

Improving the Financial Performance of MSMEs: The Role of Financial Literacy and Behavior Through Financial Planning

Muh. Amrih*, Ifadhila, Yunarti

Politeknik Pertanian Negeri Pangkep, Indonesia

Email: Muhamrih@polipangkep.ac.id*

Keywords:

Financial Behavior; Financial Literacy; Financial Performance; Financial Planning; MSME.

Abstract

To provide a foundation for smarter financial strategies and policies for MSME owners, this study analyzes the effects of financial literacy and behavior on business performance in Pangkep Regency, focusing on financial planning as a mediator. The study concludes that financial literacy and behavior have an indirect positive impact on MSME performance through financial planning, a result that underscores the commonly ignored gap between knowledge and action. This study provides an alternative approach to MSME financial management by showing that actual financial behavior matters more to outcomes than knowledge alone, supported by behavioral finance frameworks and the Theory of Planned Behavior. Such conclusions back the implementation of empowerment programs and advanced technology for recording transactions. To test these causal relationships, this explanatory quantitative project surveys 358 MSME actors in Pangkep Regency using a 5-point Likert questionnaire, evaluating the structural and measurement systems through PLS-SEM and validating hypotheses with bootstrapping techniques. The study reveals that financial literacy and behavior contribute positively to financial planning, while financial behavior also maintains a direct link to MSME success. Financial literacy holds an indirect relationship with performance, mediated by financial planning, which elevates both operational effectiveness and planning standards. A key limitation is that the results center entirely on MSMEs within Pangkep Regency, meaning they lack wide generalizability. However, the study remains useful for guiding practitioners and policymakers as they create empowerment schemes meant to strengthen financial management through improved literacy, behavior, and planning habits.

INTRODUCTION

As part of the national development strategy, the development of the creative economy in Indonesia is carried out in an integrated manner across all levels of government. The primary focus is on harnessing the cultural potential and innovation of the community to generate broader economic impacts, such as the creation of new jobs. This commitment serves as a crucial foundation for enhancing global competitiveness and improving public welfare, in accordance with the provisions set forth in the Creative Economy Law (No. 24/2019). Economic development on a national scale is contingent upon the participation of businesses, with the micro, small, and medium enterprises sector

acting as a cornerstone for generating sustainable growth and maintaining market stability (Aprilia, Subroto, & Sakti, 2025; Hurdawaty & Tukiran, 2024; Varga, 2021). Pangkep Regency has witnessed a swift surge in its MSME sector, which registered 34,300 units in 2018, jumped to 53,882 units in 2021, and maintained its upward trajectory to reach 71,689 units in 2023. The corresponding data is presented in the following table:

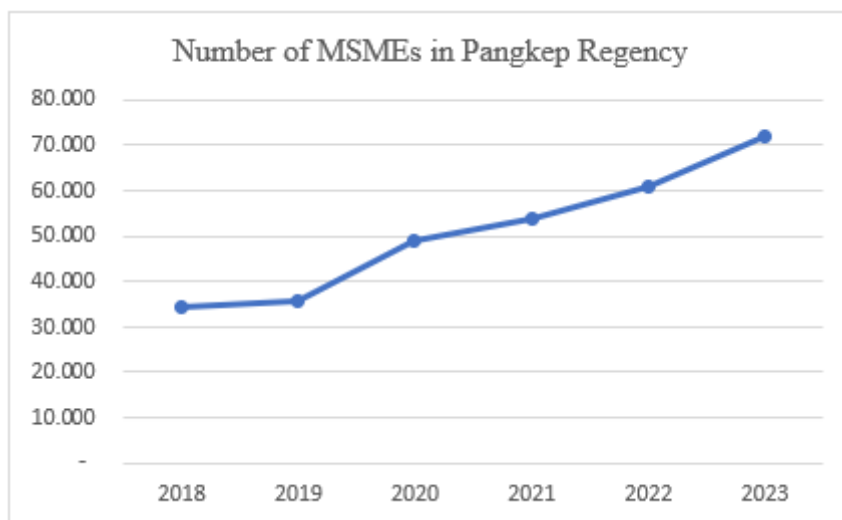


Figure 1. Annual growth trend of MSMEs
Source: (BPS, 2025)

Despite the continuous expansion of the MSME sector, many business owners still depend on conventional financial methods, failing to implement strong financial literacy, proper financial behaviors, or organized financial planning strategies. Conversely, the operational success of these enterprises remains a vital factor for ensuring business longevity and sustaining their economic influence regionally and across the country. A lack of financial planning, positive behavior, and literacy is viewed as a major contributor to the weak financial standing of local MSMEs in Pangkep Regency. This reality exposes an obvious mismatch between the expanding size of the MSME sector and the actual depth and quality of corporate financial strategies.

