



**THE LACK OF FINANCIAL LITERACY
FACTORS CAUSES FAILURE ON STUDENT BUSINESS
(OBJECT STUDY: STUDENT MSMES IN DIPONEGORO UNIVERSITY)**

THESIS

**Compiled as Final Assessment to Fulfill Graduation Requirements
at Undergraduate Program Department of Business Administration
Faculty of Social Science and Political Science
Universitas Diponegoro**

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FACTORS CAUSES FAILURE ON STUDENT BUSINESS

(OBJECT STUDY: STUDENT MSMES IN DIPONEGORO UNIVERSITY)

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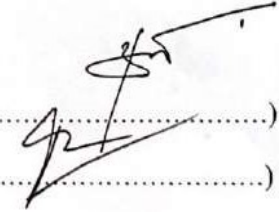
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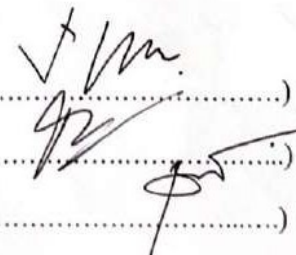


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MOTTO & PRESENTATIONS

“There is no fear in love, but perfect love casts out fear. For fear has to do with punishment, and whoever fears has not been perfected in love”

1 John 4: 18 (ESV)

This thesis is dedicated to:

1. I express my gratitude to God, who has brought me to this point and provided guidance throughout my journey. May all that is accomplished through this endeavor be a testament to the glory of His name.
2. I would like to express my deepest gratitude to my beloved parents and older sisters and brother, who always believed in me and provided unwavering support and sincere prayers.
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ABSTRACT

As much as 60% of the businesses submitted by students at *Program Mahasiswa Wirausaha* Universitas Diponegoro experienced setbacks until closure because they could not survive in the market. The purpose of this research is to identify the failure factors of Diponegoro University student businesses by using in-depth interviews with eleven informants to explore student experiences and photographers as business actors in running their businesses, with the findings depicted in diagrams to represent the causes and relationships of the factors that are causing a setback in the business of students who receive mentoring and financial assistance from *Program Mahasiswa Wirausaha* Universitas Diponegoro.

This research suggests enhancing the understanding of financial literacy and the comprehensive business strategy of each business and improving the system of *Program Mahasiswa Wirausaha*. The results of this research show that financial literacy contributes to the declining in business performances. However, the main factor is Human Resources management is fragmented or ineffective, and additional factors are identified that contribute to business setbacks, including lack of transparency, fraud, communication issues, coordination difficulties between team members, focus on personal activities, external factors such as the COVID-19 pandemic, competitors, inadequate marketing strategies and business incubators.

Keywords: Student Business, Business Failure, Financial Literacy, Marketing Management, PEST Analysis

ABSTRAK

Sebanyak 60% usaha yang diajukan oleh mahasiswa dalam Program Mahasiswa Wirausaha Universitas Diponegoro mengalami penurunan faktor performa hingga penutupan dikarenakan tidak dapat bertahan di pasaran. Tujuan dari penelitian ini yaitu mengidentifikasi faktor kegagalan usaha mahasiswa Universitas Diponegoro dengan menggunakan wawancara mendalam kepada sebelas informan untuk mengeksplorasi pengalaman dan perspektif mahasiswa sebagai pelaku usaha dalam menjalankan usahanya, dengan hasil temuan yang digambarkan dalam bentuk diagram untuk merepresentasikan penyebab dan hubungan dari faktor-faktor yang menyebabkan kemunduran bisnis mahasiswa yang mendapatkan bantuan mentoring dan keuangan dari Program Mahasiswa Wirausaha,

