

# The Influence of Financial Literacy, Financial Inclusion, and Digital Technology on the Financial Performance of MSMEs in the Digital Economy Era

Muh. Nur<sup>1</sup>, David Christian Engelbert Lisapaly<sup>2</sup>, Ami Nurhayati<sup>3</sup>, Dwi Urip Wardoyo<sup>5</sup>, Awaluddin<sup>5</sup>

<sup>1,2,3</sup> Sekolah Tinggi Ilmu Ekonomi Enam Enam Kedari, <sup>4</sup> Telkom University, <sup>5</sup> Universitas Syekh Yusuf Al-Makassari Gowa

e-mail: <sup>1</sup> [muh.nur363@gmail.com](mailto:muh.nur363@gmail.com), <sup>2</sup> [lisapalydavid@gmail.com](mailto:lisapalydavid@gmail.com), <sup>3</sup> [aminurhayati65@gmail.com](mailto:aminurhayati65@gmail.com), <sup>4</sup> [dwiurip@telkomuniversity.ac.id](mailto:dwiurip@telkomuniversity.ac.id), <sup>5</sup> [awaluddin.ekis@gmail.com](mailto:awaluddin.ekis@gmail.com)

\* Muh. Nur

## ABSTRACT

This study aims to analyze the influence of financial literacy, financial inclusion, and digital technology on the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in the digital economy era. This research employs a Systematic Literature Review (SLR) approach using the PRISMA framework to identify, evaluate, and synthesize relevant studies published between 2019 and 2025. A total of 30 selected journal articles from Scopus-indexed and SINTA-accredited sources were analyzed. The findings indicate that financial literacy significantly improves financial decision-making and business sustainability, financial inclusion enhances access to formal financial services and funding opportunities, and digital technology adoption increases operational efficiency and market expansion. Furthermore, the integration of these three variables provides a stronger and more sustainable impact on MSMEs' financial performance. This study contributes to the development of strategies for strengthening MSMEs in the digital economy through financial capability and digital transformation.

**Keywords:** Financial Literacy, Financial Inclusion, Digital Technology, MSMEs, Financial Performance

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## I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in driving economic growth, particularly in developing countries such as Indonesia. MSMEs



significantly contribute to employment generation and income distribution. However, their financial performance remains constrained by several challenges, including limited financial management capabilities, restricted access to formal financial services, and low adoption of digital technologies.

Previous studies indicate that low levels of financial literacy are a key factor affecting MSMEs' ability to manage their finances effectively (Lusardi & Mitchell, 2014). In addition, limited financial inclusion has hindered MSMEs from accessing formal financial services, such as credit facilities and digital financial products, which are essential for business expansion (Demirgüç-Kunt et al., 2018). On the other hand, the rapid development of digital technologies offers significant opportunities for MSMEs to improve operational efficiency and expand market reach through e-commerce and financial technology platforms (Nambisan et al., 2019).

Empirical evidence suggests that financial literacy, financial inclusion, and digital technology adoption have a positive impact on MSMEs' performance, both individually and collectively (Bongomin et al., 2017; Rahayu & Day, 2017). Nevertheless, existing studies tend to examine these variables separately and have not yet provided a comprehensive understanding of their integrated effects in the context of the digital economy.

Therefore, this study aims to systematically review the existing literature on the influence of financial literacy, financial inclusion, and digital technology on the financial performance of MSMEs in the digital economy era. By employing a Systematic Literature Review (SLR) approach, this study is expected to provide a comprehensive insight and contribute to the development of policies and strategies to enhance MSMEs' performance.

## II. LITERATURE REVIEW

### Financial Literacy

Financial literacy refers to an individual's ability to understand and effectively use financial knowledge in decision-making. It includes skills related to budgeting, saving, investing, and managing financial risks. High levels of financial literacy enable MSME owners to make better financial decisions, leading to improved business



performance. Previous studies have confirmed that financial literacy has a significant positive impact on MSMEs' financial performance (Lusardi & Mitchell, 2014; Bongomin et al., 2017).

