

Financial Literacy, Inclusion, and Competence in Driving Msme Sustainability: A Mediation–moderation Model of Financial Self-efficacy

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ABSTRACT

The purpose of this study was to determine the direct relationship between financial literacy and financial inclusion on financial self-efficacy and MSME performance. The indirect relationship between financial literacy and financial inclusion on MSME performance through financial self-efficacy was also examined, as well as the role of competence as a moderating variable. This study used a quantitative approach by distributing questionnaires. The population in this study was all MSMEs in Bima City and Regency. The sampling technique used was random sampling, which is a random sampling based on a predetermined sample. The total sample size was 225 respondents, with 100 respondents in Bima City and 125 respondents in Bima Regency. The data analysis tool used was Smart PLS. The results of this study indicate that financial literacy and financial inclusion influence financial self-efficacy, and financial self-efficacy also influences the sustainability performance of MSMEs. Similarly, regarding the indirect effect, the results indicate that financial literacy and financial inclusion influence the sustainability performance of MSMEs through financial self-efficacy. Competence moderates the relationship between financial literacy and inclusion on financial self-efficacy, as well as the relationship between financial self-efficacy and the sustainability performance of MSMEs. The results of this study are expected to provide input for the Bima city and district governments in their efforts to maintain the sustainability of MSME businesses so as to strengthen regional economic growth.

Keywords: Financial Literacy, Financial Inclusion, Financial Self-efficacy, Competence, MSME Sustainability Performance

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a business sector that plays a crucial role in the national economy. MSMEs are the backbone of a country's economy in the face of the economic crisis. During the crisis from 1997 to 1998, only the MSME sector remained resilient (Septiani & Wuryani, 2020). MSMEs are one of the fastest-growing businesses in Indonesia. According to data from the Ministry of MSMEs, the number of MSMEs in Indonesia will reach 65.5 million by the end of 2024. This number is equivalent to 99.9% of the total number of businesses in Indonesia.

The development of MSMEs has increased year after year in various regions across Indonesia. One example is Bima City and Regency, which also play a significant role in economic growth in West Nusa Tenggara (NTB) (Pratiwi et al., 2024). The following data shows the increase in the number of MSMEs in Bima City and Regency.



Table 1. Data on the development of the number of MSMEs in Bima City and Regency

No	Year	Number of MSMEs	
		Bima City	Bima Regency
1.	2021	7.905	8.173
2.	2022	10.608	11.610
3.	2023	14.918	23.621
4.	2024	17.240	25.621

Source: Dataset-One Data NTB

The data above shows that the number of MSMEs continues to increase annually. This is a serious concern for all parties, including the government, academia, and the private sector. Therefore, serious efforts are needed to maintain performance so that their businesses can remain sustainable in the future.

Business performance is a determinant of a specific measure used to measure the success of an established business in generating profit. Performance is a measure of a business entity's success in achieving its goals (Yunus et al., 2022). To continuously improve the performance of MSMEs, business owners need a deep understanding of financial literacy and financial inclusion (Pratiwi et al., 2024). A high level of financial literacy is a basic need for everyone to avoid financial problems. Financial difficulties are not solely caused by income (low income); financial difficulties can also arise from financial management, such as misuse of credit, lack of financial planning, and lack of savings (Huda et al., 2023). Therefore, having high financial literacy is vital for achieving a prosperous life (Noor et al., 2020). Furthermore, financial inclusion is an effort to encourage the financial system to be accessible to all levels of society so that people can utilize existing financial services. The obstacles faced by the community in accessing financial institutions are the high number of unbankable (not meeting bank loan requirements) caused by the poverty gap, low MSME financing, high credit interest rates, lack of MSME management capabilities, and limited financial service distribution channels, which makes the implementation of financial inclusion important (Yanti, 2019).

