

# Access to Finance: A Potent Force? Investigating Financial Literacy and Performance in Enterprises of Palembang City, South Sumatra, Indonesia

YULIANI YULIANI\*, ZUNAIDAH ZUNAIDAH, TAUFIK TAUFIK  
Department of Management,  
Universitas Sriwijaya,  
Ogan Ilir Street,  
INDONESIA

*\*Corresponding Author*

**Abstract:** - The significance of financial performance for the survival of SMEs is undeniable, as reflected in their contribution to the Gross Domestic Product (GDP). Effectively managing finances is crucial for ensuring the future sustainability of SMEs. This research aims to empirically demonstrate two key aspects. Firstly, it seeks to provide evidence of the direct influence of financial literacy on the financial performance of SMEs. Secondly, it explores the indirect influence of financial literacy on financial performance through the mediation of access to finance. A random sampling technique was employed to select 524 SMEs in Palembang City, South Sumatra, Indonesia, as the unit of analysis. Data collection, conducted through questionnaires, took place from May to July 2023. Structural Equation Modelling (SEM) was utilized for data analysis. The research findings indicate a significant positive effect of financial literacy on financial performance. Furthermore, access to finance was identified as playing a partial mediating role in the relationship between financial literacy and financial performance. The evidence of partial mediation suggests that SMEs stand to achieve higher financial performance when they can effectively determine efficient funding sources. This research contributes to the understanding of the intricate dynamics between financial literacy, access to finance, and SME financial performance, offering valuable insights for both academia and practitioners. The manager of SMEs can select appropriate external funding sources requires sound financial decision-making, which is influenced by financial literacy. Effective funding choices have an increasing impact on financial performance, which has growing sway.

**Key-Words:** - financial literacy, access to finance, financial performance, small and medium-sized enterprises (SMEs), Structural Equation Modelling; Resources Based Theory.

Received: June 21, 2024. Revised: January 17, 2025. Accepted: February 11, 2025. Published: March 27, 2025.

## 1 Introduction

Small and medium-sized enterprises (SMEs) play a vital role in the economic landscape of many developing countries, as highlighted by various studies, [1], [2], [3]. Indonesia, in particular, has experienced a significant contribution from SMEs, constituting more than 60% of the Gross Domestic Product (GDP), equivalent to IDR 9 trillion, [4].

According to data from the Ministry of Cooperatives and Small and Medium Enterprises, the number of SMEs in Indonesia has been steadily increasing, reaching 65.46 million in 2021 compared to 64.2 million in 2020 and projected to reach 8.71 million in 2022 (Ministry of Cooperatives SMEs). This growth is remarkable, making Indonesia a leader in the ASEAN region in terms of SME-generated GDP.

However, despite their substantial contributions, SMEs face various challenges. These challenges include a lack of financial management knowledge [5], insufficient capital [6], and difficulties in accessing finance [7], [8]. Despite these obstacles, SMEs can significantly impact Sustainable Development Goal number 8, contributing to inclusive and sustainable economic growth. To navigate these challenges and maintain business sustainability, SMEs must possess financial management skills and secure adequate funding sources for their activities.

Financial management is a critical factor for ensuring the future sustainability of SMEs, necessitating strong financial literacy [7], [8], [9], [10] and the ability to access finance from various financial inclusions, [1], [11], [12], [13]. Previous

research across diverse countries, such as [14] Ghana [15], Spain [16], Lesotho [6], India [7], South Africa [17], and Indonesia [3], [9], [11], [18], has explored the relationship between financial literacy and SME performance in various domains.

Despite the abundance of financial research, the remains a need for further investigation into the role of financial literacy as a driver of SMEs' financial performance. This need persists, particularly as SMEs continue to face capital difficulties, despite the apparent ease of obtaining financing in the era of Industry 4.0. The industrial revolution 4.0 presents new opportunities, but SME leaders must have the necessary skills to leverage these financial sources effectively. While access to finance has been identified as influencing the financial performance of SMEs [11], [17], [19], [20] and [21], contrasting views exist, [22], [23], [24].

The research gap identified in existing literature revolves around the inconsistency in findings regarding the relationship between access to finance and financial performance. This inconsistency is observed across various industrial sectors, countries, and research objects, particularly concerning the persistent phenomenon of capital problems faced by SMEs. In response to this gap, our research seeks to contribute to the existing knowledge in two distinct ways. First, we focus on the role of access to finance as an intervening variable influencing the relationship between financial literacy and financial performance. Unlike prior research that predominantly explores the direct link between financial literacy and financial performance, our study delves into the nuanced interplay involving access to finance. Second, our research is contextualized within the specific setting of SMEs in Palembang City, where the unit of analysis is at the company or business level. This contrasts with the predominant focus in financial literacy research, which often centers on individual or household analysis. The unique context is further accentuated by the backdrop of the COVID-19 pandemic, which significantly impacted the financial resilience of SMEs. Many businesses faced closures and substantial layoffs during this period.

Given these distinctive features and the identified research gaps, our study aims to provide empirical evidence on two fronts. Firstly, we seek to establish the direct influence of financial literacy on financial performance. Secondly, we aim to demonstrate the indirect influence of financial literacy on financial performance through the mediating role of access to finance.

## 2 Literature Review

### 2.1 Financial Literacy and Financial Performance

The RBT approach [25], [26] assumes that companies make managerial efforts to direct sustainable competitive advantage (SCA). According [25], paid attention to the company as a combination of resources so that the growth of the firm theory emerged. This theory explains that company growth is limited by opportunities that exist as a function of the set of productive resources owned by the company. [25], theory gave birth to RBT, which later became one of the most dominant approaches to SCA analysis. The basic premise of RBT is that the guidance, type, amount, and nature of a company's resources must be considered first in selecting and establishing strategies that can lead to sustainable competitive advantage. The RBT approach [27] to obtain competitive advantage believes that internal resources are more critical for a company than external factors to achieve and maintain competitive advantage.

[28], shows that large companies emerge due to their success in building distinctive capabilities and as a source of SCA. Meanwhile [29] also believes that diversification can create economies of scope through sharing activities and core competencies transfer as a source of SCA. The essence of RBT is positioning strategic relationships between business units as the foundation for a multi-business organization. It emphasizes the company's ability to exploit potential synergies between resources to produce higher performance. [30], explains that resources are input for production, such as capital goods, workers' ability, patents, finance, and talented managers. Generally, resources are classified into three categories: physical resources, human resources, and organizations.