Penelitian ini memberikan rekomendasi untuk meningkatkan pemahaman literasi keuangan dan meningkatkan strategi bisnis yang komprehensif dari setiap usaha serta perbaikan sistem inkubasi Program Mahasiswa Wirausaha. Hasil dari penelitian ini menunjukkan bahwa literasi keuangan berperan dalam kemunduran bisnis, namun hal tersebut bukanlah faktor utama. Faktor utama yang teridentifikasi adalah manajemen sumber daya manusia yang terbagi atau tidak efektif. faktor-faktor tambahan yang berkontribusi terhadap penurunan bisnis termasuk kurangnya transparansi, penipuan, masalah komunikasi, kesulitan koordinasi antara anggota tim, fokus pada kegiatan pribadi, faktor eksternal seperti pandemi COVID-19, kompetitor, strategi pemasaran yang tidak memadai dan permasalahan dengan inkubasi bisnis.

Kata Kunci: Bisnis Mahasiswa, Kemunduran Bisnis, Literasi Keuangan, Sumber Daya Manusia, Transparansi, Komunikasi, Strategi, Operasional, Faktor Eksternal, COVID-19, Diagram Tulang Ikan.

FOREWORDS

The thesis is intended to fulfill the researcher's final project in undergraduate program in Business Administration at the Faculty of Social and Political Sciences, Diponegoro University, Indonesia. The subject of the thesis is "The Lack of Youth Financial Literacy: Factors Causing Setbacks on Student Businesses (Object Study: Student MSMEs in Diponegoro University)."

This research topic is particularly attractive as it combines technical knowledge with the reality of MSMEs at Diponegoro University Semarang. The researcher would like to express her gratitude for the goodness of God and the endless support from her family, and she would like to dedicate her gratitude to:

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CHAPTER I

INTRODUCTION

1.1 Background of Reasons

Badan Pusat Statistik (2017) states, Central Java Province had approximately 67,063 students enrolled between 2015 and 2016. In 2020, Diponegoro University enrolled 13,198 students across thirteen faculties, offering one hundred seventy-two majors. The current student population primarily consists of millennials and Generation Z, with the prioritize to study while engaging in employment or entrepreneurship to fulfil student's financial needs or pursue personal interests. Entrepreneurial students at Diponegoro University are involved in various industries, including culinary arts, fashion, electronic equipment, and graphic design services. Some students rely on the university's facilities as a source of business capital, while others depend on personal finances or external investors to support business assets. Shane & Venkataraman (2000) state that Entrepreneurship involves recognizing opportunities, regardless of the available resources by identifying and acting upon such opportunities as fundamental to entrepreneurship.

In this part, universities have the potential to play crucial role in developing entrepreneurship and mentoring entrepreneurs. Encouraging students to pursue entrepreneur passions should be a continuous effort, in line with this perspective, Diponegoro University recognizes the importance of promoting entrepreneurship through innovation, science and technology development. The university has made Entrepreneurship classes mandatory for students to take the course to enhance student skills. The university has also established the *Klinik Kewirausahaan dan Inkubasi Bisnis*, *Program Mahasiswa Wirausaha*, and *Program Kreativitas Mahasiswa*, with business incubators' functions supporting student business development. The programs had done through coaching and funding assistance, intending to offer students the necessary resources to pursue entrepreneurial aspirations.

In 2009, the Ministry of National Education launched the Student Entrepreneur Program (*Program Mahasiswa Wirausaha*) to build an entrepreneurial spirit among students. In the same year, Diponegoro University also launch *Program Mahasiswa Wirausaha* by producing 471 student entrepreneurial groups consisting of more than 1907 students successfully participated in the coaching and funding program by spending a total of IDR 1,326,400,000,- from 2020 to 2022 (described in the table through appendix 1). The program has supported student businesses in five different industries, including Food and Beverage Industry (e.g. restaurants and coffee shops), Service and Trade Industry (e.g. household goods and services), Applied Technology Industry (e.g. technology products and services such as laboratory equipment services or 3D printing, raw food ingredients), Creative Industry (e.g. event organization and souvenir making services), and Production/Farming Industry (e.g. catfish or broiler farming) (BAK, 2023).