Another factor influencing performance improvement is financial self-efficacy. Financial self-efficacy, or an individual's confidence in managing finances, plays a crucial role in business operations. It encompasses self-confidence in managing and making financial decisions, budgeting, and carrying out other financial activities (Afrianti & Biduri, 2023). MSME owners who are confident in managing their finances will be more confident in making smart business decisions. Conversely, low financial self-efficacy can cause business owners to hesitate in making decisions, even tending to avoid risks that could actually benefit their business. Financial self-efficacy enables individuals to make more informed decisions and feel confident (Sharmila & Perumandla, 2023). Furthermore, improving performance also requires a good understanding of competencies. Competence is the most dominant factor or the most decisive element in determining the success or failure of a business. Human resources, as business assets, should be well-managed by management to improve performance. Competence is the primary capital for making an MSME more professional. To increase productivity, the presence of a competent workforce plays a key role. Competency levels are needed to evaluate the desired level of performance, whether it is a satisfactory or standard level (Zairina & Pabulo, 2023).

LITERATURE REVIEW

FINANCIAL LITERACY

According to (Galstian, 2017), financial literacy is the ability to acquire the education and skills necessary to effectively manage personal finances and make financial decisions that positively impact well-being. According to (Angela & Pamungkas, 2022), financial literacy refers to the ability to understand and evaluate financial situations that influence a person's financial decision-making. Furthermore, businesses

benefit through better budget management, cost control, and accurate financial reporting, thus supporting access to loans, innovation, economic resilience, and growth. (Halilovic et al., 2019) state that financial literacy helps individuals understand and manage financial risks, such as retirement planning, saving, and investing, which are essential elements of overall financial literacy. (David & Yusbardini, 2023) state that individuals with good financial literacy skills can develop effective and accurate investment strategies even without prior experience.

FINANCIAL INCLUSION

Financial inclusion is the process of promoting affordable, timely, and adequate access to financial services that can be managed and expanded by all segments of society through the application of existing approaches and adaptable innovations, including financial awareness and financial education, aimed at promoting financial well-being and social inclusion (Hilmawati & Kusumaningtias, 2021).

Financial inclusion is a program intended to enable people, particularly the lower-middle class, to understand and utilize the services of financial institutions, particularly banks (Andriyani & Mulyanto, 2022). Therefore, financial inclusion is best understood as a key dimension of financial services, namely access to capital credit through a state-provided loan scheme through the People's Business Credit (KUR) program. The financial inclusion strategy is not an isolated initiative; therefore, involvement in financial inclusion is not only related to the duties of Bank Indonesia, but also to regulators, ministries, and other institutions in providing financial services to the wider community. Financial inclusion can be defined as activities to facilitate public access to various financial products (Fajri et al., 2021). Financial inclusion can be defined as activities to facilitate public access to various financial products. Indicators used include access to financial institutions, product quality, product usage, and customer well-being.

FINANCIAL SELF-EFFICACY

Financial self-efficacy is the belief or confidence in oneself to manage finances appropriately. (Danes & Haberman, 2007) revealed that financial self-confidence has a significant impact on the financial decisions made by adolescents. They also highlighted that financial self-efficacy is a key factor for financial success because it can improve the ability to manage money well. (Nisa & Haryono, 2022) define financial self-efficacy as a person's belief in their own ability to achieve financial goals, influenced by several factors such as personality, skills, social skills, and other factors. A high level of self-confidence in how they manage their finances can influence their financial management behavior, increasing their sense of responsibility in managing their finances (Pramedi & Haryono, 2021).

COMPETENCY

According to Becker et al., 2001, competence is defined as the knowledge, skills, abilities, or personal characteristics of an individual that directly influence job performance. Competence is the mastery of tasks, skills, attitudes, and appreciation necessary for success. Based on the aforementioned definition, competence is a characteristic inherent in an individual that enables them to understand and predict their surroundings in a job or situation. According to Saiman (2009), Entrepreneurial Competence is the ability a person possesses to create entrepreneurial activities. The abilities that support entrepreneurship include creativity and innovation, the ability to create something different, the ability to start a business, the ability to create something new, the ability to seek opportunities, the courage to take risks, and the ability to develop ideas.