RBT is a theory that underlies companies to be able to create and maintain competitive advantages through the utilization of internal resources that are valuable, rare, difficult to imitate, and cannot be replaced. A critical aspect of RBT in this research is the existence of internal business resources and capabilities. This is reflected in the financial literacy of managers or business actors, [31]. Resource capabilities and internal capabilities where SMEs have quality human resources with good financial literacy skills regarding the understanding of making business financial records, managing budgets, calculating profits and losses, managing debts, and determining selling prices [8], [19]. Practical financial literacy skills in managing

budgets will provide an influential function in identifying cash flows, both cash inflows and outflows so that business managers can obtain information on the surplus or deficit conditions of the business being managed, [32]. Calculating profit and loss [33] is essential because the business manager's goal of continuing to make a profit is challenging because the manager will manage expenses or costs that may occur every day, every week, or every month. Financial literacy has a significant positive effect on the financial performance of SMEs based on research [11], increasing operating profits [34], and increasing business assets, [35].

*H<sub>1</sub>*: Financial Literacy is positively related to Financial Performance SMEs

## 2.2 Financial Literacy and Access to Finance

Having a good understanding of financial literacy means that SME managers or actors have the ability for financial inclusion with current digitalization, and many studies confirm that there is a significant favorable influence on financial literacy and access to finance, [5], [36], [37]. Financial access includes using advanced technology to use financial services, [38]. According to [6] access to finance through banking because SMEs use more access to funding from banks. However, along with advances in technology and digitalization, SMEs are starting to use access to funding from Peer to Peer (P2P) Lending or so-called start-up companies in the Financial Technology (Fintech) category [39], which are growing at the moment. Therefore, if there is access to funding other than banking, research findings show that there is a significant favorable influence between financial literacy and access to finance, [1], [11], [40]:

*H<sub>2</sub>*: Financial Literacy is positively related to access to finance.

## 2.3 Access to Finance and Financial Performance SMEs

The ability of SME players to access finance from both banking and fintech can increase financial inclusion [41], [42] in increasing access to financial services provided by companies. The relationship between financial access and the financial performance of SMEs is very close [43] because good financial access significantly impacts the financial performance of SMEs. However, good financial access does not necessarily guarantee better financial performance due to the ability of SMEs managers and actors to manage finances [44], make good business plans [45], and have a business strategy [46] is an essential factor in achieving

optimal financial performance. Research [12] in Vietnam in the context of access to finance due to limitations of SMEs in getting access to formal funding sources, such as loans from banks or other financial institutions, SMEs can get access to external financing from foreign banks, private banks as well as from state-owned banks. However, several obstacles, such as SMEs' innovation ability, are essential factors in accessing better finance. So, if SMEs have good innovation, it will positively impact access services from state and private banks. The ability to access bank services shows that SMEs with well-planned innovation will be a credible signal tool to obtain potential funding. Apart from banking, access to finance can be through peer-to-peer lending [47], increasing opportunities for SMEs to obtain external funding, [48].

*H<sub>3</sub>*: Access to finance is positively related to access to finance.

## 2.4 Access to Finance as a Mediator between Financial Literacy and Financial Performance SMEs

Since the financial literacy of SME managers or actors improves, financial access services will improve so that, ultimately, the financial performance of SMEs will be more optimal. It is caused by skills in managing finances [8], [19], such as recording business finances, managing business budgets, and the ability to make more appropriate financial decisions, making business actors able to see opportunities and be able to create better financial performance. Furthermore, it will create better financial performance as a mediating role of access to finance in the relationship between financial literacy and financial performance. Positive and significant influence between financial literacy and access to finance, [36], [49], [50].

Likewise, with the positive influence of access to finance on the financial performance of SMEs [11], [15], [17], [19], the role of access to finance will mediate this relationship. SMEs will be better because one of the resources that SMEs must have is capital, [1], [11], [12], [51]. Currently, many external sources of capital are the choice of SMEs players, for example, funding from P2P Lending. However, SME players must choose good financial knowledge so that decisions on selecting external funding sources can be effective. Based on this description, the mediation hypothesis in this research is:

*H<sub>4</sub>*: Access to finance mediates the relationship between financial literacy and financial performance of SMEs.

Based on the description of all hypotheses and relationships between variables, the empirical research framework appears in the following Figure 1:

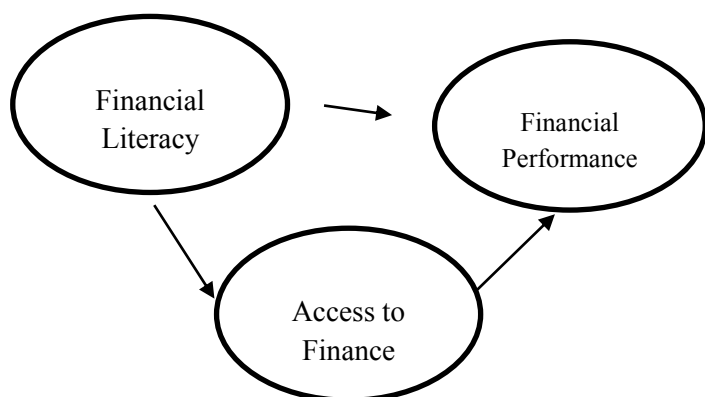


Fig. 1: Empirical Framework of Research

### 3 Methods

This study has a positive paradigm with the quantitative method. Confirming model with SMEs in Palembang City, South Sumatera, Indonesia. Total of population 22,000 SMEs based on the Department of Cooperatives and SMEs Palembang City in 2022 with five types of SMEs: wholesale and retail trade; repair and maintenance of cars and motorbikes; Providing accommodation and providing food and drinks; Processing industry; Agriculture, forestry, and fisheries; Transportation and warehousing. Sampling technique with criteria: SMEs with a minimum business age of 5 years and a minimum of two employees. Data were collected for two months. Namely, from May until July 2023, using instruments in questionnaires via online and offline forms. 524 SMEs were research respondents.

