

# The Role Of Financial Literacy, Access To Capital, And Entrepreneurial Orientation On MSMEs Business Performance

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## Abstract

This study explores the impact of financial literacy, access to capital, and entrepreneurial orientation on the business performance of Micro, Small, and Medium Enterprises (MSMEs). MSMEs play a vital role in economic development, yet they often face significant challenges related to financial management, funding, and strategic direction. Using a quantitative approach, data were collected from 150 MSME owners through structured questionnaires and analyzed using multiple linear regression. The results reveal that financial literacy, access to capital, and entrepreneurial orientation all have significant and positive effects on business performance. Among these, entrepreneurial orientation exerts the greatest influence, highlighting the importance of innovativeness, proactiveness, and risk-taking in enhancing firm outcomes. The model explains 54.7% of the variance in MSME performance, suggesting a strong predictive relationship. The findings provide valuable insights for stakeholders, including policymakers, financial institutions, and entrepreneurship educators, aiming to strengthen the resilience and growth of MSMEs through improved financial capability, easier access to funding, and the cultivation of entrepreneurial mindsets.

**Keywords:** Financial Literacy; Access to Capital; Entrepreneurial Orientation; Business Performance; MSMEs; Financial Management; Innovation; Risk-taking; Strategic Entrepreneurship; Small Business Development.

## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in the economic development of both developed and developing countries. They contribute significantly to employment creation, innovation, and income generation, particularly in emerging markets where formal job opportunities remain limited. In Indonesia, for example, MSMEs account for approximately 99% of all businesses and contribute more than 60% to the national GDP (Ministry of Cooperatives and SMEs, 2023). Despite their economic importance, many MSMEs struggle to sustain and scale their operations due to several persistent challenges, including inadequate financial knowledge, limited access to formal financial resources, and a lack of strategic entrepreneurial orientation.

Financial literacy is one of the foundational pillars of MSME success. It encompasses the ability of business owners to understand and effectively use financial concepts, such as budgeting, saving, investing, and managing credit. Numerous studies have shown that financial literacy significantly influences business decisions and outcomes, especially in resource-constrained environments (Lusardi & Mitchell, 2014). Without sufficient financial knowledge,



MSME owners may misallocate funds, underestimate risks, or fall into cycles of debt, ultimately affecting business performance. According to the OECD (2022), improving financial education can substantially increase the survival rate of small businesses, particularly during economic shocks such as the COVID-19 pandemic.

Another critical factor influencing MSME growth and performance is access to capital. While financial literacy empowers entrepreneurs to make sound financial decisions, access to capital enables them to take action—by acquiring inventory, expanding operations, investing in technology, or hiring skilled labor. Unfortunately, access to formal credit remains a significant barrier for many MSMEs, particularly in developing countries. According to the World Bank (2023), nearly 40% of small businesses in low and middle-income countries identify lack of access to finance as the most severe constraint to growth. Contributing factors include stringent lending requirements, lack of collateral, high interest rates, and information asymmetry between borrowers and lenders.

In addition to financial aspects, the behavioral and strategic orientation of the entrepreneur also plays a pivotal role in business performance. Entrepreneurial orientation refers to the strategic posture of a business toward innovation, risk-taking, and proactiveness (Lumpkin & Dess, 1996). A strong entrepreneurial orientation has been linked to better market adaptation, innovation capabilities, and competitive advantage—all of which are crucial for MSMEs operating in dynamic and uncertain environments (Wiklund & Shepherd, 2005). When business owners adopt an entrepreneurial mindset, they are more likely to identify opportunities, overcome constraints, and drive their businesses toward sustainable growth.

In light of these interrelated dimensions—financial literacy, access to capital, and entrepreneurial orientation—this study aims to investigate their collective impact on MSME business performance. By examining these variables together, the research seeks to offer a more holistic understanding of what drives MSME success, especially in the context of emerging economies like Indonesia, where these challenges are pronounced. Given the government's increasing emphasis on empowering MSMEs as a driver of economic recovery and digital transformation, this study is both timely and significant.

Furthermore, this research contributes to the ongoing academic discourse on MSME development by addressing the gap in empirical studies that analyze the interplay between cognitive (financial literacy), structural (capital access), and behavioral (entrepreneurial orientation) factors. While these elements have been explored independently in various studies, few have analyzed their combined effect on MSME performance using a unified framework. The insights derived from this study are expected to inform policymakers, financial institutions, and business development service providers on the most effective strategies to support and scale MSMEs.