The main point of contention in this study stems from conflicting results in earlier literature, as seen in the work of Setiawati et al., (2025) which concluded that financial literacy and behavior have a positive impact on the performance of MSMEs, whereas Fitria, I., Soejono, F., & Tyra, (2021) argued that literacy and behavior lack a direct influence, noting instead that only financial attitude affects performance outcomes. The next limitation stems from earlier research frameworks that merely looked at the direct relationship between performance and financial literacy or behavior, failing to embed financial planning as a core variable inside a broader model. Furthermore, there is a distinct contextual gap regarding the study location, as MSMEs in Pangkep Regency are rarely analyzed by researchers even though the local small business sector is vast and growing constantly.

This study offers a novel approach by positioning financial planning as a bridge connecting financial literacy, financial behavior, and MSME performance, thereby expanding upon previous research models that merely examined direct relationships. Another unique aspect stems from the selection of Pangkep Regency as the study site, a local area that has not been extensively explored in this context. Furthermore, the simultaneous use of PLS-SEM for data analysis provides a comprehensive and in-depth picture of the dynamics of direct and indirect relationships among the variables.

The unique value of this project is reflected in five major ways. To begin with, it utilizes financial planning as an intervening variable to link financial literacy and behavior with MSME success, creating a comprehensive model that goes beyond the direct-effect approaches common in past studies. Furthermore, it runs an empirical test on the knowledge-action gap by observing if financial literacy requires financial planning as an indirect pathway to change performance, thereby giving empirical weight to a widely discussed theoretical idea. Additionally, it directs its attention to the MSME sector in Pangkep Regency, bringing a brand new geographic and cultural context to the study of local business behavior. Fourth, it uses a simultaneous structural equation modeling approach through PLS-SEM, making it possible to examine direct and indirect relationships at the same moment for a far more detailed perspective than basic data analysis tools could achieve. Fifth, it incorporates behavioral finance concepts alongside the Theory of Planned Behavior to map out the psychological reasons behind the financial decisions of MSME owners, grounding the study in a stronger theoretical foundation (Ajzen, 1991).

The pressing need for this study stems from the fact that micro, small, and medium enterprises serve as the primary backbone of the national economy, accounting for over 61.07% of the Gross Domestic Product and absorbing 97% of the total labor force (Suci Ramadani, Dilla Amelia Ramadhani, Muhammad Ikrom, & Lokot Muda Harahap, 2025). The financial success of micro, small, and medium enterprises is a critical element in ensuring long-term survival. In practice, many smaller businesses still operate without sufficient financial knowledge and management skills. Pangkep Regency has seen a sharp rise in the quantity of MSMEs, yet this expansion has failed to bring about a corresponding upgrade in the standard of their financial management. The insights from this investigation offer a structural framework for local authorities to establish tailored programs centered on financial literacy, behavior, and planning for small businesses. Furthermore, the findings assist MSME owners by giving them a logical foundation for making organized and rational financial choices. Reflecting these objectives, the study intends to measure how financial literacy and behavior impact both the performance and the financial planning of MSMEs in Pangkep Regency, while exploring how financial planning acts as an intervening mediator within these dynamics.

METHOD

This explanatory quantitative study, grounded in the positivist paradigm, examines the cause-and-effect relationship between variables using numerical data from

questionnaires. Assuming that reality can be measured objectively, this study focuses on the collection of measurable data and systematic statistical analysis to explain why a phenomenon occurs, such as the impact of financial literacy on the performance of MSMEs (Sugiyono, 2022). This research covers Pangkep Regency in South Sulawesi Province, an area containing 71,689 active MSMEs. By applying the calculation standards of Isaac and Michael at a 5% error threshold, the sample size was locked at 358 respondents, which satisfies the foundational requirement for rigorous sample representation within a quantitative study design (Sugiyono, 2022).

Primary data for this project was compiled through closed-ended questionnaires using a five-point Likert scale, a quantitative tracking technique supported by Sugiyono (2022). This study employs the PLS-SEM statistical method, which is well-suited for simultaneously testing multivariate relationship models and mediating effects. The testing phase begins with an outer model to ensure the accuracy and consistency of the instruments through validity and reliability tests, as well as the detection of multicollinearity using VIF. Next, the strength of the structural relationships among variables was evaluated using the inner model through the R-squared and f-squared indicators. Using a bootstrapping technique that involves repeated sampling, the significance of the relationships was assessed based on a t-statistic above 1.96 and a p-value below 0.05 (Sugiyono, 2022).

