

The Influence of Sharia Finance Principles and Sharia Financial Literacy on The Financial Performance of MSMEs in Kamanre District

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Keywords: *Principles Islamic Finance, Literacy Islamic Finance, MSME Financial Performance, PLS-SEM, Sub-district Kamanre.*

Abstract: *Study This aim For analyze is impact from principles finance sharia and understanding literacy finance sharia to results performance Micro , Small, and Medium Enterprises (MSMEs) finance in the District Kamanre . The methodology applied is approach quantitative with type studies associative . Subject study covers all MSME actors in the District Kamanre which numbered 307 units business , with amount sample A total of 75 respondents were determined use formula Slovin . The data analysis process was carried out through The Partial Least Squares Structural Equation Modeling (PLS-SEM) method is used SmartPLS4 application . Findings study indicates that principle finance sharia as well as literacy finance sharia own positive and significant impact to performance MSME finance . Principles finance sharia contribute to efficiency and sustainability business , whereas literacy finance sharia functioning in taking decision appropriate finances with sharia . Implications from studies This show that strengthening principles and literacy finance sharia can become step effective strategy in advance performance MSME finances in general sustainable and harmonious with values held by society Kamanre.*

Introduction

Micro , Small, and Medium Enterprises (MSMEs) hold role important in Indonesian economy because his great contribution in provide field work , improve growth economy area , and strengthen resilience the country's economy . In many areas, such as Subdistrict Kamanre , UMKM becomes foundation main from activity economy society , especially in sector trade , food , and services . Although own very large potential , MSME actors still face a number of challenge basic , especially in the field of management financial . The lack of structure management finance and low understanding about principles good finances

making it difficult for MSMEs For grow in a way sustainable . This is reinforced by the findings (SS Putri & Sungkono, 2023) , which states that weakness system recording and planning finance is obstacle main . In line with that , (Winbaktianur & Siregar, 2021) underline that low level literacy finance be one of reason weakening Power competitiveness of MSMEs. In fact , research latest by (Desyana Putri et al., 2023) disclose that without improvement capacity managerial , MSMEs are at risk experience instability financial and difficult For endure in term long time .

As a researchers who come from from this area , I witness in a way direct How Lots perpetrator business micro , small and medium enterprises in the District Kamanre Still use method management traditional finance , without understand principles the true sharia more suitable with values religious public local . The same discovery was also found by (Ahmad Haekal Munzir Aminuddin et al., 2025) , which shows that knowledge about finance give impact significant positive to management finance traders at traditional markets in the Regency Luwu . Lack of understanding about recording finance , separation between business and personal funds , as well as planning finance term long become obstacle main in reach continuity effort . I believe that based approach sharia No only as solution For aspect financially , but also for spiritual and social aspects that can strengthen base business they . This is in line with results study (Azizah & Yamin, 2024) which shows that implementation finance Sharia in Bone Regency MSMEs is able increase trust consumers . (Rindyi Putri Lestari & Fauzatul Laily Nisa, 2024) also shows that financing that adopts the murabahah model own impact positive to results MSME performance . (Publikasi et al., 2025) also added that principles sharia Can become guidelines in taking decision more business Good .

Implementation principles sharia No will walk with Good without existence sufficient understanding about literacy finance sharia . Understanding This covering outlook perpetrator business micro , small and medium about product finance sharia , skills in compile report appropriate finances with sharia , as well as positive attitude to implementation Islamic finance . (Musyafa', 2023) confirm that literacy finance sharia give significant impact on the decision - making process decision appropriate finances with law sharia . (Firayani Firayani et al., 2024) find that understanding about literacy finance sharia impact on performance MSME business in the field culinary . (Siswanti & Mei Nur Widigdo, 2022) also revealed that literacy finance sharia become something solution For get business capital in a halal and sustainable manner.

I feel need For exploring MSMEs in the District Kamanre Because Still A little study academics who have looked closely at this area , although There is Lots potential and enthusiasm entrepreneurship from public local . Research This expected can give significant contribution for local MSME actors in advance performance finance they in accordance with principle Sharia- compliant and sustainable . (Surepno & Sa'diyah, 2022) show that level understanding financial sharia influence MSME growth in Jepara . (Wahyuni et al., 2025) investigate choice financing for MSMEs in Labuhanbatu through contract sharia as form literacy that can implemented . (Surepno & Sa'diyah, 2022) also underlined importance outlook finance in push performance of MSMEs in the coffee industry .

