THE INFLUENCE OF PRODUCT QUALITY, FINANCIAL LITERACY, DIGITAL LITERACY, FINANCIAL MANAGEMENT, AND DIGITAL MARKETING ON THE PROFITABILITY OF MSME BUSINESSES

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Abstract

This study aims to determine of product quality, financial literacy, digital literacy, financial manajemen, and digital marketing on the profitability of MSME businesses in Kupang city. The number of research samples was 50 MSME actors in Kupang City who were obtained using a purposive sampling method. The analysis techniqueused in this study is multiple linear regression analysis. The result of yhe analysis show that financial literacy with a significance value of $0.095 > 0.05$, digital literacy with a significance value of $0.092 > 0.05$, financial manajement with a significance value $0.181 > 0.05$, and digita marketing with a significance value of $0.260 > 0.05$ has no effects on profitability MSME businesses while product quality which has a significance value of $0.027 < 0.05$ affect the profitability of MSME businesses. The results of tests carried out simultaneo usly or simultaneo usly show that product quality, financial literacy, digital literacy, financial manajemen, and digital marketing have an effect on the profitability of MSME businesses in Kupang City with an R Square value in the regression analysis of 41.7%. Based on these results it can be concluded that it is necessary to increase understanding of financial literacy and use of digital literacy in financial development and manajement so that businesses can develop and adapt to technological developments so that they can take advantage of digital marketing facilities in the current era and MSMEs can develop and have competitiveness while product quality influence on the profitability of MSME businesses in Kupang City.

Keywords: Product quality; financial literacy; financial manajemen; digital literacy; digital marketing

INTRODUCTION

(Undang-Undang, 2008) About Micro, Small and Medium Enterprises is a business group managed by individuals or business entities whose criteria are stipulated in the Law, Cooperatives and MSMEs, a type of business that has a role in increasing GDP (Gross Domestic Income) in a country, especially in facing the Industrial era 4.0. Micro, small and medium enterprises have a fundamental and strategic role in national economic development.

MSMEs (micro, small and medium enterprises) are one of the people's economic activities that have a maximum net worth of Rp200,000,000 where the land and buildings where the business is operated are not counted in the net worth, and usually have an annual sales turnover of at most Rp1,000,000,000 and belong to Indonesian citizens (Kwartono, 2022).

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Table 1
Data on the Development of Micro and Small Enterprises in 2018-2021 Kupang City

No	Kota Kupang	Jumlah	
		Usaha Mikro	Usaha Kecil
1	2018	16.815	235
2	2019	16.940	235
3	2020	17.240	235
4	2021	17..240	235
TOTAL UMK		17.475	

Sumber : Dinas Koperasi dan Usaha Mikro Kecil (UKM) Kota Kupang

The development of MSMEs in East Nusa Tenggara from the data above, according to sources from the Cooperative and Small and Medium Enterprises Office In 2021, the development of MSMEs in NTT, namely Micro Enterprises 17,240 and Small Enterprises 235 with a total of 17,475 businesses in East Nusa Tenggara, which in Kupang City MSMEs can help the community's economy with a total of Micro Enterprises (UM) 17,240 and Small Enterprises (UK) 235 with a total of 17,475 businesses that can open job opportunities for the people of the City and reduce unemployment in 2021. BPS data on the open unemployment rate in 2020 was 9.76% and in 2021 it decreased by 3.77%, with the presence of the pandemic, many people were laid off, therefore many chose to open their own businesses by adjusting developments in the 4.0 era with a digital basis so that their businesses could develop. The development of micro, small and medium enterprises (MSMEs) in Kupang City has increased in the last 4 years (2018-2021), increasing from year to year although it decreased in 2019, but the development of MSMEs has increased in the last 2 years. The following is the data on the development of MSMEs

Tabel 2
Data UMKM Tahun 2018-2021

N0	URAIAN	2018	2019	2020	2021
1	Jumlah UMKM	17.050	17.175	17.475	17.475
2	% Kenaikan UMKM	1,69	0,73	1,74	1,74

Sumber : Dinas Koperasi dan Usaha Mikro Kecil (UKM) Kota Kupang

The increase in the number of MSMEs increased significantly in 2018 by 1.69 and in 2019 experienced an increase of 0.73 until 2021 there was an increase of 1.74 which can reduce unemployment and create jobs so that it can help the community's economy.

