MORFAI JOURNAL
Multidisciplinary Output Research For Actual and International Issue
INDEX COPERNICUS INTERNATIONAL
Multidisciplinary Output Research For Actual and International Issue (MORFAI Journal) ISSN (e): 2808-6635
Volumes 5 No. 6 (2025)

IMPROVING THE FINANCIAL PERFORMANCE OF MSMES IN UMBULHARJO, YOGYAKARTA THROUGH FINANCIAL LITERACY, FINANCIAL INCLUSION, AND ENTREPRENEURIAL ORIENTATION

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Received	: 01 October 2025	Published	: 25 November 2025
Revised	: 10 October 2025	DOI	: https://doi.org/10.54443/morfai.v5i6.4504
Accepted	: 15 November 2025	Publish Link	: https://radjapublika.com/index.php/MORFAI/article/view/4504

Abstract

This study aims to analyze how the financial performance of MSMEs in Umbulharjo District, Yogyakarta can be improved through financial literacy, financial inclusion, and entrepreneurial orientation. This study uses a quantitative approach with data collection through questionnaires distributed to 130 MSMEs in the Umbulharjo area. The data obtained were analyzed using the Smartpls application version 4. The results of the study indicate that financial literacy has a significant influence on the financial performance of MSMEs, while financial inclusion does not have a significant effect. Meanwhile, entrepreneurial orientation is proven to have a positive and significant influence on the financial performance of MSMEs in Umbulharjo.

Keywords: Financial literacy, financial inclusion, entrepreneurial orientation, financial performance

INTRODUCTION

Indonesia is rich in natural resources, and one of the rapidly growing business sectors is Micro, Small, and Medium Enterprises (MSMEs). The rapid increase in the number of MSMEs is considered a positive indicator for national economic growth (Konstatinus, 2024). Many MSMEs still do not understand the importance of financial records in managing their businesses. One of the main obstacles faced is the lack of a clear separation between personal and business finances, which has the potential to affect the financial stability of their businesses. Despite the various challenges faced, MSMEs still play a strategic role in building the foundation of the regional and national economy. As stated in Law No. 20 of 2008 concerning MSMEs, this sector needs to be empowered as an integral part of the people's economy because it has a strategic position, role, and potential to create a more balanced, developed, and equitable economic structure. Empowering MSMEs is one of the main keys to creating a more inclusive business ecosystem, encouraging economic growth, increasing income equality, and opening more job opportunities for the community. Thus, empowering MSMEs contributes to economic growth, income equality, job creation, and poverty alleviation in the face of global economic dynamics (Fransisecus et al. 2024).

The role of MSMEs in driving Indonesia's economic development is undeniable. This sector's enormous potential opens up opportunities for market and industrial development, particularly in the real sector. However, in practice, the challenge for MSME growth often stems from the limited financial literacy of business owners themselves. Previous studies have revealed that financial literacy levels among MSMEs remain low, indicating a lack of knowledge about effective financial management. This situation emphasizes the importance of financial literacy for MSMEs to enable their businesses to grow and develop optimally (Rosdiana & Nawawi, 2023). In the current era of globalization, Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in a country's economic development. In Indonesia, MSMEs are the backbone of the national economy due to their significant contribution to Gross Domestic Product (GDP) and employment (Naili, 2024). However, despite the increasing number of MSMEs, many business owners still face various challenges in managing their finances effectively. One of the main obstacles is a lack of understanding regarding financial management, including financial records that are not well structured and difficulties in separating business finances from personal finances (Farhatun, 2024). Lack of financial literacy is a major challenge for MSMEs, particularly in preparing financial reports in accordance with accounting standards. The ability to prepare financial reports is crucial for business sustainability, as proper record keeping allows MSMEs to understand the amount of funds spent, profits earned, and plan resource allocation more effectively (Zulkifli et al., 2023). Various studies highlight the importance of preparing financial reports for MSME performance, finding that good financial record keeping has a positive and significant impact on business management effectiveness and business growth. However, research results (Rahma et al., 2021) indicate that the ability to prepare financial reports does not always significantly impact MSME performance, indicating that other factors also play a role in the sustainability of small and medium enterprises. Financial literacy provides an understanding of financial concepts and products as well as the ability to recognize financial risks (Inggrid, 2022). With the right information, a person can make wiser financial decisions according to their needs. Financial literacy influences a person's way of thinking about financial conditions and contributes to more strategic decision-making for business owners (Fransisecus et al. 2024). However, achieving optimal financial performance does not only depend on financial literacy, but is also influenced by financial behavior that reflects how individuals manage and control their assets. According to Lusardi (2010:12) in (Konstatinus, 2024), financial behavior is a way of managing and controlling finances and assets owned for all current and future living needs productively. Research conducted by (Kurniawan et al., 2020) shows that the better the financial management behavior of MSME actors, the better their financial performance. Therefore, when making financial decisions, it is important to consider information rationally to obtain more optimal results.