With study connection between principle Islamic finance and knowledge Islamic finance towards results MSME finance , research This give contribution new to literature scientific and practical development of MSMEs based on sharia in the region . Research this also differentiates himself from study previously Because emphasize on the area Kamanre who has not Lots analyzed in context academic , as well as integrate two variables

independent of each other support in increase results MSME finances in general comprehensive . (Finance et al., 2024) highlight importance participation digital finance in overcome lack financing for MSMEs. (SS Putri & Sungkono, 2023) recommend approach literacy as a strategy for increase results . (Desyana Putri et al., 2023) confirm that knowledge and principles proper finances can become solution For problem stagnation growth of MSMEs.

Principle Islamic Finance

Principles finance sharia functioning as guidelines in management financial management based on Islamic teachings , which emphasizes values justice , openness , as well halal in every transactions carried out . In MSME regulations , principles This covers compliance to law sharia , justice in various transactions , halal from sources of funds and products , as well as implementation contracts sharia like mudharabah , musyarakah , and murabahah . (Saifuddin & Humairoh, 2025) take notes that implementation principle sharia give impact positive to efficiency and sustainability businesses run by MSMEs. (Azizah & Yamin, 2024) also shows that practice finance sharia contribute to the improvement trust consumer as well as strengthen base existing business . (Suharlina et al., 2024) also underlined that principle finance sharia own role crucial in push sustainable growth of MSMEs.

Dimensions base from finance sharia covers compliance to prohibition to usury , gharar , and maisir ; justice in transaction through openness price and distribution benefits ; halalness from sources of capital and products ; as well as management financial that follows principle Sharia . (Suharto, 2024) confirm that principles This give framework ethical For taking decision in business . (Rindyi Putri Lestari & Fauzatul Laily Nisa, 2024) show that financing murabahah from institution finance sharia can increase performance MSME finance . (Publication et al., 2025) state that principle sharia relevant No only in spiritual aspect , but also deep practice management business micro and small.

Research that has been done show that principle finance sharia No just theory , but also has significant influence to success business . (Saifuddin & Humairoh, 2025) confirm how importance obedient to principle sharia For ensure sustainability A business . (Azizah & Yamin, 2024) disclose that the MSME actors who adopt principle This tend own condition more finances stable . (Suharlina et al., 2024) state that implementation principle sharia Can become approach in strengthen Power competitiveness of MSMEs facing various challenge economy moment this . Indicator Principle Islamic finance, namely Islamic Finance , Justice Transactions , Fund Permissibility , Sharia Contracts

H₁ : Principle finance sharia influential to performance MSME finance

Literacy Islamic Finance

Literacy finance sharia refers to the ability perpetrator business micro , small and medium in understand , manage , and create decision finance based on the principles Islamic . Knowledge This covers outlook about product finance sharia , skills in compile report appropriate finances with sharia , ability For choose source proper funding , as well as attitude positive to practice finance in Islam . Research conducted by (Pratama et al., 2022) show that understanding about finance own significant impact to behavior finance individuals , including in make decision financially savvy . In context students , literacy finance can increase skills in manage time and budget with effective , which ultimately reflect ability management finances that can also implemented by MSME actors . Research

results This confirm that literacy finance No only limited to knowledge , but also involves attitudes and behavior in arrange finance with responsible manner answer . (Musyafa', 2023) put forward that literacy finance sharia give significant contribution to the decision-making process decision appropriate financial with teachings Sharia . Findings obtained by (Firayani Firayani et al., 2024) show that literacy finance sharia influence performance business in the culinary MSME sector . (Students & Mei Nur Widigdo, 2022) emphasize that literacy This become solution For get business capital in a halal and sustainable manner .