Regarding entrepreneurial competency, the following are the dimensions of entrepreneurial competency, in this study including (1) knowledge about entrepreneurship, (2) understanding of the characteristics and conditions for effectively and efficiently running a business, (3) skills in choosing effective methods for their business, (4) values, namely entrepreneurial behavior (entrepreneurship), and

(5) attitudes, namely having a positive attitude in running their business and (6) interests, namely the tendency to be active in developing as an entrepreneur (Pratopo et al., 2021).

MSME PERFORMANCE

According to Aritonang et al., 2022, MSME performance refers to a business's ability to efficiently achieve established goals across various divisions, such as finance, production, distribution, and marketing. This performance is influenced by external factors, such as capital, human resources, and distribution channels. Nurlianti & Qhodriyah, 2022, state that MSME performance also includes the business's financial condition, which is evaluated using financial analysis tools to determine the adequacy of performance over a specific period.

According to (Beebeejaun, 2022), MSMEs are often considered key drivers of economic growth and job creators. Their contributions, in the form of innovative ideas, support the production of unique products and improve production methods, which are crucial elements for a nation's well-being. Improving MSME performance not only increases internal efficiency but also supports economic growth by driving an increase in gross domestic product (GDP). Thus, MSME performance involves the efficient achievement of organizational goals through effective resource management and the implementation of innovative practices, which play a vital role in stimulating national economic development and increasing GDP.

RESEARCH HYPOTHESIS

The following is a presentation of the research framework:

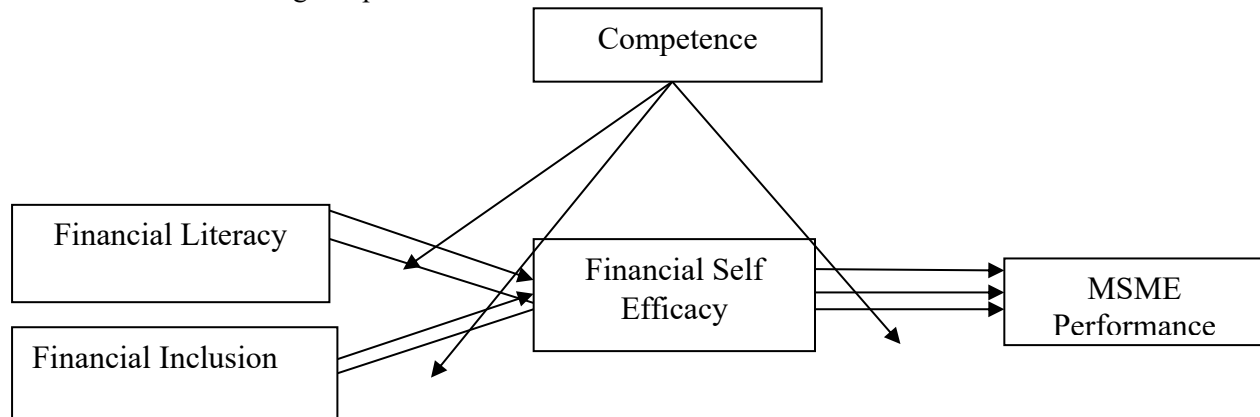


Figure 1. Research Framework

Based on the research framework above, the hypotheses in this study are:

- H1: Financial literacy influences financial self-efficacy
- H2: Financial inclusion influences financial self-efficacy
- H3: Financial self-efficacy influences performance
- H4: Financial literacy influences financial self-efficacy, moderated by competence
- H5: Financial inclusion influences financial self-efficacy, moderated by competence
- H6: Financial self-efficacy influences performance, moderated by competence
- H7: Financial literacy influences performance, mediated by financial self-efficacy
- H8: Financial inclusion influences performance, mediated by financial self-efficacy

METHOD

This research employed a quantitative explanatory survey method, specifically an associative survey. This type of survey is used to determine whether certain situations or conditions occur or influence

the occurrence of something. In other words, it aims to explain the influence or relationship between variables (Hair et al., 2014).