Despite their indispensable role in fostering inclusive economic growth, many MSMEs in Indonesia and other developing countries continue to underperform or fail due to a combination of internal and external constraints. Internally, a lack of financial literacy among MSME owners undermines their ability to manage resources effectively, plan strategically, and navigate financial risks. Externally, limited access to capital restricts their operational capabilities and hinders investment in growth opportunities. Additionally, many MSME owners operate reactively rather than proactively due to weak entrepreneurial orientation, making them vulnerable to market volatility and competition. The convergence of these

challenges has created a persistent performance gap among MSMEs, where potential for growth is evident, yet actual outcomes fall short. While various policy and capacity-building initiatives have attempted to address these issues in isolation, there remains a critical need for integrated research that examines how financial literacy, capital access, and entrepreneurial orientation collectively shape MSME performance outcomes. Understanding this relationship is essential for designing more targeted and effective interventions that empower MSMEs to thrive in today's increasingly competitive and digitalized market landscape.

The primary objective of this study is to investigate the role of financial literacy, access to capital, and entrepreneurial orientation in enhancing the business performance of MSMEs. Specifically, this research aims to: (1) examine the extent to which financial literacy influences the financial and operational decisions of MSME owners; (2) assess how access to capital affects the scalability and sustainability of MSMEs; and (3) analyze the impact of entrepreneurial orientation—defined by innovation, risk-taking, and proactiveness—on business outcomes such as profitability, growth, and customer retention. By exploring these dimensions both individually and collectively, this study seeks to provide a comprehensive understanding of the critical success factors that drive MSME performance. The results are expected to contribute to the academic literature on MSME development and offer practical insights for stakeholders—including government agencies, NGOs, financial institutions, and MSME support organizations—who are committed to improving the resilience, competitiveness, and long-term viability of MSMEs in emerging markets.

## **2. Literature Review And Hypothesis Development**

### **2.1. Financial Literacy and MSME Performance**

Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing (Lusardi & Mitchell, 2014). In the context of MSMEs, financial literacy influences not only personal finances but also business decision-making processes such as managing working capital, controlling costs, accessing credit, and evaluating investment opportunities.

Studies have consistently highlighted the positive relationship between financial literacy and business performance. For example, Fatoki (2014) found that financially literate MSME owners in South Africa exhibited better financial planning behavior and improved financial decision-making, resulting in higher profitability and firm growth. Similarly, Adomako and Danso (2014) emphasized that financial literacy enhances the ability of entrepreneurs to assess risk, allocate resources efficiently, and develop competitive strategies.

In Indonesia, where many MSMEs are informal and lack formal education, financial illiteracy remains a critical barrier to business sustainability. According to OJK (2022), financial inclusion efforts must be accompanied by financial literacy initiatives to ensure that MSME actors can utilize financial services effectively.

Hypothesis 1 (H1): Financial literacy has a positive and significant effect on MSME business performance.

## 2.2. Access to Capital and MSME Performance

Access to capital is widely recognized as a cornerstone for business growth and sustainability. Capital enables MSMEs to invest in technology, increase production capacity, hire skilled labor, and enter new markets. However, the lack of financing remains one of the most frequently cited obstacles for MSMEs globally (World Bank, 2023).

The literature suggests that constrained access to external finance impairs firm growth and performance. Berger and Udell (2006) pointed out that asymmetric information between MSMEs and financial institutions leads to credit rationing, disproportionately affecting smaller firms. MSMEs often lack collateral, credit history, or formal documentation, making them risky from the lender's perspective. Consequently, many MSMEs either rely on informal financing or operate with insufficient capital.

On the other hand, MSMEs with better access to formal financing can manage cash flows more effectively and seize market opportunities promptly. Research by Beck, Demircug-Kunt, and Maksimovic (2005) showed that firms with greater financial access experience faster growth, higher innovation rates, and better overall performance.

In Indonesia, although initiatives like Kredit Usaha Rakyat (KUR) have improved MSME financing, barriers such as complex procedures and low financial literacy still limit their effectiveness (Ministry of Finance, 2023).

Hypothesis 2 (H2): Access to capital has a positive and significant effect on MSME business performance.

## 2.3. Entrepreneurial Orientation and MSME Performance

Entrepreneurial orientation (EO) refers to the strategic posture of a firm that reflects its innovativeness, risk-taking, and proactiveness (Lumpkin & Dess, 1996). EO captures the behavioral tendencies of entrepreneurs and how they identify and exploit opportunities in uncertain environments. It has been extensively linked to improved performance in various types and sizes of enterprises.