Despite the successes of *Program Mahasiswa Wirausaha*, many student businesses that have received funding have experienced setbacks or even closure. Helticious, a business founded by Luluk Wahyu Setiawan from the Faculty of Economics and Business in 2017, received funding from Program Mahasiswa Wirausaha in 2020, experiencing setbacks in 2021 due to internal factors human resource problems, eventually leading to rebranded into Delwin Food in 2022. Similarly, Bakoel Sehat, founded by Hendro Sarjito, Faculty of Agriculture and Animal Science in 2015, with the products selling basic cooking ingredients and ready-to-cook experiencing setbacks due to internal factors such as failure to determine business strategies at the beginning of the establishment, rebranding from Bakoel Sehat.com into Agrioo in May 2022 as a strategic response. Kalamour, a business led by Diana Erlita from the Faculty of Law in 2019, received funding assistance from the 2021 Entrepreneurial Student Program but experienced closure in 2022 due to internal problems within the business team.

Many other student businesses have experienced setbacks or closures within 12-24 months that have yet to be discovered by *Biro Akademik Kemahasiswaan* (BAK, 2023). These cases show that the failure rate of students Micro, Small, and

Medium Enterprises (MSMEs) in Diponegoro Univeristy is high. Ali & Kodrat (2017) explained that the failure rate for MSMEs is the age of five (5) years, and 78% of small businesses in Indonesia experience failure. The book of "Manajemen Pemasaran Jasa" written by Lupiyoadi & Hamdani, 2011 further highlights that 80% of new companies in Indonesia fail within the first five years. stated that business failure is an essential aspect of entrepreneurship that must be studied, but the different definitions of failure make it challenging to analyze. Failure is synonymous with not achieving a predetermined target. Business failure will be understood as a change in business processes for various reasons, transferring the business into another form so the entrepreneur can start a new business. Business failure has so many reasons, the environment strongly influences business failure or success, especially the global economic environment, currently affected by the Covid-19 pandemic (Yaraghi, Niam and Duarte, 2021).

Borawake & Gandhi (2011) studied the common reasons for business setbacks among entrepreneurs by identifying the factors come from everyday problems. Financial resources were significant challenges for many small and medium enterprises (SMEs), leading to cash flow problems and eventual business failure. Additionally, inadequate management skills, including poor planning, decision-making, and weak leadership, contribute to business failure. SMEs that lacked effective marketing strategies also struggled to reach the customers target, resulting in poor sales and eventual business failure. Technological obsolescence posed risks for SMEs that failed to keep up with the latest technology trends, diminishing competitive edge in the market. Furthermore, external factors such as economic downturns, changes in government policies, and natural disasters were identified as additional contributors to business failure.

The previous research from Priego (2020) stated the internal economic factors and other external factors in human resource quality, environmental conditions, or poor management decisions cause business failure. Gupta (2013) also studied the internal factors are controllable and comprise the enterprise's personnel, strategy, functional, operational, marketing, financial, and technical capabilities. The external factors are beyond the control of the enterprise and

comprise economic, sociocultural, regulatory and legal, political, financial, trade, technological, demographics, and geophysical factors.

In fact, as one of Indonesia's economic strength sources, the existence of MSMEs is essential in contributing to the gross domestic product and plays a significant role in absorbing labour. To facilitate the development of MSMEs, the government of Indonesia issued a law on MSMEs, namely Undang-Undang No. 20/2008, on the definition of micro, small, and medium enterprises, individual business entities to fulfil the criteria as a micro-enterprise. A business entity can be considered an MSME with several criteria having a net worth of at most IDR 50.000.000- (fifty million rupiah), excluding the land and building of the place of business and has annual sales revenue at most IDR 300.000.000,- (three hundred million rupiah). However, despite the government's efforts to support MSMEs, the financial literacy index in Indonesia remains low, with Otoritas Jasa Keuangan's National Survey on Financial Literacy and Inclusion (2021) reporting an index of only 49.68%. This lack of financial literacy obstruct entrepreneurs from understanding the characteristics of financial products and services formal financial service institutions offer. Indonesia's National Financial Literacy Strategy (2021) vision is to realize an Indonesian society with a high financial literacy index (well-literate) to utilize appropriate financial products and services to achieve sustainable economic prosperity. Thus, the financial literacy of Indonesian people must continue to be improved with SNLIK 2021 - 2025, arranged based on three strategic program pillars (OJK, 2021): financial capability, wise financial attitudes and behavior, and financial access.