The associative survey strategy was conducted by collecting and analyzing quantitative data to address three research objectives: the first objective was to determine descriptive data on the types of business actors and identify the level of financial literacy, financial inclusion, and performance of MSMEs. The second objective was to determine the direct and indirect effects of financial literacy and financial inclusion on financial self-efficacy and performance. The third objective was to analyze the role of financial self-efficacy as an intervening variable and competence as a moderating variable.

The population in this study were all MSMEs spread across Bima City and Regency. The population in this study amounted to 42,861 MSMEs. The number of samples in this study was 5 times the number of question items in the questionnaire (Hair et al., 2014). Therefore, the sample size in this study was $5 \times 45 = 225$ research respondents. The sampling technique used probability sampling, namely sampling by providing an equal opportunity for each member of the population to be selected as a sample. The sampling technique in this study used random sampling, namely a technique for determining samples randomly (Sugiyono, 2019). In this study, the number of respondents for Bima City was 100 respondents and Bima Regency was 125 respondents.

Table 2. Research Indicators and Variables

Research Variables	Research Variable Indicators	Number of Question Items
MSME Performance	1. Revenue growth 2. Business/market growth 3. Employee growth	9
Financial Literacy	1. Financial management knowledge 2. Budgeting behavior 3. Financial behavior	9
Financial Inclusion	1. Financial availability/access 2. Use 3. Quality 4. Well-being	9
Financial Self Efficacy	1. Confidence in financial planning abilities 2. Ability to make unexpected financial decisions 3. Confidence in future financial conditions 4. Financial management behavior	9
Competencies	1. Education 2. Experience 3. Training	9
Total Question Items		45 Items

The types of data to be collected include primary data (survey) and secondary data (desk study). The survey was conducted by administering questionnaires directly to 50 trial respondents and administering questionnaires to 225 actual respondents. The research instrument in the form of a Likert model questionnaire was then carried out a trial stage to test the validity and reliability of the research instrument as well as descriptive testing using the help of Statistical Package for Social Science (SPSS) version 20 for Windows Software. Then to test the direct and indirect effects of mediation and moderation

of the research variables, a Structural Equation Modeling (SEM) analysis was carried out using the help of Smart Partial Least Square (SmartPLS) 4.0.

RESULTS

Measurement Model Evaluation (Outer Model)

1. Convergent Validity Testing

The parameter used for convergent validity testing is factor loading values. The results of the validity test indicate that several indicators within a construct within the measurement model meet the requirements. This can be seen from the fact that each indicator within a construct differs from the indicators in other constructs and clusters within that construct with a factor loading value > 0.7 . Figure 2 shows that several indicators had factor loading values < 0.7 , requiring removal. The indicators removed were LK 2 and FSE 6.

The results of the outer model evaluation are shown in the following figure:

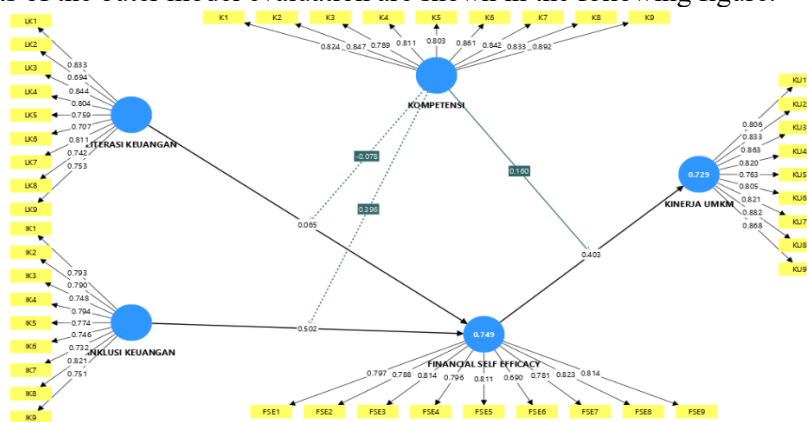


Figure 1 Evaluation of the Model (Outer Model) Phase I

The test results after several indicators were removed can be seen in the following figure 2:

