



The Effect of Financial Knowledge, Financial Literacy, and Financial Technology on MSME Performance

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Abstract

This study aims to analyze the influence of financial knowledge, financial literacy, and financial technology on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Jakarta. MSMEs play a crucial role in Indonesia's economic growth; however, they still face various challenges related to financial management, low levels of financial literacy, and limited utilization of digital financial technology. In addition, previous studies examining the influence of financial knowledge, financial literacy, and financial technology on MSME performance have produced inconsistent findings. Therefore, this study integrates these three variables into a single research model to provide a more comprehensive understanding of the factors influencing MSME performance. This study employed a quantitative approach using a survey method. Primary data were collected through questionnaires distributed to 250 culinary-sector MSME owners in Jakarta who actively use financial technology services. The sampling technique used was purposive sampling. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4.0 software. The results indicate that financial knowledge, financial literacy, and financial technology have a positive and significant effect on MSME performance. Financial technology was found to be the most dominant variable influencing MSME performance, followed by financial literacy and financial knowledge. The R-Square value of 0.288 indicates that the three independent variables explain 71.2% of the variance in MSME performance. This study contributes theoretically by developing an integrated model of financial capability and digital technology adoption within the Resource-Based View (RBV) perspective. Practically, the findings provide implications for MSME owners and policymakers in enhancing financial literacy and the utilization of financial technology to improve MSME performance and competitiveness.

Keywords: *Financial Knowledge; Financial Literacy; Financial Technology; MSME Performance; SEM-PLS*

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in promoting national economic growth, creating employment opportunities, and improving public welfare. In Indonesia, MSMEs contribute more than 60% to the Gross Domestic Product (GDP) and absorb the majority of the national workforce. Particularly in Jakarta, the development of MSMEs has experienced significant growth along with increasing economic activities and digital transformation. Nevertheless, MSMEs still face various challenges in improving business sustainability and performance, especially those related to financial management, business decision-making, and the utilization of digital financial technology. Poor financial management capabilities, weak cash flow management, and limited utilization of digital technology have caused many MSMEs difficulties in sustaining and expanding their businesses.

One of the important factors influencing MSME performance is financial knowledge. Financial knowledge refers to an individual's understanding of financial concepts and financial management, including budgeting, capital management, investment, debt management, and financial risk management. Adequate financial knowledge enables MSME owners to make more effective and rational financial decisions in managing their businesses. Financial knowledge plays an important role in improving the quality of financial decision-making and business resource management. MSME owners with strong financial knowledge tend to be more capable of managing cash flow, developing financial strategies, and improving business operational efficiency. Research conducted by Simorangkir (2024) revealed that financial knowledge has a positive and significant effect on MSME performance. Similarly, Zawi (2024) found that financial knowledge significantly contributes to improving MSME performance. However, Binawati (2022) reported different findings, stating that financial knowledge has no significant effect on MSME performance. These inconsistent findings indicate that the relationship between financial knowledge and MSME performance still requires further investigation.

In addition to financial knowledge, financial literacy is also an important factor in improving MSME performance. Financial literacy refers to an individual's ability to understand and apply financial concepts in daily business activities. A high level of financial literacy helps MSME owners manage financial resources, conduct business planning, evaluate financial products, and manage business risks effectively. OECD (2020) explained that higher financial literacy can improve the quality of economic decision-making and support business sustainability. Research by Rahayu (2017) showed that financial literacy positively affects MSME performance because business owners with better financial literacy are more capable of conducting structured business planning and minimizing operational errors. Simorangkir (2024) also found that financial literacy has a positive and significant effect on MSME performance. However, Nurlianti (2022) found no significant relationship between financial literacy and MSME performance. These differences in findings indicate the existence of a research gap that requires further examination.

In today's digital era, the development of financial technology (fintech) has significantly influenced MSME business activities. Financial technology refers to technology-based financial service innovations that facilitate payment transactions, financial record management, access to financing, and more effective and efficient business management. The use of fintech enables MSMEs to conduct digital payments, access financing services more easily, and improve operational efficiency. According to in Lee and Yong Jae Shin (2018), financial technology can improve business efficiency and expand access to financial services for small businesses. Research conducted by Simorangkir (2024) showed that financial technology has a positive and significant effect on MSME performance. Likewise, Pandak (2023) found that financial technology significantly improves MSME performance. However, studies by Rini (2023) and Murdiono (2024) found that financial technology has no significant effect on MSME performance. In

addition, the adoption of fintech among MSMEs remains relatively low due to technological barriers and limited understanding of digital technology usage.