The development of digital MSMEs, there are several things that must be considered, including product quality, financial literacy and digital literacy. These three things are important things and must be considered by MSME players so that businesses opened in the digital realm can last a long time. The development and empowerment of digital MSMEs is a strategic thing because it has an important role in improving the community's economy and becoming a source of income and welfare. In the business world, income is obtained in nominal

form of money, then the money is used to see the extent to which the business earns income from the expected sales business results in accordance with the targets that have been set. Money is so important for life both for the needs of life in modern society and business needs, money is also not only a medium of exchange but is a determinant of human relations.

The greater the income received, the greater the business potential in financing business expenses. The problem that is often faced by MSMEs in increasing their income is that product quality is important in the progress and development of a business, MSMEs that have good product quality with innovations that are in accordance with consumer needs and can meet market demand, their business will develop and have high competitiveness with similar businesses, can also place their products as the best choice of consumers in determining purchases. High market competence that encourages MSMEs in Kupang City to innovate products with the aim of gaining a sustainable advantage over their competitors. Innovation in products has an impact on consumer demand for the desired product quality so that MSMEs can develop and produce products that have competitiveness. In addition, the lack of knowledge of financial literacy and digital literacy in improving the performance of SMEs is an important factor in the development of the current era 4.0 with the need for good financial management in minimizing cost errors outside the business and utilizing the digital era in the development of MSMEs.

Financial literacy is one of the main factors in solving the problems faced by SMEs in Kupang City, financial literacy enriches the decision-making resources of SME owners such as cultural values, and must ensure the right source of funds and do not incur additional costs outside the business (Kulathunga, 2020). The low level of financial literacy of MSME owners is a serious problem faced now and in the future because it has a negative impact on financial behavior. Households that are not *literate* usually borrow at high interest rates and have low assets (Yenni Del Rosa, 2021). Low financial literacy can also lead to market mechanisms and give rise to new financial products and increasingly complex declines can result in the risk of losing money due to ignorance or information asymmetry that occurs.

Financial management is also an important factor in allocating business funds so that, from allocating investment, collecting funds in efficient operational financing, in management can work with people and determine, interpret and can achieve organizational goals or a business by carrying out the functions of planning, directing and supervising (Bahiu, 2021).

MSMEs that still lack knowledge in utilizing digital technology are a factor faced by MSMEs today in marketing their products. The performance of MSMEs will be good and have competitiveness if they are able to adapt to developments where initial or conventional thinking must be expert in digital literacy. Low understanding of digital literacy will make it difficult for MSMEs to develop and adapt to current conditions in the digital-based 4.0 era. It needs support from the synergy of netizens, which in fact is the millennial generation. These netizens can be encouraged to help develop digital MSMEs with *resseler* techniques. In this case, netizens who can be invited to synergize are millennials and generation Z who are classified as *buzers*, *influencers,* and *followers* (Arianto, 2020)

The digital MSME development program relies on government support with a licensing model. Therefore, strategic efforts are needed to improve the performance and sustainability of

MSMEs in Kupang City. By enriching the knowledge of business actors about the use of digitalization technology and financial management. The challenge for MSMEs in 2022 in Kupang City is not only due to the occurrence of the Covid-19 waba, but also challenges MSMEs in the 4.0 era, namely digital-based whose development requires MSME players to understand information technology by utilizing internet services or having a *website* is still minimal *and familiar* so that MSME products and services still do not reach markets outside the region and remote areas and cannot compete with other businesses that first adjust With the development and have a *marketplace* and easily get customers because it is known through internet services and can be reached anywhere and anytime, it can go international. MSMEs are the highest economic actors in East Nusa Tenggara that are able to absorb labor in 2017 MSMEs were recorded to reach 99.45% of all non-agricultural businesses (Central Bureau of Statistics East Nusa Tenggara Province, 2019).

