
**MITIGATING FINANCIAL LITERACY AND MSMEs PERFORMANCE: A
COMPARISON WITH ISLAMIC FINANCIAL LITERACY IN INDONESIAN**

Fajar Fadly⁽¹⁾, Yurnal Edward⁽²⁾

¹. MES Kota Pekanbaru

E-Mail: fajarfadly87@gmail.com

². Institut Edi Haryono Madani Riau, Pekanbaru

E-Mail: yurnalsarlis@gmail.com

ABSTRACT

This research is related to comparing financial literacy towards MSMEs with Islamic financial literacy towards MSMEs. Furthermore, it describes the composition of MSMEs in Indonesia based on financial potential and employment. The sample used was 211 from Pekanbaru city. Where the majority of MSME actors are women, less than 25 years old, university graduates, employment below 5 people and sales turnover ranging from 5 million rupiah to 10 million rupiah every month. The analysis method uses PLS-SEM with the tool Smart PLS 3. Where financial literacy on MSMEs performance is represented by financial behavior, financial knowledge and financial attitude variables. Where each variable has a significant effect and positive correlation. Meanwhile, Islamic financial literacy on the performance of MSMEs is represented by variables of financial behavior, financial attitude, financial skills and financial awareness which have a significant effect with a positive correlation except financial awareness which is negatively correlated. Meanwhile, the financial knowledge variable in Islamic financial literacy is positively correlated but has no significant effect on the performance of MSMEs in Indonesia.

Keywords: Financial Literacy, Islamic Economics, MSMEs, Indonesian

1. Introduction

Micro, small, and medium enterprises (MSMEs) are very important in contributing to gross domestic product (GDP) in every country have benefits great. In addition, MSMEs act as a source of strength in maintaining the existence of the Indonesian economy and have great benefits for opening up employment opportunities (Amartha, 2024). According to the report of the Coordinating Ministry of the Economy, the role of MSMEs in the economy as seen from the comparison in gross domestic product (GDP) in Indonesia in 2019 obtained around 61.07% of the role level for economic activities and absorbed a workforce of 64.2 million (ekon.go.id, 2021).

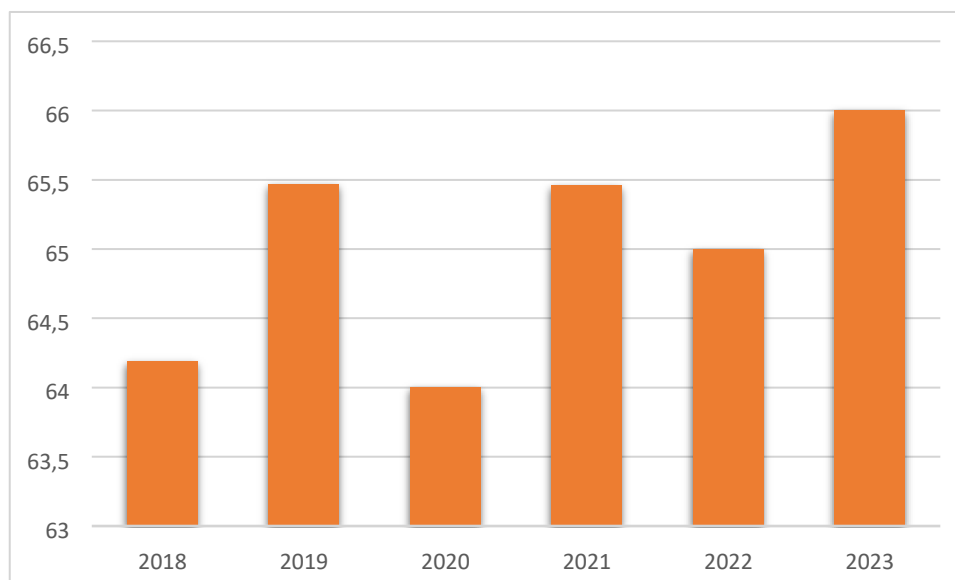
MSMEs are a form of small-scale business that was tested from the 1998 monetary crisis and at the beginning of 2015 to 2019 the magnitude of the role of MSMEs in encouraging economic growth is directly proportional to the number which continues to increase by around 2.41% (Amartha, 2024). The Indonesian Ministry of Cooperatives and MSMEs in 2019 noted that MSMEs in Indonesia numbered 65.46 million units over time the number of MSMEs decreased to 64 million units in Indonesia (Amartha, 2024).

It should be noted that MSMEs are a group of businesses that were able to survive the 1998 monetary crisis. Published by the Central Statistics Agency (BPS) states that after the economic

crisis, in Indonesia MSMEs did not decrease but actually increased in absorbing 85-107 million workers until 2012 (UGM, 2020). This fact explains that the MSME phenomenon is a very productive sector to be considered and developed in an effort to support economic development both macro and micro in Indonesia.

The Indonesian Chamber of Commerce and Industry (KADIN) states that the large number of workers that can be absorbed by the MSME sector can improve the welfare of the community, especially in Indonesia (KADIN Cirebon, 2022). Therefore, MSMEs have a very strategic role in reducing poverty and unemployment and so it can be stated that MSMEs are one of the sources of Indonesia's economic strength (disnakertrans.ntbprov, 2023).

Over time, many MSMEs have been able to transform from MSMEs into companies that are able to compete with national and international companies (Bank Indonesia, 2021). With the many roles of MSMEs in improving the Indonesian economy, there are fluctuations in the number in Indonesia when viewed from 2018 to 2023. Although there is a covid-19 pandemic which is a factor inhibiting growth. However, in the middle of the period there was an increase in growth in 2021. For more details on the development and growth of MSMEs in Indonesia after the monetary crisis can be seen in the following graph.



Graph 1: Number of MSMEs in Indonesia from 2018 to 2023 (in millions)

Source: KADIN (2024)

The development of the number of MSMEs that has a positive trend is not supported by the ability to manage finances, so that there are still MSMEs that are less productive due to low knowledge of financial literacy such as lack of lower risk management, high operational costs and groups of partners in running production in the MSME sector (Maiti, 2018). MSME actors should understand how financial management and planning are useful in developing their businesses and therefore,

financial literacy should be well understood by MSMEs actors so that financial decisions can be made wisely.

Financial management is one of the important aspects for the progress of the Company, especially for MSMEs. Financial management can be done through accounting, where accounting is a systematic process to produce financial information that can be used for decision making for its users (Susan, 2020). As long as MSMEs still use money as a medium of exchange, this accounting is needed by MSMEs (Srbová et al., 2023).

In line with research from Handoko et al (2023) which states that financial management is a problem for MSMEs. This is because the owners of MSMEs in financial management are carried out ineffectively and ideally and not in accordance with the rules of applicable accounting standards (Handayani, 2023). Usually, it arises because of the limited knowledge of MSME managers regarding financial management information in accordance with good accounting standards (Bathla et al., 2024).

The low level of understanding MSMEs in this case about competencies and strategies for managing finances has an impact on the closure of 82% of MSMEs in Indonesia (Republika, 2023). Whereas MSMEs are the pillars of the economy in Indonesia which provide benefits to the economy, especially in absorbing labor in Indonesia (DJPB, 2023). Even more so during the Covid 19 period, MSMEs survived in providing benefits to the Indonesian economy amid the downturn of large corporations and became a burden on the state (DISKOMINFO.Kalsel, 2022. Meanwhile, MSMEs during the Covid 19 pandemic can still absorb labor and provide income to the gross domestic product (GDP) up to 60% (Kontan, 2021).

With such a large role and contribution of MSMEs in Indonesia, it is ironic that 82% of MSMEs are closed due to inability to compete and very low literacy in financial management. Whereas it is well known, there have been many financial literacy briefings for MSMEs in Indonesia involving policy makers, banks and other financial authorities that aim to improve the financial literacy of MSMEs (OJK, 2023).

This is a big question, in terms of which aspects and parts of financial literacy have no impact on the performance of MSMEs in Indonesia from the many trainings and *workshops* that have been provided. This is a different view conveyed by Wahyono & Hutahayan (2021), explaining that the relationship between financial literacy and MSME performance is positively correlated and important. Meanwhile, in Indonesia, financial literacy has been conveyed optimally to MSMEs players with various forms of activities, but there is still a decline in the number of MSMEs in Indonesia.