Dimensions from literacy finance sharia covers fundamental knowledge about product as well as service appropriate finances with sharia , skills technical in compile report based finance sharia , ability in choose source halal financing , as well as own attitude positive to practice Islamic -based finance . (Wahyuni et al., 2025) disclose that understanding about contract sharia can push decision about more financing appropriate. Surepno & Sa'diyah (2022) show that tall low literacy finance sharia impacting the development of MSMEs in the Jepara region . Musyafa' (2023) also shows that literacy finance sharia can increase Power stand business in face market changes .

Literacy finance sharia is element crucial in management finance for ethical and sustainable MSMEs . (Firayani Firayani et al., 2024) mention that MSME actors who have level literacy tall usually more capable For make report accurate and appropriate financial with principle Sharia . (Siswanti & Mei Nur Widigdo, 2022) highlight that literacy finance sharia give more access wide to halal financing . (Wahyuni et al., 2025) state that literacy This contribute to the formation of attitude positive to system Islamic finance and increasing trust self businessman in take decision financial indicators Literacy Islamic Finance, namely Knowledge Sharia Products , Skills Sharia Report , Election Halal Financing , Attitude Positive Against Sharia

H₂ : L iteration finance sharia influential to performance MSME finance

Financial Performance of MSMEs

Financial performance business micro , small and medium is size how much effective something business in arrange aspect his finances , including potential For get profit , maintenance liquidity , as well as reach growth financial . This performance become an important parameter in evaluate the success and sustainability of MSMEs, especially when face challenges that exist in the market and capital requirements . Although study This focusing on MSMEs, Desyana Putri et al., (2023) confirm that ability understand finance and access finance own role significant in advance performance MSME finance . (Stephanie & Ibrahim, 2024) find that understanding to finance impacting the performance of MSMEs in the coffee industry . SS Putri & Sungkono, (2023) (state that management efficient finances are very influential to success of MSMEs.

Indicators that measure performance finance business micro , small and medium covers profitability (profit margin) net income , ROA, ROE), liquidity (current ratio, quick ratio, cash ratio), solvency (debt to equity ratio) assets , debt to equity ratio equity), efficiency (operating margin , ratio cost to income), and growth financial (growth) turnover , assets , and profit). (Winbaktianur & Siregar, 2021) emphasize that indicator profitability and liquidity are crucial in evaluate performance business micro and small . (Finance et al., 2024) add that use inclusion digital finance can help overcome gap financing faced by MSMEs. (Desyana Putri et al., 2023) also shows that level literacy more finances Good play a role in increase efficiency operations and growth profit .

Research conducted show that various element influence performance MSME finance , including understanding and basics applied finance . (SS Putri & Sungkono, 2023) disclose that MSMEs with management organized finances usually own greater resilience good . (Winbaktianur & Siregar, 2021) add that ratio financial is instrument crucial assessment in the process of taking decision business . (Finance et al., 2024) conclude that digitalization and understanding finance can become solution For overcome stagnation in MSME growth in various regions. MSME Financial Performance Indicators , namely Profitability , Liquidity , Solvency , Efficiency , Growth Finance

H₃ : Principle finance Sharia and Literacy finance sharia in a way simultaneous on the financial performance of MSMEs

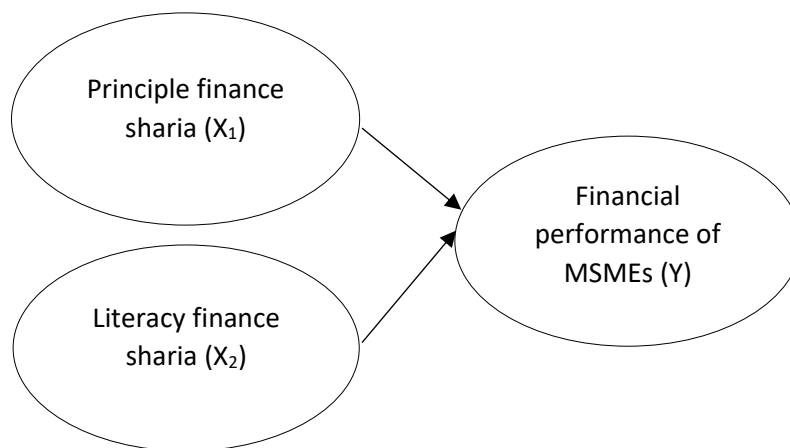


Figure 1. Research Model

Research Method

Study This apply approach quantitative with type study associative , purposeful For test impact from two variables independent , namely principle finance sharia and literacy finance sharia , against variables dependent which is performance MSME finance . Approach quantitative chosen Because his abilities in in a way objective measure connection between variables through analysis statistics , as well as produce results that can be achieved implemented in a way wide .