Grab in collaboration with Emtek and Bukalapak established Kupang City as the city of the future, East Nusa Tenggara as the Accelerator program of the future city in order to help micro, small and medium enterprises (MSMEs) in the area. The city of the future or abbreviated as real collaboration for the future is an Accelerator program that extensively targets MSMEs in small cities in Indonesia to *go digital.* Kupang City has a lot of potential strength and beauty that can be utilized and developed into products that can be traded by the community (Sahabatumkm, 2021).

Based on data from the Kupang City Cooperatives and MSMEs Office, more than 8,000 micro, small and medium enterprises (MSMEs) in Kupang City have registered for government assistance worth Rp2.4 million per person. That way it can be researched whether MSMEs can survive and develop in the current era with many threats.

Based on the background description above, the problem to be studied can be formulated is: How does product quality affect the profitability of MSME businesses in Kupang City?,
1. How does financial literacy affect the profitability of MSME businesses in Kupang City? ,How does digital literacy affect the profitability of MSME businesses in Kupang City?,
2. How does financial management affect the profitability of MSME businesses in Kupang City?
3. How does digital marketing affect the profitability of MSME businesses in Kupang City?
4. How does product quality, financial literacy, digital literacy, financial management, and digital marketing affect the profitability of MSME businesses in Kupang City?

Based on the formulation of the problem above, the objectives of this study are:
1. Knowing the effect of product quality on the profitability of MSME businesses in Kupang City
2. Knowing the effect of financial literacy on the profitability of MSME businesses in Kupang City
3. Knowing the influence of digital literacy on the profitability of MSME businesses in Kupang City
4. Knowing the effect of financial management on the profitability of MSME businesses in Kupang City

5. Knowing the influence of digital marketing on the profitability of MSME businesses in Kupang City

6. Knowing the influence of product quality, financial literacy, digital literacy, financial management, and digital marketing on the profitability of MSME businesses in Kupang City

Based on the above objectives, this research is expected to provide benefits for all parties including:

For Science, researchers hope that this research can provide benefits in the development of science, understanding and experience of researchers and can contribute to the development of science, especially in the fields of finance, MSMEs in the use of digitalization to develop businesses. For the Research Object, Adding knowledge and insight for readers empirically about the development of digital MSMEs towards business profitability in Kupang City. For Further Researchers, for further researchers can be used as reference material to conduct similar and further research in the same field

The Grand Theory used in this study is structural contingency theory, which is the proposition that organizational structures and processes must be in context (organizational culture characteristics, technology, size and tasks) if they want to survive or be effective in the development period in the current era of adjustment (Wardi, 2018). In this case, how an organization or business actor pays attention to the cultural characteristics that apply in the environment in which it operates and in adjusting to existing technological developments so that it can maintain and adjust to developments and can survive (Idawati, 2017:55). Based on this theory, it can explain if the organization or business cannot run with cultural characteristics, the environment around the business and cannot adjust to developments in the current era, the business will affect the profitability of the business and has no competitiveness with other business actors and cannot survive in various conditions.

Undang-Undang, NO 20 (2008)   Article 1 on micro, small and medium enterprises is: Micro business is a productive business owned by an individual or individual business entity that can meet the criteria for micro enterprises regulated in this Law. Small business is a productive business that stands alone, operated by an individual person and does not include subsidiaries, branches of companies, which are owned and can be controlled or can be a part either directly or indirectly of medium enterprises or large businesses that can meet the criteria stipulated in this Law. Medium enterprises are productive economic enterprises that stand alone, and are carried out by individuals or business entities that are not subsidiaries or branches of companies that can be controlled, and owned and become a part either directly or indirectly with small businesses and large businesses with the results of net worth or sales as regulated in this Law.

Product quality can be interpreted as a product, service, human, process and environment that is able to meet the desires of consumers who are the target market and customers who have met their expectations (Yamirudin, 2019). It does not emphasize on product quality or end results i.e. products and services but includes process, environmental and human quality.

Product quality is a factor that can be relied on in meeting the needs and desires of buyers, selling products in running a business (Yamirudin, 2019:21). So that the quality of a product

becomes a challenge for business actors in developing a business and competing with similar products, innovation and product improvement are needed to have competitiveness and meet the needs of market demand and what consumers want, good product quality will have long competitiveness.