In the general view according to Lusardi & Mitchell (2014) financial literacy is explained by 3 variables namely financial behavior, financial knowledge and financial attitude. In addition, environmental and social factors are determinants in measuring financial literacy in general.

In the view of Islamic economics related to financial inclusiveness, the influential indicators are Islamic finance, financial experience, Islamic financial literacy, religiosity and social influence (Khamis et al., 2024). According to Abdullah et al (2023) that financial literacy consists of 5 (five)

parts that have an important portion and role in assessing business performance and in this case MSMEs, namely awareness, knowledge, *skills*, attitude and behavior.

Research conducted by Alharbi et al (2022) that financial literacy is financial attitude, financial awareness and Islamic imaging have a significant influence on the performance of MSMEs. In line with research conducted by Abdullah et al (2023) that financial knowledge and awareness for MSMEs are very influential in performance and the religious values possessed by MSME actors are also determinants of knowledge related to Islamic financial literacy. So, it is important to investigate the five indicators regarding their relationship and influence on MSMEs in Indonesia.

2. Literature Review

2.1 Financial Literacy

The use of the term financial literacy was popular in the United States by Jhon Adam in his letter to Thomas Jaffersen at the end of the 18th century and the purpose of the term financial literacy was to address ignorance regarding circulation, credit and coins used to drive economic transactions (FinancialCorp, 2014). The term continues to evolve and used by researchers to describe the knowledge of individuals, groups and communities regarding the use and management of money in various sectors of life (Grohmann et al., 2018).

There are 3 basic concepts in financial literacy in determining financial policy universally. The three concepts are (1) the ability to determine operating expenses and other costs such as interest rates, (2) knowledge of inflation contained in macroeconomics and (3) understanding of various kinds of risks in carrying out economic business (Lusardi, 2019). The form of financial literacy in community activities is reflected in the following variables, namely (1) the proportion of the population who have accounts at banking institutions in each country to make it safer to save money and can be used for the development and progress of the country's economy, (2) the proportion of the population who have savings accounts by using debit cards with the aim of making transactions easier and safer (Grohmann et al., 2018).

Regarding financial infrastructure, financial literacy has standards to determine the level of understanding of a country in managing its finances. The measures include (1) the proportion of the private sector that using financing in banks to the gross domestic product (GDP) of a country, (2) the presence of banking services within every 100 km radius² which aims to facilitate the community in accessing needs related to financial needs in various community activities (Grohmann et al., 2018).

The general indicators of financial literacy are financial culture, financial knowledge and financial attitudes as well as socio-demographic factors (Garg & Singh, 2018). Financial knowledge is defined as an individual's knowledge of the use and concept of finance such as to transact, save and invest (Orlitzky et al., 2003; Lusardi & Mitchell, 2014; Goyal & Kumar, 2021). Financial behavior can be explained as a sense of responsibility related to the financial decisions or policies of individuals and groups (Wang et al., 2020; Goyal & Kumar, 2021; Sher, 2020). For financial

attitudes, it can be explained as consistency regarding how a person or group manages the finances used in daily activities (Boldureanu et al., 2020; Talwar et al., 2021; Kazancoglu et al., 2021).

2.2 Islamic Financial Literacy

The meaning of Islamic financial literacy is the existence of skills, knowledge, attitudes, acceptance, behavior, and awareness in carrying out financial governance in accordance with Islamic sharia (Alshater et al., 2022; Ali et al., 2020; Md.Sapir @ Md.Shafik & Wan Ahmad, 2020). So, to measure how broad an understanding of Islamic financial literacy is measured from these 5 indicators. For more details, the 5 indicators must be interpreted more clearly.

Financial expertise in Islamic economics is related to the ability of a person or group to make decisions related to financial planning, financial resources, and control of finances owned and control the burden of money ownership (Rachmawati et al., 2022; Shaikh, 2021; Hussein Kakembo et al., 2021). Financial literacy describes the ability to analyse, manage and use one's finances in a way that is based on Islamic sharia principles of credibility and integrity (Julia & Kassim, 2020; Khan et al., 2022; Akkas & Asutay, 2023). Financial attitude in an Islamic perspective is related to consistency in conducting financial governance in accordance with Islamic sharia principles both when planning, implementing and evaluating in order to provide benefits to individuals and groups and the environment (Johan et al., 2020) (Johan et al., 2020; Abdullahi et al., 2021). Meanwhile, financial acceptance/awareness and financial behavior in general can be explained as the actualisation of Islamic values in using financial resources owned and used for various individual and group activities that are influenced by the environment and demographics (Boldureanu et al., 2020; Md.Sapir @ Md.Shafik & Wan Ahmad, 2020).

2.3 Micro, Small and Middle Enterprises (MSMEs)

Micro enterprises are productive economic activities that have businesses that fulfil the following criteria (Shafi et al., 2020; Gherghina et al., 2020). The criteria for micro businesses in Indonesia are to have a maximum asset of 50 million rupiah and a maximum sales turnover of 300 million rupiah for one year (dinkopum bojonegoro, 2020).

Small businesses are productive economic activities run by individuals or groups and are not subsidiaries of large corporations and have financial criteria (Eggers, 2020; Eller et al., 2020). The financial criteria for small businesses in Indonesia are having assets from 50 million rupiah to 500 million rupiah and in terms of turnover ranging from 300 million rupiah to 2.5 billion rupiah in one year (dinkopum_bojonegoro, 2020)

Medium-sized enterprises are productive economic activities in the form of businesses in the real sector that do not have subsidiaries of micro and small businesses and are not owned by large businesses with certain criteria (Gherghina et al., 2020; Gaglio et al., 2022). The criteria for medium-sized businesses are having assets from 500 million rupiah to 10 billion rupiah and for turnover ranging from 2.5 billion rupiah to 50 billion rupiah in one year (dinkopum bojonegoro, 2020).

2.4 Financial literacy and MSME performance

In research conducted by Kulathunga et al (2020) explained that financial literacy is positively and significantly correlated with the performance of MSMEs. The performance indicators, especially for MSMEs, can be seen from the value of sales, profits, business asset value, family asset value, financing, family living expenses, and family savings (Seraj et al., 2022; Tuffour et al., 2022; Buchdadi et al., 2020).

2.5 Research Model and Hypothesis

From the literature and background, the researcher has a research hypothesis chart as follows. For financial literacy that affects the performance of MSMEs, the research model is;

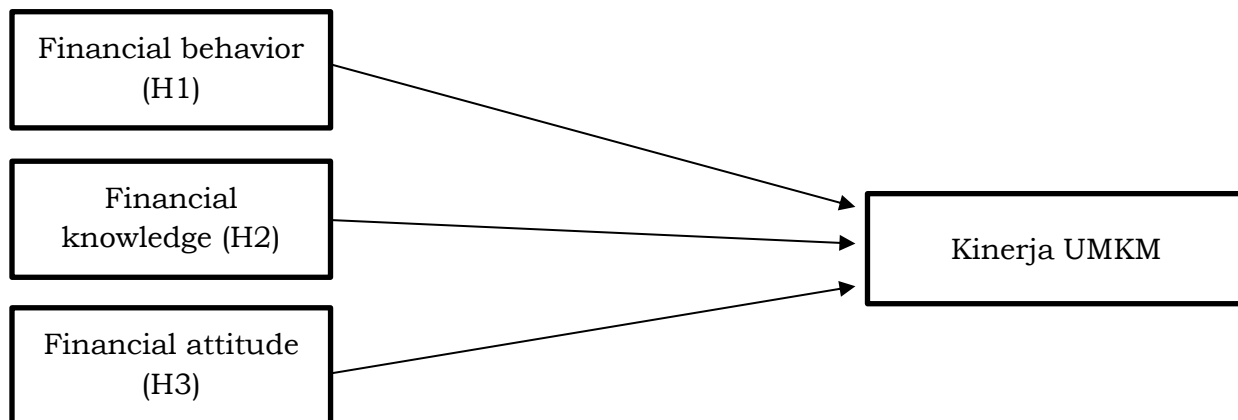


Figure 1. Model of financial literacy on MSMEs performance

Source: Lusardi & Mitchell, (2014); Garg & Singh, (2018)

With the hypothesis that;

H1: financial behavior is positively correlated with a significant effect on the performance of MSMEs.