Besides financial literacy and behavior, other factors contributing to improved MSME performance are business experience and financial inclusion. According to Bhakti et al. (2024), a person's level of work or business experience reflects their quality and productivity in running a business. Meanwhile, financial inclusion, which aims to expand individual and business access to financial services such as banking, loans, insurance, and investment, plays a role in improving MSME financial performance (Desyana et al., 2023). Financial inclusion is the right of every person to have access to and full services from financial institutions in a timely, convenient, informative, and affordable manner. Business actors in managing their businesses will be greatly assisted by financial inclusion, starting from the dimensions of access, usage, and quality (Iqbal, 2020). Most MSMEs in Indonesia have difficulty accessing external financing due to strict requirements (Ministry of Finance, 2022). Despite this, they are starting to turn to fintech services as an alternative source of funding. Unfortunately, only a small number of MSMEs utilize financial technology services.

Financial literacy also plays a crucial role in MSME performance, enabling them to manage their finances more wisely, increase their competitiveness, and overcome financial challenges. The financial literacy index in Indonesia continues to increase, but many still lack adequate understanding. In the context of MSMEs, entrepreneurial orientation is a key factor in business development. This concept encompasses aspects of innovation, proactivity, and risk-taking (Dira et al., 2024). By implementing an entrepreneurial orientation, MSMEs can continue to grow and face business challenges with more adaptive strategies. Entrepreneurial orientation is a distinct yet complementary strategic orientation. Entrepreneurial orientation prioritizes the philosophy and behavior of proactively detecting the industrial environment, including market information and competitor strategies, to innovate and respond to customer needs. In principle, entrepreneurial orientation emphasizes the willingness of MSMEs to continuously innovate. This innovation is not only related to creating new products but also innovations in access to information and finance (Firda & Ana 2024).

A gap in this research lies in the relationship between financial literacy and MSME financial performance. Research by Fransisecus et al. (2024) found that financial literacy had no significant influence on MSME financial performance. Instead, factors such as market access and business experience were more dominant in determining the financial success of small and medium enterprises. This finding differs from research by Desyana et al. (2023; Farhatun, 2024; Ifandi et al., 2024), which concluded that financial literacy plays a significant role and positively contributes to improving MSME financial performance by helping business actors manage and plan their finances more effectively. The discrepancies in previous research findings indicate the need for more in-depth studies to understand how financial literacy affects the financial performance of MSMEs. This study seeks to fill this gap by exploring the extent to which financial literacy contributes to improving MSMEs' ability to manage their finances, make more informed business decisions, and maintain their financial stability. With a more comprehensive approach, this research is expected to provide new insights that strengthen understanding of the importance of financial literacy for the sustainability and growth of MSMEs. Thus, this study plays an important role in providing a deeper understanding of the influence of financial literacy, financial inclusion, and entrepreneurial orientation on the performance of MSMEs and contributes to the development of MSMEs in Indonesia. Based on the importance of the study of financial literacy, financial inclusion, and entrepreneurial orientation on improving the performance of MSMEs and the existence of research gaps from previous studies, this study takes the title "IMPROVING MSME

PERFORMANCE IN UMMBULLHARJO YOGYAKARTA THROUGH FINANCIAL LITERACY, FINANCIAL INCLUSION AND ENTREPRENEURIAL ORIENTATION.