Financial literacy is basic knowledge that understands, manages finances effectively, in terms of shopping, insurance, saving and investing. Good financial literacy will improve the sustainable performance of MSMEs (Arianti, 2020:). Financial literacy is a combination of investor or consumer knowledge about financial products and their concepts as well as the ability and confidence in realizing financial risks in making the right decisions. The higher the financial literacy, the lower the occurrence of *fraud* and failure in financial planning in the future. Whether it concerns investment, protection and also management in finance. Decisions in product selection, the ability to analyze a financial problem and evaluate performance results are some of the factors that affect the high and low financial literacy of individuals or business actors.

Digital literacy is the activity carried out similar to the original version where the actual business is conducted, value is created and exchanged, transactions occur, and one to one relationships mature by using internet initiatives as a medium of exchange (Ramadani, 2020:). Digital literacy is changing the global economy, enabling small industries to become micro-industries with their elasticity and dynamics. This gives a higher chance for beginners to be born globally. Economic development is a special form of organization of scientific progress that guarantees competitive advantages and technological progress. (Ramadani, 2020). refers to entrepreneurs who have the necessary skills and knowledge to be key subjects of innovation. It can be said that the idea of economic development is the basis of human capital, especially human capital without the idea of innovation.

Financial management is management related to the allocation of investment funds and fund collection efforts for financing efficiently. According to (Bahi, 2021), Management or management is working with people to determine, interpret and achieve organizational goals with the implementation of the functions of planning, organizing, drafting personnel, directing and leadership and supervision. Financial management (financial management) is an activity related to acquiring, funding, and managing assets with several overarching objectives.12 The entire process is carried out to obtain company revenue by minimizing costs, in addition to the efficient use and allocation of funds can maximize the value of the company.

Digital technology has changed the way humans communicate, act, and make decisions. Marketing activities cannot be separated from the influence of digital technology. The term digital-based marketing (*digital marketing*) has evolved from the beginning of goods and services marketing activities that use digital channels to a broader understanding, namely the process of acquiring consumers, building consumer preferences, promoting brands, nurturing consumers, and increasing sales. The concept of *digital marketing* comes from the internet and search engines on sites (Sulaksono1, 2020), *Digital marketing* is marketing carried out using internet access, utilizing social media and other digital devices. *Digital Marketing* can help business actors, for example, MSMEs in promoting and marketing their products and services and being able to expand new markets that were previously closed or limited due to limited

time, distance and ways of communicating (Dimas, 2020). Internet media that are now popularly used for product marketing include, Facebook, Youtube, Instagram, and other social media. The benefits obtained by *digital* marketing in addition to being able to reach a wider market and streamline marketing costs, also make unlimited marketing space and time. In addition, *digital marketing* is *real time* so that entrepreneurs can immediately pay attention to interest *and feedback* from the intended market, and can decide on adjustment strategies related to advertising content for better results with more.

Profitability is a measure used by companies in generating profits. A high profit value can show that the company or business actors use all their capital in generating high profits (Wardani, 2021). Internet media that are now popularly used for product marketing include, Facebook, Youtube, Instagram, and other social media. The benefits obtained by *digital* marketing in addition to being able to reach a wider market and streamline marketing costs, also make unlimited marketing space and time. In addition, *digital marketing* is *real time* so that entrepreneurs can immediately pay attention to interest *and feedback* from the intended market, and can decide on adjustment strategies related to advertising content for better results with more. Profitability is a measure used by companies in generating profits. A high profit value can show that the company or business actors use all their capital in generating high profits.

METHOD RESEARCH

The approach in this study uses quantitative which is causative. Quantitative research is the process of finding knowledge using data in the form of numbers in the form of tools in the form of analytical tools in the form of information about what you want to know. The quantitative approach has the purpose of testing theories, establishing facts, providing descriptive statistics, interpreting and forecasting the results (Sugiyono, 2019). The type of research conducted in this study is survey research, which is an approach used in obtaining data from certain places that are natural (not artificial), data obtained by researchers through the distribution of questionnaires or questionnaires as research instruments (Sugiyono, 2019)

The type of data used is quantitative, that is, data in the form of numbers, quantitative data is usually used as basic material for every problem that is statistical.