H2: financial knowledge is positively correlated and has a significant effect on the performance of MSMEs.

H3: financial attitude is positively correlated and has a significant effect on the performance of MSMEs.

As for Islamic financial literacy on the performance of MSMEs, the research model is;

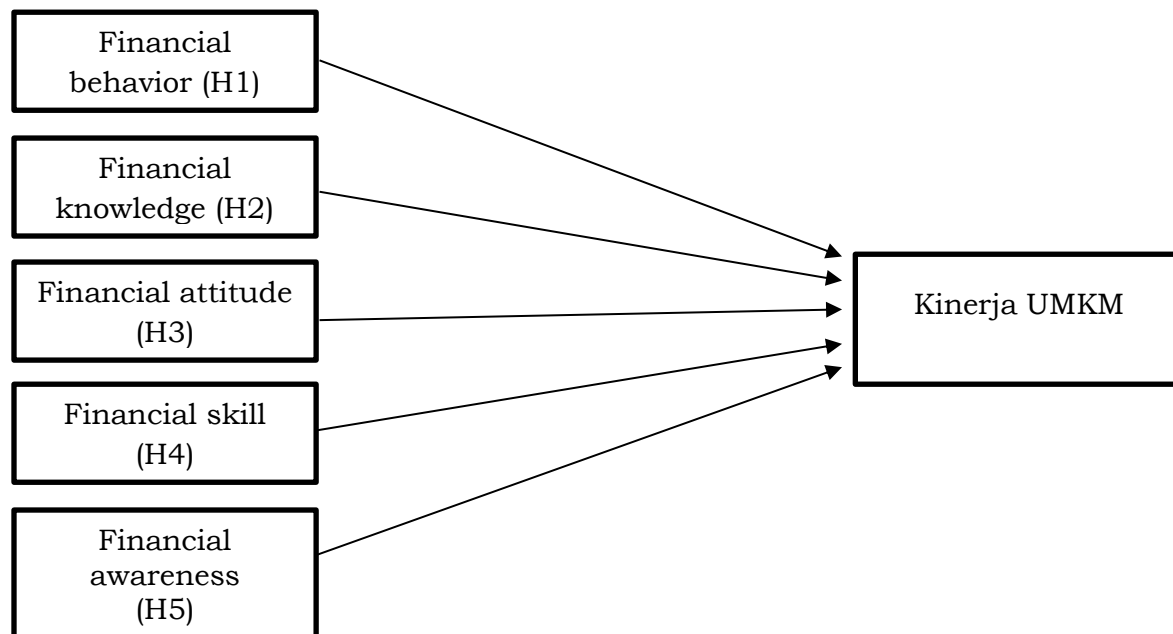


Figure 2. Model of Islamic financial literacy on MSMEs performance

Source: Alshater et al., (2022); Ali et al., (2020); Md.Sapir @ Md.Shafik & Wan Ahmad, (2020)

With the hypothesis that;

H1: financial behavior is positively correlated with a significant effect on the performance of MSMEs.

H2: financial knowledge is positively correlated and has a significant effect on the performance of MSMEs.

H3: financial attitude is positively correlated and has a significant effect on the performance of MSMEs.

H4: financial skills are positively correlated and have a significant effect on the performance of MSMEs.

H5: financial awareness is positively correlated and has a significant effect on the performance of MSMEs.

3. Methodology

In this research, the method used to explain the research results is a combination method known as sequential explanatory design. Where this method combines quantitative research with qualitative research. This research uses the following research model;

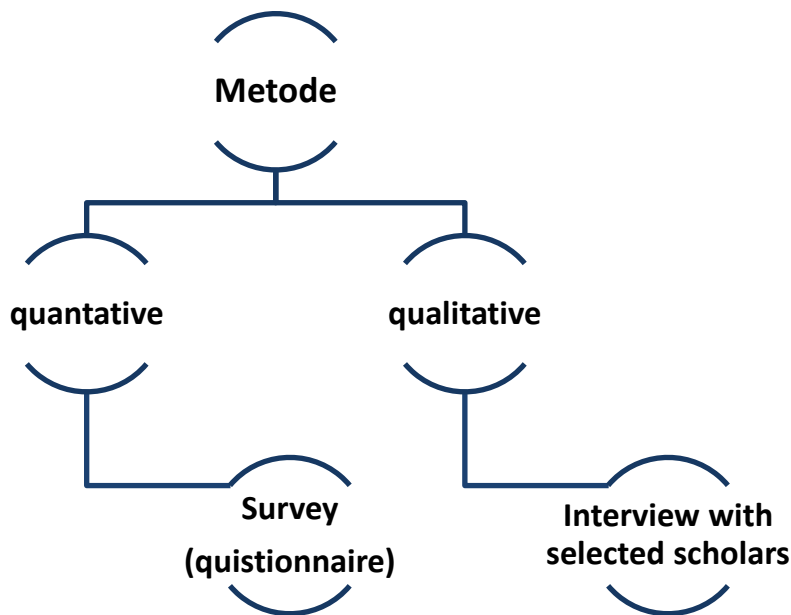


Figure 3. Research model
Source: Author's development (2024)

The function of quantitative research is to see measurably the factors that affect the performance of MSMEs both in general financial literacy and financial literacy in Islamic views. The measurement uses the partial least square-structural equation modelling (PLS-SEM) method. Basically, the PLS-SEM method is a superior method for research that solves social problems and can be used in big data and small data research (Ravand & Baghei, 2016). In testing, there are two stages, namely conducting confirmatory factor analysis (CFA) and then evaluating the structural model using convergent validation and discriminant validation (Hair et al., 2017). In this study, the analysis tool used the Smart PLS 3 application to obtain quantitative research results.

The sample that must be used for research according to Hair et al (2010) minimum 100 to 200 respondents in the analysis using PLS-SEM. The respondents interviewed in the study were MSME actors in Indonesia. Due to limited resources, respondents were only taken and interviewed from MSMEs actors in Pekanbaru city with a total of 211 respondents. The results of interviews from respondents will be kept confidential. After the results of the quantitative research are obtained, a qualitative approach is followed which aims to look comprehensively at the social demographics of the research (Liu, 2022).

4. Result and Discussion

4.1 Result

4.1.1 Qualitative Results

The profile of respondents in the research can be explained descriptively to reflect the demographic posture of MSMEs in Indonesia. The majority of those interviewed were respondents with female

gender as much as 56.8%. While the education of the respondents in the study was mostly at the university level at 50.53%. For age in the study, the majority were under 25 years old at 43.16%.

The majority of MSME business actors in this study have under 5 employees, amounting to 87.37%. Meanwhile, the majority of respondents' monthly sales value is at a value of 5 million rupiah to 10 million rupiah. For more details, the descriptions of the research respondents can be seen in table 1.

No.	Item	Total	%
1	Gender		
	Man	91	43,16
	Women	120	56,84
2	Education		
	Elementary	0	0
	Junior	0	0
	Senior	104	49,47
	University	107	50,53
3	Age		
	<25 age	91	43,16
	25 – 40 age	53	25,26
	40 – 55 age	60	28,42
	>55 age	7	3,16
4	Total labor		
	<5 people	184	87,37
	5 - 15 people	20	9,47
	15 - 30 people	4	2,11
	>30 people	3	1,05
5	Sales monthly		
	< 5 millions rupiah	58	27,37
	5 - 10 millions rupiah	100	47,37
	10 - 15 millions rupiah	22	10,53
	>15 millions rupiah	31	14,74

Table 1. Respondent profiles

Source: Author's calculation based on survey questionnaire (2024)

4.1.2 Quantitative Results

To see the effect of financial literacy on the performance of MSMEs, outer model and inner model testing must first be carried out. The steps taken are validity and reliability tests (convergent validity) and model tests (discriminant validity) on the outer model. In testing convergent validity, each indicator must meet the recommended values, among others; (1) loading factor (FL) is above 0.5 (>0.5), (2) Cronbach's alpha (CA) value is above 0.6 (>0.6), (3) composite reality (CR) is more than 0.7 (>0.7), (4) average variance extracted (AVE) must be more than 0.5 (>0.5) (Darmansyah

et al., 2021). In testing discriminant validity, the indicator used is the crossloading factor (CLF) with the value of each sub latent variable must be greater than other variables (Liu, 2022).