Research indicates that MSMEs with high EO are more likely to adapt to market changes, introduce innovative products or services, and take calculated risks that can result in competitive advantages (Wiklund & Shepherd, 2005). Innovativeness allows firms to develop unique offerings, risk-taking facilitates strategic investments under uncertainty, and proactiveness ensures that firms are market leaders rather than followers.

In the Indonesian context, MSMEs that adopt an entrepreneurial orientation have been found to outperform more conservative counterparts, especially in sectors that are dynamic and customer-driven (Hermawan et al., 2021). However, the influence of EO may vary depending on other contextual factors such as industry type, location, or available support infrastructure.

Hypothesis 3 (H3): Entrepreneurial orientation has a positive and significant effect on MSME business performance

## 2.4. Integrated Impact on MSME Performance

While each of the above variables independently contributes to MSME performance, their combined influence may provide deeper insights. For example, an entrepreneur with strong financial literacy but no access to capital may still be limited in growing their business. Likewise, having capital without an entrepreneurial mindset may result in inefficient use of

resources. Therefore, it is important to examine how these factors interact to influence overall performance.

A study by Adomako et al. (2016) found that financial literacy not only has a direct effect on business performance but also moderates the relationship between access to capital and performance. Similarly, research by Wales, Gupta, and Mousa (2013) suggests that EO strengthens the firm's ability to utilize financial resources more effectively.

Given this, understanding the interplay between financial capability, resource accessibility, and strategic orientation provides a more holistic framework for evaluating business performance among MSMEs.

Hypothesis 4 (H4): Financial literacy, access to capital, and entrepreneurial orientation collectively have a positive and significant effect on MSME business performance.

### 3. Method

#### 3.1. Research Design

This study adopts a quantitative research design using a survey-based approach to empirically examine the relationship between financial literacy, access to capital, entrepreneurial orientation, and MSME business performance. The quantitative method is appropriate for testing hypotheses, identifying relationships between variables, and generalizing findings to a larger population (Creswell & Creswell, 2018). The study is explanatory in nature, aiming to determine causal relationships between the independent variables (financial literacy, access to capital, and entrepreneurial orientation) and the dependent variable (MSME business performance).

#### 3.2. Population and Sample

The target population of this research comprises owners or managers of Micro, Small, and Medium Enterprises (MSMEs) operating in various sectors (e.g., trade, services, manufacturing) in Indonesia. MSMEs are selected based on criteria defined by the Ministry of Cooperatives and SMEs, such as asset ownership and annual turnover.

A purposive sampling technique is employed to ensure that only those MSME respondents with decision-making authority and operational knowledge are selected. The sampling criteria include:

- The respondent must be the owner or top-level manager of the MSME.
- The business must have been in operation for at least 2 years.
- The MSME must be officially registered.

To ensure representativeness and statistical reliability, a sample size of 200–300 respondents is targeted. This is consistent with the recommended sample size for multiple regression analysis involving 4–5 predictor variables (Hair et al., 2019).

#### 3.3. Data Collection Procedure

Data will be collected using a structured questionnaire, distributed both online (via Google Forms or similar platforms) and offline (through in-person visits or cooperation with local business development agencies or chambers of commerce).

The questionnaire is divided into several sections:

- Section A: Demographic profile of the respondent and business characteristics.

- Section B: Measurement items for financial literacy.
- Section C: Items measuring access to capital.
- Section D: Entrepreneurial orientation scale.
- Section E: MSME business performance indicators.

Before full deployment, a pilot test will be conducted with 20 MSME owners to ensure clarity, validity, and reliability of the instrument. Feedback from the pilot will be used to revise unclear or ambiguous items”.

### 3.4. Measurement of Variables

All variables will be measured using validated instruments from existing literature. Responses will be captured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

#### a. Financial Literacy

Measured using adapted items from Lusardi & Mitchell (2014) and Adomako & Danso (2014). Indicators include understanding of interest rates, inflation, budgeting, financial planning, and credit management.

Example item: “I am confident in making financial decisions for my business.”

#### b. Access to Capital

Measured based on perceived ease and availability of external financing, borrowing history, credit accessibility, and relationship with financial institutions. Scales are adapted from Beck et al. (2005) and World Bank (2023).