LITERATURE REVIEW

A. Financial literacy

Financial literacy is defined as knowledge or ability to manage personal finances, as well as financial understanding of savings, insurance, and investment (Hartina et al 2023). In the research results (Joko & Rokhmat, 2020) concluded 4 indicators of financial literacy as follows: General knowledge of finance, savings, insurance, investment.

B. Financial inclusion

According to Bank Indonesia, it is everyone's right to have timely access to affordable financial institution services, provide sufficient information, and maintain user comfort and security (Dira et Al, 2024) In order for Micro, Small, and Medium Enterprises (MSMEs) to manage their finances efficiently, financial inclusion is very important (Rania 2023) In developing countries, this is believed to create more equitable economic opportunities. Financial inclusion. In research (Salik & Masta, 2024) there are 3 indicators of financial inclusion as follows: Availability of access, products and services, quality and welfare.

C. Entrepreneurial orientation

Entrepreneurial orientation is a crucial factor influencing entrepreneurial success in the digital age. In the digital era, the challenges and opportunities faced by entrepreneurs are increasingly complex and dynamic, making entrepreneurial orientation key to effectively exploiting these opportunities (Zulkifli et al., 2023). According to Rosdiana & Nawawi (2023), there are three indicators of entrepreneurial orientation: innovation, courage, and ambition.

D. Financial performance

Financial performance is a validated achievement. The procedures a company uses and the results obtained when offering services or goods to clients are referred to as financial results. Various actions taken with available financial resources can be used to demonstrate financial efficiency (Farhatun, 2024). According to (Fransisecus et al., 2024), three indicators for measuring financial performance are as follows: sales volume growth, increased capital growth, and increased profit growth.

HYPOTHESIS DEVELOPMENT

The Influence of Financial Literacy on Financial Performance

Financial literacy plays a crucial role in helping MSMEs acquire the knowledge, skills, and abilities to make informed financial decisions and develop strategies for selecting financial services (Della, 2025). MSMEs with strong financial literacy are able to develop strategic plans, identify opportunities and risks, and obtain adequate financial access. Furthermore, a solid financial understanding enables MSMEs to navigate business instability with innovative and targeted solutions, thereby improving their financial performance (Melia et al., 2022). Given the importance of financial literacy, MSMEs need to learn it to manage their finances effectively. Without adequate understanding, they risk making inappropriate management decisions based on their existing financial conditions (Hartina et al., 2023). Research conducted by (Bidasari et al. 2023, 2023; Iqbal, 2020; Senda, 2023) shows that financial literacy has a positive influence on financial performance. In line with these findings, research by (Asriyana et al., 2024; Florentin et al., 2024; Putri et al., 2025) also confirms the positive impact of financial literacy on the financial performance of MSMEs.

Based on the above study, the hypothesis in this study can be formulated as follows:

H1: Financial Literacy Has a Positive Influence on Financial Performance.

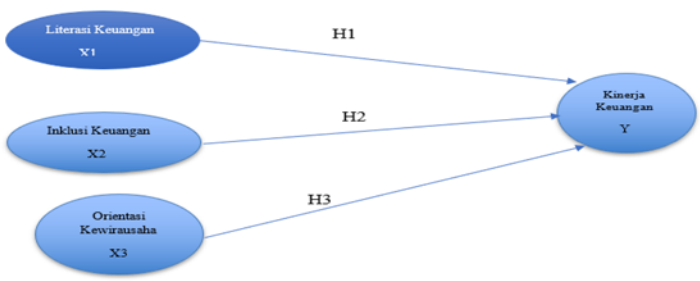
The Impact of Financial Inclusion on Financial Performance