Analysis information implemented with use Partial Least Squares Structural Equation Modeling (PLS-SEM) technique supported by the SmartPLS4 application . Method This chosen Because the advantages in handle complex models , sizes samples that are not too big , and No need normal data distribution rules (Hair et al., 2021) . *PLS-SEM* is also suitable For used in research of a nature exploratory and predictive , in particular in context development of theoretical models that have not yet been fully ripe .

Study This carried out in the sub-district area Kamanre , Regency Luwu , which is located in South Sulawesi. The election location This based on potential big economy , character dense society with values religious , as well as lack of study in -depth academic research in this area . This implemented in the period November to October 2025.

Subject in studies This is every perpetrator business micro , small and medium enterprises (MSMEs) located in the District Kamanre , Regency Luwu , with amount reach 307 units business based on the data obtained from the Cooperatives , SMEs, and Industry Service as of October 15 , 2025. For choose samples to be play a role as respondents in study this , applied formula Slovin . with mark critical by 10%, which results in amount sample of MSMEs in the District Kamanre as much as 75.42, rounded up to 75.

$$n = \frac{N}{1 + n(e)^2} \quad n = \frac{307}{1 + 307(0.10)^2} \quad n = 75.42$$

With formula on then obtained number samples of MSMEs in the sub-district Kamanre namely : 75.42 rounded up to 75.

Explanation :

n = number individual in sample

N = total individuals in population

E = value critical (limit) accuracy 10% or 0.10)

Approach This refers to the method (SS Putri & Sungkono, 2023) , which emphasizes importance respondents related with theme research , especially in matter evaluation performance financial and values finance sharia .

Results and Discussion

Study This own objective For understand impact from *Principle Islamic Finance* as well as *Literacy Islamic Finance* to performance financial MSMEs in the District Kamanre . Data processing is carried out with utilise application *SmartPLS 4* utilise technique Modeling Equality Structural with *Partial Least Squares (PLS-SEM)* , which allows For investigate relatedness between variables Good in a way simultaneously and in a way individual .

Table 1. Validity and Reliability Test Results

Construct	Indicator	Outer loadings	AVE	CA	CR	Discriminant Validity		
						X1	X2	Y
Principle Islamic Finance (X ₁)	PKS1	0.840	0.703	0.937	0.951	0.779		
	PKS2	0.879						
	PKS3	0.900						
	PKS4	0.912						
	PKS5	0.924						
	PKS6	0.779						
Literacy Islamic Finance (X ₂)	LKS1	0.850	0.670	0.911	0.931	0.882	0.819	
	LKS2	0.838						
	LKS3	0.890						
	LKS4	0.799						
	LKS5	0.848						
	LKS6	0.792						
Financial Performance of MSMEs (Y)	KKU1	0.830	0.720	0.930	0.848	0.871	0.899	0.872
	KKU2	0.870						
	KKU3	0.891						
	KKU4	0.855						
	KKU5	0.857						
	KKU6	0.857						

Source : Data processed with SmartPLS4

Test for validity and reliability done use evaluate to what extent the instrument can used For measure aspects study . Validity convergent evaluated through mark burden external and Average Variance Extracted (AVE). All indicators on variables *principle finance sharia* (X_1), *literacy finance sharia* (X_2), and *performance MSME finance* (Y) have mark *outer loading* > 0.7 and AVE which were recorded respectively amounting to 0.703 *principles finance sharia* (X_1) , 0.670 *literacy finance sharia* (X_2) , and 0.720 *Financial performance of MSMEs* (Y) . This show that indicators This give significant contribution in explain the construct in question . According to (Yarsasi et al., 2021) , validity construct considered Good If *Average Variance Extracted* (AVE) > 0.5 and *loading factor* > 0.7 .