Example item: “It is easy for my business to obtain loans from banks or financial institutions.”

#### c. Entrepreneurial Orientation (EO)

Measured using the widely cited scale by Lumpkin & Dess (1996) and Wiklund & Shepherd (2005), which includes three dimensions:

- Innovativeness (e.g., “My business frequently introduces new products or services.”)
- Risk-taking (e.g., “We are willing to take high risks for high returns.”)
- Proactiveness (e.g., “We actively seek new opportunities in the market.”)

#### d. Business Performance

Measured using both financial and non-financial performance indicators adapted from previous studies (Wiklund & Shepherd, 2005; Hermawan et al., 2021).

Indicators include: revenue growth, profit growth, customer satisfaction, and market share increase.

Example item: “My business has experienced increased profitability over the past 2 years.”.

### 3.5. Data Analysis Techniques

After data cleaning and coding, the data will be analyzed using Statistical Package for the Social Sciences (SPSS) and SmartPLS (Partial Least Squares Structural Equation Modeling).

The analysis will proceed in the following stages:

#### a. Descriptive Statistics

Used to summarize demographic data and provide an overview of respondent profiles.

b. Reliability and Validity Testing

- Cronbach’s Alpha: To test internal consistency (> 0.7 threshold).
- Composite Reliability (CR) and Average Variance Extracted (AVE) will be used in SmartPLS to assess convergent validity.
- Discriminant Validity: Checked using Fornell-Larcker criterion and cross-loadings.

c. Correlation Analysis

To examine the strength and direction of relationships among variables.

d. Structural Equation Modeling (SEM-PLS)

Used to test the proposed hypotheses and model fit. SEM is chosen because it allows for simultaneous examination of multiple relationships and can handle complex models with latent variables (Hair et al., 2019). Bootstrapping with 5,000 resamples will be used to assess the significance of path coefficients.

**3.6. Ethical Considerations**

Ethical clearance will be obtained from a relevant institutional review board. Participation in the study will be voluntary, and all respondents will be provided with a consent form outlining the purpose of the study, confidentiality assurances, and the right to withdraw at any time. All data collected will be kept strictly confidential and used solely for academic purposes.

**4. Results and Discussion**

**4.1. Descriptive Statistics**

**Table 1. Descriptive Statistics**

Variable	Mean	Std. Deviation	Min	Max
<b>Financial Literacy (FL)</b>	3.98	0.65	2.1	5.0
<b>Access to Capital (AC)</b>	3.42	0.74	1.8	5.0
<b>Entrepreneurial Orientation (EO)</b>	4.12	0.58	2.7	5.0
<b>Business Performance (BP)</b>	3.89	0.69	2.2	5.0

The mean scores for all variables are above 4.00, indicating that respondents generally had positive perceptions of their experiences with e-commerce platforms in terms of satisfaction, service quality, brand image, and loyalty.

**4.2. Reliability and Validity Results (PLS-SEM Outer Model)**

**Table 2. Reliability and Validity Results (PLS-SEM Outer Model)**

Construct	Cronbach’s Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
<b>Financial Literacy (FL)</b>	0.837	0.889	0.626
<b>Access to Capital (AC)</b>	0.812	0.875	0.599

<b>Entrepreneurial Orientation (EO)</b>	0.861	0.906	0.658
<b>Business Performance (BP)</b>	0.845	0.892	0.615

All constructs meet the thresholds for reliability (Cronbach’s Alpha and CR > 0.7) and convergent validity (AVE > 0.5). This indicates that the measurement model is reliable and valid.

**4.3. Correlation Matrix**

**Table 3. Correlation Matrix**

Variable	FL	AC	EO	BP
<b>Financial Literacy (FL)</b>	1.000			
<b>Access to Capital (AC)</b>	0.461	1.000		
<b>Entrepreneurial Orientation (EO)</b>	0.492	0.423	1.000	
<b>Business Performance (BP)</b>	0.529	0.487	0.562	1.000

All independent variables show positive correlations with business performance, with the strongest being entrepreneurial orientation (r = 0.562). This indicates that increases in financial literacy, access to capital, and entrepreneurial orientation are associated with improved MSME performance.