The effect of financial literacy on MSME performance and Islamic financial literacy on MSME performance based on table 2 states that the model has met convergent validity. For more details, the validity and reliability tests have been fulfilled, namely; (1) the overall LF value is more than 0.5, (2) the AVE value is greater than 0.5 in all variables, (3) the CR value is greater than 0.7 in all variables, (4) the CA value is greater than 0.6 in all variables. From the results of the model test on financial literacy in general with the performance of MSMEs, it was found that the model was good. Where all tests to meet the ideal model criteria have been met. For more details, see table 2.

No	Construct	Financial literacy>MSMEs performance				Islamic financial literacy>MSMEs performance			
		LF	AVE	CA	CR	LF	AVE	CA	CR
1	Entrepreneur Performance		0,819	0,926	0,948		0,820	0,926	0,948
	EP 1	0,843				0,845			
	EP 2	0,938				0,939			
	EP 3	0,906				0,904			
	EP 4	0,930				0,930			
2	Financial Attitude		0,515	0,685	0,808		0,515	0,685	0,808
	FAT 1	0,658				0,658			
	FAT 2	0,795				0,795			
	FAT 3	0,737				0,737			
	FAT 4	0,671				0,671			
3	Financial behavior		0,562	0,746	0,837		0,562	0,746	0,837
	FB 1	0,709				0,709			
	FB 2	0,734				0,734			
	FB 3	0,742				0,742			

	FB 4	0,81 0			0,81 0				
4	Financial Knowledge		0,631	0,80 0	0,871		0,63 1	0,80 0	0,87 1
	FK 1	0,65 3			0,65 3				
	FK 2	0,85 8			0,85 8				
	FK 3	0,86 7			0,86 7				
	FK 4	0,78 1			0,78 1				
5	Financial Skill	-	-	-	-		0,65 9	0,82 9	0,88 5
	FS 1	-	-	-	-	0,81 1			
	FS 2	-	-	-	-	0,73 3			
	FS 3	-	-	-	-	0,86 3			
	FS 4	-	-	-	-	0,83 3			
6	Financial Awareness_	-	-	-	-		0,60 5	0,80 0	0,85 8
	FA 1	-	-	-	-	0,77 8			
	FA 2	-	-	-	-	0,81 8			
	FA 3	-	-	-	-	0,86 9			
	FA 4	-	-	-	-	0,62 5			

Table 2. Convergent Validity Test

Source: Author's calculation, based on PLS-SEM output (2024)

In discriminant validity, for financial literacy with MSMEs performance and Islamic financial literacy with MSMEs performance, the model has met the requirements to represent the research. Where the latent sub variable value is higher than the other variables. For more details, see table 3 and table 4.

Construct	Entrepreneur Performance (EP)	Financial Attitude (FA)	Financial Behavior (FB)	Financial Knowledge (FK)
EP 1	0,843	0,492	0,480	0,425

EP 2	0,938	0,561	0,526	0,355
EP 3	0,906	0,611	0,522	0,412
EP 4	0,930	0,568	0,529	0,365
FAT 1	0,498	0,658	0,551	0,518
FAT 2	0,476	0,795	0,571	0,393
FAT 3	0,356	0,737	0,540	0,231
FAT 4	0,409	0,671	0,381	0,185
FB 1	0,363	0,541	0,709	0,490
FB 2	0,326	0,474	0,734	0,391
FB 3	0,411	0,579	0,742	0,365
FB 4	0,549	0,560	0,810	0,481
FK 1	0,293	0,403	0,503	0,653
FK 2	0,360	0,322	0,432	0,858
FK 3	0,355	0,387	0,489	0,867
FK 4	0,350	0,437	0,422	0,781

Table 3. Discriminant validity using CLF on financial literacy and MSMEs performance
Source: Author's calculation, based on PLS-SEM output (2024)

Construct	Entrepreneur Performance (EP)	Financial Awareness (FA)	Financial Attitude (FAT)	Financial Behavior (FB)	Financial Knowledge (FK)	Financial Skill (FS)
EP 1	0,845	0,290	0,492	0,480	0,425	0,433
EP 2	0,939	0,277	0,561	0,526	0,355	0,445
EP 3	0,904	0,401	0,610	0,522	0,412	0,486
EP 4	0,930	0,327	0,568	0,529	0,365	0,475
FA 1	0,379	0,778	0,504	0,592	0,521	0,462
FA 2	0,250	0,818	0,337	0,395	0,658	0,505
FA 3	0,254	0,869	0,343	0,476	0,713	0,600
FA 4	0,108	0,625	0,272	0,426	0,575	0,503
FAT 1	0,497	0,535	0,658	0,551	0,518	0,605
FAT 2	0,476	0,362	0,795	0,571	0,393	0,410
FAT 3	0,355	0,311	0,737	0,540	0,231	0,333
FAT 4	0,409	0,168	0,671	0,381	0,185	0,185
FB 1	0,363	0,482	0,541	0,709	0,490	0,421
FB 2	0,326	0,414	0,474	0,734	0,391	0,340
FB 3	0,410	0,427	0,579	0,742	0,365	0,434
FB 4	0,549	0,529	0,560	0,810	0,481	0,481
FK 1	0,294	0,512	0,403	0,503	0,653	0,424
FK 2	0,360	0,596	0,322	0,432	0,858	0,617
FK 3	0,355	0,753	0,387	0,489	0,867	0,736
FK 4	0,350	0,568	0,437	0,422	0,781	0,586

FS 1	0,454	0,486	0,477	0,553	0,576	0,811
FS 2	0,278	0,600	0,335	0,341	0,655	0,733
FS 3	0,436	0,572	0,455	0,471	0,659	0,863
FS 4	0,443	0,482	0,506	0,440	0,584	0,833

Table 4. Discriminant validity using CLF of Islamic financial literacy with MSMEs performance
 Source: Author's calculation, based on PLS-SEM output (2024)

For inner model testing, financial literacy with MSMEs performance results in that all independent variables with the dependent variable are positively and significantly correlated. For more details, see table 5.

Construct	Estimate	t-statistic	p-values	Remark
Financial Attitude -> Entrepreneur Performance	0,418	6,232	0,000	Accepted
Financial Behaviour -> Entrepreneur Performance	0,205	2,375	0,018	Accepted
Financial Knowledge -> Entrepreneur Performance	0,108	2,204	0,028	Accepted

R²: 42,2%

Table 5. Structural equation of financial literacy on MSMEs performance Source: Author's calculation, based on PLS-SEM output (2024)

With the path coefficient can be seen in Figure 4.

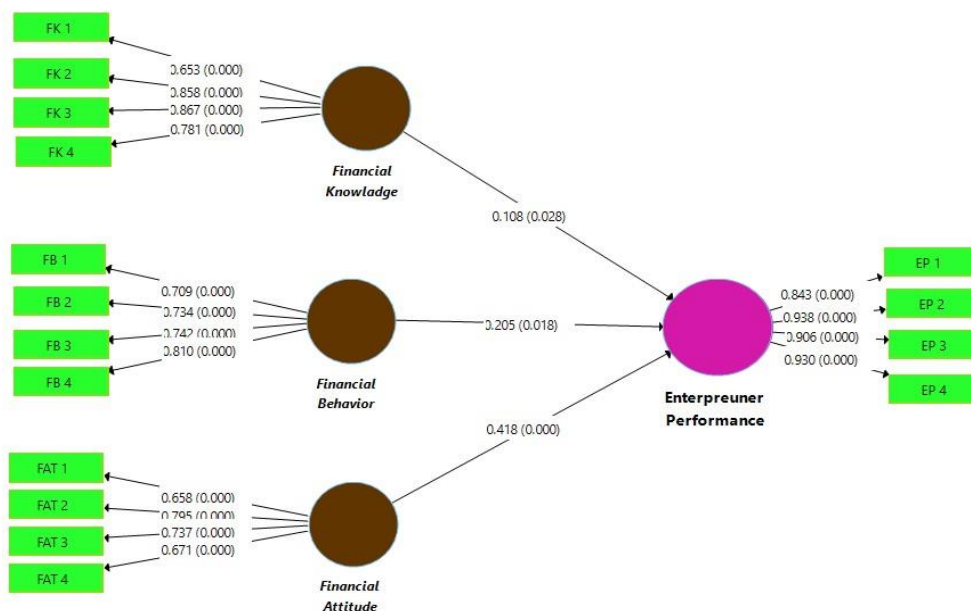


Figure 4. Path coefficient for financial literacy on MSMEs performance
 Source: Output of PLS-SEM (2024)

In Islamic financial literacy and MSMEs performance, not all independent variables on the dependent variable are positively and significantly correlated. Where for variable financial knowledge is positively correlated and insignificant to the performance of MSMEs. Meanwhile, the financial awareness variable has a negative and significant correlation with the performance of MSMEs. For more details, it can be seen in table 5.