### Financial Inclusion

Financial inclusion is defined as the accessibility and availability of formal financial services to individuals and businesses. It encompasses access to banking, credit, insurance, and digital financial services. Financial inclusion allows MSMEs to obtain funding, manage transactions efficiently, and reduce financial constraints. Empirical evidence shows that financial inclusion positively influences business growth and financial performance (Demirgüç-Kunt et al., 2018; Beck et al., 2007).

### Digital Technology

Digital technology refers to the use of digital tools such as e-commerce, financial technology (fintech), and digital payment systems in business operations. The adoption of digital technology enables MSMEs to enhance operational efficiency, reduce transaction costs, and expand market access. Studies indicate that digital transformation significantly improves firm performance and competitiveness (Nambisan et al., 2019; Rahayu & Day, 2017).

### MSMEs Financial Performance

Financial performance reflects a firm's ability to generate profit, manage cash flow, and sustain its business operations. For MSMEs, financial performance is often measured through indicators such as revenue growth, profitability, and business sustainability. Several studies highlight that financial capability and access to resources are key determinants of MSMEs' financial success.

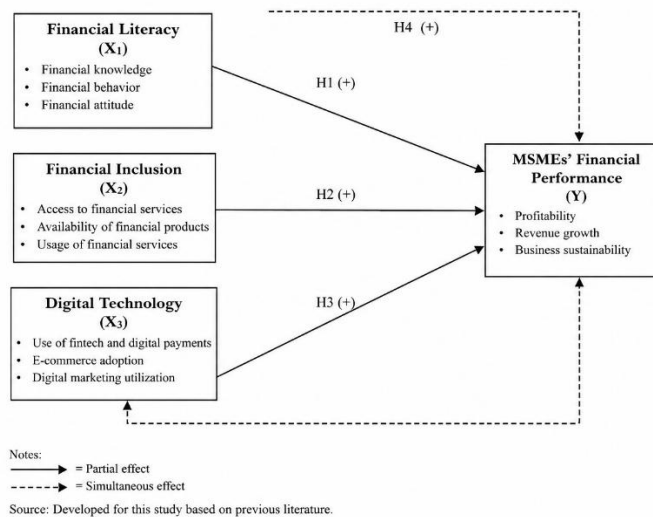
### Conceptual Framework

Based on the literature, this study proposes that financial literacy, financial inclusion, and digital technology are key determinants of MSMEs' financial performance. Financial literacy enhances financial decision-making, financial



inclusion improves access to financial resources, and digital technology facilitates operational efficiency and market expansion. These variables are expected to have both individual and combined effects on financial performance.

Figure 1. Conceptual Framework



Based on the literature review, this study proposes the following hypotheses:

H1: Financial literacy has a positive effect on MSMEs' financial performance.

H2: Financial inclusion has a positive effect on MSMEs' financial performance.

H3: Digital technology has a positive effect on MSMEs' financial performance.

H4: Financial literacy, financial inclusion, and digital technology simultaneously have a positive effect on MSMEs' financial performance.

### III. METHODS

This study employs a Systematic Literature Review (SLR) approach to examine the influence of financial literacy, financial inclusion, and digital technology on MSMEs' financial performance. The SLR method is used to systematically identify, evaluate, and synthesize relevant previous studies in a structured and transparent manner.

This research adopts the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework to ensure a rigorous and replicable review process. The stages include identification, screening, eligibility, and inclusion of relevant articles.

#### Population and Sample



The population of this study consists of all published scientific articles related to financial literacy, financial inclusion, digital technology, and MSMEs' financial performance. The sample includes selected journal articles that meet the predefined inclusion criteria.

A purposive sampling technique was applied to select relevant articles based on specific criteria. The inclusion criteria are as follows:

Articles published between 2019 and 2025

Articles focusing on MSMEs

Studies discussing at least one of the variables: financial literacy, financial inclusion, or digital technology

Articles indexed in reputable databases such as Scopus or SINTA-accredited journals

Based on the selection process, a total of 30 articles were included in the final analysis.

#### Operational Definition of Variables

Financial Literacy ( $X_1$ ): The ability of MSME owners to understand and apply financial knowledge in managing their business finances.