The primary data used in this study is questionnaire data distributed to respondents, namely 50 MSME actors in Kupang City, Secondary data is data obtained from various written sources such as literature, articles from newspapers, scientific writings, information or publications from the internet that provide relevant information for researchers obtained from literature research that relates to the problem under study. This research was conducted in 50 MSMEs (micro, small and medium enterprises) in Kupang City and the research time was June 2022. Population is all elements that will be used as a generalization area. The population element is the entire object to be measured, which is the unit to be studied. In this case, population is an area consisting of objects / subjects that have certain quantities and characteristics that will be determined by the researcher studied and conclusions drawn (Sugiyono, 2019). The subjects of this study are micro, small and medium enterprises (MSMEs) in Kupang City. According to data from the Kupang City Cooperatives and SMEs Office, the number of SMEs that have Criteria is 17,475.

The sample is part of the number and characteristics that the population has. In determining the sample of this study, a type of *purposive sampling* method is used, because the

sample is determined based on certain criteria. Researchers use data source sampling techniques with certain considerations (Sugiyono, 2019). The sample of this study is all MSME business owners in Kupang City who went *digital as* many as 50 MSMEs. Questionnaires are data collection techniques through forms that contain questions asked to a person or group of people in order to obtain answers or responses and information needed by researchers. Researchers use questionnaires with a structured list of questions and the form of multiple *choice questions*. Documentation is collecting indirect data on MSMEs in Kupang City such as a brief history, the development of MSMEs, vision and mission.

RESULT AND DISCUSSION

Uji Reliabilitas

Tabel 3 Reliability Test Results

No	Variabel	Cronbach's Alpha	Alpha	Tingkat Reliability
1	X1 (Kualitas Produk)	0,667	0,60	Reliabel
2	X2 (Literasi Keuangan)	0,683	0,60	Reliabel
3	X3 (Literasi Digital)	0,827	0,60	Reliabel
4	X4 (Pengelolaan Keuangan)	0,726	0,60	Reliabel
5	X5 (Digital Marketing)	0,777	0,60	Reliabel
4	Y (Profitabilitas Usaha UMKM di Kota Kupang)	0,711	0,60	Reliabel

Sumber : Data Primer diolah oleh SPSS versi 28, 2022

Dengan demikian dapat disimpulkan bahwa keempat variabel penelitian dinyatakan reliabel atau memenuhi persyaratan.

Uji Regresi Linear Berganda

Tabel 4 Multiple linear regression analysis

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	T
1 (Constant)	23, 407	10,374		2,256
Kualitas Produk	,359	,157	,347	2,284
Literasi Keuangan	,203	,119	,189	1,709
Literasi Digital	,181	,105	,231	1,722
Pengelolaan keuangan	,13.598	10,006	,690	-1,359
Digital Marketing	,9.041	7.918	,578	1,142

a. Dependent Variable: Profitabilitas Usaha UMKM di Kota Kupang

Sumber : Olah data SPSS versi 28

Based on the table above, we can obtain the multiple linear regression equation as follows:

Y = a + b1X1 + b 2X2 + b3X3 + b4X4 + b5X5 + e

Y = 23.407 + 0.359 + 0.203 + 0.181 + 13.598 + 9.041 + e

The value of the constant with the regression coefficient in the table can be explained, namely:

1. *Constanta 23.407* means that if the independent variable (product quality, financial literacy and digital literacy) then the dependent variable (MSME business profitability) is 23.407%

2. *The variable coefficient* of product quality (x1) 0.359 shows that if every 1% increase in product quality, the profitability of MSME businesses will increase by 0.359%

3. *The variable coefficient* of financial literacy (x2) 0.203 shows that if every 1% increase in financial literacy, the profitability of MSME businesses will increase by 0.203%

4. *The variable coefficient* of digital literacy (x3) 0.181 shows that if every 1% increase in digital literacy, the profitability of MSME businesses will increase by 0.181%

5. *Variable coefficient* of financial management (x4) 13.598 Shows that if every 1% increase in financial management, the profitability of MSME businesses will increase by 13.598%

6. *The variable coefficient* digital marketing (x5) 9.041 shows that if every 1% increase in digital marketing, the profitability of MSME businesses will increase by 9.041%

Tabel 5 Hasil Uji Normalitas

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			50
Normal Parameters[a,b]	Mean		,0000000
	Std. Deviation		2,18942795
Most Extreme Differences	Absolute		,095
	Positive		,089
	Negative		-,095
Test Statistic			,095
Asymp. Sig. (2-tailed)[c]			,200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		,296
	99% Confidence Interval	Lower Bound	,284
		Upper Bound	,308
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. This is a lower bound of the true significance.			
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1314643744.			