The research questionnaire contains all statements that are appropriate to the research problem, and the statements are positive, or there are no negative statements (Table 1). Respondents provide answers to each question indicator using a Likert scale from score 1 to score 5. Respondents' opinions using the Likert scale are then converted into data intervals using the successive interval method.

Inferential data analysis using structural equation modeling with SmartPLS Version 4 software. The reason for using SmartPLS Version 4 is because the empirical model involves many variables, and the types of variables are unobservable; the structural model is tiered with the direction of the relationship being recursive.

Table 1. Operational of variables

Variables	Indicator	Sources
Access to finance	1. Financial services offered by banks have led to an increase in our business	[6], [17], [52]
	2. Financial services offered by banks have increased our access to advanced technology	
	3. The savings products provided by the bank are suitable for us	
	4. Loan products provided by banks are to our needs	
	5. The terms and conditions of the bank loan are in our favor	
	6. Apart from banking, we can also access funding from Peer to Peer (P2) Lending (Fintech)	
Financial literacy	1. We feel that it is important to keep business financial records	
	2. We keep our business financial records in an orderly and measurable manner	
	3. The owner feels there is no need to determine the salary as a business owner	
	4. The owner feels it is essential to know about Basic Accounting	
	5. We feel it is important to separate personal finances and business finances	
	6. Planning and managing business debt must be precise and measurable	
	7. We feel it is important to calculate selling prices and costs effectively	
	8. We feel it is important to know about setting business turnover targets	
	9. We feel that knowledge about business investments will help increase income	
Financial performance SMEs	1. Operating profit always increases every period	[11]
	2. Every additional asset/treasure can increase net profit	
	3. The company intensively monitors the use of assets/properties	
	4. Our business increases capital almost every year	
	5. Our business increases debt almost every year	
	6. With each additional debt, our net profit increases	
	7. Every year in the company, there is a percentage increase in net profit on capital	

## 4 Result and Discussion

### 4.1 Demographic Characteristics of Respondents

The characteristics of the respondents are shown in Table 2. The respondents in this study had a fairly balanced comparison namely, 54% were female respondents and 46% were male. This figure shows that the role of SMEs in Palembang City does not pay attention to gender because everyone has the same right to become a business actor. Respondents have SMEs with varying business ages, ranging from <5 years to >20 years. The dominant respondents were aged 6-10 years, as much as 27%, followed by 11-15 years, as much as 23%, and SMEs with an age <5 years 18%. 13% of respondents were >20 years old. This business age condition reflects that SMEs are indeed able to continue when economic conditions are turbulent because, in reality, SMEs that are well-managed will be able to survive for a long time.

Table 2 shows the education of participants; as many as 40% are high school equivalent, followed by a bachelor's degree at 32% and a diploma at 22%. Interestingly, there are also a few who have yet to receive education, namely two people. A high school equivalent is the starting point for becoming an entrepreneur, resulting in individuals being able to develop a business idea. Based on the number of employees according to SMEs criteria, between 1-4 people is 24%. SMEs with 20-99 employees are quite dominant, namely 41%. This reflects that the respondents of this study, on average, have medium-sized businesses because they have a lot of dominant employees. The respondents who participated in this research were predominantly individual SME actors, with almost 50% being individual actors either as owners or as Business Managers.

From Figure 2 type of business, most participants were involved in the trade, wholesale, and retail with 40% or 210 participants, followed by providing accommodation, food, and drinks with 22,33% or 117 participants. For others as fashion, textile, services, cosmetics, clinic, and craft with 18% or 95 participants, type of processing industry 12%, transportation and warehousing 5%, repair and maintenance of cars and motorbikes with 2%.

Table 3 shows the instrument testing by paying attention to the reliability and validity values of each indicator used to measure each variable. It can be seen in Table 4 that all the indicators used have an Outer Loading (LF)  $\geq 0.7$ , meaning that all indicators can reflect access to finance, while the

dominant indicator is AF6 of 0.810, which means that this indicator is a dominant reflection in measuring the Access to finance variable. Finance. LF's interpretation of AF6 that SMEs can also access funding from P2P lending means that any change in Access to finance will be reflected in the AF6 variation of  $(0.810 \times 0.810 = 0.656)$ . The Cronbach's alpha value is quite high, namely  $0.822 \geq 0.7$ , which shows that respondents can interpret the level of internal consistency of access to finance. The Composite Reliability value for measuring the measurement tool is 0.825 and declared reliable, with an AVE  $> 0.5$ , strengthening that this instrument is reliable for this research.

Table 2. Demographic data of respondents (524 SMEs)

		Frequency	%
Gender	Man	240	45,80
	Female	284	54,20
Age of SMEs (year)	< 5	92	17,60
	6 - 10	143	27,30
	11 -15	119	22,70
	16 -20	105	20,00
	> 20	65	12,40
Education	Never went to school	2	0,004
	School certificate	1	16,71
	High school equivalent	211	40,30
	Diploma	112	21,80
	Bachelor degree	166	31,90
	Master/Magister degree	24	0,046
Total of employee (person)	Doctor degree	2	0,004
	1 - 4	126	24,00
	5 - 19	186	35,50
	20 - 99	212	40,50
Role as SMEs	Individual	235	44,80
	Household	196	37,40
	Business Entity	98	18,70

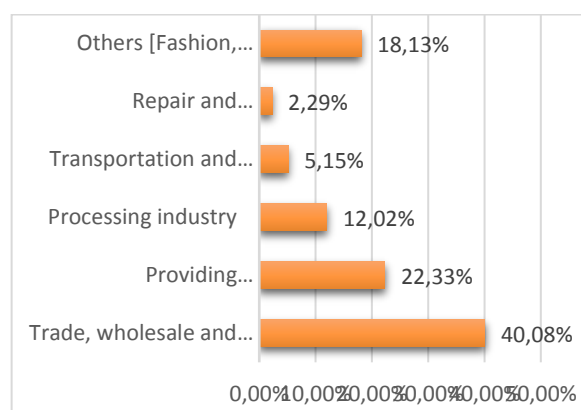


Fig. 2: Type of business SMEs in Palembang City, South Sumatera

Nine indicators measure financial literacy and all indicators are valid. The dominant indicator reflecting financial literacy is FL4, namely the importance of knowing basic accounting for SMEs, the loading factor value is 0.792. This LF value shows that for every change in financial literacy, the variation in FL4 is the square of  $0.792 \times 0.792 = 0.627$  or 62.7%. A CR value of more than 0.7 indicates reliability, meaning the measurement tool is good. This figure is also strengthened by an AVE value  $> 0.5$ .

