

Financial Inclusion, Intellectual Capital, and MSMEs Performance with Business Age as Moderating Variable



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ABSTRACT: This study aims to examine the mediating role of intellectual capital and the moderating role of business age on the effect of financial inclusion on the performance of the MSME cluster. The sample in this study were members of the Batik Tulis, Processed Fish and Coffee Lelet MSME cluster in Rembang Regency, Central Java, Indonesia with a total of 134 respondents. Data collection techniques using survey methods with questionnaires. The sampling technique used is saturated sampling. Data analysis uses structural equation modeling with the help of WarpPLS. The results of the study show that financial inclusion has no significant positive effect on MSME performance, intellectual capital has a significant positive effect on MSME performance and financial inclusion has a significant positive effect on intellectual capital. The results of this study also found evidence that intellectual capital plays an important role in mediating the effect of financial inclusion on MSME performance, and the age of the business can strengthen the relationship between financial inclusion and MSME performance.

KEYWORDS: Financial Inclusion, Intellectual Capital, Business Age, MSMEs Performance

INTRODUCTION

Financial inclusion is still the Indonesian government's homework and concern to be able to reduce poverty, increase economic growth and people's welfare. MSME financial inclusion is at the heart of the challenges of economic diversification, growth, and job creation [1]. The development of the financial inclusion index from survey results shows an increasing trend as shown in Figure 1. Below:

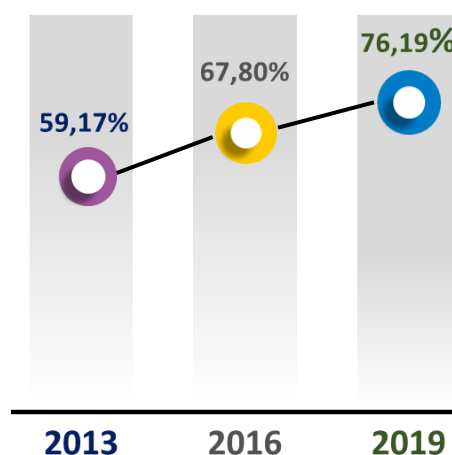


Figure 1. Development of Financial Inclusion Index in Indonesia

However, survey results [2] show that there is still a gap in the financial inclusion index between urban and rural areas. The survey results are also relevant to the Financial Services Authority survey (2019) which shows that in Java Island, as the center of the national economy, there is still a gap between Central Java (65.71%) and DKI Jakarta (94.76%), West Java (88, 48%), DIY (76.12%) and East Java (87.96%). Especially in Rembang Regency, which is located on the outskirts of Central Java, where there are only eight commercial banks located in the regency capital, namely Rembang District and 13 other sub-districts, on average there is only one commercial bank assistant office and most of the MSMEs are located in villages. The results of the survey are

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interesting for further research, especially in the leading MSME clusters in Rembang, namely the batik cluster, the fishery cluster and the "slow" coffee cluster.

In general, MSMEs also still have weaknesses in financial and capital management, production, human resources, marketing, technological knowledge, business partnerships and limitations in terms of access to financial institutions [3], [4] and [5]. Problems with financial inclusion and management need to be of concern to the leading MSME clusters in Rembang. The results of research [6],[7], [8] and [9] show that financial inclusion has a significant positive effect on the performance of MSMEs. On the contrary, research [8] shows that MSMEs do not find financial institution services and products that match the needs and business requirements of MSMEs, making it difficult to improve performance. According to [10] the difficulty for MSMEs to get access to capital from banking institutions is because MSMEs find it difficult to provide quality financial reports so that it has an impact on MSME performance. To overcome this gap, the solution of this study is to include intellectual capital as a mediating variable.

In addition, this study also includes the variable business age as a moderator of the relationship between financial inclusion and the performance of the MSME Cluster. Business age is closely related to MSME performance, so it needs to be included as a factor that can affect MSME performance [11], [12] and [13]. Companies that have a longer lifespan are assumed to have better experience and be able to survive in competition in the market with competitors. The results of research by [14] show that a longer business life can improve the performance of MSMEs in back-office services, while a younger business age can improve MSME performance in front office services. From this explanation, this study aims to examine the effect of financial inclusion on the performance of MSME clusters through intellectual capital and is moderated by the age of the business, which is also the novelty of this study.