Reliability construct tested with use *Cronbach's Alpha* (CA) and *Composite Reliability* (CR) . The results of testing show that mark *Cronbach's Alpha* (CA) For *principle finance sharia* (X_1) , *literacy finance sharia* (X_2) , and *performance MSME finance* (Y) And mark *Composite Reliability* (CR) of each of them mark the beyond minimum limit of 0.7, which indicates existence excellent internal consistency .

Validity discriminant tested with compare mark Root Mean of Variance Extracted (VAVE) with connection between construct . The VAVE value for *principle finance sharia* (X_1) , is 0.779, *literacy finance sharia* (X_2) is 0.819, and *the performance MSME finance* (Y) is 0.872, all of them more tall compared to with correlation between construct ($X_1 - X_2 = 0.882$; $X_1 - Y = 0.871$; $X_2 - Y = 0.899$), so that validity discriminant has fulfilled . According to (Yarsasi et al., 2021) , validity discriminant achieved If root *Average Variance Extracted* (VAVE) more big than correlation between construct , because matter This show that every construct can differentiate himself in a way statistics . Therefore that is all instrument in study This proven fulfil standard reliability as well as validity convergent and discriminant .

Table 2. Structural Model Analysis Test Results (Inner Model)

Variables / Indicators	R ²	R ² Adjusted	Q ²	RMS Theta	Effect Size (f ²)	Path Coefficients	T-Statistics	P-Values	Status
Financial Performance of MSMEs (Y)	0.759	0.753	0.721	0.134	-	-	-	-	-
Principle Islamic Finance (X1)	-	-	-	-	0.575	5,575	5,211	0,000	significant
Literacy Islamic Finance (X2)	-	-	-	-	0.327	0.327	2,733	0.006	significant

Results of structural model analysis show that variables *Principle Islamic Finance* (X_1) and *Literacy Islamic Finance* (X_2) capable explains 75.9% of the variation *Financial Performance of MSMEs* (Y) , as indicated by the value R² value ≥ 0.75 . According to (Hair et al. 20 21) , including substantial category , which means the model has Power explain the strong to variables dependent . Besides that , the Q² value of 0.721 indicates that the model has ability good predictive , because Q² > 0 indicates that endogenous constructs can predicted in a way accurate . Validity convergence of the model is also supported by the value *Root Mean Square* (RMS Theta) Which Still is at in limit eligibility for social models complex economy .

The influence of each variable independent to *Financial Performance of MSMEs* (Y) measured through effect size value (f²). *Principle Islamic Finance* (X_1) has an f² of 0.575,

which is included category big , whereas *Literacy Islamic Finance* (X_2) has an f^2 of 0.327, which is included category moderate . Based on category mark $f^2 \geq 0.35$ is categorized large , ≥ 0.15 medium , and ≥ 0.02 small . This is show that Principle Islamic Finance (X_1) provides most dominant contribution in the model. The path coefficient value is 0.575 for each *principle Sharia Finance* (X_1) and 0.327 *Literacy Islamic Finance* (X_2) shows direction positive influence on the *Financial Performance of MSMEs* (Y).

statistic and p-value tests also show that second variables free influential significant to variables dependent , with The t- statistic values are 5.211 and 2.733 respectively , and the p-values are 0.000 and 0.006. Since the t- value > 1.96 and $p < 0.05$, then second hypothesis stated accepted (Ulum et al., 20 2 4) . With Thus , the structural model in study This stated proper and valid, and own strength predictive and significant contribution in explain influence *Principle Islamic Finance* (X_1) and *Literacy Islamic Finance* (X_2) to *Financial Performance of MSMEs* (Y) in the District Kamanre .

Table 3. Hypothesis Test Results

Hypothesis	Variables Independent	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Information
H ₁	Principle Islamic Finance → Financial Performance MSMEs	0.575	0.330	0.120	2,733	0.006	Accepted
H ₂	Literacy Islamic Finance → Financial Performance of MSMEs	0.327	0.578	0.110	5,211	0.000	Accepted

Source : Data processed with SmartPLS4

Based on hypothesis test results through bootstrapping obtained a structural model and results with equality :
 $Y = 0.575 X_1 + 0.327 X_2 + e$

Show that Good *principle finance sharia* (X_1) and *literacy finance sharia* (X_2) influential significant to *performance MSME finance* (Y) in the District Kamanre . *principle finance sharia* (X_1) own coefficient track of 0.575 , t - statistic of 2.733 (>1.95), and p-value 0.006 (<0.05), so hypothesis (H₁) accepted . This is support findings (Saifuddin & Humairoh, 2025) that implementation principle sharia impact positive to efficiency and sustainability business .