Furthermore, the financial performance of SMEs is measured using seven indicators, and all indicators are valid with an LF value of  $\geq 0.7$ . The dominant indicator reflecting SMEs' financial performance is FP4, namely the need for additional capital almost every year with an LF value of 0.906 or a squared return of 0.821 or 82.1%. This means that every time there is a change in SMEs' financial performance, it will be reflected in the FP4 variation of 82.1%. The instrument used is also reliable, as seen in the Cronbach's Alpha value  $> 0.5$ , 0.887 and the CR value of 0.891, strengthened by the AVE  $> 0.5$ , 0.601.

Table 3. The reliability and convergent validity

Variables	Indicators	Outer loadings	Cronbach's alpha	CR	AVE
Access to Finance	AF1	0,677	0,822	0,825	0,530
	AF2	0,740			
	AF3	0,685			
	AF4	0,734			
	AF5	0,714			
	AF6	0,810			
Financial Literacy	FL1	0,729	0,893	0,895	0,540
	FL2	0,728			
	FL3	0,730			
	FL4	0,792			
	FL5	0,755			
	FL6	0,718			
	FL7	0,721			
	FL8	0,738			
	FL9	0,696			
Financial Performances SMEs	FP1	0,705	0,887	0,891	0,601
	FP2	0,723			
	FP3	0,712			
	FP4	0,906			
	FP5	0,717			
	FP6	0,852			
	FP7	0,789			

Table 4 shows the discriminant validity of the validity in this research model. The discriminant validity measure uses Fornell Lacker and HTMT. Evaluation of discriminant validity can be seen from

the variance shared by variables which should be higher for their respective measuring indicators than other variables. It can be seen in Table 5 that for each pair of variables  $< 0.9$ , the evaluation of discriminant validity with HTMT is fulfilled. Likewise, Fornell Lacker found that each pair of variables was  $< 0.9$ . The root of AVE for access to finance is (0.728) greater than the correlation with the financial literacy variable (0.450), and also greater than the correlation value for SMEs' financial performance (0.567). Likewise for other variables, namely financial literacy and SMEs financial performance, where the root AVE of each variable is greater than the correlation between the variables to fulfill the discriminant validity evaluation.

Table 4. The discriminant validity of the model

Latent variables	Fornell-Larcker Criterion		
	Access to Finance	Financial Literacy	Financial Performance SMEs
Access to Finance	<b>0,728</b>		
Financial Literacy	0,450	<b>0,735</b>	
Financial Performance SMEs	0,567	0,540	<b>0,775</b>
Latent variables	Heterotrait-monotrait ratio (HTMT)		
	Access to Finance	Financial Literacy	
Access to Finance			
Financial Literacy	0,518		
Financial Performance SMEs	0,658	0,606	

Table 5 cross-loading shows the evaluation of discriminant validity at the measurement indicator level. Each variable measurement indicator must have a higher correlation with that variable than the correlation with other variables. This shows that the variable or construct that is constructed has a difference from other variables. It can be seen in Table 6 that all measurement indicators have a higher correlation with the variable being measured and a lower correlation with other variables, so the evaluation of discriminant validity at the indicator level has been fulfilled. AF1 has a higher correlation (0.677) with the variable access to finance measures and a lower correlation with financial literacy (0.245) and financial performance of SMEs (0.328), as well as for other indicators in each variable.

Table 5. Cross Loading

	Access to finance	Financial literacy	Financial performance SMEs
AF1	<b>0,677</b>	0,245	0,328
AF2	<b>0,740</b>	0,343	0,382
AF3	<b>0,685</b>	0,326	0,426
AF4	<b>0,734</b>	0,357	0,429
AF5	<b>0,714</b>	0,330	0,473
AF6	<b>0,810</b>	0,345	0,414
FL1	0,325	<b>0,729</b>	0,386
FL2	0,325	<b>0,728</b>	0,381
FL3	0,298	<b>0,730</b>	0,387
FL4	0,340	<b>0,792</b>	0,435
FL5	0,325	<b>0,755</b>	0,378
FL6	0,362	<b>0,718</b>	0,430
FL7	0,344	<b>0,721</b>	0,403
FL8	0,361	<b>0,738</b>	0,418
FL9	0,279	<b>0,696</b>	0,340
FP1	0,459	0,404	<b>0,705</b>
FP2	0,434	0,411	<b>0,723</b>
FP3	0,382	0,393	<b>0,712</b>
FP4	0,478	0,449	<b>0,906</b>
FP5	0,401	0,425	<b>0,717</b>
FP6	0,474	0,446	<b>0,852</b>
FP7	0,438	0,398	<b>0,789</b>

Next, evaluate the structural or inner models, including the inner VIF, testing the influence between variables, the 95% path coefficient confidence interval, and measuring the effect size, both direct and indirect influences. The Inner VIF value has been met because the results of the multicollinearity examination between variables have been met, and none of them are > 5, the results of the inner VIF test are shown in Table 6.

Table 6. Inner VIF

	access to finance	financial performance SMEs
access to finance	1.000	1.254
financial literacy	1.000	1.254

The results of hypothesis testing are presented in Table 7. The first hypothesis found a significant positive influence of financial literacy on the financial performance of SMEs of (0.358) with a p-value of (0.000 < 0.05). These results show that for every 1% change in financial literacy, the financial performance of SMEs will increase by 0.358 or 35.8%. Financial literacy has a significant influence on access to finance of (0.450) with a p-value of (0.000 < 0.05). These findings reflect that every 1% change in financial literacy will increase access to finance by 45%.

Furthermore, the effect of access to finance on financial performance is significantly positive with a p-value (0.000 < 0.05), so every 1% change in access to finance will increase the financial

performance of SMEs by 40.6%. The mediation test shows that financial literacy has a significant indirect effect on the financial performance of SMEs through access to finance (0, 183) with a p-value (0.000 < 0.05). These results indicate that access to finance partially mediates the indirect influence of financial literacy on the financial performance of SMEs.