Financial Inclusion ( $X_2$ ): The accessibility of MSMEs to formal financial services such as banking, credit, and digital financial services.

Digital Technology ( $X_3$ ): The use of digital tools such as e-commerce, fintech, and digital payment systems in business operations.

Financial Performance ( $Y$ ): The ability of MSMEs to generate profit, increase revenue, and sustain business operations.

#### Research Instrument and Data Collection

The data used in this study are secondary data collected from journal articles obtained through databases such as Google Scholar, ScienceDirect, and Scopus. The main instrument of this research is a literature review matrix used to extract and categorize key information from each selected article, including author, year, methodology, and findings.

#### Data Analysis Technique

The data were analyzed using a qualitative synthesis approach. The selected articles were reviewed, compared, and categorized to identify patterns, relationships, and research gaps. The findings were then synthesized to draw conclusions regarding the effects of financial literacy, financial inclusion, and digital technology on MSMEs' financial performance.

## IV. RESULTS

This section presents the results of the systematic literature review, including the synthesis of findings from the selected articles and their interpretation.



## Summary of Findings

Based on the analysis of 30 selected journal articles, the results indicate that financial literacy, financial inclusion, and digital technology are significant determinants of MSMEs' financial performance. The majority of the reviewed studies consistently report a positive relationship between these variables and business performance.

### Effect of Financial Literacy on MSMEs' Financial Performance

The findings reveal that financial literacy plays a crucial role in improving MSMEs' financial performance. MSME owners with higher levels of financial knowledge tend to demonstrate better financial planning, budgeting, and investment decisions. These results are consistent with previous studies (Lusardi & Mitchell, 2014; Bongomin et al., 2017), which highlight that financial literacy enhances financial capability and business sustainability.

### Effect of Financial Inclusion on MSMEs' Financial Performance

Financial inclusion is found to significantly improve MSMEs' access to financial resources, particularly in terms of credit facilities and digital financial services. The availability of financial services enables MSMEs to expand their business operations and improve profitability. These findings support prior research (Demirgüç-Kunt et al., 2018; Beck et al., 2007), which emphasizes the role of financial access in economic growth and business development.

### Effect of Digital Technology on MSMEs' Financial Performance

The results also indicate that digital technology adoption positively affects MSMEs' performance. The use of e-commerce platforms, digital payments, and financial technology contributes to operational efficiency and market expansion. This finding is in line with previous studies (Nambisan et al., 2019; Rahayu & Day, 2017), which confirm that digital transformation enhances firm competitiveness.

### Simultaneous Effect of Variables

The synthesis of the reviewed studies shows that financial literacy, financial inclusion, and digital technology collectively have a stronger impact on MSMEs'



financial performance compared to their individual effects. This indicates that these variables are complementary and mutually reinforcing in improving business outcomes.

## V. CONCLUSION AND SUGGESTION

This study aims to analyze the influence of financial literacy, financial inclusion, and digital technology on MSMEs' financial performance through a Systematic Literature Review (SLR) approach. Based on the findings, it can be concluded that all three variables play a significant role in improving MSMEs' financial performance.

Financial literacy enhances the ability of MSME owners to manage their finances effectively and make better financial decisions. Financial inclusion provides broader access to formal financial services, enabling MSMEs to obtain funding and manage financial transactions more efficiently. Meanwhile, the adoption of digital technology supports operational efficiency, market expansion, and business competitiveness.

Furthermore, the integration of financial literacy, financial inclusion, and digital technology produces a stronger and more sustainable impact on MSMEs' financial performance. These factors are interconnected and mutually reinforcing in supporting business growth in the digital economy era.

Based on the conclusions, several recommendations are proposed:

For policymakers, it is important to strengthen financial literacy programs and expand financial inclusion initiatives, particularly for MSMEs in developing regions.

For MSME practitioners, increasing awareness and adoption of digital technology is essential to improve efficiency and competitiveness.

For future research, further studies are recommended to explore additional variables such as innovation capability, digital skills, and external environmental factors that may influence MSMEs' performance. Moreover, empirical research using quantitative or mixed methods is encouraged to validate the findings of this study.



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