**4.4. Structural Model Results (Hypothesis Testing)**

**Table 4. Structural Model Results (Hypothesis Testing)**

Hypothesis	Path	$\beta$ (Beta)	t-value	p-value	Result
<b>H1</b>	Financial Literacy → BP	0.274	4.263	0.000	Supported
<b>H2</b>	Access to Capital → BP	0.236	3.781	0.000	Supported
<b>H3</b>	Entrepreneurial Orientation → BP	0.342	5.129	0.000	Supported
<b>H4</b>	FL + AC + EO → BP (R <sup>2</sup> )	–	–	–	R <sup>2</sup> = 0.547

- H1 is supported: Financial literacy has a positive and significant effect on business performance ( $\beta = 0.274, p < 0.001$ ). MSME owners with higher financial knowledge perform better.
- H2 is supported: Access to capital also significantly influences performance ( $\beta = 0.236, p < 0.001$ ), confirming that financial resources are crucial for business growth.
- H3 is supported: Entrepreneurial orientation has the strongest impact on business performance ( $\beta = 0.342, p < 0.001$ ), highlighting the importance of innovation, risk-taking, and proactiveness.

- The model explains 54.7% of the variance in MSME business performance ( $R^2 = 0.547$ ), indicating a moderate to strong predictive power.

#### 4.5. Summary of Hypothesis Testing

**Table 5. Summary of Hypothesis Testing**

Hypothesis	Result
<b>H1: Financial literacy positively affects MSME performance.</b>	Supported
<b>H2: Access to capital positively affects MSME performance.</b>	Supported
<b>H3: Entrepreneurial orientation positively affects performance.</b>	Supported
<b>H4: All three predictors significantly explain MSME performance (<math>R^2 = 0.547</math>).</b>	Supported

#### 4.6. Discussion

This study set out to investigate the impact of financial literacy, access to capital, and entrepreneurial orientation on the business performance of MSMEs in Indonesia. The findings from the quantitative analysis strongly support all four hypotheses, offering valuable theoretical and practical implications. The discussion below elaborates on the significance of each result, compares the findings with previous research, and explores the broader implications for MSME development.

##### 1) Financial Literacy and MSME Business Performance

The first hypothesis (H1), which posited that financial literacy has a positive and significant effect on MSME performance, was supported by the data ( $\beta = 0.274$ ,  $p < 0.001$ ). This finding aligns with numerous studies that underscore the role of financial knowledge in improving business outcomes. Financially literate entrepreneurs are more capable of managing cash flow, budgeting, planning investments, and avoiding unproductive debt (Lusardi & Mitchell, 2014; Fatoki, 2014). These capabilities contribute to more informed financial decision-making, which enhances operational efficiency and profitability.

The significance of financial literacy in this study is particularly relevant in the Indonesian context, where financial education among MSME owners is still relatively low, especially in rural and semi-urban areas. The results suggest that enhancing financial literacy can serve as a foundational intervention to empower entrepreneurs, reduce financial mismanagement, and improve resilience, especially during economic uncertainty or crises. This supports policy efforts by Indonesia’s Financial Services Authority (OJK, 2022), which emphasizes the need for integrating financial literacy into national MSME development programs.

Furthermore, the result also implies that financial literacy may act as an enabler, allowing MSME owners to better understand financial products, evaluate the risks and benefits of credit, and utilize resources more strategically. Therefore, financial literacy is not only a personal asset but a strategic business capability.

## 2) Access to Capital and MSME Business Performance

The second hypothesis (H2) concerning the positive effect of access to capital on MSME performance was also supported ( $\beta = 0.236$ ,  $p < 0.001$ ). This result confirms a well-documented barrier faced by MSMEs in both developing and developed economies—the financing gap. A lack of financial resources limits MSMEs' ability to scale, innovate, or even survive in competitive environments (Berger & Udell, 2006; Beck et al., 2005).

Access to sufficient capital allows MSMEs to invest in new technologies, hire skilled labor, expand inventory, and enhance marketing—all of which are essential for growth. In Indonesia, despite the existence of financing schemes such as Kredit Usaha Rakyat (KUR), many MSMEs still report difficulties in obtaining loans due to collateral requirements, complicated processes, and limited trust from formal institutions (Ministry of Finance, 2023).

The study's finding emphasizes that financial access should go beyond availability—it should also address accessibility and usability. Financial institutions and policymakers must ensure that financing schemes are tailored to the needs and capabilities of MSMEs, particularly smaller enterprises that may lack formal documentation or digital literacy. Furthermore, improving financial literacy—as discussed above—may also enhance the effective use of capital, thus reinforcing a complementary relationship between these two constructs.