RESULTS AND DISCUSSION

This study applied PLS-SEM to assess the outer and inner models and run bootstrap hypothesis testing, which produced the findings detailed below:

Outer Model

Convergent Validity Test

Convergent validity indicates that a group of items represents a single latent construct, a feature established by unidimensionality and verified through outer loading and average variance extracted (AVE) metrics.

Outer Loading Test

Outer loading shows the connection strength between an indicator and a construct, requiring a value greater than 0.700 for validity since higher scores mean the variable is more accurately represented (Ghozali, 2016).

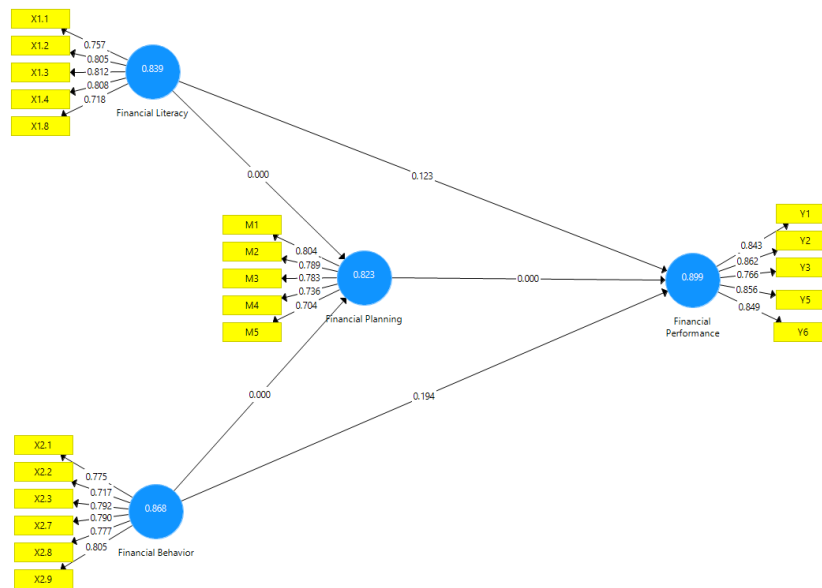


Figure 2: Outer Loading Results

Source: Data analysis results from Smart-PLS 3

The outer loading data shows that indicators exceeding 0.70 are valid and offer a substantial contribution to the measurement of the latent variable (Hair, Hult, Ringle, & Sarstedt, 2017). Items with values under 0.50 are dropped due to poor convergent validity. The PLS algorithm results showed that 7 of the initial 28 indicators (X1.5, X1.6, X1.7, X2.4, X2.5, X2.6, X2.9) fell below 0.60 and were eliminated to increase AVE and composite reliability metrics. The remaining 21 purified indicators score between 0.704 and 0.862, led by Y2 at 0.862 and anchored by M5 at 0.704.

Average Variance Extract (AVE) Test

According to (Hair, Hult, Ringle, et al., 2017) an AVE score above 0.50 demonstrates good convergent validity by confirming the indicators can explain the construct. Table 1 displays the AVE results.

Table 1. Construct Reliability and Validity

	Average Variance Extracted (AVE)
Financial Behavior	0,603
Financial Literacy	0,610
Financial Performance	0,699
Financial Planning	0,584

Source: Data analysis results from Smart-PLS 3

According to the criteria, the AVE values in Table 1 confirm solid convergent validity for all constructs by exceeding 0.50. The specific scores are financial performance at 0.699, financial literacy at 0.610, financial behavior at 0.603, and financial planning at 0.584.

Discriminant Validity Test

Discriminant validity relies on the Fornell-Larcker criterion and HTMT analysis (Kusumah, 2023). The first requires the square root of the AVE to outscore other variable correlations, while the second requires all HTMT values to stay beneath the 0.90 benchmark.

Fornell-Lacker Criterion Test

Table 2. Discriminant Validity

	Financial Behavior	Financial Literacy	Financial Performance	Financial Planning
Financial Behavior	0,777			
Financial Literacy	0,592	0,781		
Financial Performance	0,566	0,381	0,836	
Financial Planning	0,719	0,641	0,575	0,764

Source: Data analysis results from Smart-PLS 3

The diagonal values in Table 2 for financial behavior (0.777), financial literacy (0.781), financial performance (0.836), and financial planning (0.764) surpass all other construct correlations in their rows and columns. This indicates excellent uniqueness and strong discriminant validity, making the measurement model suitable for structural analysis.