Based on previous studies, inconsistent findings have been identified regarding the influence of financial knowledge, financial literacy, and financial technology on MSME performance. Some studies reported positive and significant effects, while others found insignificant relationships. Furthermore, most previous studies examined these variables separately and did not integrate them into a comprehensive research model. Research specifically focusing on fintech-using MSMEs in Jakarta is also still limited. These conditions indicate the existence of a research gap that requires further investigation to obtain a more comprehensive understanding of the factors influencing MSME performance.

Based on this research gap, this study offers novelty by integrating financial knowledge, financial literacy, and financial technology into a comprehensive research model to analyze their influence on MSME performance in Jakarta. This study adopts the Resource-Based View (RBV) approach, which considers financial knowledge and financial literacy as strategic capabilities, while financial technology is viewed as a supporting factor that enhances business competitiveness and efficiency. This study also introduces the “Financial Capability–Technology Integration Model,” which explains how financial capability and digital technology adoption collectively improve MSME performance. Unlike previous studies, this research specifically focuses on MSMEs actively using financial technology services, thereby providing more relevant empirical evidence within the context of Indonesia’s digital economy.

The theoretical contribution of this study is expected to enrich the development of financial management theory, financial behavior theory, and the Resource-Based View related to the influence of financial knowledge, financial literacy, and financial technology on MSME performance. Practically, this study is expected to provide benefits for MSME owners in Jakarta by improving financial management capabilities and the utilization of digital financial technology to enhance business performance. In addition, the findings are expected to provide insights for governments and financial institutions in designing policies to improve financial literacy and develop more inclusive financial technology services for MSMEs. Based on this background, this study aims to analyze the influence of financial knowledge, financial literacy, and financial technology on MSME performance in Jakarta.

Research Method

This study employed a quantitative research design aimed at analyzing the influence of financial knowledge, financial literacy, and financial technology on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Jakarta. The study used a descriptive and causal approach to analyze the relationship between independent and dependent variables. The population of this study consisted of MSME owners located in Jakarta, with a total sample of 250 respondents selected using a non-probability sampling method, specifically purposive sampling. The respondent criteria included MSME owners in the culinary sector who use financial technology services in their business activities.

The data analysis technique used in this study was Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS version 4.0 software. The analysis included the evaluation of the measurement model (outer model), structural model (inner model), goodness of fit, and hypothesis testing to determine the significance of the relationships among the research variable.

Result and Discussion

Respondent Characteristics

This study involved 250 Micro, Small, and Medium Enterprise (MSME) owners in Jakarta operating in the culinary sector and actively using financial technology services in their business activities. The respondent characteristics based on gender showed that 58% of the respondents were female, while 42% were male. Based on age, the majority of respondents were in the 31–40 years age group, accounting for 40%, followed by respondents aged 21–30 years at 35%, and respondents above 40 years old at 25%.

Based on business duration, 46% of respondents had operated their businesses for 3–5 years, 32% had operated for more than 5 years, and 22% had operated for less than 3 years. In addition, most respondents used financial technology services such as digital payments and e-wallets in their daily business activities.

Structural Model Evaluation (SEM-PLS)

This study employed the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the assistance of SmartPLS version 4.0 software. The analysis was conducted through several stages, including outer model evaluation, inner model evaluation, goodness of fit assessment, and hypothesis testing.

Outer Model Evaluation

The results of the outer model analysis indicated that all indicators of the financial knowledge, financial literacy, financial technology, and MSME performance variables met the validity and reliability criteria. This was demonstrated by the outer loading values of all indicators exceeding 0.70 and the Average Variance Extracted (AVE) values of each variable exceeding 0.50, indicating that the constructs fulfilled the convergent validity criteria. Furthermore, the discriminant validity results based on the Fornell-Larcker Criterion showed that each construct possessed good discriminant validity. In addition, the reliability test results indicated that all variables had Cronbach's Alpha and Composite Reliability values above 0.70, meaning that all constructs were considered reliable and suitable for structural model testing using SEM-PLS.