Construct	Estimate	t-statistic	p-values	Remark
Financial Attitude -> Entrepreneur Performance	0,372	4,672	0,000	Accepted
Financial Awareness_ -> Entrepreneur Performance	-0,184	2,172	0,030	Accepted
Financial Behaviour -> Entrepreneur Performance	0,242	2,667	0,008	Accepted
Financial Knowledge -> Entrepreneur Performance	0,086	1,007	0,315	Rejected
Financial Skill -> Entrepreneur Performance	0,219	2,644	0,008	Accepted

R²; 44,9%

Table 6. Structural equation of Islamic financial literacy on MSMEs performance Source: Author's calculation, based on PLS-SEM output (2024)

With the path coefficient can be seen in Figure 5.

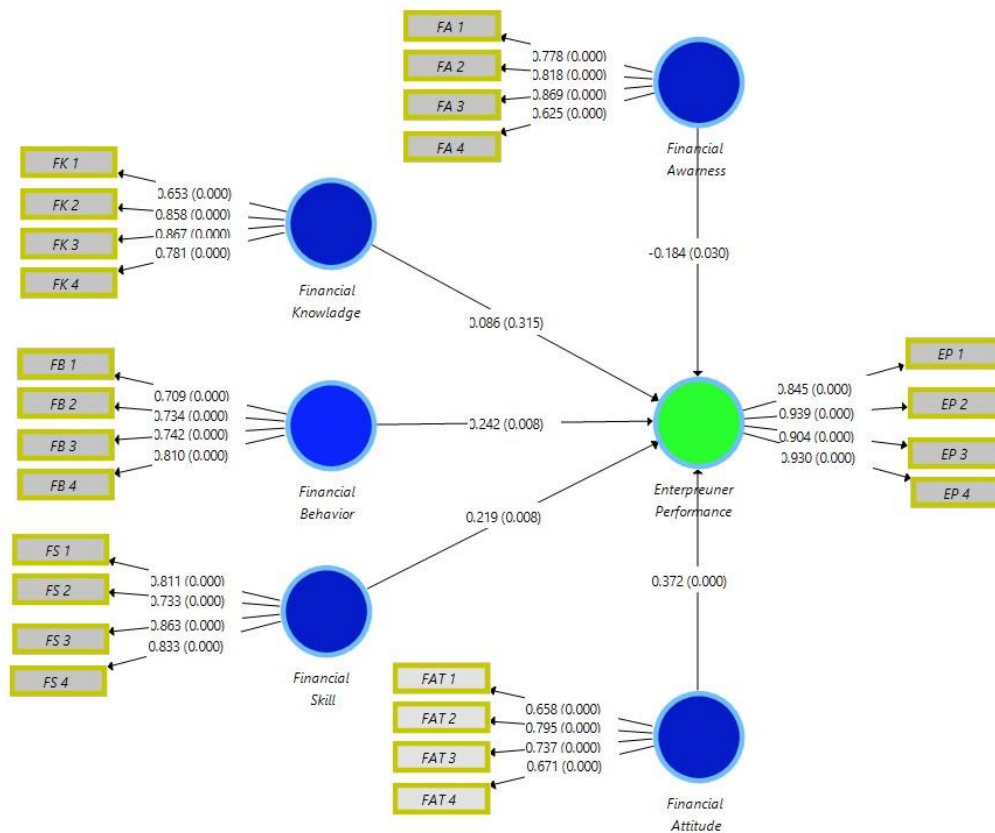


Figure 5. Path coefficient for Islamic financial literacy on MSMEs performance Source: Output of PLS-SEM (2024)

4.2 Discussion

The construction of financial literacy with the performance of MSMEs in Indonesia is represented by 42.2% and the remaining 57.85% is contained in unobserved variables. Where the financial knowledge variable has a significant effect with a positive correlation. This explains that if the understanding of MSME actors is good on financial knowledge, it can improve the performance of MSME actors and vice versa, if the understanding of MSMEs actors on financial knowledge is low, it can reduce the performance of MSMEs (Purnamawati et al., 2022; Kaur et al., 2022; Anthanasius Fomum & Opperman, 2023). Financial behavior variables have a significant effect on MSME performance with a positive correlation. This can be explained that the understanding of MSMEs actors of good financial behavior will improve the performance of MSMEs and if the understanding of MSME actors is low on financial behaviour, it will reduce the performance of MSMEs (Sun & Zhang, 2024; Culebro-Martínez et al., 2024; Zambrano Farías et al., 2023). Furthermore, the financial attitude variable is positively correlated and has a significant influence on the performance of MSMEs. It can be explained that the understanding of MSMEs actors of a good financial attitude can improve the performance of MSMEs and if the understanding of a low financial attitude will have an impact on reducing the performance of MSMEs (Ratnawati et al., 2023; Meldona et al., 2023).

The construction of Islamic financial literacy on the performance of MSMEs in Indonesia is around 44.9% and the remaining 55.1% is in unobserved variables. Where the variables of financial behavior and financial attitude have a positive effect and are significantly correlated with the performance of MSMEs. Meanwhile, the financial knowledge variable is not significant to the performance of MSMEs. This can be caused by; (1) the support of Islamic finance in supporting the halal industry, especially MSMEs in Indonesia, (2) the lack of qualified human resources in developing Islamic finance, (3) the absence of Islamic banks that have book 4 assets (core capital of more than Rp. 30 trillion) in Indonesia, namely Islamic banks with large capital, low research and development capacity in Indonesia (KNEKS, 2019). For the financial skill variable, it has a significant and positive correlation with MSME performance. MSME actors who have good knowledge of financial skills, then the performance of MSMEs will improve the performance of MSMEs and vice versa, if the performance of MSMEs is low, it can be due to the low knowledge of business actors about financial skills (Apriyanti & Yuvitasari, 2021; Valle et al., 2022). Meanwhile, the financial awareness variable has a negative correlation with a significant effect on the performance of MSMEs in Indonesia. So, if business actors have low financial awareness knowledge, it will improve the performance of MSMEs and vice versa if high financial awareness knowledge will reduce the performance of MSMEs. With the majority of MSME players with a turnover of under IDR 5 million per month, business actors will definitely always try to increase turnover by maximizing existing conditions. Because financial awareness relates to knowledge of how to budget, plan for retirement, manage debt, and track personal expenses (Investopedia, 2024). Meanwhile, ways to increase sales are; encouraging new innovations, evaluating products in circulation, revising existing products, providing attractive offers, conducting market research, building communication with consumers, strengthening consumer loyalty, maximizing digital marketing efforts (IDstar, 2024). So it can be explained that the less business actors know the purpose of financial awareness, the income earned can be directly reused to increase sales turnover by making it as capital which is evidence of an increase in MSMEs performance.

5. Conclusion and Recommendation

5.1 Conclusion

The composition of MSME actors in Indonesia is mostly run by business actors with female gender. For the education level, the majority are university graduates and while the age of the majority of business actors is below 25 years. The average MSME in Indonesia has a sales turnover of around IDR 5 million - IDR 10 million per month. Where the majority of MSMEs can only accommodate less than 5 workers in each business actor.

Financial literacy consisting of financial behavior, financial knowledge and financial attitude provides a positive relationship with a significant effect on the performance of MSMEs in Indonesia. In Islamic financial literacy which has a positive and significant effect on the performance of MSMEs, namely financial behavior, financial attitude and financial skills. For financial awareness, it has a negative correlation with a significant effect. Meanwhile, financial knowledge has no significant effect on the performance of MSMEs.

5.2 Recommendation

The results of this study indicate that financial literacy in general and Islamic financial literacy have an influence on the performance of MSMEs in Indonesia.