Table 3. Heterotrait – Monotrait Ratio (HTMT)

	Financial Behavior	Financial Literacy	Financial Performance	Financial Planning
Financial Behavior				
Financial Literacy	0,692			
Financial Performance	0,638	0,432		
Financial Planning	0,844	0,769	0,666	

Source: Data analysis results from Smart-PLS 3

According to Table 3, all HTMT values satisfy the discriminant validity criteria by remaining under 0.90, with the majority falling below 0.85. Even the peak value of 0.844 between financial behavior and financial planning is acceptable, meaning the variables are empirically unique and suitable for subsequent analysis.

Reliability Test

Composite reliability and Cronbach's alpha assess internal consistency for construct reliability. According to Hair et al. (2017) the criteria are met when composite reliability is over 0.70 and Cronbach's alpha is over 0.60, verifying that the items properly reflect the construct.

Table 4. Reliability Test Results

	Cronbach's Alpha	Composite Reliability
Financial Behavior	0,868	0,901
Financial Literacy	0,839	0,886
Financial Performance	0,892	0,921
Financial Planning	0,821	0,875

Source: Data analysis results from Smart-PLS 3

The results in Table 4 indicate strong instrument consistency, as Cronbach's alpha and composite reliability both surpass 0.70 across all variables: financial behavior (0.868; 0.901), financial literacy (0.839; 0.886), financial performance (0.892; 0.921), and financial planning (0.821; 0.875).

Multicolony Test

Table 5. Results of the Colony Test

	VIF
M1	1,944
M2	1,922
M3	1,792
M4	1,456
M5	1,431
X1.1	1,568
X1.2	1,895
X1.3	2,050
X1.4	2,009
X1.8	1,454
X2.1	1,980
X2.2	1,639
X2.3	1,961
X2.7	2,007
X2.8	2,525
X2.9	2,491
Y1	2,308
Y2	2,518
Y3	1,800
Y5	2,564
Y6	2,502

Source: Data analysis results from Smart-PLS 3

Table 5 shows that all VIF values are below the 5.0 threshold, with most under 3.0. The highest scores belong to indicators Y5 (2.564) and Y2 (2.518), which are well within limits, confirming that the model is free of multicollinearity and ready for structural analysis.

Inner Model

Coefficient of Determination (*R-Square*)

To evaluate the PLS structural model, the R-squared values for each dependent variable are examined first. Table 6 displays these estimates, which reveal how well the independent variables explain the outcomes.

Table 6. R-Squared Value

	R Square	R Square Adjusted
Financial Performance	0,380	0,375
Financial Planning	0,589	0,586

Source: Data analysis results from Smart-PLS 3

The R-square values in Table 6 are 0.380 for financial performance and 0.589 for financial planning, representing moderate and strong explanatory power respectively. Independent variables explain 38% and 58.9% of these variances, while external factors account for the remainder.

f-Square Test

Table 7. f-Square Value

	Financial Behavior	Financial Literacy	Financial Performance	Financial Planning
Financial Behavior			0,079	0,432
Financial Literacy			0,002	0,173
Financial Performance				0,092
Financial Planning				

Source: Data analysis results from Smart-PLS 3

Financial behavior is the strongest model predictor under Ghozali (2016) benchmarks, yielding a large effect on financial planning (0.432) and a small effect on financial performance (0.079). Financial literacy offers a medium effect on planning (0.173) and no effect on performance (0.002), while performance holds a small effect on planning (0.092).

Hypothesis Testing

Direct Effect (Path Coefficients)

The direct effect test checks if an independent variable directly impacts a dependent variable without a mediator. A t-statistic of 1.96 or higher and a p-value below 0.05 indicate a significant relationship, while lower t-statistics and higher p-values mean the direct effect is not statistically significant (Ghozali, 2016).

Table 8. Direct Effect Result

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Keterangan
Financial Behaviour -> Financial Performance	0,330	0,329	0,065	5,083	0,000	Signifikan
Financial Behaviour -> Financial Planning	0,523	0,520	0,049	10,626	0,000	Signifikan
Financial Literacy -> Financial Performance	-0,053	-0,052	0,068	0,780	0,436	Tidak Sign
Financial Literacy -> Financial Planning	0,331	0,335	0,055	6,014	0,000	Signifikan
Financial Planning -> Financial Performance	0,372	0,371	0,065	5,736	0,000	Signifikan

Source: Data analysis results from Smart-PLS 3

Based on the direct effect test, most variable relationships in the model reach significance.