LITERATURE REVIEW

The Relationship between Financial Literacy and MSME Performance

Financial inclusion is a process of ensuring convenience in terms of access to the financial system, especially banks and the existence of banks in an area and the use of the financial system (banks) for the benefit of society [15]. Ease of access and existence of banking for MSMEs is very important to support MSMEs in improving their performance because financial inclusion for MSMEs is at the core of economic diversification, growth and job creation [8]. To encourage the growth and development of MSMEs so that they can improve their performance in a sustainable manner and compete globally, it is inevitable that there will be adequate financial inclusion in each region, especially in accessing capital for businesses and also for business transactions. Research results the results of research [6], [7], [8] and [9] show that financial inclusion has a significant positive effect on the performance of MSMEs. So, the hypothesis proposed, namely:

H₁: Financial inclusion has a significant positive effect on MSME performance.

The Relationship between Financial Inclusion and Intellectual Capital

The government's policy by facilitating MSMEs so that they can access financial inclusion in every region equally is very important. The existence of government policies to encourage MSMEs to access sources of financial inclusion, especially banking in terms of access to capital with low interest rates can be a catalyst for increasing MSME intellectual capital [16]. Business capital from banking is financial capital that will be able to encourage intellectual capital. Intellectual capital in question is human capital, relational capital and structural capital. This means that the financial inclusion available to MSMEs will enable MSMEs to improve their human resource capabilities, improve MSMEs' relationships with stakeholders and the structure of MSMEs themselves. So, the hypothesis in this study is:

H₂: Financial inclusion has a significant positive effect on MSME performance.

The Relationship between Intellectual Capital and MSME Performance

Intellectual capital has an important role for MSMEs. Intellectual capital is an organization's intangible or non-physical assets and resources, including process resources, innovative capabilities, patterns, intangible knowledge, and collaborative networks and organizational relationships. Intellectual capital as a combination of intangible resources and activities that enable organizations to transform a collection of physical, financial and human resources into system capabilities to create value for stakeholders [17]. SMEs that have good intellectual capital consisting of human capital, relational capital and structural capital, will be able to improve the performance of SMEs. This is because with the intellectual capital owned by MSMEs such as human resources who have high ability and willingness, have good relationships with suppliers, customers and competitors, and have products that have distinctive and varied characteristics, as well as good organizational infrastructure, it will produce high MSME performance. The results of research [17] and [18] show that intellectual capital can improve the performance of MSMEs. So, the hypothesis proposed is:

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H₃: Intellectual capital has a significant positive effect on the performance of MSMEs

The Relationship between Financial Inclusion, Intellectual Capital and MSME Performance

The intellectual capital owned by MSMEs can bridge the relationship between financial literacy and MSME performance. Financial literacy in Indonesia, although there has been an increase from time to time, is not evenly distributed in all regions, so that good intellectual capital is needed from MSMEs to improve their performance. MSMEs that have intellectual capital such as a competent human resources, broad relationships and good organizational infrastructure will be able to mediate financial inclusion, especially in accessing adequate banking to improve MSME performance. So, the hypothesis proposed is:

H₄: Intellectual capital is able to mediate the effect of financial inclusion on MSME performance

The Relationship between Financial Inclusion, Business Age and MSME Performance

The age of MSMEs is an important indicator in seeing the sustainability of a business. MSMEs that have been operating for a long time can reflect that these MSMEs are able to compete in the market, so it is hoped that the age of the business will be able to strengthen the relationship between financial inclusion and MSME performance. The existence of a financial system that is easily accessible to the public, especially MSMEs that are strengthened by experienced MSMEs, will be able to improve the performance of MSMEs. This is in accordance with the results of research by [14] showing that a longer business life can improve MSME performance in back-office services, while a younger business age can improve MSME performance in front office services. So, the hypothesis in this study is:

H₅: Business age is able to strengthen the relationship between financial inclusion and MSME performance

RESEARCH METODOLOGY

Sampel and Data Collection

The population in this study are MSME actors who are members of the Lasem batik cluster, processed fish cluster, and slow coffee cluster in Rembang Regency, Central Java, totalling 205 MSMEs. The sampling technique uses saturated sampling, taking into account the location of businesses that are close to each other, the number of business units that are not too large, and to generalize findings. Respondents in this study were entrepreneurs/owners of MSME cluster members who were considered to have a good understanding of business management. Collecting data with direct surveys to SMEs using a questionnaire. After conducting the survey, out of the 205 questionnaires that were returned and could be processed further, there were 134 respondents with details of 58 SMEs from the Batik Cluster, 40 SMEs from the Processed Fish Cluster and 36 SMEs from the Lelet Coffee Cluster. 10 questionnaires were not returned, 26 questionnaires were damaged and 35 MSMEs were no longer operating due to the impact of the past Covid-19 pandemic, especially from the Batik Cluster. The number of samples of 134 is in accordance with the statement of [19] that the recommended minimum number of samples based on the maximum likelihood estimation technique or Structural Equation Modelling (SEM) is 100 – 200 and the number of samples still meets the minimum amount of data to be processed using PLS.

Definitions and Measurement

The variables in this study are financial inclusion as an independent variable, intellectual capital as a mediating variable, MSME performance as the dependent variable and business age as a moderating variable. Financial inclusion is defined as a process that ensures ease of access to the formal financial system, in this case banking, the availability of banks in an area and the use of the financial system for the benefit of society [15]. Financial inclusion is measured using 5 (five) indicators, namely availability, awareness, affordability, adequacy, and accessibility as research by [16] and [9].

Intellectual capital is the intangible or non-physical assets and resources of an organization, including process resources, innovative capabilities, patterns, intangible knowledge, and collaborative networks and organizational relationships. Intellectual capital can also be interpreted as a combination of intangible resources and activities that enable organizations to transform a collection of physical, financial and human resources into system capabilities to create value for stakeholders [17]. Intellectual capital in this study is measured using 3 (three) indicators, namely human capital, relational capital and structural capital adopted from research by [18], [20], [21] dan [22]. MSME performance is the result obtained by an MSME both financially and non-financially [18] with three indicators, namely: financial performance, market performance and entrepreneurial performance [23], [24], [18]. All measures of these latent variables were reduced to a few questionnaire items and measured using a 5-point Likert scale. One: strongly dis-agree; two: dis-agree; three: neutral; four: agree; and five: strongly agree. The age variable of the business is measured using the duration of the MSME business, namely the year of research minus the year of establishment as research by [13] and [25].

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Analysis Data

Partial least square-structural equation modeling (PLS-SEM) technique with WarpPLS version 7.0 software was used to test the research hypothesis. The relationship between indicators on each latent variable in the measurement model was analyzed for reliability and validity. Next, the structural model will be tested for its coefficient and significance between one construct and another. The PLS-SEM technique was chosen because: (1) it can simultaneously test direct and indirect effects through mediation, (2) it can process relatively small samples and there is multicollinearity between independent variables, and (3) it does not require normal distribution assumptions [26], [27].

RESULT

Characteristics of The Respondents

The characteristics of MSME respondents who are members of the Batik Cluster, Fish Processed Cluster and slow coffee cluster in terms of gender can be seen in Table 1 below.

