	N of Items
0,827	10

Source: Processed data, 2026

The elements for the MSME business performance factor acquired a value of 0,827, which is larger than 0.60, according to the table above. This factor's dependability may be considered satisfactory.

Descriptive Statistical Test

(Ghozali, 2021b) states that descriptive statistics summarize or describe a dataset's properties using a number of metrics, such as variance, average, skewness, range, total, standard deviation, and kurtosis or minimum. Mean, standard deviation, maximum, and minimum values make up the descriptive statistics used in this research.

Table 9.
Descriptive Statistical Test Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	70	19	49	34,36	8,499
Tax Knowledge	70	15	38	27,87	6,091
Tax Regulations	70	14	38	27,76	5,457
MSME Business Performance	70	18	45	33,37	6,499
Valid N (listwise)	70				

Source: Processed data, 2026
According to the findings, 70 respondents from the Medan Kota District who identified as MSMEs made up the dataset. With a range of 19–49, the financial literacy factor had an average of 34.36 and a standard deviation of 8,499. The range of values for the tax knowledge factor was 15–38, with 27,87 as the mean and 6,091 as the standard deviation. The tax regulations factor ranges from 14 to 38, with an average of 27,76 and a standard deviation of 5,457. There is a mean of 33.37 and a standard deviation of 6,499 for the MSME business performance factor, which may take on values between 18 and 45.

Normality Test

If the independent and dependent factors do not follow a normal distribution, then the normality test will provide an incorrect result (Sahir, 2022). By definition, a significance level higher than 0.05 indicates that the data follows a normal distribution. On the other hand, data are deemed non-normally distributed if the significance value is below 0.05.

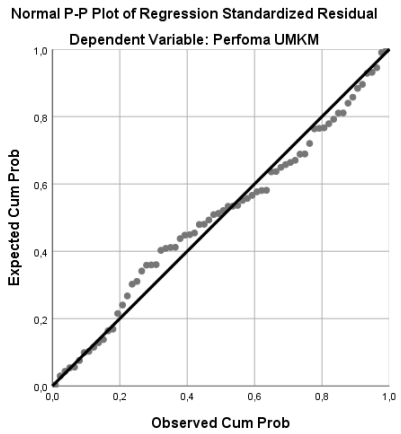


Figure 2. P-Plots

Source: Processed data, 2026

A diagonal line distributes the data points, as seen in Figure 2 above. The results show that the data follow a normal distribution.

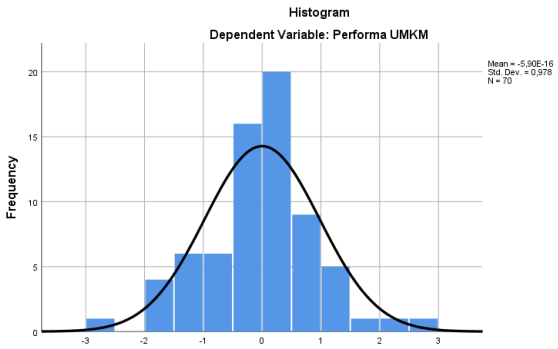


Figure 3. Histogram

Source: Processed data, 2026

The data distribution tends to form a symmetrical curve around the mean (U), as seen in Figure 3 above. The test shows that the data follows a normal distribution.

Table 10.
Kolmogorov Smirnov Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		70
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	4,60764914
Most Extreme Differences	Absolute	0,086
	Positive	0,064
	Negative	-0,086
Test Statistic		0,086
Asymp. Sig. (2-tailed)		0,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Processed data, 2026

The Kolmogorov-Smirnov test for normalcy yielded an asymptotic significance level of 0.200. It follows that the regression model follows a normal distribution, as the Asymp. Sig. (2-tailed) value is larger than the alpha value of 0.05.

Heteroscedastisity Test

The heteroscedasticity test is used to find out whether the residual variance is different for each observation (Sahir, 2022). For data to be free of heteroscedasticity, the significance value must be higher than 0.05. The data are said to have heteroscedasticity, in contrast, if the significance value is below 0.05.

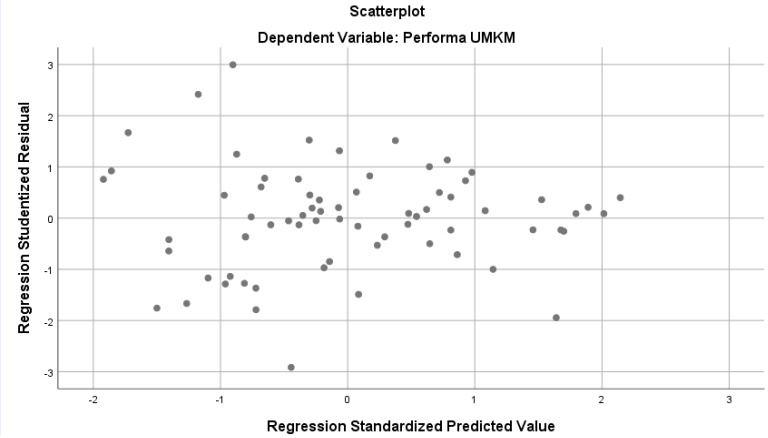


Figure 4. Heteroscedasticity

Source: Processed data, 2026

Figure 4 shows that there is no heteroscedasticity and the data is homoscedastic since the data points are spread both below and above the origin (0) on the Y-axis.