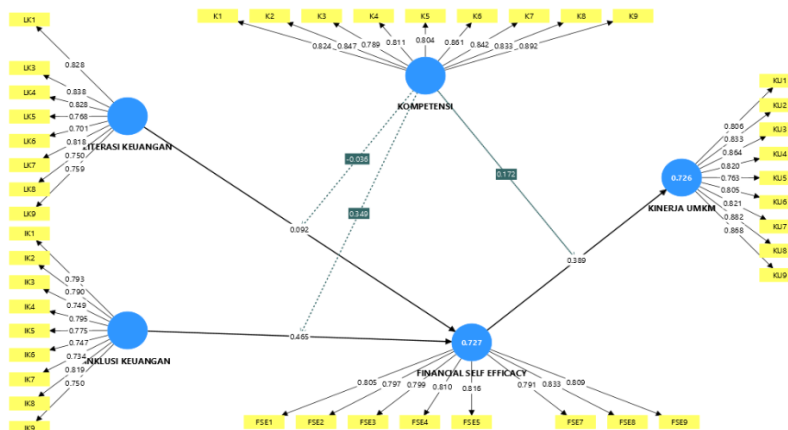


Figure 2 Model Evaluation (Outer Model) Phase II

Based on the results of the PLS Algorithm Phase II analysis in Figure 2 above, it shows that the loading factor values of all indicators for each variable have loading factor values above 0.7. This means that all indicators for each variable in this study have met convergent validity.

2. Discriminant Validity

Discriminant validity with reflective indicators can be tested by observing the cross-loading correlation value with the latent variable, which must be greater than the correlation value with the other latent variables. Discriminant validity with reflective indicators is tested by observing the cross-loading value for each variable, which must be >0.70 . The test results showed that the cross-loading value for each indicator was >0.70 .

3. Composite Reliability

Composite reliability is used to determine the extent to which a measurement tool consistently delivers accurate and precise measurements over time. Instrument reliability is determined by a composite reliability value and a Cronbach's alpha value greater than 0.70.

Table 2 Composite Reliability and Cronbach's Alpha

Variables	Composite Reliability	Cronbach Alpha	Information
Financial Self-Efficacy	0,937	0,924	Reliabel
Financial Inclusion	0,930	0,915	Reliabel
MSME Performance	0,952	0,943	Reliabel
Competence	0,954	0,945	Reliabel
Financial Literacy	0,929	0,912	Reliabel

Structural Model Evaluation (Inner Model)

The inner model is evaluated using the R-square value for the endogenous latent construct and is used to assess the ability of the exogenous variables to explain the additional effects of the endogenous variables. The R-square values are shown in Table 3 below:

Table 3: Coefficient of Determination (R²) Values

Construct	R ²
Financial Self Efficacy	0,727
MSME Performance	0,726

The table above shows that the R² value for the latent construct of Financial Self-Efficacy is 0.727, which means that the variables of Financial Literacy and Financial Inclusion influence Financial Self-Efficacy by 72.7%, while 27.3% is influenced by other variables not studied. And for the R² value for the construct of Performance is 0.726, which means that the variables of Financial Literacy and Financial Inclusion influence Performance by 72.6%, while 27.4% is influenced by other variables not studied.

a. Hypothesis Testing

The evaluation of the structural model (inner model) aims to predict the relationships between latent variables/constructs. The hypothesized relationship in this study is the relationship between financial literacy and financial inclusion on financial efficacy and the performance of MSMEs in Bima City, moderated by compensation. To test the hypothesis, the estimated path coefficients (the t-statistic) are compared with the two-tailed t-table value. The hypothesis is accepted if the t-statistic is greater than the t-table value (1.971). Another method to determine the supportability of the hypothesis is to compare the significance value of the p-value with the error rate established in this study for a one-sided test with a 5 percent alpha (0.05). If the p-value is <0.05 , the hypothesis is supported. The results of the estimated path coefficients analysis are shown in Table 4 below:

Table 4: Path Coefficients

Variables/Constructs	<i>Original Sample (O)</i>	<i>T-Statistics</i>	<i>P Values</i>	Information
Financial Literacy → Financial Self Efficacy	0,392	2,681	0,046	Significant / acceptable
Financial Inclusion → Financial Self Efficacy	0,465	3,359	0,001	Significant / acceptable
Financial Self Efficacy → MSME performance	0,389	2,351	0,019	Significant / acceptable
Competence x Financial Literacy → Financial Self Efficacy	0,436	3,285	0,026	Significant / acceptable
Competence x Financial Inclusion → Financial Self Efficacy	0,349	2,461	0,014	Significant / acceptable
Competence x Financial Self Efficacy → MSME performance	0,272	2,744	0,031	Significant / acceptable
Financial Literacy → Financial Self Efficacy → MSME performance	0,236	2,624	0,023	Significant / acceptable
Financial Inclusion → Financial Self Efficacy → MSME performance	0,381	2,904	0,047	Significant / acceptable

Source: researcher, data processing results, 2025

Based on the test results in Table 4, the financial literacy variable showed a path coefficient of 0.392, a t-statistic (2.681) > t-table (1.971), and p-values < 0.05 or 0.046 < 0.05, indicating that financial literacy influences financial self-efficacy (**H1 is accepted**). These results indicate that the higher the level of financial literacy, the greater the impact on improving the financial self-efficacy of MSMEs.

The financial inclusion variable, with a path coefficient of 0.465 and a t-statistic (3.359) > t-table (1.971), and p-values < 0.05 or 0.001 < 0.05, indicates that financial inclusion influences financial self-efficacy (**H2 is accepted**). This means that the more MSMEs utilize financial inclusion in running their businesses, the greater their financial self-efficacy will be.

The Financial Self-Efficacy variable, with a path coefficient of 0.389 and a t-statistic (2.351) > t-table (1.971), has p-values < 0.05 or 0.019 < 0.05, indicating that Financial Self-Efficacy influences MSME performance (**H3 is accepted**). This means that higher Financial Self-Efficacy among MSMEs will improve their business performance.

The Financial Literacy variable, moderated by competence, has a path coefficient of 0.436 and a t-statistic (3.285) > t-table (1.971). P-values < 0.05 or 0.026 < 0.05 indicate that Financial Literacy influences Financial Self-Efficacy, moderated by competence (**H4 is accepted**). These results indicate that good financial literacy skills will have a significant impact on increasing the financial self-efficacy of MSMEs, which is also supported by their competencies.

The Financial Inclusion variable is moderated by competence, with a path coefficient of 0.349 and a t-statistic (2.461) > t-table (1.971). Furthermore, p-values < 0.05 or 0.014 < 0.05 indicate that Financial Inclusion influences Financial Self-Efficacy, which is moderated by competence (**H5 is accepted**). These results indicate that utilizing existing financial services will increase Financial Self-Efficacy in MSMEs, which is also supported by their competence.

The Financial Self-Efficacy variable is moderated by competence, with a path coefficient of 0.272 and a t-statistic (2.744) > t-table (1.971). Furthermore, p-values < 0.05 or 0.031 < 0.05 indicate that Financial Self-Efficacy influences MSME performance, which is moderated by competence (**H6 is accepted**). These

results indicate that the existence of Financial Self-Efficacy in MSME actors will further improve their performance in managing their businesses, which is also supported by the competencies they possess.

The Financial Literacy variable, mediated by Financial Self-Efficacy, has a path coefficient of 0.236 and a t-statistic (2.624) > t-table (1.971). Furthermore, p-values <0.05 or 0.023 <0.05 indicate that Financial Literacy influences MSME performance, mediated by Financial Self-Efficacy (**H7 is accepted**). These results indicate that the higher the financial literacy skills possessed by entrepreneurs, the greater their business performance will be, which is also supported by their financial self-efficacy.

The Financial Inclusion variable, mediated by Financial Self-Efficacy, has a path coefficient of 0.381 and a t-statistic (2.904) > t-table (1.971). Furthermore, p-values <0.05 or 0.047 <0.05 indicate that Financial Inclusion influences MSME performance, mediated by Financial Self-Efficacy (**H8 is accepted**). These results indicate that the greater the utilization of existing financial services, the more it will improve the performance of the business owned and also be supported by the financial self-efficacy that exists within the individual.