Table 1. Description of Respondents Based on Gender

Cluster	Male		Female		Total	
	Amount	%	Amount	%	Amount	%
Batik	24	41.38	34	58.62	58	100
Processed fish	6	15.00	34	85.00	40	100
Lelet Coffee	24	66.67	12	33.33	36	100
Total	54		80		134	

From the data shown in Table 1 above, most of the respondents from all clusters were women, namely 80 people or 59.70% compared to 54 men or 40.30%. These data can be interpreted that in Rembang Regency there have been many emancipations of women, or many women who are entrepreneurs to be able to increase household income. When viewed based on clusters, the majority of female entrepreneurs are Batik UMKM (34 people or 58.62%) and Fish Processed UMKM (34 people or 85%), while female entrepreneurs in Lelet Coffee UMKM are 12 people or 33.33%. For men, most of them came from the Coffee Lelet Cluster as many as 24 people (66.67%) and the Batik Cluster 24 people (41.38%) and the least from the Processed Fish Cluster (6 people or 15%).

From the survey results, education data were obtained from respondents for each of the Leading MSME Clusters in Rembang Regency as shown in Table 2. below.

Table 2. Description of Respondents Based on Education

Education	Batik Cluster		Processed Fish Cluster		Lelet Coffee Cluster		Total	%
	Amount	%	Amount	%	Amount	%		
Primary school	7.00	12.07	9.00	22.5	5.00	13.89	21.00	15.67
Junior high	11.00	18.97	9.00	22.5	7.00	19.44	27.00	20.15
Senior high school	31.00	53.45	9.00	22.5	14.00	38.89	54.00	40.30
Diploma 3	3.00	5.17	4.00	10.0	1.00	2.78	8.00	5.97
Bachelor degree	6.00	10.34	9.00	22.5	8.00	22.22	23.00	17.16
Master	0.00	0.00	0.00	0.00	1.00	2.78	1.00	0.75
Total	58.00	100	40.00	100	36.00	100	134.00	100

Data as Table 2 above shows that most of the respondents from all the Leading MSME Clusters in Rembang Regency have a high school education equivalent with a total of 54 MSMEs or 40.30% and the least educated master is 1 person (0.75%). The second successively had a junior high school education equivalent (27 people or 20.15%), the third was a bachelor degree education totaling 23 people (17.16%) and the last was an elementary school education of 21 people (15.67%). Respondents with elementary education are MSME owners who are old, but need to be appreciated even though they are elderly and have elementary school education but are still enthusiastic about being independent with entrepreneurship, especially from the Batik MSME Cluster and Fish Processed MSME Cluster.

An overview of the ages of research respondents from the Batik MSME Cluster, Fish Processed MSME Cluster and Lelet Coffee MSME Cluster is presented in Table 3 below:

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Table 3. Description of Respondents by Age

Age (Year)	Batik Cluster		Processed Fish Cluster		Lelet Coffee Cluster		Total	%
	Amount	%	Amount	%	Amount	%		
21 until 30	8.00	13.79	2.00	5.00	9.00	25.00	19.00	14.18
31 until 40	15.00	25.86	7.00	17.50	11.00	30.56	33.00	24.63
41 until 50	22.00	37.93	25.00	62.50	10.00	27.78	57.00	42.54
51 until 60	8.00	13.79	5.00	12.50	5.00	13.89	18.00	13.43
61 until 70	5.00	8.62	1.00	2.50	1.00	2.78	7.00	5.22
Total	58.00	100	40.00	100	36.00	100	134.00	100

Table 3 above explains that the majority of respondents from all Cluster members are in the productive age category (21-60 years) as many as 127 people (94.77%), the remaining 7 people (5.22%) are in the underage age category. productive. Even though it is in the unproductive category, it is still productive at work. If seen further, the age of all productive MSME clusters is mostly 41-50 years old (57 people or 42.54%) followed by 31-40 years old with 33 people or 24.63%, 21-30 years old with 19 people (14.18%) and aged 51 - 60 years as many as 18 people or 13.43%. The age of MSME owners or actors who are still productive shows the potential and enthusiasm of UMKM to be able to develop even better in the future.