Source : SPSS data processing version 28

Based on the table above, the result obtained from the regression model is 0.200 which can be interpreted as the regression model has a normal distribution because the residual value is greater than 5% / 0.05

Uji Multikolinearitas

Tabel 6 Hasil Uji Multikoleniaritas

Coefficients^a

		Collinearity Statistics	
Model		Tolerance	VIF
1 (Constant)			
Kualitas Produk		,620	1,549
Literasi Keuangan		,670	1,400
Literasi Digital		,755	1,324
Pengelolaan Keuangan		,051	1, 478
Digital Marketing		,052	1,371
a. Dependent Variable: Profitabilitas Usaha UMKM di Kota Kupang			

Source : SPSS data processing version 28

Based on the table above, it can be seen that the VIF value of each variable is below 10 and the tolerance value of each variable is more than 0.1, so there is no relationship or correlation between one independent variable and another independent variable. From the table above, it can be stated that the research data did not experience multicollinearity so that the existing regression model is feasible to be used in this study.

Heteroscedasticity Test

Seen from Table 7 shows that the value of tcount < ttable value = t (a/2; n-k-1) = t (0.05/2; 50-4-1) = t (0.025; 45) = 2.01410 which is as follows X1 = 0.712 < 2.01410, X2 = 0.834<2.01410, X3 = 0.815 < 2.01410, X4 = 0.704 < 2.01410, X5 = 0.830 < 2.01410. Then it can be concluded that heteroscedasticity does not occur.

Uji Hipotesis
Uji t

Tabel 7 Hasil Uji t

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1 (Constant)		23, 407	10,374		2,256	,029
Kualitas Produk		,359	,157	,347	2,284	,027
Literasi Keuangan		,203	,119	,189	1,709	,095
Literasi Digital		,181	,105	,231	1,722	,092
Pengelolaan Keuangan		,13.598	10,006	,690	-1,359	,181
Digital Marketing		,9.041	7.918	,578	1,142	,260
a. Dependent Variable: Profitabilitas Usaha UMKM di Kota Kupang						

Sumber : Olah data SPSS versi 28

Based on the table of test results above, it can be concluded as follows:

Product quality (X1) has a significance value t of 0.027 smaller than the significance value used, which is 5% or 0.05, it is concluded that product quality has a significant effect on the profitability of MSME businesses in Kupang City, in other words H1 is accepted Financial

literacy (X2) has a significance value t of 0.095 greater than the significance value used, which is 5% or 0.05, it can be concluded that financial literacy has no effect on the profitability of MSME businesses in Kupang City, in other words, H2 is rejected. Digital literacy (X3) has a significance value of t 0.092 greater than the significant value used, which is 5% or 0.05, so it can be concluded that digital literacy does not affect the profitability of MSME businesses in Kupang City, in other words H3 is rejected. Financial management (X4) has a significance value of t 0.181 greater than the significant value used, which is 5% or 0.05, it can be concluded that financial management does not affect the profitability of MSME businesses in Kupang City, in other words H4 is rejected. Digital marketing (X5) has a defined value of t 0.260 greater than the significant value used, which is 5% or 0.05, so it can be concluded that digital marketing does not affect the profitability of MSME businesses in Kupang City, in other words H5 is rejected

Uji F

Tabel 8 Hasil Uji F

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	159,222	5	31,844	6,296	<,000[b]
	Residual	222,558	44	5,058		
	Total	381,780	49			

a. Dependent Variable: Profitabilitas Usaha UMKM di Kota Kupang

b. Predictors: (Constant), Digital Marketing, Pengelolaan Keuangan, Literasi Digital, Literasi Keuangan , Kualitas Produk

Source : SPSS data processing version 28

Based on the table above, the significance value F of 0.000 is smaller than the significance level used in this study, which is 5% 0.05, so it can be concluded that product quality, financial literacy and digital literacy together (Simultaneously) affect the profitability of MSME businesses in Kupang City.