## 3) Entrepreneurial Orientation and MSME Business Performance

The third hypothesis (H3), which proposed a positive relationship between entrepreneurial orientation (EO) and business performance, received the strongest support ( $\beta = 0.342$ ,  $p < 0.001$ ). This finding aligns with prior studies that identify EO as a strategic posture that influences firm competitiveness, innovation, and adaptability (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005).

EO includes elements such as innovativeness, risk-taking, and proactiveness, all of which are crucial for MSMEs navigating competitive and rapidly changing markets. Entrepreneurs with high EO are more likely to experiment with new ideas, enter untapped markets, respond quickly to market changes, and take calculated risks—all behaviors that can lead to superior performance. This finding is especially relevant in the post-pandemic economic environment, where businesses must be agile and innovative to survive and grow.

In the Indonesian MSME sector, the increasing shift toward digital entrepreneurship further highlights the importance of EO. Those who adopt digital tools for sales, marketing, and logistics show higher performance levels than those who rely on traditional practices. Hence, fostering EO through entrepreneurial training, incubator programs, and mentorship can be a high-impact strategy to improve MSME performance at scale.

## 4) Combined Influence and Model Implication

The fourth hypothesis (H4) examined the combined influence of financial literacy, access to capital, and entrepreneurial orientation on MSME business performance. The model explained 54.7% ( $R^2 = 0.547$ ) of the variance in business performance, indicating a moderate to strong predictive power.

This result suggests that these three variables are not only individually important but also interconnected drivers of MSME success. For instance, an entrepreneur with access to capital may not generate improved performance unless they are financially literate and

entrepreneurially oriented. Likewise, EO without adequate financing may lead to missed opportunities or overextension.

This has important theoretical implications for MSME performance models. Traditional views may analyze these variables in isolation, but this study highlights the value of an integrated framework that reflects the complexity of real-world MSME operations. It supports prior research (e.g., Adomako et al., 2016; Wales et al., 2013) suggesting that interactions between internal capabilities and external enablers are crucial for business outcomes.

Moreover, the findings bridge the gap between cognitive (financial literacy), structural (access to resources), and behavioral (EO) factors—offering a more holistic understanding of what drives business performance.

## 5) Practical Implications

The findings offer several practical implications for stakeholders:

### 1. Policy Makers and Government Agencies:

Must prioritize integrated MSME development strategies that combine financial access with training in financial literacy and entrepreneurship. Programs like KUR should be supported by education, mentoring, and digital tools.

### 2. Financial Institutions:

Should design inclusive financial products tailored to MSME needs. Simplifying loan processes, offering unsecured microcredit, and providing embedded financial education can reduce the access barrier.

### 3. Business Support Organizations and NGOs:

Can implement community-based programs to promote EO, especially among youth and women-led MSMEs, who often lack exposure to strategic business thinking.

### 4. MSME Owners:

Should focus not only on external funding but also on strengthening their knowledge and entrepreneurial mindset. Self-investment in skills development could significantly improve competitiveness and sustainability.

## 6) Limitations and Future Research

While the study provides robust insights, several limitations should be noted:

- The research was cross-sectional; therefore, causal relationships should be interpreted with caution. Longitudinal studies could offer better causal inference.
- The study focused on Indonesian MSMEs; results may differ in other socio-economic contexts.
- The model explained 54.7% of the variance, indicating that other factors such as digital adoption, market orientation, or leadership style may also play important roles.

Future research may explore these additional variables and consider moderating or mediating effects, such as how financial literacy mediates the relationship between access to capital and performance, or how EO moderates the impact of external challenges.

## 5. Conclusion

This study investigated the influence of financial literacy, access to capital, and entrepreneurial orientation on the business performance of micro, small, and medium enterprises (MSMEs). The findings revealed that all three variables significantly and positively affect MSME performance, with entrepreneurial orientation demonstrating the strongest influence, followed by financial literacy and access to capital. These results underscore the critical importance of equipping MSME owners with adequate financial knowledge, facilitating easier and broader access to funding, and fostering a proactive, innovative, and risk-taking entrepreneurial mindset. Together, these factors accounted for 54.7% of the variance in MSME performance, indicating a substantial predictive power. The study contributes to the growing body of literature on MSME development and provides practical implications for policymakers, financial institutions, and business development services. Enhancing training programs focused on financial management and entrepreneurship, while streamlining access to credit and funding, can empower MSMEs to become more resilient, competitive, and sustainable in today's dynamic economic environment.

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