Literacy finance sharia (X_2) show significant influence with coefficient track as big as 0.327 , t- statistic of 5.211 (>1.96), and p-value 0.000 (<0.05), so hypothesis (H₂) is also accepted . Findings This in line with (Musyafa', 2023) and (Firayani Firayani et al., 2024) which stated that *literacy finance sharia* (X_2) play a role important in taking decision finance and improvement MSME performance .

Second results the reinforced by the effect size value (f^2), where *the principle finance sharia* (X_1) own influence large ($f^2 = 0.575$) and *literacy finance sharia* (X_2) own influence moderate ($f^2 = 0.327$). Based on effect size category ≥ 0.35 is categorized large, ≥ 0.15 medium, and ≥ 0.02 small. With thus second variables give contribution real to improvement *performance MSME finance* (Y) in the sub-district room in a way sharia and sustainable

Influence Principle The Impact of Islamic Finance on the Financial Performance of MSMEs

Research result indicates that *principle finance sharia* (X_1) has an effect positive and significant to performance MSME finance in the District Kamanre. This seen from the t-statistic which reached 2.733 (>1.95), and the p-value 0.006 (<0.05), which shows that the more tall implementation *principle finance sharia*, increasingly Good *performance MSME finance* (X_1). Aspects like justice in transactions, halal source funding, as well as implementation contract sharia like murabahah and mudharabah give base ethical and spiritual for management business.

Invention This in line with research by (Saifuddin & Humairoh, 2025), which emphasizes that obedience to principle sharia can increase efficiency and sustainability something effort. (Suharto, 2024) also emphasized that *principle finance sharia* offer framework ethical in taking decision business, very important for MSMEs that often faced with a moral dilemma regarding transaction finance. Besides that, (Ifada, 2025) disclose that *principle finance sharia* (X_1) in the context of MSMEs includes justice, halalness, and transparency in transactions, as well as implementation contracts Sharia compliant with maqashid sharia, which functions vitally in build structure healthy and sustainable finances. In context local, perpetrator business micro, small and medium enterprises in the District Kamanre who adopted *principle finance sharia* (X_1) shows progress in size profitability and efficiency. Findings This confirm study (Rindyi Putri Lestari & Fauzatul Laily Nisa, 2024) that state that based funding sharia capable increase performance MSME finance with significant. Therefore that, *the principle finance sharia* functioning No only as guidelines normative, but also as tool practical in increase Power competition as well as sustainability business micro and small.

Influence Literacy The Impact of Islamic Finance on the Financial Performance of MSMEs

Literacy finance sharia (X_2) show t- statistic value of 5.211 (>1.96) and p-value 0.000 (<0.05), which confirms that there is impact positive as well as significant to performance MSME financial findings analysis show that elements like understanding product sharia, ability compile report appropriate finances sharia, skills in choose halal financing, and pro-attitude towards practice Islamic finance plays a role important in increase profitability, efficiency, and development business.

(Musyafa', 2023) explain that *Literacy finance sharia* play role crucial in taking decision financial alignment with principle Sharia. (Firayani Firayani et al., 2024) add that MSME entrepreneurs who have literacy tall usually more capable produce report proper and aligned finances with Islamic principles, so that increase efficiency as well as Power competition business. (MN Putri, 2022) strengthen results This with state that literacy finance sharia involving understanding, skills, and attitudes to product finance sharia, which is direct influence capabilities of the actors business in manage finance with responsible manner answer.

Besides that, (Wulandari et al., 2025) put forward that *Literacy finance sharia* can act as factor strengthening connector relatedness between inclusion finance and performance of MSMEs, especially in the digital era as well as efficiency operational. In the District Kamanre, an MSME actor who has good understanding about *Literacy finance sharia* (X_2) tend more capable access halal funding, compiling report transparent finances, as well as make decision smart business, which is direct impact on increasing performance finance they.