- 1) Analysis reveals financial behavior has a significant positive effect on financial performance (coefficient = 0.330, $t = 5.083$, $p = 0.000$). Consequently, superior financial behavior in MSMEs leads to stronger financial outcomes, proving that structured management practices enhance performance.
- 2) Analysis shows financial behavior has a significant positive effect on financial planning (coefficient = 0.523, $t = 10.626$, $p = 0.000$). Rational financial habits among MSME owners lead to more targeted plans, proving that proper management is essential for effective planning strategies.
- 3) Analysis shows financial literacy does not significantly impact financial performance (coefficient = -0.053, $t = 0.780$, $p = 0.436$). Knowledge alone does not improve MSME outcomes; it must be paired with effective planning and management to affect performance.
- 4) Analysis shows financial literacy significantly impacts financial planning (coefficient = 0.331, $t = 6.014$, $p = 0.000$). Consequently, MSME operators with greater financial literacy are better equipped to design and manage sustainable long-term financial plans.
- 5) Analysis shows financial planning significantly impacts financial performance (coefficient = 0.372, $t = 5.736$, $p = 0.000$). Targeted budgeting and forecasting help SMEs achieve better financial results, proving that planning enhances management effectiveness.

Indirect Effects

Indirect effect testing determines if a mediator significantly changes the relationship between variables. Significant mediation requires a t-statistic greater than or equal to 1.96 and a p-value less than 0.05, without which the indirect path is considered invalid (Ghozali, 2016).

Table 9. Result of Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Financial Behavior -> Financial Planning -> Financial Performance	0,194	0,193	0,038	5,088	0,000
Financial Literacy -> Financial Planning -> Financial Performance	0,123	0,124	0,029	4,179	0,000

Source: Data analysis results from Smart-PLS 3

- 1) The analysis confirms financial planning acts as a significant mediator between financial behavior and financial performance (O = 0.194, T = 5.088, P = 0.000). This matches theories regarding psychological and financial behavioral influences (Azizah, 2020) and Bourdieu's framework involving habitus, capital, and change (Dai, L., & Suryanto, 2019).
- 2) Analysis confirms financial planning significantly mediates the link between financial literacy and performance (O = 0.123, T = 4.179, P = 0.000). Educating MSME actors improves their planning, which drives business success, consistent with claims by OJK (2016) and Azizah (2020) about effective resource management.

With a path coefficient of 0.331, t-statistic of 6.014 (> 1.96), and p-value of 0.000, financial literacy positively shapes financial planning. Stronger literacy allows managers to develop more effective, long-term corporate budgets. The data indicates that advancing financial literacy enhances the ability of MSME operators to construct more methodical and precise financial strategies. The distinct value of this study is its framing of financial literacy not simply as rudimentary comprehension of budgeting, savings, credit, and investment, but as a critical managerial competency. This perspective highlights its potential to remedy classic structural deficiencies within smaller enterprises, such as fragmented record-keeping and a lack of forward-looking vision. This focus matches definitions from OJK (2016) and (Lestari, 2015), who describe literacy as a mix of knowledge, skills, and beliefs that drive how people manage money. For small enterprises, financial literacy is shown to aid logical decision-making and improve the chances of securing loans or capital (Resti Gustika, Rinofah, & Maulida, 2024). Ultimately, this study demonstrates that literacy works in two ways it provides vital information and it builds a stronger capacity for making choices, which together improve planning and long-term business survival.

Financial literacy has no significant effect on MSME financial performance (coefficient = -0.053, t = 0.780, p = 0.436). The novelty of this finding is that it proves better financial literacy does not automatically boost business results unless the knowledge is put into daily practice. In contrast to earlier research showing a direct link between literacy and performance, this study highlights a knowledge–action gap in small

businesses. This issue shows up as poor record-keeping, mixed personal and business funds, and an absence of formal financial statements, which Undari & Lubis (2021) note is the main reason owners fail to use financial data when making decisions. Another unique aspect of this research is the finding that financial literacy only makes a difference when it is backed by proper management skills and resources. Specifically, business owners must combine their financial knowledge with risk management skills, access to funding, and the adoption of technological tools (Nurjannah, 2024). By showing that financial planning and behavior act as middle steps, this study proves that financial knowledge only improves small business performance indirectly. Because of this, the study recommends teaching financial literacy through hands-on coaching, particularly by helping owners with cash management, keeping neat records, and making organized business plans.