Entrepreneurs must understand the importance of good bookkeeping to improve business performance. As the founder of Aneka Printing, Qummas Naziq has rightly stated "Financial Literacy is the heart of a business because good financial aspects determine the business journey ahead." By monitoring financial indicators such as debt levels, liquidity ratios, and profitability, entrepreneurs can evaluate financial health and identify potential risk areas. Business owners make better financial decisions, avoid financial distress, and prevent business failure.

Improving entrepreneurs' financial literacy in Indonesia is crucial for the success of MSMEs and the nation's economy as a whole. Therefore, to continue promoting financial literacy programs and initiatives for educate entrepreneurs on good financial management practices is essential. The existence of MSMEs in Indonesia is in line with the vision created by OJK (2021) to promote sustainable economic prosperity in Indonesia by ensuring a stable and efficient financial sector that serves the needs of the people and the economy. Business failure can have a negative impact on this vision, as it can lead to decrease employment, reduced economic activity, and other negative effects. Thus, preventing business failure with the understanding the factors causes business setbacks is essential for MSMEs to achieve sustainable economic prosperity.

The book of “Mergers, Acquisition and Corporate Restructuring” (Gaughan, 2017) focuses primarily on the strategies and processes involved in mergers, acquisitions, and corporate restructuring. Several crucial aspects are addressed in the context of financial variables that can contribute to business failure. For starters, excessive debt, particularly debt taken to finance a merger or acquisition, can negatively influence a company's financial stability. Excessive debt can make difficult to generate enough cash flow to pay debt obligations, potentially leading to financial difficulties and even bankruptcy. Second, cash flow concerns can occur due to operational inefficiencies, inadequate integration, or other mergers and acquisitions-related factors. Inadequate cash flow creates substantial challenges and can quickly lead to financial troubles. Third, overvaluing assets obtained in mergers or acquisitions might stymie a transaction.

Inadequate capitalization obstructs business capacity to pursue growth opportunities, augmenting the risk of failure. Supported by the research of Marom & Lussier (2014) , there are various kind of factors causes business failure, namely: capital, record keeping and financial control, industry experience, management experience, planning, professional advisors, education, staffing, product or services timing, economical timing, age, partners, parents, minorities, marketing. At the same time, other research from Halim (2014) found another several key success factors for SMEs in Indonesia, including innovation, customer focus, operational

excellence, strategic planning, leadership and access to finance and government support were important factors that enabled SMEs to achieve business success.

The results from Sienatra & Natasya (2020) research stated there are three ratios have significant effect on student business failure, namely the total asset turnover ratio, current ratio, and return on equity ratio (return on assets). In comparison, the activity ratio with fast asset turnover, current asset turnover ratio, fixed asset turnover ratio, cash flow ratio, and solvency ratio is insignificant. Sunarjanto (2018) also reinforced three financial ratios, namely working capital to total assets ratio, current ratio, and quick assets to inventory ratio, can be used to predict business failure.

EducationUAE (2021) describes financial literacy as the ability to comprehend and manage personal finances to make informed decisions about spending, saving, and investing. Involves understanding financial concepts, such as budgeting, interest rates, and credit scores, as well as practical skills, such as creating and adhering to a budget, managing debt, and making wise investments. In educational context, financial literacy refers to the knowledge and skills taught to students to prepare the business owner for financial independence and success in adulthood. The sustainability of micro, small, and medium enterprises (MSMEs) depend on the success of business owners in managing performances and achieving a return on investment. Effective financial literacy is crucial, as it can greatly impact business performance, determining the enterprise's sustainability (Sari, 2022).