Financial inclusion plays a crucial role in supporting the smooth operations and sustainability of micro, small, and medium enterprises (MSMEs). Access to adequate capital is a key factor in a business's success. Through financial inclusion, MSMEs can gain easier access to formal financial services, such as financing, savings, and digital payment services, which help streamline various business processes. However, challenges such as limited capital and limited access to marketing remain significant barriers for many MSMEs (Budi & Faizal, 2024). In addition to financial inclusion, financial literacy is also a fundamental aspect of effective business financial management. Financial literacy is defined as an individual's ability to apply financial management principles, including skills in seeking and evaluating information, making sound financial decisions, and understanding their impact on the business's financial condition. Successful development is characterized by the creation of a stable financial system that benefits all levels of society. In this regard, financial institutions play a crucial role in driving economic growth, income equality, poverty alleviation, and achieving financial system stability through their intermediaries. However, a rapidly growing financial industry is not always closely linked to adequate access to financing (Joko & Rokhmat, 2020). Research conducted by (Annisa & Eddy, 2024) shows that financial inclusion has a positive effect on the financial performance of MSMEs. In line with these findings, research conducted by (Salik & Masta, 2024) revealed that increasing financial inclusion can have a positive and significant impact on business financial performance. Research conducted by (Krismadayanti et al. 2023) also found that financial inclusion has a significant positive effect on MSME financial performance. Meanwhile, research conducted by (Rahma et al., 2021) (Salik & Masta, 2024) confirmed that financial inclusion contributes to improving MSME financial performance. These findings indicate that the more open MSME access to financial services, the greater their opportunities to improve their business financial performance. The results of this study indicate that if MSMEs want to improve their financial performance, they must improve their financial literacy and financial inclusion (Desyana et al, 2023).

Based on the above study, the hypothesis in this study is formulated as follows:
H2: Financial Inclusion Has a Positive Impact on Financial Performance
The Influence of Entrepreneurial Orientation on Financial Performance
A strong entrepreneurial orientation is one of the main factors driving improved financial performance of MSMEs. Research conducted by (Muhamad et al., 2023) shows that entrepreneurial orientation has a positive and significant influence on MSME performance in Karanganyar Regency. This finding is supported by the results of research by (Yosi et al., 2021). This positive and significant influence reflects that the better the entrepreneurial orientation and product innovation implemented, the better the financial performance of MSMEs. Research conducted by (Firda & Ana, 2024; Muhamad et al., 2023; Muhammad et al., 2024) states that entrepreneurial orientation has a positive influence on financial performance. This orientation encourages innovation, proactivity in seizing opportunities, courage to take risks, and efficient resource management, which ultimately increases business competitiveness and profitability. Based on the description above, the research hypothesis is as follows:

H3: Entrepreneurial orientation has a positive effect on financial performance.

KARANGKA PIKIR



Gambar 2, 1 Kerangka PIkir
Sumber: (Ifandi et al, 2024)

METHOD

This study uses quantitative techniques to determine how to improve the financial performance of MSMEs in Umbullharjo through financial literacy, financial inclusion, and entrepreneurial orientation. The sample used was 130 respondents. A questionnaire with a 5-point Likert scale was used in the survey model data collection procedure to measure all variable indicators. Purposive sampling was used in the sampling procedure. Furthermore, the data analysis included testing the outer model, inner model, model fit, and hypothesis testing using SmartPLS software version 4.

RESULTS AND DISCUSSION

Respondent Profile

The respondents in this study were grouped by gender, age, occupation, and duration of product use. The results of the respondent profile analysis are shown below.

Table 1. Profile of research respondents

Characteristics	classification	amount	Presentation
Age	18-25 26-35 36-40 41-45 46-50	29 52 23 10 16	23.3% 40% 7.7% 13.3%
Gender	Man Woman	64 66	49.2% 50.8%
Running a business for 2 years		130	100%
Have 3 employees		130	100%
Domiciled in Umbulharjo		30	100%

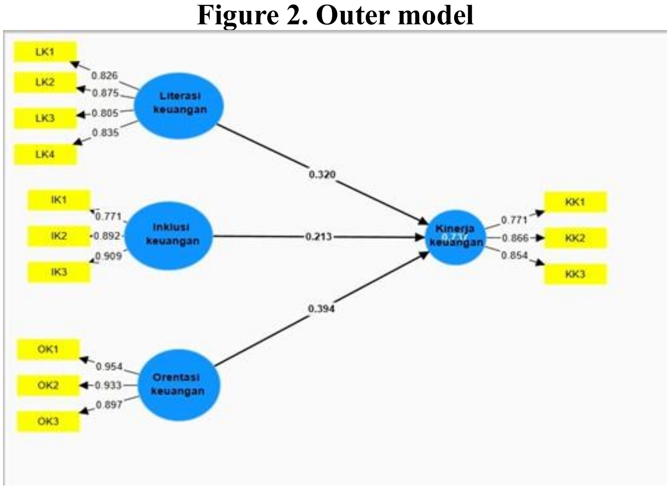
Source: Processed primary data, 2024

Based on the table above, it can be seen that respondents based on gender are predominantly female. Respondents based on age are predominantly aged 26-235 years. Respondents based on having run a business for 2 years are predominantly male and female respondents, with respondents who already have 3 employees and reside in Umbulharjo.