Uji Koefisien Determinasi (R^2)

Tabel 9 Hasil Uji Koefisien Determinasi

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,646[a]	,417	,351	2,24903

a. Predictors: (Constant), Digital Marketing, Pengelolaan Keuangan, Literasi Digital, Literasi Keuangan , Kualitas Produk

b. Dependent Variable: Profitabilitas Usaha UMKM di Kota Kupang

Source : SPSS data processing version 28

Based on table 9 above, the R *Square* value of 0.417 means that all independent variables used are able to explain the dependent variable by 41.7%, while 58.3% are influenced by other variables that are not used in this study, such as product innovation, price perception.

The Effect of Product Quality on MSME Business Profitability in Kupang City

The results of testing the H1 hypothesis show that product quality (X1) affects the profitability of MSME businesses, then the first hypothesis (H1) is accepted because product quality is important and needs to be considered in a business, in entrepreneurship one of the factors that must be considered is how the quality of the products offered, MSME business actors in Kupang City are able to provide good quality to potential buyers and cause satisfaction from consumers with the products offered, Business profitability can increase by innovating products and maintaining product quality in order to attract customers and meet the needs of the community, innovation in products is an important thing to do in order to increase profits from business, the products offered will vary from the innovations produced so that they can meet consumer desires and demand for products increases by itself. Product quality is one of the reliable factors in meeting the needs and desires of buyers, selling products in running a business.(Yamirudin, 2019). The results of this study are in line with research conducted by (Hakim, 2019) which states that the influence of product quality on the decision of Npk Mutiara consumer buyers at UD. Balerang Tani Jaya Batam. The same is true of research (Yamirudin, 2019) states that product quality affects business performance and competitive advantage (Study at Pottery SME Center in Kasongan Bantul, Yogyakarta).

The Effect of Financial Literacy on MSME Business Profitability

In Kupang City The results of testing the H2 hypothesis show that financial literacy (X2) has no effect on the profitability of MSME businesses, so the second hypothesis (H2) is rejected, this shows that financial literacy in MSME business actors in Kupang City is not good enough which can affect MSMEs difficult to develop. The ability to manage debt is low resulting in business actors difficult to develop and tend not to be able enough in financial planning and financial management in obtaining loans with relatively small interest rates, this is due to the low educational background of business actors and lack of knowledge are factors that cause businesses to be difficult to develop which results in business actors not being able to estimate correctly their debt burden So it tends to borrow at an increased cost and can affect performance even worse. In addition, there are still many business actors who do not realize the importance of making simple financial statements, so they tend to be less effective in financial management and financial decision making carried out. The results of this study are the same as (Bahiu, 2021) which indicates that financial literacy has no effect on the finances of MSMEs in Gemeh Village, Talaud Islands Regency. The same is true of research (Prabawati, 2019) stated that financial literacy has no effect on the entrepreneurial behavior of SMK Negeri 10 Surabaya students.

The Effect of Digital Literacy on MSME Business Profitability in Kupang City

The results of testing the H3 hypothesis show that digital literacy (X3) has no effect on the ptofitability of MSME businesses in Kupang City, so the third hypothesis (H3) is rejected, this shows that business actors who have low knowledge of digital technology can cause businesses built in the digital era to be difficult to develop and difficult to compete with similar businesses. The ability to utilize digital media to create new innovations, skills and critical thinking are needed in developing digital-based businesses that have competitiveness with other businesses, business actors are required to be able to adjust to developments in order to

increase profitability in the business being run so that with the presence of this digital technology business actors can develop their business to the national and even international arena in order to be able to improve economic growth where the business operates is Kupang City. The results of this study are in line with research conducted by (Suhendri, 2020) Insists that digital literacy has no effect on profitability.