DISCUSSION

The Influence of Financial Literacy on Financial Self-Efficacy

Financial literacy is an individual's knowledge and ability to understand, obtain, and evaluate information that influences attitudes and behaviors to improve decision-making and financial management. Financial Self-Efficacy is the belief in one's ability to overcome problems and manage one's finances. The higher a person's financial literacy, the higher their financial self-efficacy (Herawati et al., 2018). This is based on the fact that a person's level of financial literacy influences their confidence in their ability to control and manage their finances. The higher a student's financial literacy, the better they are at managing their finances. Based on the analysis, it can be concluded that the first hypothesis is accepted: financial literacy influences financial self-efficacy. This indicates that financial literacy is directly correlated with financial self-efficacy, so that greater financial knowledge will help individuals plan better financial decisions, manage financial risks, and understand their rights and responsibilities as consumers of financial products.

These results align with research conducted by Herawati et al. (2018) and Regita & Pratiwi (2020), which found that financial literacy influences financial self-efficacy. This is because financial literacy can help individuals reassure themselves of their ability to control and manage their finances. However, this contradicts research by Rusanda et al. (2024), which found that financial literacy had no effect on financial self-efficacy.

The Impact of Financial Inclusion on Financial Self-Efficacy

Better access to financial services, consumer protection, and appropriate capacity for MSMEs will increase their confidence in managing their finances and their confidence in their future financial situation. This can be explained by research that shows that better financial inclusion among entrepreneurs can influence their financial self-efficacy. This is because access to banking services, such as financial services, bank accounts, and loans, can improve individual knowledge and understanding, thereby increasing their financial confidence.

Research results (Putri et al., 2023) and (Rusanda et al., 2024) indicate that financial inclusion based on financial self-efficacy has a significant positive effect. This can be explained by the fact that a person's greater self-confidence in their ability to manage and, specifically, act on financial behavior, will increase access to and use of various available financial products and services. This is because using financial services requires a sense of inner confidence, or financial self-efficacy. If someone has good financial self-efficacy, they will feel confident in their ability to take action in financial activities, thus triggering the use of financial products and services.

The Influence of Financial Self-Efficacy on MSME Performance

The higher the financial efficacy of MSMEs, such as confidence in managing finances and confidence in future financial conditions, the more likely it is to impact their business performance. Research results (Wijayana et al., 2023) and (Putri et al., 2023) indicate that financial performance based on financial self-efficacy has a positive effect on MSME performance. This means that increased self-confidence can improve the financial performance of their business. This demonstrates that high financial self-efficacy, based on good financial literacy, can make it easier for individuals to control and manage their own finances, take responsibility for their decisions, and determine whether or not an individual is successful in managing their finances.

This contrasts with research (Rusanda et al., 2024) which found that financial self-efficacy had no effect on MSME performance. This is because MSMEs with high financial self-efficacy tend to rely more on themselves in every decision, leading them to take excessive financial risks, which can result in financial losses, especially if they lack a thorough understanding of the risks they face.

The Effect of Financial Literacy on Financial Self-Efficacy, Moderated by Competence

Financial literacy has a positive and significant effect on financial self-efficacy (confidence in managing finances), and this effect can be strengthened or modified by an individual's level of competence. The higher an individual's financial literacy, the greater their financial self-efficacy. When coupled with adequate competence, this self-efficacy is further strengthened, resulting in better financial management. Financial literacy enhances financial self-efficacy, and an individual's competence moderates this relationship, strengthening the positive impact of financial literacy on financial self-efficacy.