Evaluation of Measurement Model (Outer Model)

There are three criteria for using the PLS data analysis technique to evaluate the outer model in this study: convergent validity, discriminant validity, and composite reliability. The following are the results of the outer model correction.

Figure 2. Outer model



Source: SmartPLS 4.0 processed data

Table 4.1. Outer loading

Variables	*Cronbach's*Alpha	Rho-A	*Composite Reliability*	*Average Variance Extracted*(AVE)
Financial inclusion	**0.820**	**0.830**	**0.894**	**0.739**
Financial performance	**0.776**	**0.786**	**0.870**	**0.692**
Financial literacy	**0.857**	**0.865**	**0.903**	**0.698**
Entrepreneurial orientation	**0.919**	**0.920**	**0.949**	**0.862**

Source: SmartPLS 4.0 processed data

Based on the table above, each variable has shown validity and reliability with an AVE (Average Variance Extracted) value of 0.50 and a Composite Reliability value of 0.7.

a. Convergent validity

The concept of convergent validity (CV) in reflective research uses the relationship between construct scores and scores/components to evaluate indicators. A significant association is indicated if the correlation between the constructs in their measurements is greater than 0.70 (Thoriq et al., 2024). However, at the beginning of a study, factor loading values can still be considered credible if their interpretation is greater than 0.55 (Rahayu et al., 2025).

Table 4.7 Outer Loading

	Financial inclusion	Financial performance	Financial literacy	Entrepreneurial orientation
IK1	**0.771**			
IK2	**0.892**			
IK3	**0.909**			
KK1		**0.771**		
KK2		**0.866**		
KK3		**0.854**		
LK1			**0.826**	
LK2			**0.875**	
LK3			**0.805**	
LK4			**0.835**	
OK1				**0.954**
OK2				**0.933**
OK3				**0.897**

Source: SmartPLS 4.0 processed data

Convergent validity is applied to the reflective indicators by examining the correlation between item scores and construct scores. Measurements using reflective indicators indicate that if there is a change in one of the construct indicators, then other indicators in the construct will also change, or if the indicator itself is derived from the model. Based on the above results, it can be concluded that all constructs of brand experience, brand satisfaction, brand attachment, and brand loyalty are valid data with a value of 0.07 in accordance with the results above.

b. Discriminant validity

It is an assessment technique for the discriminant validity of the unity between measurements of the same construct, a research measuring instrument that ensures the concept between different variables and has high and accurate validity for (Lim, 2024). Measurement of a variable can be said to be valid if each indicator instrument has a value on the cross loading that is greater than the other constructs.

Table 4.8 Cross Loadings

	Financial inclusion	Financial performance	Financial literacy	Entrepreneurial orientation
IK1	**0.771**	0.625	0.665	0.597
IK2	**0.892**	0.719	0.627	0.802
IK3	**0.909**	0.718	0.668	0.850
KK1	0.607	**0.771**	0.605	0.557
KK2	0.701	**0.866**	0.617	0.752
KK3	0.687	**0.854**	0.693	0.707
LK1	0.787	0.751	**0.826**	0.818
LK2	0.558	0.630	**0.875**	0.561
LK3	0.539	0.591	**0.805**	0.479
LK4	0.609	0.561	**0.835**	0.517
OK1	0.860	0.755	0.693	**0.954**
OK2	0.811	0.772	0.648	**0.933**
OK3	0.774	0.737	0.687	**0.897**

Source: SmartPLS 4.0 processed data

It can be seen that all indicators of the financial inclusion variables of financial performance, financial literacy and entrepreneurial orientation have achieved a cross loading value greater than 0.70 and greater than other construct indicators, so that it can be shown in the discriminant validation that they have a high correlation.