Inner Model Evaluation

The inner model evaluation was conducted to examine the structural relationships among the latent variables established in the SEM-PLS model. The structural model in this study illustrates the relationships between financial knowledge, financial literacy, and financial technology on MSME performance in Jakarta.

a. R-Square

The R-Square value was used to measure the ability of the independent variables to explain the dependent variable in the research model.

Table 1. R-Square

Table 1. Coefficient of Determination (R-Square)	
Variable	R-Square
MSME Performance	0.288

The R-Square value of 0.288 indicates that financial knowledge, financial literacy, and financial technology are able to explain 28.8% of the variance in MSME performance, while the remaining 71.2% is explained by other variables outside the research model. This finding indicates that although the model has adequate explanatory power, there are still other important factors such as innovation capability, market orientation, entrepreneurial orientation, and digital capability that may influence MSME performance.

b. Path Coefficient and Hipotesis

Path coefficient testing was conducted to determine the direction and magnitude of the influence among variables in the SEM-PLS structural model. Hypothesis testing was performed using the bootstrapping technique by examining the t-statistics and p-values. A hypothesis was accepted when the t-statistics value was greater than 1.96 and the p-values were less than 0.05.

Table 2. Path Coefficient and Uji Hipotesis

Table 2. Hypothesis Testing			
Relationship	T-Statistics	P-Values	Result
Financial Knowledge → MSME Performance	2.257	0.024	Accepted
Financial Literacy → MSME Performance	4.127	0.000	Accepted
Financial Technology → MSME Performance	1.847	0.065	Rejected

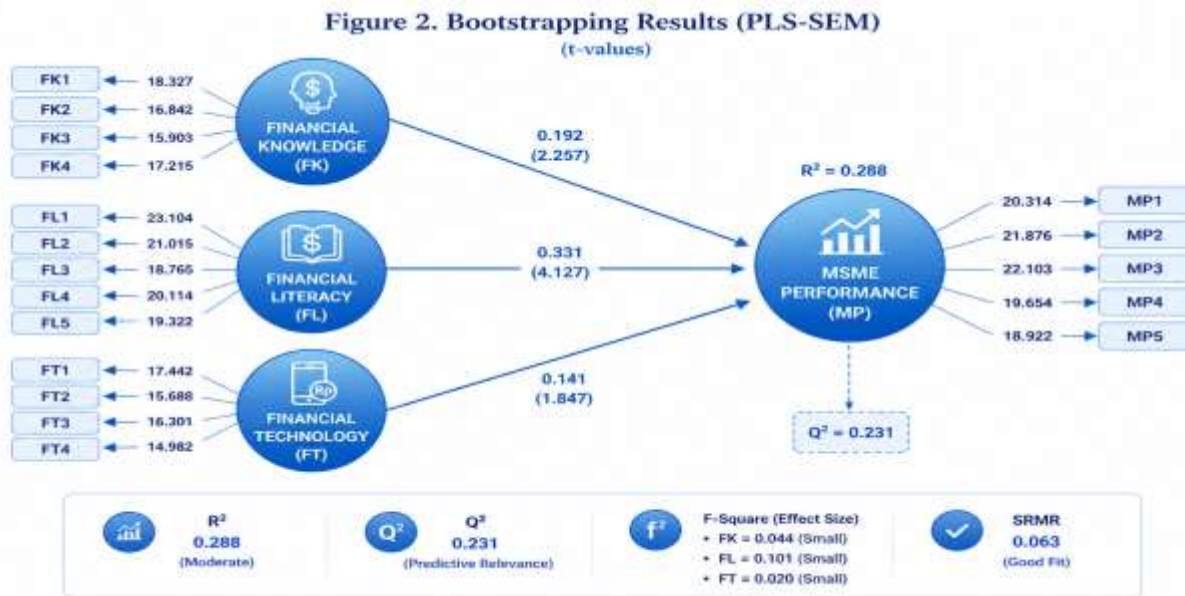
The results show that financial knowledge has a positive and significant effect on MSME performance, with a t-statistics value of 2.257 and a p-value of 0.024. This finding indicates that MSME owners with better financial knowledge are more capable of managing cash flow, preparing budgets, making investment decisions, and controlling business risks effectively. From the perspective of the Resource-Based View (RBV) theory, financial knowledge can be considered an intangible strategic asset that contributes to competitive advantage and business sustainability. MSME owners who possess strong financial knowledge tend to make more rational and strategic business decisions, which ultimately improve operational efficiency and business performance. These findings are consistent with the studies conducted by Simorangkir (2024) and Zawi (2024), which found that financial knowledge significantly improves MSME performance. However, this finding contradicts the study conducted by Binawati (2022), which reported that financial knowledge had no significant effect on MSME performance. These differences may be caused by variations in respondent characteristics, business sectors, and levels of financial capability among MSME owners.