Based on previous research about the factors contributing to business failure, identified that one of the factors is a lack of financial understanding. An initial interview was conducted to verify the relevance of these findings to the current research. The initial interview investigates the impact of low financial literacy on the sustainability of micro, small, and medium enterprises (MSMEs) owned by students at Diponegoro University. Specifically, the study will examine the factors contributing to business failure due to inadequate financial understanding among young entrepreneurs. The ultimate goal is to provide recommendations for improving financial literacy among university students and young entrepreneurs to promote the sustainability of the MSMEs. The initial

interview referring to Borawake & Gandhi (2011) about the factors that cause business failure. The 10 informants who run businesses were interviewed in this research as initial interviews. The ten informants who run businesses were interviewed in this research as initial interviews. The informants are students from Diponegoro Univeristy with different college admission times. The topics that were questioned for the initial interviews are in Appendix 2. The results of these conclusions are depicted in the form of a pie chart, as shown below:

Table 1.0.1 Results of the Initial Interview

No.	Business Owner	Major and Faculty of the Owner	Business Fields	Business Name	Descriptions (Factors Affecting the decreasing of business performances)
1.	Naufan Hafy Fauzi	Business Administration / Faculty of Social and Political Science	Creative Industry (Broadcasting Services)	Flatter Media	Flatter Media is a small and medium enterprise (MSME) in the creative industry that provides private broadcasting services. It was established in 2018 in Ngaliyan, Semarang, and targets customers in the scope of wedding events. Their products include live streaming service, invitation website, and digital guest book, and their tagline is "one stop digital wedding." During the pandemic, Flatter Media experienced the highest sales due to the enforcement of restrictions on community activities. However, their business performance declined after the PPKM period, which is attributed to the change in people's lifestyles after the pandemic. Since many activities began to be carried out offline, the need for live streaming services decreased. Additionally, the ownership of business accounts is shared with owner account, which

					results in mixed financial turnover.
2.	Hendro Sarjito	Agribusiness / Faculty of Agriculture and Animal Science	Services (Cooking Raw Materials)	Agrioo	Agrioo is an MSME that provides neatly organized raw cooking ingredients to simplify the supply chain. It was established in 2019 and is located in Jl. Dinar Indah Blok 2D-03, Semarang. The business originally started as Bakoel Sayur and launched a website and application, which it still runs today. However, in 2022, Agrioo's business performance experienced a decline due to management strategy problems. The human resources department faced delays in predicting customer desires, which led to unfulfilled customer needs and ultimately caused a decline in sales. As a result, Bakoel Sayur created a new business model and rebranded itself as Agrioo.
3.	Luluk Wahyu Setiawan	Economic Science / Faculty of Economic and Business	Food & Beverages (Restaurant)	Burjomatsu	Vincero is a food and beverage business that provides catering services. It was established in 2019 and is located on Jl. Tirta Husodo Timur, Pedalangan, Banyumanik. Unfortunately, due to the pandemic and the resulting online learning, Vincero had to close down. In 2020, it was replaced with a new business model called Burjomatsu, which offered a special menu of mung bean porridge and milk <i>martabak</i> . Burjomatsu had the lowest sales when it was first launched in 2020 but had its highest sales in 2023 at the end of the second semester. The most significant factor that affected the decline in Burjomatsu's business performance was the university students' departure to their