The Effect of Financial Management on MSME Business Profitability in Kupang City

The results of testing hypothesis H_4 show that financial management (X4) does not affect the profitability of MSME businesses in Kupang City, so the third hypothesis (H4) is rejected, this shows that business actors in terms of financial management are still minimal from their educational background and experience so that they are still unable to think creatively and create innovations that will increase business profits, inefficient planning and money management, and effective and incurring excessive costs in business operations and in terms of management business actors must be able to work together with people to determine, interpret and achieve organizational or business goals by carrying out the functions of planning, organizing, preparing personnel, directing and leadership as well as supervision so that future business can develop. The results of this study are in line with research conducted by (Bahiu, 2021) ordered that financial management does not affect the profitability of MSME businesses.

The Influence of Digital Marketing on MSME Business Profitability in Kupang City

The results of testing the H5 hypothesis show that digital marketing (X5) has no effect on the profitability of MSME businesses in Kupang City, This shows that business actors in Kupang City are still unable to utilize digital technology such as social media, from the observations of researchers business actors are able to operate digital technology but still lack knowledge of the use of features in creating business ideas such as creating or building an online market for products offered to consumers so that businesses are difficult to develop, based on *grand theory* in this case how an organization or business actor pays attention to the cultural characteristics that prevail in the environment in which it operates and in adapting to existing technological developments so that it can maintain and adapt to developments and can survive. if the organization or business cannot run with cultural characteristics, The environment around the business and cannot adjust to developments in the current era, the business will affect the profitability of the business and has no competitiveness with other business actors and cannot survive in various conditions. *Digital Marketing* can help business actors, for example, MSMEs in promoting and marketing their products and services and being able to expand new markets that were previously closed or limited due to limited time, distance and ways of communicating. The results of this study are in line with research conducted by (Dimas, 2020) ordered that digital marketing does not affect the profitability of MSME businesses.

CONCLUSION

Based on the results of research that has been conducted after going through the data collection stage, data management, data analysis, and interpretation of analysis results regarding the effect of product quality, financial literacy and digital literacy on the profitability of MSME businesses in Kupang City using normally distributed data, there is no

multicollinearity, and heteroscedasticity, conclusions are produced as measured Product quality has an influence on the profitability of MSME businesses. This means that the better the quality of products from business actors by innovating in accordance with the needs and desires of consumers, the business can develop and profits increase. So the first hypothesis that proposes that product quality affects the profitability of MSME businesses is accepted.

Financial literacy does not affect the profitability of MSME businesses. This means that low financial literacy knowledge and low educational background result in business actors being unable to develop their business due to improper financial management and planning. So the second hypothesis that proposes that financial literacy affects the profitability of MSME businesses is rejected. Digital literacy does not affect the profitability of MSME businesses. This means that the lack of knowledge of technology and education in business actors in Kupang City is low, making it difficult for businesses to develop in the current era, namely 4.0 or the era of digital technology. So the third hypothesis that denies digital literacy affects the profitability of MSME businesses is rejected.

Financial management does not affect the profitability of MSME businesses. This means that if business actors in terms of financial management are still minimal from their educational background and experience so that they are still unable to think creatively and create innovations that will increase business profits, planning and money management are inefficient and effective and cause excessive costs in operating the business. So the fourth hypothesis that prosecutes that financial management affects the profitability of MSME businesses is rejected.

Digital marketing does not affect the profitability of MSME businesses, This means that it shows that business actors in Kupang City are still unable to utilize digital technology such as social media, from the observations of researchers, business actors are able to operate digital technology but still lack knowledge of the use of features in creating business ideas such as creating or building online markets for products offered to consumers so that businesses are difficult to develop. So the fifth hypothesis that proposes digital marketing has an effect on the profitability of MSME businesses is rejected.

Based on the results of data analysis, it was found that product quality, financial iteration and digital literacy together have an R Square value of 41.7%, affecting the profitability of MSME businesses in Kupang City. So the higher the quality of products resulting from product innovation and knowledge of financial literacy, understanding and utilization of digital literacy, effective and efficient financial management and being able to operate social media or digital marketing that will increase the profitability of the business being run. So the sixth hypothesis states that product quality, financial literacy, digital literacy, financial management, and digital marketing affect the profitability of MSME businesses in Kupang City.

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