Therefore, it is expected to;

1. Government

- Provide training programs to MSMEs to further explore both general financial literacy and Islamic financial literacy in order to improve MSMEs performance.
- There is assistance provided by the government to MSMEs players, so that the practice of financial literacy in general and Islamic financial literacy is in accordance with the direction and training provided.
- Conduct public service advertisements on the importance of financial literacy both in general and Islam with the aim of introducing and educating many people both for MSMEs players and the general public.
- Providing a choice of material on financial knowledge based on Islamic religious understanding based on the Qur'an, hadith, qiyas and ijma' ulama and idjtitihad to Muslim MSMEs players.

2. MSMEs players

- There should be more focus on running MSMEs by using financial literacy both in general and Islam.
- Changing the paradigm of MSMEs actors in seeing financial literacy hand training as a means of knowledge and self-potential development.
- It is expected that MSMEs players always update their knowledge about financial literacy and Islamic financial literacy.

5.3 Limitation and future research

This research still has limitations in explaining sample demographics and sample coverage. Where the sample demographics are only taken based on the classification of financial potential. As for sampling, it was only carried out in Pekanbaru city. It is hoped that further research will be able to make descriptive demographics wider by reaching a larger sample and spread across several cities that can represent Indonesia, which can be based on islands, time groups and regional criteria in Indonesia.

REFERENCES

- Abdullah, A., Salleh, M. Z. M., Zakaria, M. N., Din, N. M., Aziz, M. I., & Muhammad, M. Z. (2023). Achieving Islamic Financial Literacy in Malaysia: Issues and Challenges. In B. Alareeni & A. Hamdan (Eds.), *Sustainable Finance, Digitalization and the Role of Technology* (Vol. 487, pp. 889–896). Springer International Publishing. https://doi.org/10.1007/978-3-031-08084-5_64

- Abdullahi, A., Othman, A. H. A., & Kassim, S (2021). Financial inclusion enhancement through the adoption of Islamic microfinance in Nigeria. *International Journal of Ethics and Systems*, 37(3), 486–505. <https://doi.org/10.1108/IJOES-02-2021-0040>
- Akkas, E., & Asutay, M (2023). The impact of intellectual capital formation and knowledge economy on banking performance: A case study of GCC's conventional and Islamic banks. *Journal of Financial Reporting and Accounting*, 21(5), 1149–1170. <https://doi.org/10.1108/JFRA-08-2021-0251>
- Alharbi, R. K., Yahya, S. B., & Kassim, S (2022). Impact of religiosity and branding on SMEs performance: Does financial literacy play a role? *Journal of Islamic Marketing*, 13(12), 2717–2741. <https://doi.org/10.1108/JIMA-08-2019-0162>
- Ali, M. M., Devi, A., Furqani, H., & Hamzah, H (2020). Islamic financial inclusion determinants in Indonesia: An ANP approach. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(4), 727–747. <https://doi.org/10.1108/IMEFM-01-2019-0007>
- Alshater, M. M., Saba, I., Supriani, I., & Rabbani, M. R (2022). Fintech in islamic finance literature: A review. *Heliyon*, 8(9), e10385. <https://doi.org/10.1016/j.heliyon.2022.e10385>
- Amartha (2024). *Kontribusi dan Peran UMKM dalam Perekonomian Indonesia*. <https://amartha.com/blog/work-smart/kontribusi-dan-peran-umkm-dalam-perekonomian-indonesia/>
- Anthanasius Fomum, T., & Opperman, P (2023). Financial inclusion and performance of MSMEs in Eswatini. *International Journal of Social Economics*, 50(11), 1551–1567. <https://doi.org/10.1108/IJSE-10-2020-0689>
- Apriyanti, H. W., & Yuvitasari, E (2021). The Role of Digital Utilization in Accounting to Enhance MSMEs' Performance During COVID-19 Pandemic: Case Study in Semarang, Central Java, Indonesia. In L. Barolli, K. Yim, & T. Enokido (Eds.), *Complex, Intelligent and Software Intensive Systems* (Vol. 278, pp. 495–504). Springer International Publishing. https://doi.org/10.1007/978-3-030-79725-6_49
- Bank Indonesia (2021). *EMPAT KUNCI UMKM UNTUK TEMBUS PASAR GLOBAL* [Siaran Pers]. https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2324821.aspx
- Bathla, S., Himanshu, H., & Ahmad, F (2024). Digital disruption: Unveiling antecedents propelling the revolution in contemporary accounting practices. *Journal of Accounting & Organizational Change*. <https://doi.org/10.1108/JAOC-02-2024-0051>
- Boldureanu, G., Ionescu, A. M., Bercu, A.-M., Bedrule-Grigoruță, M. V., & Boldureanu, D (2020). Entrepreneurship Education through Successful Entrepreneurial Models in Higher Education Institutions. *Sustainability*, 12(3), 1267. <https://doi.org/10.3390/su12031267>
- Buchdadi, A., Sholeha, A., Ahmad, G. N., & Mukson (2020). THE INFLUENCE OF FINANCIAL LITERACY ON SMES PERFORMANCE THROUGH ACCESS TO FINANCE AND FINANCIAL RISK ATTITUDE AS MEDIATION VARIABLES. *Academy of Accounting and Financial Studies Journal*, 24(5), 1–16.
- Culebro-Martínez, R., Moreno-García, E., & Hernández-Mejía, S (2024). Financial Literacy of Entrepreneurs and Companies' Performance. *Journal of Risk and Financial Management*, 17(2), 63. <https://doi.org/10.3390/jrfm17020063>

- Darmansyah, D., Fianto, B. A., Hendratmi, A., & Aziz, P. F (2021). Factors determining behavioral intentions to use Islamic financial technology: Three competing models. *Journal of Islamic Marketing*, 12(4), 794–812. <https://doi.org/10.1108/JIMA-12-2019-0252>
- dinkopum bojonegoro (2020). *Kriteria Usaha Mikro, Kecil, dan Menengah (UMKM)*. [https://dinkopum.bojonegorokab.go.id/menu/detail/5/KRITERIAUMKM#:~:text=Usaha%20Mikro%20adalah%20usaha%20produktif,\(Tiga%20Ratus%20Juta%20Rupiah\)](https://dinkopum.bojonegorokab.go.id/menu/detail/5/KRITERIAUMKM#:~:text=Usaha%20Mikro%20adalah%20usaha%20produktif,(Tiga%20Ratus%20Juta%20Rupiah)).
- DISKOMINFO.Kalsel (2022). *Koperasi Dan UMKM Tetap Bertahan Selama Masa Pandemi COVID-19*. <https://diskominfo.mc.kalselprov.go.id/2022/01/12/koperasi-dan-umkm-tetap-bertahan-selama-masa-pandemi-covid-19/>
- disnakertrans.ntbprov (2023). TKM, STRATEGI PEMERINTAH MENGURANGI PENGANGGURAN & KEMISKINAN. *Publikasi*. <https://disnakertrans.ntbprov.go.id/tkm-strategi-pemerintah-mengurangi-pengangguran-kemiskinan/>
- DJPB (2023). *UMKM Hebat, Perekonomian Nasional Meningkat*. <https://djp.kemenkeu.go.id/portal/id/berita/lainnya/opini/4133-umkm-hebat,-perekonomian-nasional-meningkat.html>
- Eggers, F (2020). Masters of disasters? Challenges and opportunities for SMEs in times of crisis. *Journal of Business Research*, 116, 199–208. <https://doi.org/10.1016/j.jbusres.2020.05.025>
- ekon.go.id (2021). *UMKM Menjadi Pilar Penting dalam Perekonomian Indonesia* [Publikasi]. <https://ekon.go.id/publikasi/detail/2969/umkm-menjadi-pilar-penting-dalam-perekonomian-indonesia>
- Eller, R., Alford, P., Kallmünzer, A., & Peters, M (2020). Antecedents, consequences, and challenges of small and medium-sized enterprise digitalization. *Journal of Business Research*, 112, 119–127. <https://doi.org/10.1016/j.jbusres.2020.03.004>
- FinancialCorp (2014). *History of Financial Literacy – The First 200 Years*. <https://financialcorps.com/history-of-financial-literacy-the-first-200-years/>
- Gaglio, C., Kraemer-Mbula, E., & Lorenz, E (2022). The effects of digital transformation on innovation and productivity: Firm-level evidence of South African manufacturing micro and small enterprises. *Technological Forecasting and Social Change*, 182, 121785. <https://doi.org/10.1016/j.techfore.2022.121785>
- Garg, N., & Singh, S (2018). Financial literacy among youth. *International Journal of Social Economics*, 45(1), 173–186. <https://doi.org/10.1108/IJSE-11-2016-0303>
- Gherghina, Ștefan C., Botezatu, M. A., Hosszu, A., & Simionescu, L. N (2020). Small and Medium-Sized Enterprises (SMEs): The Engine of Economic Growth through Investments and Innovation. *Sustainability*, 12(1), 347. <https://doi.org/10.3390/su12010347>
- Goyal, K., & Kumar, S (2021). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies*, 45(1), 80–105. <https://doi.org/10.1111/ijcs.12605>
- Grohmann, A., Klühs, T., & Menkhoff, L (2018). Does financial literacy improve financial inclusion? Cross country evidence. *World Development*, 111, 84–96. <https://doi.org/10.1016/j.worlddev.2018.06.020>
- Hair, J. F., Balck, W. C., Babin, B. J., & Anderson, R. E (2010). *Multivariate Data Analysis, 7th ed.*, (7th ed.). Pearson Prentice Hall.

- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (2nd ed.). Sage Publication.
- Handayani, B. D (2023). Analysis of the Use of Accounting Information Technology in MSMEs In Indonesia. *Quality - Access to Success*, 24(195). <https://doi.org/10.47750/QAS/24.195.14>
- Handoko, B. L., Enrico, J., & Raymond (2023). Factors That Influence MSMEs to Adopt Technology-Based Accounting Information Systems. *Proceedings of the 2023 7th International Conference on E-Commerce, E-Business and E-Government*, 203–207. <https://doi.org/10.1145/3599609.3599639>
- Hussein Kakembo, S., Abduh, M., & Pg Hj Md Salleh, P. M. H. A (2021). Adopting Islamic microfinance as a mechanism of financing small and medium enterprises in Uganda. *Journal of Small Business and Enterprise Development*, 28(4), 537–552. <https://doi.org/10.1108/JSBED-04-2019-0126>
- IDstar (2024). *10 Cara Meningkatkan Omset Penjualan Bisnis*. <https://idstar.co.id/10-cara-meningkatkan-omset-penjualan-bisnis/>
- Investopedia (2024). *Future First: Money Lessons for Teens*. <https://www.investopedia.com/terms/f/financial-literacy.asp#:~:text=Key%20aspects%20of%20financial%20literacy,talking%20to%20a%20financial%20professional.>
- Johan, Z. J., Hussain, M. Z., Mohd, R., & Kamaruddin, B. H (2020). Muslims and non-Muslims intention to hold Shariah-compliant credit cards: A SmartPLS approach. *Journal of Islamic Marketing*, 12(9), 1751–1785. <https://doi.org/10.1108/JIMA-12-2019-0270>
- Julia, T., & Kassim, S (2020). Exploring green banking performance of Islamic banks vs conventional banks in Bangladesh based on *Maqasid Shariah* framework. *Journal of Islamic Marketing*, 11(3), 729–744. <https://doi.org/10.1108/JIMA-10-2017-0105>
- KADIN (2024). UMKM Indonesia [Orhanisasi]. *Data Dan Statistitik*. <https://kadin.id/data-dan-statistik/umkm-indonesia/>
- KADIN Cirebon (2022). *PEMBERDAYAAN UMKM MELALUI SMK MEMBANGUN DESA* [Publikasi]. <https://kadincirebon.com/pemberdayaan-umkm-melalui-smk-membangun-desa/>
- Kaur, P., Kaur, N., & Kanojia, P (2022). Firm innovation and access to finance: Firm-level evidence from India. *Journal of Financial Economic Policy*, 14(1), 93–112. <https://doi.org/10.1108/JFEP-07-2020-0161>
- Kazancoglu, I., Sagnak, M., Kumar Mangla, S., & Kazancoglu, Y (2021). Circular economy and the policy: A framework for improving the corporate environmental management in supply chains. *Business Strategy and the Environment*, 30(1), 590–608. <https://doi.org/10.1002/bse.2641>
- Khamis, F. M., Isa, M. Y. B., & Yusuff, N. B (2024). Perceived inclusion of Islamic finance: The effects of attitudes, experience, literacy, religiosity, and social influences. *International Journal of Applied Economics, Finance and Accounting*, 18(2), 321–338. <https://doi.org/10.33094/ijaefa.v18i2.1398>

- Khan, M. S., Rabbani, M. R., Hawaldar, I. T., & Bashar, A (2022). Determinants of Behavioral Intentions to Use Islamic Financial Technology: An Empirical Assessment. *Risks*, 10(6), 114. <https://doi.org/10.3390/risks10060114>
- KNEKS (2019). 5 Tantangan Indonesia Kembangkan Ekonomi Syariah. *Berita Dan Kegiatan*. <https://kneks.go.id/berita/132/5-tantangan-indonesia-kembangkan-ekonomi-syariah?#:~:text=%E2%80%9CAda%20%20tantangan%20dalam%20pengembangan,masih%20rendah%2C%E2%80%9D%20jelas%20Emir.>
- Kontan (2021). *Begini upaya UMKM bertahan di tengah pandemi Covid-19*. <https://nasional.kontan.co.id/news/begini-upaya-umkm-bertahan-di-tengah-pandemi-covid-19>
- Kulathunga, K. M. M. C. B., Ye, J., Sharma, S., & Weerathunga, P. R (2020). How Does Technological and Financial Literacy Influence SME Performance: Mediating Role of ERM Practices. *Information*, 11(6), 297. <https://doi.org/10.3390/info11060297>
- Liu, Y (2022). Paradigmatic Compatibility Matters: A Critical Review of Qualitative-Quantitative Debate in Mixed Methods Research. *SAGE Open*, 12(1), 215824402210799. <https://doi.org/10.1177/21582440221079922>
- Lusardi, A (2019). Financial literacy and the need for financial education: Evidence and implications. *Swiss Journal of Economics and Statistics*, 155(1), 1. <https://doi.org/10.1186/s41937-019-0027-5>
- Lusardi, A., & Mitchell, O. S (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), 5–44. <https://doi.org/10.1257/jel.52.1.5>
- Maiti, M (2018). Scope for alternative avenues to promote financial access to MSMEs in developing nation evidence from India. *International Journal of Law and Management*, 60(5), 1210–1222. <https://doi.org/10.1108/IJLMA-06-2017-0141>
- Md.Sapir @ Md.Shafik, A. S., & Wan Ahmad, W. M (2020). Financial literacy among Malaysian Muslim undergraduates. *Journal of Islamic Accounting and Business Research*, 11(8), 1515–1529. <https://doi.org/10.1108/JIABR-10-2017-0149>
- Meldona, Soetjipto, B. E., Wardoyo, C., Hermawan, A., & Utaberta, N (2023). Innovation capability and risk attitude mediate the effects of knowledge management and financial literacy on MSME performance. *Journal of Social Economics Research*, 10(4), 194–214. <https://doi.org/10.18488/35.v10i4.3555>
- OJK (2023). *Siaran Pers: Literasi Keuangan Pondasi Pemberdayaan UMKM, OJK Gelar Literasi Keuangan Indonesia Terdepan (Like IT) Ke-2*. [https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Literasi-Kuangan-Pondasi-Pemberdayaan-UMKM,-OJK-Gelar-Literasi-Kuangan-Indonesia-Terdepan-\(Like-IT\)-Ke-2.aspx](https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Literasi-Kuangan-Pondasi-Pemberdayaan-UMKM,-OJK-Gelar-Literasi-Kuangan-Indonesia-Terdepan-(Like-IT)-Ke-2.aspx)
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L (2003). Corporate Social and Financial Performance: A Meta-Analysis. *Organization Studies*, 24(3), 403–441. <https://doi.org/10.1177/0170840603024003910>
- Purnamawati, I. G. A., Jie, F., Hong, P. C., & Yuniarta, G. A (2022). Analysis of Maximization Strategy Intangible Assets through the Speed of Innovation on Knowledge-Driven Business Performance Improvement. *Economies*, 10(6), 149. <https://doi.org/10.3390/economies10060149>