Multicollinearity Test

If the independent factors are highly correlated with one another, a multicollinearity test should be run (Sahir, 2022). When the Variance Inflation Factor (VIF) and the Tolerance (TOL) values are known, multicollinearity may be identified. A look at the Tolerance and VIF numbers should reveal multicollinearity (Ghozali, 2021b). The data are deemed to be free of multicollinearity if either the Tolerance value is more than or equal to 0.1 or the VIF value is less than or equal to 10. If the VIF value is more than 10 or the Tolerance value is less than 0, then the data are said to have multicollinearity.

Table 11.
Multicollinearity Test Result

Model	Collinearity Statistics	
	Tolerance	VIF

1	(Constant)		
	Financial Literacy	0,474	2,111
	Tax Knowledge	0,727	1,375
	Tax Regulations	0,601	1,663

Source: Processed data, 2026

According to the data in the table, the financial literacy factor's VIF value is 2,111, which is less than 10, and its tolerance value is 0,474, which is more than 0.10. As a result, we may say that financial literacy is not multicollinear as an independent factor. A VIF value of 1,375 < 10 and a Tolerance value of 0,727 > 0,10 for the tax knowledge independent factor suggest that it does not show signs of multicollinearity. Concurrently, the factor for tax rules has a VIF value of 1,663 < 10 and a Tolerance value of 0,601 > 0.10. Finally, there is no evidence of multicollinearity in the independent factor pertaining to tax rules.

Multiple Linear Regression Analysis

Ghozali (2021b) states that while trying to find out how many independent factors affect a single dependent factor, one may utilize multiple linear regression analysis.
These results are based on the following regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Keterangan:
Y : MSME Business Performance
X_1 : Financial Literacy
X_2 : Tax Knowledge
X_3 : Tax regulations
α : Constant
$\beta_1 ....\beta_2$: Regression Coeficient
e : Error

Table 12.
Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	5,958	3,515	
	Financial Literacy	-0,077	0,097	-0,101
	Tax Knowledge	0,322	0,109	0,302
	Tax Regulations	0,760	0,134	0,638

Source: Processed data, 2026

Based on the table, the multiple linear regression equation for this study can be expressed as follows:

MSME Business Performance = 5,958 - 0,077 Financial Literacy + 0,322 Tax Knowledge + 0,760 Tax Regulations + e

In the absence of or with financial literacy, tax awareness, and tax rules factors, the MSME economic effectiveness value is 5,958 units, as shown by the constant (α) of 5,958. If all other independent factors are held constant and financial literacy grows by 1

unit, the MSME business performance value will fall by 0.077 units, according to the -0.077 regression coefficient for the financial literacy factors. With all other independent factors held constant or set to zero, a one-unit increase in tax knowledge predicts a 0.322-unit rise in the MSME company efficiency value, according to the tax knowledge factor's regression coefficient. An increase of one unit in tax rules will result in a 0.760 unit rise in the MSME business performance value, according to the regression coefficient of 0.760, which holds all other independent factors at 0 or constant.

T-Test

According to (Ghozali, 2021b) t-test is used to determine the extent to which an individual independent factor influences the dependent factor.

Table 13.
T-Test Result

Model		t	Sig.
1	(Constant)	1,695	,095
	Financial Literacy	-,797	,428
	Tax Knowledge	2,952	,004
	Tax Regulations	5,667	,000

Source: Processed data, 2026

Using a two-tailed test, the t-table value for 70 samples is α = 0.05. The degrees of freedom (df) were calculated as follows: 70 minus 3, which equals 67, by dividing the sample size (N) by the number of independent factors (k). The findings show that financial literacy is statistically significant (p < 0.05) with a t-value of -0.797 < t-table value of 1,99601. So, it's safe to say that MSMEs in Medan Kota District's company performance is unaffected by financial literacy. A significant level of 0,004 < 0.05 is associated with tax knowledge, which has a t-value of 2,952 > t-table value of 1,99601. It follows that MSMEs' business success in Medan Kota District is significantly impacted by their tax understanding. The tax rules have a t-value of 5,667, which is more than the t-table value of 1,99601, and a significance threshold of 0.000, which is less than 0.05. As a result, MSMEs in Medan Kota District are impacted by tax restrictions to a considerable extent.