Table 7 shows the F Square value to determine the magnitude of the influence on each access to finance and financial performance of SMEs. Financial literacy influences the level of access to finance which is moderate (f Square = 0.228). Access to finance has a moderate influence on the financial performance of SMEs (f square = 0.177). Based on R Square, it was found that the influence of financial literacy and access to finance was 0.424 or 42.4%, while the influence of financial literacy on access to finance was 20.2%.

Table 7. Hypothesis testing results with direct effects and indirect effects

Path model	Path coefficient	p-value	Decision	F Square	R-Square
Financial literacy → Financial Performance SMEs	0,358	0,000	H <sub>1</sub> Accepted		
Financial literacy → Access to finance	0,450	0,000	H <sub>2</sub> Accepted	0,228	0,202
Access to finance → Financial performance SMEs	0,406	0,000	H <sub>3</sub> Accepted	0,177	0,424
Financial literacy → Access to finance → Financial performance	0,183	0,000	H <sub>4</sub> Accepted Partial mediation		

## 5 Discussion

As explained in the results section, financial literacy directly has a significant positive effect on the financial performance of SMEs. This finding means that the better the financial literacy of SMEs, the better the financial performance of their businesses. The dominant indicators reflecting financial literacy are the importance of business actors knowing basic accounting [19] and separating personal and business finances, [53]. Basic accounting includes recording every business transaction with simple bookkeeping activities. Business transactions on a

micro-scale are still simple, so SMES actors must also have skills as one of the unique features of resource-based theory [29]. Therefore, business people need to continue updating and learning so that the fundamental accounting that must be mastered makes it easier to analyze business finances.

Furthermore, indicators of good financial literacy can also be reflected in the ability to differentiate personal finances, namely family as a business owner, from business finances, [54]. Sometimes this makes business actors experience difficulties because business actors' preferences regarding financial management in separating personal and business become difficult, [55]. These findings support previous research [11], increasing operating profit, [56].

Financial literacy has a significant and positive effect on access to finance, as proven in this research. This means that the better your financial literacy, the more effective you will be in accessing finance. The ability of SMEs actors to obtain external funds can be obtained from banks or other companies such as Fintech, [57]. Access to funding with Fintech has increased significantly in the last five years [58] in digital finance. The impact of the choice of funding sources from Fintech is that the knowledge of choosing Fintech can influence the decision to access finance. This research supports the findings [36], [50] that there is evidence that by understanding financial literacy, SMES actors have the ability for better financial inclusion.

The effect of access to finance on the financial performance of SMEs is significantly positive. These findings indicate that with the ability to use good financial services, there will be an increase in the financial performance of SMEs. Access to finance with various platforms that currently exist, including advanced technology [59] because SMES players have alternatives in fulfilling external funding sources. With the availability of alternative sources of external funding, SMES players have choices by choosing lower and more affordable financial costs, and they can also carry out financial diversification, [60]. However, with various sources of funding options, SMEs must still have good financial literacy. The findings support the findings [17], [21] and [61].

The role of access to finance as a mediator on the influence of financial literacy and financial performance of SMEs was found to be significant and partial. These findings prove that the direct effect of financial literacy on financial performance is significant, and the influence of access to finance on financial performance is also significantly

positive so that the role of partial mediation will be better so that the increase in the financial performance of SMEs will be higher compared to the financial literacy towards financial SME performance. The findings of this research confirm research that has been conducted by [11], [62] but the findings of [35] are different, because no mediation for access to finance on the influence of financial literacy on the financial performance of SMEs.

## 6 Conclusion

### 6.1 Theoretical Implications

Unique resources are a reflection of resources-based theory. Resources are reflected in the ability of SMES managers or actors to manage finances. This research is able to prove RBT in the context of financial literacy and the financial performance of SMEs. The better financial literacy, the better the financial performance of SMEs because the unique resources of business actors are reflected in the dominant indicator, namely having knowledge of basic accounting. Knowledge of bookkeeping for every transaction in a business will have an impact on funding decisions and ultimately improve financial performance. The role of access to finance as a partial intervention shows that financial performance will increase if SMEs choose the right external funding sources, for example bank, capital markets. Access to finance shows various sources of funding that SMEs can choose from. The ability to determine the choice of funding sources is of course, due to good financial literacy.

### 6.2 Managerial Implications

SME players will strive to improve financial performance due to various practical and efficient financial decisions. SME managers or actors will use information from multiple sources to make funding decisions. The findings of this research are that good financial literacy impacts financial decision-making in determining efficient external funding sources. Efficient funding decisions affect increasing financial performance, which is increasingly influential. The implications for the government, especially the Financial Services Authority (OJK), the findings of this research are one of the considerations in increasing financial literacy and financial inclusion. OJK is a regulator in efforts to increase financial literacy and inclusion because the higher the financial literacy index, the



better SME players will manage their businesses, and the sustainability of SMEs will be better.

### 6.3 Limitations and Further Research Directions

This research has several limitations. First, expanding the research sample because this research only covers the city of Palembang, South Sumatra, Indonesia. The wider the research sample will provide a comprehensive picture of this research topic. Second, measuring financial literacy and access to finance. Future research can use more comprehensive measurements, including collaborating with the OJK to make the measurement of these two variables more precise. Third, partial mediating variables can be explored with other mediating variables, for example, the existence of risk factors for SMEs.