Descriptive Statistics

Descriptive perceptions of respondents present the average value of each indicator for each variable in this study. To find out the respondents' perceptions of the average value of the variables studied, this study uses a range criterion of $[(5-1)/3]=1.33$ so that the interpretation of the values is stated as follows:

1.00 – 2.33 = Low

2.34 – 3.66 = Moderate

3.67 – 5.00 = High

The results of the respondent's perception survey using a questionnaire in this study are presented in Table 4:

Table 4. Variable Average Score and Indicators

Variable	Indicator	Average Indicator	Average Variable	Notes
Financial Inclusion	<i>Availability</i>	3,71	3,80	High
	<i>Awareness</i>	3,60		
	<i>Affordability</i>	3,87		
	<i>Adequacy</i>	3,92		
	<i>Accessibility</i>	3,90		
Intellectual Capital	<i>Human Capital</i>	3,77	3,88	High
	<i>Relation Capital</i>	4,04		
	<i>Structural Capital</i>	3,84		
MSMEs Performance	Financial Performance	3,51	3,61	Moderat
	Market Performance	3,68		
	Entrepreneurial performance	3,68		

Based on the statistical description in Table 4 above, it shows that all variables, namely financial inclusion and intellectual capital are included in the high category, while the performance of MSMEs is included in the moderate category. The description of the age variable for UMKM members of the Featured cluster can be seen in Table 5 below.

Table 5. Description Based on Business Age

Business Length (Year)	Batik Cluster		Processed Fish Cluster		Lelet Coffee Cluster		Total	%
	Amount	%	Amount	%	Amount	%		
<= 10	35.00	60.34	31.00	77.50	26.00	72.22	92.00	68.66
11 until 20	19.00	32.76	5.00	12.50	4.00	11.11	28.00	20.90
21 until 30	0.00	0.00	3.00	7.50	5.00	13.89	8.00	5.97
31 until 40	2.00	3.45	1.00	2.50	1.00	2.78	4.00	2.99

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>= 41	2.00	3.45	0.00	0.00	0.00	0.00	2.00	1.49
Total	58.00	100	40.00	100	36.00	100	134.00	100

Based on the data in Table 5 above, there are 2 MSMEs (1.49%) that have been operating for a long time, namely more than 41 years, more precisely 62 years and 72 years originating from the Batik Cluster. As it is known that Lasem Written Batik has existed since the time of Bhre Lasem I ruled the Lasem area (1350-1375) and since 1850 Lasem has been known as a center for written batik managed by Chinese people, hereditary until now and there are several Lasem Batik Written SMEs those who have been operating for a long time are Chinese. Furthermore, there are 4 MSMEs whose business length is between 31-40 years (2 UMKM for the Batik Cluster, 1 MSME for Processed Fish Cluster and 1 UMKM for the Coffee Lelet Cluster) or 2.99%. Most of the SMEs from all clusters are less than 10 years old (92 SMEs or 68.66%) where the youngest has been doing business for 1 year from the Fish Processing Cluster.

Measurement and Data Analysis

Construct testing uses reflective first-order variables for financial inclusion, intellectual capital and MSME performance, while the business age variable uses formative because the measurement uses a ratio scale. Reflective first-order testing for financial inclusion, intellectual capital and MSME performance by looking at the loading indicators of financial inclusion forming items with 10 question items, intellectual capital with 9 question items, and SME performance with 8 question items. From the test results it is known that there are two question items from the financial inclusion variable construct, namely AV1 and AF1 which do not meet the requirements because their loading value is <0.70. In the construct variable intellectual capital there are four questions, namely TB3, TB4, HC2 and RC4 which do not meet the requirements. As for the MSME performance construct, there are two questions that do not meet the requirements, namely KP1 and KW3. Construct-forming items with a value of <0.70 are considered ineligible so they are deleted [28]. The results of testing the construct indicators after eliminating items that do not meet the requirements and the results of the composite reliability test and average variance extracted (AVE) can be seen in Table 6 below:

Table 6. The results of testing the variable construct

Latent Variable	Loading	P-value	Latent Variable	Loading	P-value	Latent Variable	Loading	P-value
FI			IC			PSMES		
Composite Reliability = 0.735 ^(r) AVE = 0.555 ^(cv)			Composite Reliability = 0.840 ^(r) AVE = 0.635 ^(cv)			Composite Reliability = 0.728 ^(r) AVE = 0.659 ^(cv)		
AV2	0.775	<0.001	HC1	0.763	<0.001	KF1	0.855	<0.001
AW1	0.732	<0.001	HC3	0.839	<0.001	KF2	0.756	<0.001
AW2	0.785	<0.001	RC1	0.729	<0.001	KF3	0.814	<0.001
AF1	0.717	<0.001	RC2	0.732	<0.001	KP2	0.838	<0.001
KD1	0.776	<0.001	RC3	0.742	<0.001	KP3	0.839	<0.001
KD2	0.734	<0.001	SC1	0.707	<0.001	KW1	0.817	<0.001
AC1	0.702	<0.001				KW2	0,756	<0.001
AC2	0.747	<0.001						

Note (s):
 1)^(r)CR dari 0.70 or more: sufficient reliability
 2)^(cv)AVE Of 0.50 or more: convergent validity

The results in Table 6 above show that all the items forming the construct of the factor loading variable are > 0.70 and the p value < 0.05 so that it can be said that the items mentioned above fulfill the requirements as construct variables. Likewise, the Composite Reliability value of all variables is greater than 0.7 so that it can be concluded that it meets internal consistency reliability and the AVE value for each construct is greater than 0.5 so that it meets the convergent validity criteria. Table 7 below shows the results of the discriminant validity test, in which the square root value for each construct is greater than the correlation between the constructs, thus indicating good discriminant validity [29], [30].

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Table 7. Discriminant Validity Test Results

	FI	IC	PSMES
FI	0.505 ^(dv)		
IC	0.161*	0.660 ^(dv)	
PSMES	0.170**	0.549***	0.678 ^(dv)
Note(s): ***p < 0.01, **p < 0.05, *p < 0.10			

Structural Model Analysis

There are 5 hypotheses in this study. The results of PLS-SEM testing, both direct and indirect, can be seen in Table 8 below:

Table 8. Hypothesis Testing Results

Hypothesis	Path Koefisien	P Value	Decision
Panel A. Direct effect			
FI → PSMEs	0,093	0,129	No Supported
FI → IC	0,161	0,026	Supported
IC → PSMEs	0,996	<0.001	Supported
Hypothesis	VAF	P-value	Decision
Panel B. Inderect effect			
FI → IC → PSMEs	0,4989	<0.020	Supported
Hypothesis	Path Koefisien	P Value	Decision
Panel C Moderating			
AGE*FI → PSMEs	0,166	0,007	Supported

Based on the results of hypothesis testing in Table 8 Panel A. the direct effect shows that hypothesis 2 and hypothesis 3 are accepted because the coefficient value is positive and the p-value is significant at 5% for hypothesis 2 and 1% for hypothesis 3. This means that financial inclusion has a significant positive effect on intellectual capital and intellectual capital have a significant positive effect on the performance of MSMEs. Hypothesis 1 is rejected because the significance value is > 0.10 and it can be concluded that the results of Hypothesis 1 show that financial inclusion has no significant positive effect on MSME performance.

Testing the fourth hypothesis in Panel B is testing the mediating effect of intellectual capital on the effect of financial inclusion on the performance of MSME members of the written batik cluster, processed fish cluster and lelet Coffee cluster using VAF calculations. According to [28] to find out how big the mediating effect is and whether there is a mediating role of intellectual capital variables using the following formula.

$$VAF = \frac{\text{Inderect effect}}{(\text{inderect effect} + \text{direct effect})}$$

The results of the VAF calculation for each variable can be seen in Table 6 below.