Influence Principle Sharia Finance and Literacy Islamic Finance in General Simultan On the Financial Performance of MSMEs in the District Kamanre

Analysis results to the structural model show that variables *Principle Islamic Finance* (X_1) and *Literacy Islamic Finance* (X_2) own significant impact in a way simultaneous to *Financial Performance of MSMEs* (Y). This shown through The R^2 value reached 0.759 and the Adjusted R^2 was 0.753. Based on opinion rule (Hair et al., 2017), an R^2 value ≥ 0.75 is considered enter in category substantial, which indicates that this model is very effective explain variables dependent. In addition that is, the recorded Q^2 value of 0.721 shows ability very good predictive model, because A positive Q^2 value > 0 indicates that endogenous constructs can predicted with right. Validity convergent from the model is also reinforced by *Root Mean Square (RMS Theta)* which has mark of 0.134, which meets the requirements criteria eligibility for social models complex economy.

Influence every variables independent to *Financial Performance of MSMEs* (Y) measured with mark size effect (f^2). *Principle Islamic Finance* (X_1) shows f^2 of 0.575, which is included in category big, while *Literacy Sharia Finance* (X_2) shows an f^2 of 0.327, which is in category moderate. Based on category value, $f^2 \geq 0.35$ included category large, ≥ 0.15 medium, and ≥ 0.02 small. This show that *Principle Islamic Finance* (X_1) own contribution the biggest in this model. The coefficient value each path is 0.575 for *Principle Islamic Finance* (X_1) and 0.327 for *Literacy Islamic Finance* (X_2), which indicates influence positive to *Financial Performance of MSMEs* (Y).

Analysis results *t-statistics* and *p-value* also show that second variables free own impact significant to variables dependent, with mark *t-statistics* were 5.211 and 2.733 respectively, and *p-value* of 0.000 and 0.006. Because the *t* value > 1.96 and $p < 0.05$, then second hypothesis (H_1 and H_2) can accepted (Ulum et al., 2024). Therefore that, structural model in study This declared valid and appropriate, and show strength predictive and meaningful contribution in explain influence *Principle Islamic Finance* (X_1) and *Literacy Islamic Finance* (X_2) against *Financial Performance of MSMEs* (Y) in the District Kamanre.

Findings This supported by research conducted by (Ahmad Haekal Munzir Aminuddin et al., 2025), which revealed that level literacy finance own positive and significant impact to management the finances of traders in traditional markets. A good understanding about literacy financial make it easier perpetrator business For create notes orderly finances, separating between personal and business funds, as well as more Ready in face risk financial. In the context of MSMEs that follow principle sharia, level literacy high finance become base it is important that the principles Islamic finance can implemented in a way maximum, which in turn impact positive to performance financial.

Therefore that, strengthening principle finance sharia and literacy finance in a way simultaneously can become effective approach in push performance MSME finances in general sustainable. Combined from second element This No only offer profit economy, but also strengthens integrity social and spirituality of the perpetrators business in religious

areas like Subdistrict Kamanre . This study give significant contribution in literature development of MSMEs based on sharia , as well as functioning as guidelines for government regions and institutions finance sharia in designing more literacy and mentoring programs effective

Conclusion

Analysis results with use method *PLS-SEM* show that *principle finance sharia* (X_1) and *Literacy finance sharia* (X_2) own significant influence to *performance MSME finance* (Y) in the District Kamanre , okay in a way partial and simultaneous . Implementation principles sharia like comply Islamic regulations , justice in transactions and usage contract sharia proven capable strengthen structure MSME finance , especially in aspect efficiency and profitability .

Literacy finance Sharia (X_2) also provides impact positive For taking decision more financial smart and in line with Islamic values . Understanding about product finance sharia , ability in compile report finance , as well as attitude positive to practice sharia motivating improvement liquidity , solvency , and resilience business . Second factor This each other complete For build foundation solid and sustainable finances .

With ability good prediction from this model , research This confirm that strengthening principles and *literacy finance sharia* (X_1) is an important strategy in empowering MSMEs, especially in areas with community religious like Subdistrict Kamanre . Findings This expected can become reference For development of educational programs and policies finance more sharia practical at the level local

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