Table 4. 9 Average Variance Extracted (AVE)

Variables	*Cronbach's*Alpha	Rho-A	Composite Reliability	*Average Variance Extracted*(AVE)	Information
Financial inclusion	0.820	0.830	0.894	**0.739**	Valid
Financial performance	0.776	0.786	0.870	**0.692**	Valid
Financial literacy	0.857	0.865	0.930	**0.698**	Valid
Entrepreneurial orientation	0.919	0.920	0.949	**0.862**	Valid

Source: SmartPLS 4.0 processed data

Each construct has an AVE value of more than 0.50, with the variables of financial inclusion, financial performance, financial literacy, and entrepreneurial orientation having AVE values of 0.739, 0.692, 0.698, and 0.862, respectively. The author can conclude that the variables of financial inclusion, financial performance, financial literacy, and entrepreneurial orientation have the highest AVE, with values above 0.50.

c. Composite Reliability

A construct is considered valid or accurate if the composite reliability value is >0.70. Furthermore, Cronbach's alpha can also be used as a method to test reliability, with a value >0.60 considered reliable (Elen 2021).

Table 4.10 Composite Reliability

Variables	*Cronbach's*Alpha	Rho-A	Composite Reliability	*Average Variance Extracted*(AVE)	Information
Financial inclusion	0.820	0.830	**0.894**	0.739	Reliable
Financial performance	0.776	0.786	**0.870**	0.692	Reliable
Financial literacy	0.857	0.865	**0.930**	0.698	Reliable
Entrepreneurial orientation	0.919	0.920	**0.949**	0.862	Reliable

Source: SmartPLS 4.0 processed data

presents a composite reliability value > 0.70, which means that all variables have met the requirements. The financial inclusion variable has a composite reliability value of 0.894, financial performance has a value of 0.870, financial literacy has a composite reliability value of 0.930, and the entrepreneurial orientation variable has a value of 0.949. It can be concluded that this study is reliable. From the outer model evaluation presentation in tables 4.8, 4.9, and 4.10, it is stated that this research model has met the standards and fulfilled the requirements of convergent validity, discriminant validity, and composite reliability.

Structural Model Test

This test is conducted to analyze the correlation between latent variables and the substantive theory of the research. This test will produce a value ($R2$), model fit, and path coefficient values as a basis for testing the hypothesis (Roemer et al, 2021).

a. Coefficient of Determination ($R2$)

The R-square is used to describe the effectiveness of the relationship between independent variables and the dependent variable. A strong R-square value of 0.75 is considered strong, a moderate value of 0.50 is considered strong, and a weak value of 0.25 is considered weak (Roemer et al., 2021).

Table 4.11 R-square

Variables	R Square (R2)	R Square Adjusted
Financial performance	0.737	0.730

Source: SmartPLS 4.0 processed data

Based on the R-square test results, the financial performance variable obtained an R-square value of 0.737 and an adjusted R-square value of 0.730. This means that 73.7% of the variation in MSME financial performance can be explained by financial literacy, financial inclusion, and entrepreneurial orientation, while the remaining 26.3% is influenced by other factors not examined in this study.

Fit model

The evaluation of this model is determined based on the SRMR value, with the requirement that the SRMR value be <0.10 to meet the criteria. Furthermore, the NFI value is used to assess the model's fit, with the criterion of having a high fit if the NFI value approaches 1 (Muhson, 2022). The following is a model fit test.

Table 4. 12 Fit Models

	Saturated model	*Estimated model*
SRMR	0.089	0.089
NFI	0.804	0.804

Source: SmartPLS 4.0 processed data

The SRMR of 0.079 < 0.1 in Table 4.13 indicates that the model has successfully met the model fit requirements. Since the NFI yields a value of 0.825, it can be said to have a good model fit or close to 1.

Hypothesis Testing

The next step is to analyze the path coefficients to illustrate the significance of the hypothesized correlation between the variables. This test is performed using bootstrapping techniques to reveal the t-value and p-value for each path coefficient. The significance criteria for the two-sided test table are 1.65 (sig. 10%), 1.96 (sig. 5%), and 2.57 (sig. 1%) (Waluyo et al., 2024).