Calculation	VAF
FI → IC → PSMEs	0.4989 (49,89%)

Note:

VAF < 20% = no mediating effect

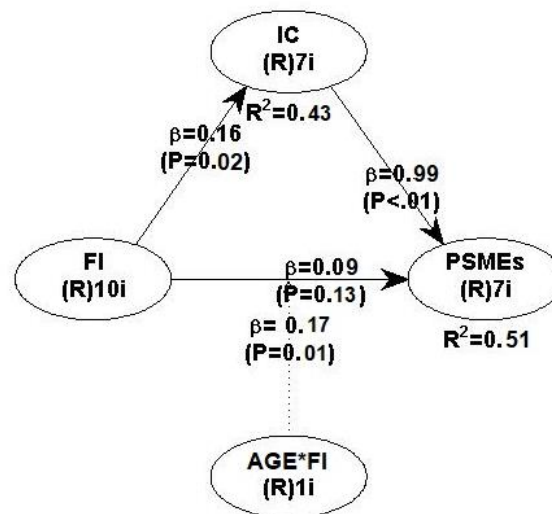
VAF: 20% - 80% = there is partial mediation

VAF: > 80% = full mediation

Based on the results of the VAF calculations in Tables 5 and 6 above, it shows that the intellectual capital variable acts as a partial mediation in mediating the effect of financial inclusion on MSME performance. This is indicated by the VAF value of FI > IC > PSMEs of 49.89% with p-value = 0.007 so that the fourth hypothesis is accepted which indicates that intellectual capital is

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able to mediate the effect of financial inclusion on MSME performance. Testing the fifth hypothesis in Panel C shows that business age is able to moderate the effect of financial inclusion on MSME performance, where the coefficient value is positive and significant at 1%. The full model of this research can be seen in Figure 2. below.



DISCUSSION

The Effect of Financial Inclusion on Intellectual Capital

The results of this study indicate that financial inclusion has proven to have a positive and significant impact in increasing intellectual capital. Financial inclusion is the process of promoting affordable, timely and adequate access to a range of regulated financial products and services and expanding their use by all segments of society through the adoption of specific existing and innovative approaches including financial awareness and education with the aim of promoting financial well-being and inclusion [31]. The aim of financial inclusion is to reduce the number of people who are not reached by banking services, known as unbanked, around the world, one of which is in Indonesia [32]. Financial inclusion is one of the financial literacy programs, especially in the context of increasing people's ability to use financial services to get a direct impact from financial institutions [33]. Ease of access to financial institution services make it easier for MSME actors to get capital to carry out every business process.

The Effect of Financial Inclusion on SMEs Performance

These results illustrate that the higher the ability of MSMEs to access financial services, the better MSMEs' performance but not significant. Financial inclusion in the form of ease of access, quality and use of financial institution services by MSMEs. These three things do not affect the business performance of MSMEs because currently there is Financial Technology (Fintech) which replaces the work system of traditional financial institutions [34]. MSME actors have adapted fintech in their daily lives with a broad mindset so that they can take advantage of existing opportunities to improve their business performance. If the mindset of business people is still limited to short-term business development and is limited to traditional access to finance, it will be difficult to develop a business. Therefore, financial inclusion in this study no longer has a significant effect on the performance of MSMEs. This is relevant to the results of research by [34] and [35] which states that the level of financial inclusion does not affect the performance of MSMEs.

The Effect of Intellectual Capital on SMEs Performance

Developments in technology and the business world have caused a shift in the implementation of work from relying on strength and skills to relying on knowledge so that intellectual capital becomes very important. Intellectual capital is a resource that has a competitive advantage for SMEs, because the tangible resources possessed by SMEs is smaller when compared to companies that have a large scale [36]. Managing intellectual capital becomes one of the most important issues especially for SMEs. Intellectual capital is able to create a competitive advantage that will lead to the organization's performance because that resource is hard to duplicate even be considered as a strategic resource [37]. Human capital as the fundamental of intellectual capital, has an important role in fostering relationships with interested parties, such as customers, suppliers and governments. Human capital plays an important role in strategic planning in the creation of competitive advantage and performance enhancement [38]. This finding is in line with the knowledge-based view, which states that intellectual capital that can create