### Declaration of Generative AI and AI-assisted Technologies in the Writing Process

During the preparation of this work the authors used chatgpt.com for language editing. After using this tool/service, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

### References:

- [1] G. C. B. Okello, J. C. Munene, J. M. Ntayi, and C. A. Malinga, "The relationship between access to finance and growth of SMEs in developing economies: financial literacy as a moderator," *Rev. Int. Bus. Strateg.*, vol. 26, no. 1, p., 2016.
- [2] R. Graña-Alvarez, E. Lopez-Valeiras, M. Gonzalez-Loureiro, and F. Coronado, "Financial literacy in SMEs: A systematic literature review and a framework for further inquiry," *J. Small Bus. Manag.*, 2022, doi: 10.1080/00472778.2022.2051176.
- [3] I. Daud *et al.*, "The effect of digital marketing, digital finance and digital payment on finance performance of Indonesian smes," *Int. J. Data Netw. Sci.*, vol. 6, no. 1, pp. 37–44, Dec. 2022, doi: 10.5267/J.IJDNS.2021.10.006.
- [4] L. Du, A. Razzaq, and M. Waqas, "The impact of COVID-19 on small- and medium-sized enterprises (SMEs): empirical evidence for green economic implications," *Environ. Sci. Pollut. Res.*, vol. 30, no. 1, pp. 1540–1561, 2023, doi: 10.1007/s11356-022-22221-7.
- [5] A. Andriamahery and M. Qamruzzaman, "Do Access to Finance, Technical Know-How, and Financial Literacy Offer Women Empowerment Through Women's Entrepreneurial Development?," *Front. Psychol.*, vol. 12, no. January, pp. 1–16, 2022, doi: 10.3389/fpsyg.2021.776844.
- [6] D. O. E. Amadasun and A. T. Mutezo, "Influence of access to finance on the competitive growth of SMEs in Lesotho," *J. Innov. Entrep.*, vol. 11, no. 1, pp. 1–20, 2022, doi: 10.1186/s13731-022-00244-1.
- [7] Anshika, A. Singla, and G. Mallik, "Determinants of financial literacy: Empirical evidence from micro and small enterprises in India," *Asia Pacific Manag. Rev.*, vol. 26, no. 4, pp. 248–255, 2021, doi: 10.1016/j.apmr.2021.03.001.
- [8] Hamdana, F. D. Murwani, Sudarmiatin, and A. Hermawan, "The effects of financial and technology literacy on the sustainability of Indonesian SMEs: Mediating role of supply chain practice," *Uncertain Supply Chain Manag.*, vol. 10, no. 4, pp. 1449–1456, 2022, doi: 10.5267/j.uscm.2022.6.011.
- [9] N. L. P. Wiagustini, I. W. Ramantha, and I. M. W. Putra, "Financial Literacy and Financial Behavior Encouraging Business Sustainability by Mediation of Financial Performance," *Qual. - Access to Success*, vol. 24, no. 192, pp. 226–234, 2023, doi: 10.47750/QAS/24.192.27.
- [10] J. Ye and K. M. M. C. B. Kulathunga, "How does financial literacy promote sustainability in SMEs? A developing country perspective," *Sustain.*, vol. 11, no. 10, pp. 1–21, 2019, doi: 10.3390/su11102990.
- [11] K. Heru, "The Role of Financial Literacy , Access to Finance , Financial Risk Attitude on Financial Performance . Study on SMEs Jogjakarta," *J. Keuang. dan Perbank.*, vol. 26, no. 4, pp. 805–819, 2022, doi: 10.26905/jkdp.v26i4.7936.
- [12] T. T. T. Pham, T. V. H. Nguyen, S. K. Nguyen, and H. T. H. Nguyen, "Does planned innovation promote financial access? Evidence from Vietnamese SMEs," *Eurasian Bus. Rev.*, vol. 13, no. 2, pp. 281–307, Jun. 2023, doi: 10.1007/s40821-023-00238-3.
- [13] D. Yu, S. Tao, A. Hanan, T. S. Ong, B. Latif, and M. Ali, "Fostering Green Innovation Adoption through Green Dynamic Capability: The Moderating Role of

- Environmental Dynamism and Big Data Analytic Capability,” *Int. J. Environ. Res. Public Health*, vol. 19, no. 16, 2022, doi: 10.3390/ijerph191610336.
- [14] S. J. Raharja and N. Kostini, “Financial literacy of SMEs in Citarum Watershed Area, Indonesia,” *Int. J. Monet. Econ. Financ.*, vol. 14, no. 2, pp. 142–151, 2021, doi: 10.1504/IJMEF.2021.114017.
- [15] S. Adomako, J. Amankwah-Amoah, F. Donbesuur, M. Ahsan, A. Danso, and M. Uddin, “Strategic agility of SMEs in emerging economies: Antecedents, consequences and boundary conditions,” *Int. Bus. Rev.*, vol. 31, no. 6, 2022, doi: 10.1016/j.ibusrev.2022.102032.
- [16] W. Yang, H. Li, G. Kong, and D. Kong, “Access to finance and SMEs’ trade credit: evidence from a regression discontinuity design,” *Account. Financ.*, vol. 61, no. 2, pp. 2997–3029, 2021, doi: 10.1111/acfi.12691.
- [17] F. Manzoor, L. Wei, and N. Sahito, “The role of SMEs in rural development: Access of SMEs to finance as a mediator,” *PLoS One*, vol. 16, no. 3 March 2021, 2021, doi: 10.1371/journal.pone.0247598.
- [18] M. Mutamimah, M. Tholib, and R. Robiyanto, “Corporate governance, credit risk, and financial literacy for small medium enterprise in Indonesia,” *Bus. Theory Pract.*, vol. 22, no. 2, pp. 406–413, 2021, doi: 10.3846/btp.2021.13063.
- [19] A. D. Buchdadi, A. Sholeha, G. N. Ahmad, and Mukson, “The Influence of Financial Literacy on Smes Performance Through Access To Finance and Financial Risk Attitude As Mediation Variables,” *Acad. Account. Financ. Stud. J.*, vol. 24, no. 5, pp. 1–16, 2020.
- [20] S. E. Frimpong, G. Agyapong, and D. Agyapong, “Financial literacy, access to digital finance and performance of SMEs: Evidence From Central region of Ghana,” *Cogent Econ. Financ.*, vol. 10, no. 1, 2022, doi: 10.1080/23322039.2022.2121356.
- [21] J. B. Mabula and H. D. Ping, “Financial literacy of SME managers’ on access to finance and performance: The mediating role of financial service utilization,” *Int. J. Adv. Comput. Sci. Appl.*, vol. 9, no. 9, pp. 32–41, 2018, doi: 10.14569/ijacsa.2018.090905.
- [22] J. Ye and K. M. M. C. B. Kulathunga, “How does financial literacy promote sustainability in SMEs? A developing country perspective,” *Sustain.*, vol. 11, no. 10, 2019, doi: 10.3390/su11102990.
- [23] F. Shwedeh *et al.*, “SMEs’ Innovativeness and Technology Adoption as Downsizing Strategies during COVID-19: The Moderating Role of Financial Sustainability in the Tourism Industry Using Structural Equation Modelling,” *Sustain.*, vol. 14, no. 23, 2022, doi: 10.3390/su142316044.
- [24] M. R. Rita and A. D. Huruta, “Financing access and SME performance: A case study from batik SME in Indonesia,” *Int. J. Innov. Creat. Chang.*, vol. 12, no. 12, pp. 203–224, 2020.
- [25] E. Penrose, *The Theory of the Growth of the Firm*. New York: Wiley, 1959.
- [26] S. Wasiuzzaman, N. Nurdin, A. H. Abdullah, and G. Vinayan, “Creditworthiness and access to finance of SMEs in Malaysia: do linkages with large firms matter?,” *J. Small Bus. Enterp. Dev.*, vol. 27, no. 2, pp. 197–217, 2020, doi: 10.1108/JSBED-03-2019-0075.
- [27] F. R. David, *Strategic Management: Concepts and Cases*, 8th Editio. New Jersey: Prentice Hall Pearson Education, Inc. Upper Saddle River, 2003.
- [28] C. K. Prahalad and G. Hamel, “The Core Competence of the Corporation,” no. Spring, 2010.
- [29] J. Barney, *Gaining and Sustaining Competitive Advantage*, Second Edi. Prentice Hall, 2002.
- [30] M. A. Hitt, R. D. Ireland, D. G. Sirmon, and C. A. Trahms, “Strategic Entrepreneurship: Creating Value for Individuals, Organizations, and Society.,” *Acad. Manag. Perspect.*, vol. 25, no. 2, pp. 57–75, May 2011, doi: 10.5465/AMP.2011.61020802.
- [31] Y. Agustina, Subagyo, and L. Nurulistanti, “How money circulates in indonesian smes: An analysis of financial literacy, business performance, financial management behavior, and financial attitude,” *Educ. Adm. Theory Pract.*, vol. 28, no. 2, pp. 122–132, 2022, doi: 10.17762/kuey.v28i02.425.
- [32] Á. L. Dias, I. Cunha, L. Pereira, R. L. Costa, and R. Gonçalves, “Revisiting Small-and Medium-Sized Enterprises’ Innovation and Resilience during COVID-19: The Tourism Sector,” *J. Open Innov. Technol. Mark. Complex.*, vol. 8, no. 1, 2022, doi: 10.3390/joitmc8010011.
- [33] H. C. Smolinski, T. Vines, and B. Wampler, “Making stronger statements: cash flow and income,” *Strateg. Financ.*, vol. 91, no. 4, p.