Table 4.13 Path Coefficient Values

	Original sample (0)	Sample mean (M)	*Standard deviation (STDEV)*	*Statistics (Io/SDEVI)*	*P values*
Financial inclusion - financial performance	0.213	0.219	0.144	1,475	0.140
Financial literacy – financial performance	0.320	0.328	0.092	3,485	**0.000**
Entrepreneurial orientation – financial performance	0.394	0.380	0.136	2,891	**0.004**

Source: processed data from Smart PLS 4.0

Based on Table 4.13, the test results show that financial literacy has a significant influence on financial performance based on the path coefficient value of 3.485 > 1.96 and a p-value of 0.000 < 0.05. This indicates that financial literacy has a significant influence on financial literacy in MSMEs in Umbullharjo. Based on these findings, the first hypothesis (H1), which states that financial literacy has a positive effect on financial performance, is accepted. Furthermore, financial inclusion does not have a significant relationship with financial performance based on the path coefficient value of 1.475 < 1.96 and p-value of 0.140 > 0.05. This indicates that financial inclusion has no influence on the financial performance of MSMEs in Umbullharjo. Based on these findings, the second hypothesis (H2), which states that financial inclusion has a positive effect on financial performance, cannot be accepted. The final test results show that entrepreneurial orientation has a significant influence on financial performance based on the path coefficient value of 2.891 < 1.96, and p-value of 0.004 < 0.05. This illustrates that entrepreneurial orientation has a significant influence on financial performance in MSMEs in Umbullharjo. Based on these findings, the third hypothesis (H3), which states that entrepreneurial orientation has a positive influence on financial performance, is accepted.

DISCUSSION

The Influence of Financial Literacy on Financial Performance

The results of the first hypothesis test (H1) show that financial literacy significantly influences financial performance. Thus, the first hypothesis (H1) conducted in the research is consistent with previous findings by (Sulistiany et al, 2022). Obtained from the p-value of 0.049 ≥ 0.05 and stated that financial literacy significantly influences financial performance, in line with research tested by (Dira et al, 2024) obtained a p-value of 0.098 ≥ 0.05 and stated that financial literacy has a (positive) and significant influence on financial performance. Thus, it can be concluded that financial literacy has an important role in improving the financial performance of MSMEs. MSME actors who have a good understanding of financial management, such as financial recording, planning, and control, will be better able to maintain business stability and increase profits. These results confirm that increasing financial literacy is not only theoretically relevant but also empirically proven to be able to support the financial success of MSMEs.

The Impact of Financial Inclusion on Financial Performance

The results of the second hypothesis test (H2) show data if financial inclusion does not significantly affect financial performance. Thus, the second hypothesis (H2) in the research conducted is consistent with the results of previous findings by (Putri et al, 2025) obtained from the p-value of 0.654 ≥ 0.05 and stated that financial inclusion does not significantly affect financial performance, in line with research tested by (Senda, 2023) obtained a p-value of 0.784 ≥ 0.05 and stated that financial inclusion does not affect (negative) and is not significant on financial performance. This shows that although MSMEs already have access to formal financial services, this convenience has not been utilized effectively to improve their business performance. Many MSMEs still use financial services only for basic transactions, so it has not had a real impact on the development and improvement of financial performance.

The Influence of Entrepreneurial Orientation on Financial Performance

The results of the third hypothesis test (H3) show data that entrepreneurial orientation significantly influences financial performance. Thus, the third hypothesis (H3) carried out in the research is consistent with the results of previous findings by (Mikharatunnisa, 2025) obtained from the p-value of 0.000 ≥ 0.05 and stated that entrepreneurial orientation significantly influences financial performance, in line with research tested by (Melia et al, 2022) obtained a p-value of 0.003 ≥ 0.05 and stated that financial literacy has a (positive) and significant influence on financial performance. Thus, it can be concluded that a strong entrepreneurial orientation, such as innovating, daring to take risks, and being observant of opportunities, will help MSMEs improve their business financial performance.

CONCLUSION

Based on the research results and discussion above, it can be concluded that:

- financial literacy has a positive effect on financial performance, accepted.
- Financial inclusion does not have a (negative) and insignificant impact on financial performance.
- Entrepreneurial Orientation has a (positive) and significant influence on financial performance.

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