					homes during the school holidays. These students were the target buyers of Burjomatsu's products, and their absence resulted in a reduction in sales numbers.
4.	Hasna Humaira	Business Administration / Faculty of Social and Political Science	Fashion (Business Creative)	Ethnicode	Ethnicode was established in 2016 as a reseller of original Indonesian necklaces from Jogjakarta. In 2018 they rebranded the business with new business models, and the owner learned how to make necklaces, bracelets, and other handicrafts herself. At present, they have an onsite store in Jalan Bulusan, Tembalang. The factor causing the decline in business performance is the absence of sales caused by the Covid-19 pandemic. However, they were survived by innovating products in the form of mask straps and hampers during the pandemic.
5.	Qummas Naziq Yustiary	Government Science / Faculty of Social and Political Science	Creative Business (Printing Services)	Aneka Printing	Aneka Printing is an MSME in the field of printing services located in Sayung, Demak. Pioneered from 2017, building the business together with the team, with installments of production equipment from 2018 to 2022. Factors affecting the decline in performance due to personal problems that resulted in the division of team members and too many employees. It resulted in swelling operational costs and external factors in constructing the Semarang - Surabaya toll road, affecting the changes in their store location.
6.	Andrea Pinnondang Caroline	Business Administration / Faculty of	Food & Beverages	Boxlogy	Boxlogy is a business in the food and beverage sector that sells cakeboxes with the

		Social and Political Science	(Food Pre-Order)		pre-order method. This business was created in 2020 with a cream sandwich pre-order business model. Unfortunately, this business often stops because the owner has other priorities and only does everything alone. In 2022, it reopened and made new product innovations in the form of brownie boxes ordered for specific events such as graduations, birthdays, and others. The external factor that caused the decline of this business is that students who are customers of this business return to their respective homes for school vacations which are the target buyers of their products, thus reducing sales figures.
7.	Kharisma Yogi Noviana	Business Administration / Faculty of Social and Political Science	Fashion	Narasya Hijab	Narasya Hijab is an MSME engaged in fashion selling of Muslim hijab. This business has been running since April 2022, with three Diponegoro University students who became a team. During the running of this business, the factor that influences the decline in business performance is the absence of buyers. This case may be because this business must still be classified as new and unknown. Marketing factors are also an influence in decline in sales.
8.	Saffana Sania	Business Administration / Faculty of Social and Political Science	Food Catering	4u Kitchen	4u Kitchen is an MSME in the field of Food & Beverages that provides food catering, formed because the owner has a cooking hobby. Formed in 2020 and located in Ciledug, Tangerang. This business had

					experienced a decline because the owner had to move to Semarang, then in 2021, rebranded by selling instant seblak. However, because this business is not the owner's main priority, the owner often closes his business, resulting in fewer purchases due to fewer loyal customers buying this business. Another factor is that the administration is mixed with the business owner's finances.
9.	Bariqi Najman	Communication Science / Faculty of Social and Political Science	Food & Beverages (Coffee shop)	Bariki Ngopi	Bariki Ngopi is an MSME in the field of Food and Beverages in the form of a Coffeeshop located in Dukuh, Salatiga. This business was made in August 2019 due to the owner's experience. Conducted KKN in Temanggung and gained much experience and learn about coffee. The most significant factor in the influence of the decline in performance in this business began in April 2022 due to many new business competitors with more advantages on facilities that cause customers to move to competitor's business. Another factor is because administrative finances are mixed, so they have experienced an imbalance in bookkeeping.
10	Rainaldy Daffa Ferdiansyah	Business Administration / Faculty of Social and Political Science	Food & Beverages (Coffee shop)	Secangkir	Secangkir is an MSME in the food and beverage sector that sells coffee. This business started running in 2020 with a pre-order system and opened outlets in July 2022 in Bukit Sari, Tembalang. Formed by three students who became a team. Had experienced a

					decline in sales at the end of the 2022 semester because most students returned to their respective homes during school holidays and were the target buyers of the product, thus resulting in a decrease in sales numbers.
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Source: The Researcher

With the conclusion in the next page:

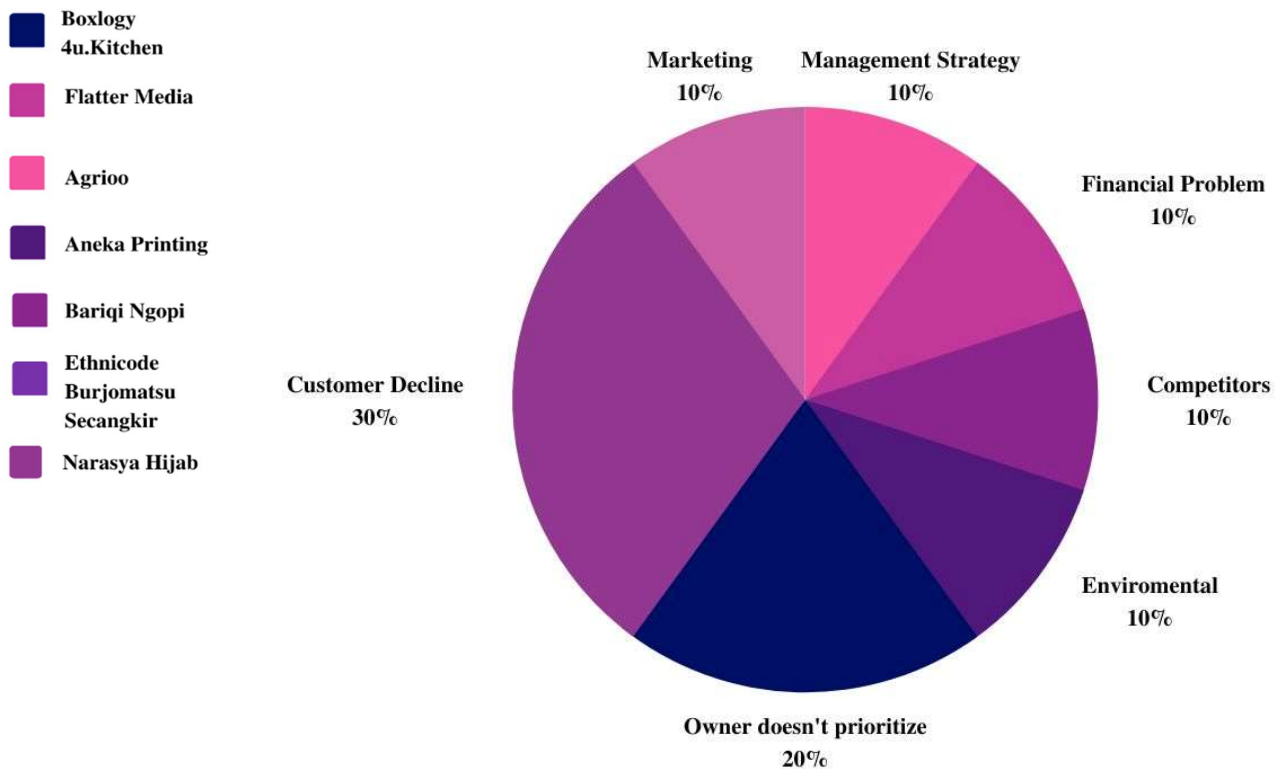


Figure 1.1 Results from the Initial Survey with The Student Business in Diponegoro University

Source: The Researcher

The pie chart above shows that 30% of the initial interview informants experienced declining in business performance due to reduced customers. These businesses, located in the campus area of Diponegoro University, comprise 20% of

food and beverage (Burjomatsu and Secangkir), and 10% of creative industries (Ethnicode). The micro enterprises created by these individuals cater to the entire Diponegoro University and POLINES student community. Food and beverage businesses, in particular, experienced declining sales due to the extended end-of-semester holidays twice a year and prompt students to return home. Other reasons that cause business setbacks from Burjomatsu, Secangkir and Ethnicode are low revenues and high operational costs. Furthermore, one of the enterprises involved in the creative industry witnessed a reduction in sales owing to the COVID-19 pandemic. This study investigates the factors contributing to the setbacks of micro, small, and medium-sized enterprises (MSMEs) owned by students at Diponegoro University. The initial interviews revealed that the long end-of-semester holiday resulted in a decrease in customers, leading to decline in performance for micro business, financial problems were only responsible for one of the business owners.