The Effect of Financial Inclusion on Financial Self-Efficacy Moderated by Competence

Financial inclusion has a positive effect on financial self-efficacy, but the role of competence in moderating this relationship has not been fully elucidated in research. However, some studies suggest that financial self-efficacy can mediate or even modify the relationship between other financial factors (such as financial literacy) and financial outcomes, so competence may strengthen or weaken the impact of financial inclusion on financial self-efficacy. Financial inclusion generally contributes to financial self-efficacy. Competence has the potential to influence the relationship between financial inclusion and financial self-efficacy; the higher the competence, the greater the impact of financial inclusion on financial self-efficacy. Furthermore, financial self-efficacy often acts as a mediator or bridge, meaning individual beliefs play a significant role in realizing the benefits of financial inclusion and the impact of competence.

The Effect of Financial Self-Efficacy on Performance Moderated by Competence

The effect of financial self-efficacy on performance is influenced by competence. This means that individuals with higher financial self-efficacy tend to perform better in financial matters, but the impact can increase or decrease depending on the individual's level of competence. A person's level of competence can strengthen or weaken the impact of financial self-efficacy on performance. Someone with high financial self-efficacy and strong financial competence (for example, in-depth knowledge of investments or business management) will have excellent financial performance because their confidence is supported by real abilities. Conversely, someone with high financial self-efficacy but lacking competence may face difficulties in achieving their goals. High confidence without expertise can lead to misguided actions, resulting in less than expected performance. This means that financial self-efficacy is a crucial prerequisite for good financial performance, but competence serves as a determining factor in how effectively that financial self-efficacy will translate into actual performance.

The Influence of Financial Literacy on Performance, Mediated by Financial Self-Efficacy



Improved financial knowledge, skills, and attitudes among MSMEs will increase their self-confidence in financial planning, their ability to make financial decisions, and their confidence in managing their finances. This, in turn, will impact their financial performance. This finding is supported by research (Putri et al., 2023), which found that financial self-efficacy mediates the relationship between financial literacy and MSME performance.

Different research results were obtained from a study (Rusanda et al., 2024), which stated that financial self-efficacy was unable to mediate the relationship between financial literacy and MSME performance. It can be explained that the results of the research that has been conducted indicate that financial self-efficacy among entrepreneurs cannot mediate the influence of financial literacy on business performance. This is because entrepreneurs with a high level of knowledge do not necessarily have good financial confidence and are not necessarily able to manage their finances well. Therefore, financial literacy possessed by entrepreneurs does not affect MSME performance through financial self-efficacy.

The Effect of Financial Inclusion on Performance, Mediated by Financial Self-Efficacy

The study found that financial self-efficacy mediates the effect of financial inclusion on performance. This means that better access to financial services increases MSMEs' confidence in managing their finances and improves their performance. This finding is supported by research conducted by Putri et al., 2023, which found that financial literacy mediates the relationship between financial inclusion and MSME performance.

However, this finding contradicts research conducted by Rusanda et al., 2024, which found that financial self-efficacy does not mediate the relationship between financial inclusion and MSME performance. This finding suggests that financial self-efficacy among entrepreneurs cannot mediate the effect of financial inclusion on business financial performance. This is due to other factors, such as fear of failure, which can hinder financial services even if they have strong financial self-efficacy.

CONCLUSION

The results of this study indicate that financial literacy and financial inclusion both influence financial self-efficacy among MSMEs in Bima City and Regency. Furthermore, financial self-efficacy is found to significantly affect MSME performance. Competency plays a moderating role, strengthening the influence of financial literacy and financial inclusion on financial self-efficacy, as well as the effect of financial self-efficacy on performance. In addition, financial self-efficacy serves as a mediating factor, linking financial literacy and financial inclusion with MSME performance.

Limitations and Suggestions for Future Research

This study has several weaknesses. First, it was only conducted in Bima City and Regency. Future research is recommended to expand its scope, for example, to areas outside Bima City and Regency, or, if possible, to West Nusa Tenggara Province. Second, this study focused only on MSMEs. It is recommended that future research increase the number of subjects, such as students, housewives, or employees. Third, the sample size in this study used a minimal sample size. Future research is recommended to use a larger sample size, ranging from 300 to 500. Furthermore, other variables not examined in this study could be added to broaden the theory regarding the factors influencing MSME performance and sustainability.

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