Based on the hypothesis testing results in Table 2, Financial Knowledge has a positive and significant effect on MSME Performance with a t-statistics value of 2.257 and a p-value of 0.024. Financial Literacy also shows a positive and significant effect on MSME Performance with a t-statistics value of 4.127 and a p-value of 0.000. Meanwhile, Financial Technology shows a positive but insignificant effect on MSME Performance because the p-value is greater than 0.05.

Furthermore, financial literacy was found to have a positive and significant effect on MSME performance, with a t-statistics value of 4.127 and a p-value of 0.000. This result indicates that financial literacy plays a crucial role in improving the ability of MSME owners to apply financial knowledge in practical business activities. MSME owners with higher financial literacy are more capable of conducting financial planning, managing business risks, controlling operational costs, and improving business profitability. These capabilities enable MSMEs to survive and compete in increasingly dynamic and competitive business environments. The findings support the studies conducted by Rahayu (2017) and Simorangkir (2024), which also found that financial literacy has a significant positive effect on MSME performance. However, this finding contradicts the results of Nurlianti (2022), who found no significant relationship between financial literacy and MSME performance. These inconsistencies may be influenced by differences in educational background, access to financial information, and financial inclusion levels among respondents.

Meanwhile, financial technology shows a positive but insignificant effect on MSME performance, with a t-statistics value of 1.847 and a p-value of 0.065. This result suggests that the utilization of financial technology has not yet provided an optimal contribution to improving MSME performance in DKI Jakarta. Although financial technology offers various benefits such as faster digital transactions, easier access to financing, and more efficient financial management systems, many MSME owners still face challenges in utilizing fintech services effectively. Limited digital capability, lack of technological understanding, and insufficient training regarding fintech utilization may reduce the effectiveness of financial technology adoption among MSMEs. These findings are consistent with the studies conducted by Rini (2023) and Murdiono (2024), which also found that financial technology had no significant effect on MSME performance. However, this finding differs from the studies conducted by Simorangkir (2024) and Pandak (2023), which reported a significant positive effect of financial technology on MSME performance. From the perspective of the Resource-Based View theory, financial technology can only become a strategic resource when supported by adequate digital capability and effective technology utilization among business actors.

Model Struktur SEM-PLS



Conclusion

This study concludes that financial knowledge and financial literacy have a positive and significant effect on MSME performance in DKI Jakarta. MSME owners who possess strong financial knowledge are more capable of managing financial resources, preparing budgets, controlling cash flow, and making effective business decisions. In addition, financial literacy strengthens the ability of MSME actors to apply financial knowledge in business operations, including financial planning, risk management, and operational cost efficiency improvement. These findings indicate that financial capability is an important strategic resource that contributes to enhancing business sustainability and competitiveness. Meanwhile, financial technology was found to have a positive but insignificant effect on MSME performance, indicating that the adoption and utilization of fintech services among MSMEs have not yet been optimized effectively.

This study provides important implications for policymakers, financial institutions, and business development organizations to strengthen financial education and financial literacy programs for MSMEs. In addition, digital training programs are necessary to improve the ability of MSME actors to utilize financial technology effectively. However, this study has several limitations, including its focus on MSMEs in the culinary sector in DKI Jakarta and the use of cross-sectional data, which may limit the generalizability of the findings. Therefore, future studies are recommended to expand the research scope by involving different business sectors and geographical areas. Future research is also suggested to include additional variables such as digital capability, innovation capability, financial inclusion, and entrepreneurial orientation in order to provide a more comprehensive explanation of MSME performance.

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