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value and enhance competitive advantage that will lead to SMEs Performance. Intellectual Capital which includes human capital, structural capital and customer capital both partially and as a whole has a positive effect on the performance of MSMEs. It can be concluded that if MSMEs increasingly improve the skills and abilities of their employees which are balanced with operational standards in accordance with the vision and mission of the organization, have a good work culture, and have harmonious relationships with customers and/or other outside parties related to organizational routines, it will further improve its business performance so that organizational goals can be achieved [39]. This is relevant to the results of research by [39] which states intellectual capital has positive and significant effect on performance of MSMEs

The Effect of Financial Inclusion, Intellectual Capital and Performance

The results of the research in Tables 8 and 9 show that intellectual capital is able to mediate the effect of financial inclusion on MSME performance. This means that intellectual capital has a very important role in improving the performance of MSMEs, this is because financial inclusion directly has no significant effect on improving MSME performance, so there is partial mediation of intellectual capital on the effect of financial inclusion on MSME performance. The results of this study are in accordance with the research of [17] and [18] showing that intellectual capital has a significant positive effect on the performance of MSMEs. An inclusive financial system can encourage MSMEs to access sources of capital, especially banking with low interest rates, which can be a catalyst for increasing MSME intellectual capital, so that MSME performance can increase [16]. MSMEs must also have good human capital, such as a workforce that has the capabilities or abilities according to their work and MSMEs are able to provide compensation to the workforce in accordance with the applicable MSE. MSME actors must maintain good relations with stakeholders (relationship capital), especially with suppliers, customers and competitors. Structurally (structural capital) MSMEs must also have characteristics and variations in their products and good business infrastructure. So that by implementing investment based on intellectual capital it will be able to improve the performance of MSMEs, especially in financial performance which includes increasing sales turnover and increasing profits; market performance such as increasing customer satisfaction, number of customers and increasing the area of marketing; as well as entrepreneurial performance such as increased product quality and workforce welfare.

As [40] stated that to achieve competitive advantage, companies must use internal strengths (resources and capabilities) in exploiting opportunities and neutralizing environmental threats and avoiding internal weaknesses. In order for a sustainable competitive advantage to occur, it is necessary to use the company's resources and capabilities effectively and efficiently. Likewise the opinion of Demartini and Beretta (2020) that intellectual capital is a combination of intangible resources and activities that allows organizations to transform a collection of physical, financial and human resources into system capabilities to create value for stakeholders, in this case the actors. MSMEs. So that by investing in intellectual capital, namely in the form of resources and capabilities owned by MSMEs, it will be able to improve the performance of MSMEs and it is hoped that this will become a competitive advantage in a sustainable manner.

The Effect of Financial Inclusion, Age and Performance

Based on Table 8, it shows that the age of the business is able to strengthen the relationship between financial inclusion and MSME performance. The longer the MSME business life, the more experienced the MSME is, and shows that the MSME can survive in business competition. So that when MSMEs easily access sources of capital or financial inclusion is available in an area evenly and is supported by MSME's long experience in doing business, it will be able to improve MSME performance. This is in accordance with the results of research by [14] showing that a longer business life can improve MSME performance in back-office services, while a younger business age can improve MSME performance in front office services.

CONCLUSION

The results of the study show that intellectual capital and business age have a very important role in the relationship between financial inclusion and the performance of MSMEs in Rembang, Central Java, Indonesia. Intellectual capital plays an important role in the effect of financial inclusion on MSME performance because it is able to bridge the effect of financial inclusion on MSME performance, previously the direct influence of financial inclusion on MSME performance was positive but not significant. A financial system that is more inclusive and easily accessible to MSMEs and is supported by intellectual capital owned by good MSMEs will be able to improve the performance of MSMEs

Likewise, the age of the business is able to strengthen the relationship between financial inclusion and MSME performance. The longer the age of an MSME means that the MSME has experience in entrepreneurship and is able to compete with competitors. So that with the experience of MSME businesses being able to strengthen the influence of the financial system such as banks that are inclusive in terms of ease of access and availability in each region, it will be able to improve MSME

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performance. This study also found evidence that intellectual capital has a significant positive effect on the performance of MSMEs

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