F-Test

According to (Ghozali, 2021b) F-test is conducted to determine the simultaneous effect of the independent factors on the dependent factor

Table 14.
F-Test Result

Model		F	Sig.
1	Regression	21,768	,000[b]
	Residual		
	Total		

Source: Processed data, 2026

Applying the degrees of freedom (df1 = number of independent factors = 3 and df2 = N - k - 1 = 70 - 3 - 1 = 66), the computed F-value for 70 samples, for α = 0.05, is 21,768. At a significance threshold of 0.000 < α (0.05), the results of the investigation reveal that the computed F-value of 21,768 surpasses the table F-value of 2,74. This leads us to believe that MSMEs' company success in Medan Kota District is highly dependent on their level of financial education, tax expertise, and familiarity with relevant legislation.

Coefficient Determination Test

To find out how well a model accounts for the observed variance in a dependent factor, one may apply the coefficient determination test (Ghozali, 2021b). One to zero is the range of the coefficient of determination. If it's near to 1, it means that the independent factors can predict the dependent factor fluctuations with a high degree of accuracy.

Table 15.
Coefficient Determination Test Results

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,705[a]	0,497	0,475	4,711
a. Predictors: (Constant), aturan pajak, pengetahuan pajak, literasi keuangan				
b. Dependent Factor: performa UMKM				

Source: Processed data, 2026

With an R-squared value of 0.497, the study found that financial literacy, tax awareness, and tax rules accounted for 49.7 percent of the variance in MSME company performance. Additional factors not included in this analysis account for the remaining 50.3% of the variance in MSME company performance.

DISCUSSION

Financial Literacy on MSME Business Performance
Juxtaposed with the t-table value of 1,99601 and a significance value of 0,428 > 0.05, the calculations reveal a t-value of -0.797 < financial literacy's influence. The results show that MSMEs in Medan Kota District are not significantly impacted by financial literacy on their company performance. This leads us to reject H1. Since financial knowledge does not always transfer into efficient financial management and business choices, it is possible that financial literacy may not significantly impact MSME company performance. The findings are in agreement with those of a research by Maghfiroh (2026), which indicated that financial literacy has an impact on MSME performance via financial management and competitive advantage rather than a direct relationship.

Tax Knowledge on MSME Business Performance
The calculations reveal that the t-value of 2,952 > t-table value of 1,99601 and a significance level of 0,004 < 0,05, based on partial test findings on the influence of tax knowledge. This indicates that MSMEs' understanding of taxes significantly impacts their company performance in Medan Kota District. Hence, we accept H2. Findings are in agreement with those of a research that indicated tax knowledge significantly affects MSME company performance (Arinah et al., 2025).

Tax Regulations on MSME Business Performance
The calculations reveal that the t-value of 5,667 > t-table value of 1,99601 and a significance level of 0.000 < 0.05, based on partial test findings on the impact of tax rules. This proves that MSMEs in Medan Kota District are not the only ones whose company

success is affected by tax restrictions. This leads us to accept H3. This finding is in line with that of a research that indicated tax restrictions significantly impact the business performance of MSMEs (Rahayu et al., 2022).

Financial Literacy, Tax Knowledge, and Tax Regulations on MSME Business Performance

At a significance threshold of 0.000 < α (0.05), the concurrent test findings on the impact of financial literacy, tax knowledge, and tax rules reveal that the computed F-value of 21,768 surpasses the tabular F-value of 2,74. It may be inferred that the business performance of MSMEs in Medan Kota District is greatly affected by financial literacy, tax awareness, and tax legislation. It follows that H4 is a valid alternative. This finding is in agreement with previous research by Arinah et al. (2025b), Rahyu et al. (2022b), and Kusuma et al. (2021).

CONCLUSION

This research found no statistically significant relationship between financial literacy and MSME performance in the Medan Kota District. At the same time, MSMEs' company success in Medan Kota District is greatly influenced by their tax understanding. Businesses in the Medan Kota District are also heavily influenced by tax restrictions. The success or failure of MSMEs in Medan Kota District is heavily influenced by tax rules, levels of financial literacy, and general awareness of taxes. With a R^2 of 0.497, we can see that financial literacy, tax awareness, and tax rules account for 49.7 percent of the variance in MSME company performance. On the other hand, factors like income and financial planning, which were not included in this research, account for the remaining 50.3% of the variance in MSME company performance.

RECOMMENDATION

The results suggest that MSME owners should educate themselves on tax laws, keep up with rule changes, and practice good money management. Better tax education, fewer rules, and easier access to tax services and incentives are all priorities for the government and tax authorities. The research scope, factors, and respondents of this study include limitations that might limit the results' application. To get a more comprehensive knowledge of MSME sustainability, future studies should include other characteristics as digitalization, financial technology, entrepreneurial attitude, access to capital, business background, and management talents.

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