Based on the findings from the initial interview, it can be concluded that multiple factors contribute to the decline in performance observed in the ten student businesses. However, to enhance business performance, it is crucial to implement a well-defined strategy. In this regard, the researcher identified a range of strategies student businesses employ to improve business performance. One notable aspect of these strategies is the incorporation of financial management practices, which encompass an understanding of associated risks, liabilities, and benefits and the effective utilization of financial products and services. Notably, financial literacy emerged as a key influencing factor that significantly impacts the management strategies adopted by business owners, enabling them to overcome adversities and achieve success.

This research is significant to addresses critical issues related to the success of young entrepreneurs in Indonesia, focusing on Diponegoro University students in Micro Enterprises play a crucial role in the nation's economy. Therefore, the essential to identify the factors contributing to these student mciro business decline, especially those receiving funding from *Program Mahasiswa Wirausaha*. The insights gained from this study will help increase the success rate of student MSMEs and drive economic growth. Furthermore, this research offers valuable

recommendations and insights for improving the financial literacy of students and young entrepreneurs, ultimately leading to better business performance and sustainability. Thus, this study holds practical implications for policymakers, educators, and young entrepreneurs in Indonesia and other countries.

1.2 Problems Formulation

The primary objective of this study is to identify the factors contributing to the declining performance of student businesses at Diponegoro University. The study also explored the strategies that students use to improving business performance. The research conducted initial interviews with eleven business owners at the university and found that external factors, such as long student vacations, the COVID-19 pandemic, and the emergence of new competitors offering different customer perks, were the main reasons for the decline in business performance. This research plans to conduct further research to investigate whether financial literacy plays a role in the failure of student businesses, particularly businesses that received capital from *Program Mahasiswa Wirausaha* Universitas Diponegoro. By analyzing the macro and micro economic factors that influence business failure, the findings of this research are expected to provide valuable insights for entrepreneurship education so that entrepreneurs can improving business performance as well as learn from past failures; this research is in line with the vision of the Financial Services Authority to encourage sustainable economic prosperity in Indonesia by supporting the development of micro-enterprises of Diponegoro University students.

1.3 The Research Purposes

When conducting research, the purpose of the study is to determine the research direction, ultimately leading to the expected results. The study aims to investigate the factors contributing to the failure of micro enterprises owned by university students at Diponegoro University due to low financial literacy. This research urge to address an important issue affecting young entrepreneurs in Indonesia and MSMEs play a vital role in the country's economy. Additionally, the study may provide valuable insights and recommendations for improving financial

literacy among university students and young entrepreneurs lead to better business performance and sustainability. Therefore, the research may have practical implications for policymakers, educators, and young entrepreneurs in Indonesia and beyond.

1.4 The Researches Merits

The outcomes of the research are expected to be utilized for:

1. For Academics

The results of this study are a reference for conducting further research, adding knowledge, insight, and understanding of Factor Analysis leading to the setbacks of student MSMEs at Diponegoro University;

2. For Researcher

Hopefully, the results of this study can increase the knowledge and insight of This study regarding factors causes setbacks in student MSMEs at Diponegoro University; In addition, this study can be more skillful in seeing issues regarding other business sectors;

3. For Micro, Small, Medium Enterprises and Companies

Hopefully, the results of this study can solve the problems experienced by MSMEs owned by students and as input and additional information for MSMEs so that these businesses can evaluate and make policies to improve the performance to win the market competition and continue the business;

4. For Other Parties

The results of this study are expected to contribute thoughts or ideas for similar studies by providing information for readers.