- Rachmawati, E., Suliyanto, & Suroso, A (2022). Direct and indirect effect of entrepreneurial orientation, family involvement and gender on family business performance. *Journal of Family Business Management*, 12(2), 214–236. <https://doi.org/10.1108/JFBM-07-2020-0064>
- Ratnawati, Rokhman, M. T. N., Rochayatun, S., Meldona, & Rahayu, Y. N (2023). Financial attitude and financial performance of export MSMEs: Financial well-being as a mediating. *International Journal of Applied Economics, Finance and Accounting*, 16(1), 77–85. <https://doi.org/10.33094/ijaefa.v16i1.901>
- Ravand, H., & Baghei, P (2016). Partial Least Squares Structural Equation Modeling with R. *Practical Assessment, Research & Evaluation*, 21(11), 1–16.
- Republika (2023). *UGMPreneur: Rendahnya Kompetensi Kelola Keuangan, Penyebab UMKM Tutup* [News]. <https://jurnal.republika.co.id/posts/241489/ugmpreneur-rendahnya-kompetensi-kelola-keuangan-penyebab-umkm-tutup#:~:text=UGMPreneur%3A%20Rendahnya%20Kompetensi%20Kelola%20Keuangan%2C%20Penyebab%20UMKM%20Tutup,-Ekonomi%20Sunday%2C%202022&text=JURNAL%20PERGURUAN%20TINGGI%202D%2D%20Rendahnya,dan%20edukasi%20tentang%20literasi%20keuangan>.
- Seraj, A. H. A., Fazal, S. A., & Alshebami, A. S (2022). Entrepreneurial Competency, Financial Literacy, and Sustainable Performance—Examining the Mediating Role of Entrepreneurial Resilience among Saudi Entrepreneurs. *Sustainability*, 14(17), 10689. <https://doi.org/10.3390/su141710689>
- Shafi, M., Liu, J., & Ren, W (2020). Impact of COVID-19 pandemic on micro, small, and medium-sized Enterprises operating in Pakistan. *Research in Globalization*, 2, 100018. <https://doi.org/10.1016/j.resglo.2020.100018>
- Shaikh, S. A (2021). Using Fintech in scaling up Islamic microfinance. *Journal of Islamic Accounting and Business Research*, 12(2), 186–203. <https://doi.org/10.1108/JIABR-10-2019-0198>
- Sher, L (2020). The impact of the COVID-19 pandemic on suicide rates. *QJM: An International Journal of Medicine*, 113(10), 707–712. <https://doi.org/10.1093/qjmed/hcaa202>
- Srbová, P., Režňáková, M., & Tomášková, A (2023). Socially responsible activities and the economic performance of family businesses. *Journal of Infrastructure, Policy and Development*, 7(1), 1958. <https://doi.org/10.24294/jipd.v7i1.1958>
- Sun, J., & Zhang, J (2024). Digital Financial Inclusion and Innovation of MSMEs. *Sustainability*, 16(4), 1404. <https://doi.org/10.3390/su16041404>
- Susan, M (2020). Financial Literacy and Growth of Micro, Small, and Medium Enterprises in West Java, Indonesia. In W. A. Barnett & B. S. Sergi (Eds.), *International Symposia in Economic Theory and Econometrics* (pp. 39–48). Emerald Publishing Limited. <https://doi.org/10.1108/S1571-038620200000027004>
- Talwar, M., Talwar, S., Kaur, P., Tripathy, N., & Dhir, A (2021). Has financial attitude impacted the trading activity of retail investors during the COVID-19 pandemic? *Journal of Retailing and Consumer Services*, 58, 102341. <https://doi.org/10.1016/j.jretconser.2020.102341>

- Tuffour, J. K., Amoako, A. A., & Amartey, E. O (2022). Assessing the Effect of Financial Literacy Among Managers on the Performance of Small-Scale Enterprises. *Global Business Review*, 23(5), 1200–1217. <https://doi.org/10.1177/0972150919899753>
- UGM (2020). UMKM Aktor Penting dalam Masyarakat Ekonomi ASEAN. *Berita*. <https://ugm.ac.id/id/berita/19821-umkm-aktor-penting-dalam-masyarakat-ekonomi-asean/>
- Valle, L., Costan, E., Costan, F., General, E., Alcantara, G., Kilat, R. V., Batican, I., Olivar, G. M., & Avila, D (2022). Community extension MSME’s entrepreneurial activities in relation to poverty reduction. *Frontiers in Sociology*, 7, 1038006. <https://doi.org/10.3389/fsoc.2022.1038006>
- Wahyono, & Hutahayan, B (2021). The relationships between market orientation, learning orientation, financial literacy, on the knowledge competence, innovation, and performance of small and medium textile industries in Java and Bali. *Asia Pacific Management Review*, 26(1), 39–46. <https://doi.org/10.1016/j.apmr.2020.07.001>
- Wang, C., Pan, R., Wan, X., Tan, Y., Xu, L., McIntyre, R. S., Choo, F. N., Tran, B., Ho, R., Sharma, V. K., & Ho, C (2020). A longitudinal study on the mental health of general population during the COVID-19 epidemic in China. *Brain, Behavior, and Immunity*, 87, 40–48. <https://doi.org/10.1016/j.bbi.2020.04.028>
- Zambrano Farías, F., Rivera Naranjo, C. I., & Sánchez Pacheco, M. E (2023). Rentabilidad de las mipymes del sector inmobiliario en Ecuador. *Revista Venezolana de Gerencia*, 28(103), 1021–1036. <https://doi.org/10.52080/rvgluz.28.103.7>

Appendix. Questionnaire

I. Respondent Profile

1. Gender

Male

Female

2. Age

< 25 Age

25 – 40 Age

< 40 – 55 Age

> 55 Age

3. Education

Elementry

Junior

Senior

University

4. Total Labor

< 5 People

5 – 15 people

15 – 30 people

> 30 people

5. Sales monthly

< 5 millions rupiah

5 - 10 millions rupiah

10 - 15 millions rupiah

< 5 millions rupiah

II. For next question, Please read the corresponding option that best matches the degree to which each statement describes you at 1 (Strongly Disagree) till 5 (Strongly Agree)

No.	Statement	1	2	3	4	5
Financial Awareness						
1	Knowledge of Islamic Finance is essential for the present and the future.					
2	I always provide funds at least once a semester for Islamic Finance Training.					
3	I always upgrade my Sharia Financial Skills every month.					
4	I choose Sharia Investment Means with risks that I can bear if I experience losses.					
Source: (Khamis et al., 2024; Abdullah et al (2023; Alharbi et al 2022) with modification author						
Financial Knowledge						
1	I know how to manage my personal finances.					
2	I know financial services products well.					
3	I know very well how to Invest with Financial Instruments.					
4	I will always join financial training if there is information about it.					
Source; Lusardi & Mitchell, (2014); Garg & Singh, (2018) with modification author						
Financial Behavior						
1	I always set aside at least 20 percent of the money I earn every month for savings.					

2	To anticipate uncertainties, I always set aside profits for that.					
3	I always keep a record of my income and expenses every month.					
4	I always increase the capital portion of the profits I receive every year.					
Source; Lusardi & Mitchell, (2014); Garg & Singh, (2018) with modification author						
Financial Skill		1	2	3	4	5
1	I have the ability to manage finances with the concept of sharia.					
2	I fully understand investment portfolio management in sharia financial instruments					
3	I know the purpose of Sharia insurance for protection against unexpected risks.					
4	I find out about Sharia Investment to increase my Investment in the future.					
Source: (Khamis et al., 2024; Abdullah et al (2023; Alharbi et al 2022) with modification author						
Financial Attitude		1	2	3	4	5
1	I tend to keep my money in the bank or Investing rather than keeping it at home.					
2	I will choose a profitable type of investment.					
3	Money is very important to me, because without it it's hard to do what we want.					
4	I'm the type of person who loves money, so I won't buy something if it's not important.					
Source; Lusardi & Mitchell, (2014); Garg & Singh, (2018) with modification author						
Performance MSMEs		1	2	3	4	5
1	I am able to increase my sales turnover because I have learned financial literacy					
2	I can increase the number of items sold because I have a good understanding of financial literacy.					

3	I know how to improve my service and sales production because I have studied financial literacy.					
4	I am able to improve my business by learning good financial management.					
Source: Seraj et al., (2022); Tuffour et al., (2022); Buchdadi et al.,(2020). With modification author						