- 43+, 2009, [Online]. <https://www.proquest.com/openview/4281b5c613220922b2fdb1d6e9722472/1?pq-origsite=gscholar&cbl=48426> (Accessed Date: October 20, 2024).
- [34] M. Widyastuti and Y. B. Hermanto, "The effect of financial literacy and social media on micro capital through financial technology in the creative industry sector in East Java," *Cogent Econ. Financ.*, vol. 10, no. 1, 2022, doi: 10.1080/23322039.2022.2087647.
- [35] M. Civelek, "The Mediating Role of SMEs' Performance in the Relationship between Entrepreneurial Orientation and Access to Finance," *BAR - Brazilian Adm. Rev.*, vol. 18, no. 4, 2021, doi: 10.1590/1807-7692BAR2021210045.
- [36] C. V Kwesnady, B. R. Prasetyo, K. Kevin, and Y. Sun, "The Role of Herd Behavior, Access to Technology, and Firm Innovativeness in Cryptocurrency: Does Overconfidence and Past Behavior Amplified the Result?," *Association for Computing Machinery*, 2022, pp. 354–360. doi: 10.1145/3556089.3556148.
- [37] S. Adomako, J. Amankwah-Amoah, F. Donbesuur, M. Ahsan, A. Danso, and M. Uddin, "Strategic agility of SMEs in emerging economies: Antecedents, consequences and boundary conditions," *Int. Bus. Rev.*, vol. 31, no. 6, 2022, doi: 10.1016/j.ibusrev.2022.102032.
- [38] A. Woldie, B. M. Laurence, and B. Thomas, "Challenges of finance accessibility by smes in the democratic republic of congo: Is gender a constraint?," *Invest. Manag. Financ. Innov.*, vol. 15, no. 2, pp. 40–50, 2018, doi: 10.21511/imfi.15(2).2018.04.
- [39] B. Rakshit and S. Bardhan, "Bank competition and SMEs access to finance in India: evidence from World Bank Enterprise Survey," *Asian Rev. Account.*, 2023, doi: 10.1108/ARA-05-2022-0124.
- [40] T. T. T. Pham, T. V. H. Nguyen, S. K. Nguyen, and H. T. H. Nguyen, "Does planned innovation promote financial access? Evidence from Vietnamese SMEs," *Eurasian Bus. Rev.*, no. 0123456789, 2023, doi: 10.1007/s40821-023-00238-3.
- [41] O. Kaya, "Determinants and consequences of SME insolvency risk during the pandemic," *Econ. Model.*, vol. 115, 2022, doi: 10.1016/j.econmod.2022.105958.
- [42] Mutamimah and P. L. Saputri, "Digital Social Capital and Financial Inclusion for Small Medium Enterprises," vol. 497 LNNS. Springer Science and Business Media Deutschland GmbH, pp. 249–259, 2022. doi: 10.1007/978-3-031-08812-4\_24.
- [43] A. T. Bui, T. P. Pham, L. C. Pham, and T. K. V Ta, "Legal and financial constraints and firm growth: small and medium enterprises (SMEs) versus large enterprises," *Heliyon*, vol. 7, no. 12, 2021, doi: 10.1016/j.heliyon.2021.e08576.
- [44] R. Mushtaq, A. A. Gull, and M. Usman, "ICT adoption, innovation, and SMEs' access to finance," *Telecomm. Policy*, vol. 46, no. 3, 2022, doi: 10.1016/j.telpol.2021.102275.
- [45] A. Prêtet and T. Klang, "Enhancing access to finance for SMEs: The case of Central Asia," in *Unlocking SME Finance in Asia: Roles of Credit Rating and Credit Guarantee Schemes*, Taylor and Francis, 2019, pp. 23–51. doi: 10.4324/9780429401060-2.
- [46] R. Damayanti, S. S. A. Al-Shami, A. B. R. Bin Rahim, and F. S. Marwati, "Factors that influence financial literacy on small medium enterprises: A literature review ," *Opcion*, vol. 34, no. 86, pp. 1540–1557, 2018, [Online]. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85063337148&partnerID=40&md5=8071af59cbdd7ec91f7dd5a470c0d08a> (Accessed Date: October 20, 2024).
- [47] C. Yoopetch and P. Chaithanapat, "The effect of financial attitude, financial behavior and subjective norm on stock investment intention," *Kasetsart J. Soc. Sci.*, vol. 42, no. 3, pp. 501–508, 2021, doi: 10.34044/j.kjss.2021.42.3.08.
- [48] A. Čehajić and M. Košak, "Bank lending and small and medium-sized enterprises' access to finance – Effects of macroprudential policies," *J. Int. Money Financ.*, vol. 124, 2022, doi: 10.1016/j.jimonfin.2022.102612.
- [49] M. A. S. Chowdhury *et al.*, "Assessing the Empirical Linkage Among Access to Finance, Firm Quality, and Firm Performance: New Insight From Bangladeshi SMEs'," *Front. Psychol.*, vol. 13, 2022, doi: 10.3389/fpsyg.2022.865733.
- [50] J. Hussain, S. Salia, and A. Karim, "Is knowledge that powerful? Financial literacy and access to finance: An analysis of enterprises in the UK," *J. Small Bus. Enterp. Dev.*, vol. 25, no. 6, pp. 985–1003, 2018, doi:

- 10.1108/JSBED-01-2018-0021.
- [51] K. H. Chan, L. L. Chong, T. H. Ng, and W. L. Ong, "A model of green investment decision making for societal well-being," *Heliyon*, vol. 8, no. 8, 2022, doi: 10.1016/j.heliyon.2022.e10024.
- [52] M. E. Ibrahim and F. R. Alqaydi, "Financial Literacy, Personal Financial Attitude, and Forms of Personal Debt among Residents of the UAE," *Int. J. Econ. Financ.*, vol. 5, no. 7, pp. 126–138, Jun. 2013, doi: 10.5539/ijef.v5n7p126.
- [53] S. Rahim and V. R. Balan, "Financial literacy: The impact on the profitability of the smes in kuching," *Int. J. Bus. Soc.*, vol. 21, no. 3, pp. 1172–1191, 2020, [Online]. <https://www.scopus.com/inward/record.uri?id=2-s2.0-85097891859&partnerID=40&md5=93cae86233dffe4e560da179c7558dbc> (Accessed Date: October 20, 2024).
- [54] H. Kent Baker, S. Kumar, and P. Rao, "Financing preferences and practices of Indian SMEs," *Glob. Financ. J.*, Oct. 2017, doi: 10.1016/j.gfj.2017.10.003.
- [55] H. Heitz, "Financing SMEs in the EU: Challenges and Opportunities," in *New Models of Financing and Financial Reporting for European SMEs: A Practitioner's View*, Springer International Publishing, 2019, pp. 55–61. doi: 10.1007/978-3-030-02831-2\_4.
- [56] T. Munyuki and C. M. P. Jonah, "The nexus between financial literacy and entrepreneurial success among young entrepreneurs from a low-income community in Cape Town: a mixed-method analysis," *J. Entrep. Emerg. Econ.*, vol. 14, no. 1, pp. 137–157, 2022, doi: 10.1108/JEEE-01-2020-0020.
- [57] K. Abbasi, A. Alam, M. (Anna) Du, and T. L. D. Huynh, "FinTech, SME efficiency and national culture: Evidence from OECD countries," *Technol. Forecast. Soc. Change*, vol. 163, no. 120454, pp. 1–9, 2021, doi: 10.1016/j.techfore.2020.120454.
- [58] S. K. M. Brika, "A Bibliometric Analysis of Fintech Trends and Digital Finance," *Front. Environ. Sci.*, vol. 9, 2022, doi: 10.3389/fenvs.2021.796495.
- [59] A. Ahmed, S. H. Bhatti, I. Gölgeci, and A. Arslan, "Digital platform capability and organizational agility of emerging market manufacturing SMEs: The mediating role of intellectual capital and the moderating role of environmental dynamism," *Technol. Forecast. Soc. Change*, vol. 177, 2022, doi: 10.1016/j.techfore.2022.121513.
- [60] K. Lähtinen and A. Toppinen, "Financial performance in Finnish large- and medium-sized sawmills: The effects of value-added creation and cost-efficiency seeking," *J. For. Econ.*, vol. 14, no. 4, pp. 289–305, 2008, doi: 10.1016/j.jfe.2008.02.001.
- [61] X. Tang, "New Schemes for Investment in of Small and Medium-Sized Enterprises of China: Role of Access to Finance, Innovation, and Sustainability," *Front. Psychol.*, vol. 13, 2022, doi: 10.3389/fpsyg.2022.857193.
- [62] R. Syahdan, Y. Djaelani, and S. A. R. Mahdi, "Strategic orientation and the performance of SMEs in Indonesia: The mediating role of access to finance," *Manag. Sci. Lett.*, vol. 10, no. 5, pp. 1151–1160, 2020, doi: 10.5267/j.msl.2019.10.026.

#### Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

- Yuliani Yuliani: Statement of the problem, development of the concept of the article, critical analysis of literature.
- Zunaidah Zunaidah: Description of the results and the formation of conclusions of the study.
- Taufik Taufik: Econometric modelling, collection of statistical data, formation of tables and figure.

#### Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

"The research/publication of this article was funded by DIPA of Public Service Agency of Universitas Sriwijaya 2023. Nomor SP DIPA-023.17.2.677515/2023, On November 30, 2022. In accordance with the Rector's Decree Number: 0188/UN9.3.1/SK/2023, On April 18, 2023".

#### Conflict of Interest

The authors have no conflicts of interest to declare.

#### Creative Commons Attribution License 4.0 (Attribution 4.0 International, CC BY 4.0)

This article is published under the terms of the Creative Commons Attribution License 4.0

[https://creativecommons.org/licenses/by/4.0/deed.en\\_US](https://creativecommons.org/licenses/by/4.0/deed.en_US)