Results indicate that financial behavior significantly boosts financial planning, backed by a 0.523 coefficient, 10.626 t-statistic, and 0.000 p-value. These results reinforce the value of good financial habits, such as regular bookkeeping, disciplined budgeting, separating business from personal accounts, and controlling costs. Additionally, the study offers a fresh perspective by proving that actual financial behavior plays a more critical, practical role in business outcomes than just having financial knowledge. The distinct value of this study is its emphasis on the behavioral mechanism as the primary pathway through which financial data is converted into operational planning choices, a viewpoint that expands upon earlier literature centered predominantly on financial literacy. By synthesizing behavioral finance principles with the Theory of Planned Behavior (Ajzen, 1991) inside the small business sector, this research offers a more holistic and contemporary theoretical framework explaining how financial habits bridge the gap between cognition and practical action. Because financial behavior has a stronger impact than other variables, upgrading financial planning requires ongoing behavioral interventions instead of simple knowledge transfer. This research introduces a new, integrated perspective on behavior's role in MSME financial planning, adding notable value to existing literature and policy design.

Financial behavior positively and significantly impacts MSME financial performance (coefficient = 0.330, $t = 5.083$, $p = 0.000$). This evidence indicates that established financial routines, including rigorous bookkeeping, account separation, budgeting, and cost control, directly enhance business outcomes. Aligning with behavioral finance, the Theory of Planned Behavior, and the resource-based view, this research introduces a novel perspective. It conceptualizes financial behavior as an internal capability, acting as a link that connects working capital management to financial performance. Unlike previous studies Nurjannah (2024) and Undari & Lubis (2021) that conceptualizes financial behavior as a direct product of literacy, this study introduces a novel thesis. It argues that the internalization of systematic financial habits is what generates reliable data, enhances organizational transparency, and ultimately reinforces the strategic decision-making process. This element becomes a strategic asset cultivated through practice, mentoring, and simple accounting software. Still, the results must be

interpreted keeping in mind cross-sectional limitations and participant self-report bias. On the whole, this study substantiates that financial behavior operates as a critical determinant of MSME performance and serves as a fundamental pillar for business empowerment initiatives.

Analysis shows financial planning has a significant positive influence on MSME financial performance (coefficient = 0.372, $t = 5.736$, $p = 0.000$). This confirms that practices like creating budgets, forecasting cash flow, and controlling costs directly help improve profitability, liquidity, and operational efficiency. Beyond aligning with financial management frameworks, the resource-based view, and contingency theory, these results offer fresh insights by explaining the specific process at work namely, how financial planning serves as a strategic asset that allows small businesses to maximize their internal resources while effectively responding to changes in the market. A comparison with previous research, Nurjannah (2024) and Undari & Lubis (2021) this study contributes to the literature by uncovering a specific process that has not been widely explained before. This mechanism shows how proper planning directly improves the accuracy of cash flow forecasts, increases cost control efficiency, and builds the business credibility needed to access formal loans and financing. These findings suggest that empowerment programs should look beyond basic literacy and focus heavily on improving financial planning skills through hands-on training, expert mentoring, and the use of fintech tools. However, because this study relies on a cross-sectional design and faces potential self-reporting bias, future research using long-term or experimental methods is needed to confirm the results. Overall, this study proves that financial planning is a primary driver of performance, offering valuable conceptual and practical insights that build upon past research.

With a coefficient of 0.123, t-statistic of 4.179, and p-value of 0.000, financial planning acts as a significant mediator between financial literacy and performance. This confirms that financial knowledge by itself does not drive success unless it is actively transformed into structured planning practices. The lack of a statistically significant direct impact from Financial Literacy to Performance ($\beta = -0.068$; $p = 0.329$) proves that full mediation is occurring, offering a fresh perspective compared to prior studies that usually claimed a direct connection. Ultimately, these results show that for small businesses, financial literacy requires more than just storing information; it requires the ability to turn that understanding into clear planning actions. This finding enriches the Theory of Planned Behavior and behavioral finance by framing planning as the practical bridge connecting awareness with financial results (Ajzen, 1991). In contrast to traditional literature that predominantly emphasizes a linear correlation between literacy and performance, this investigation demonstrates that strategic planning represents the critical nexus determining whether literacy yields a substantive impact. The primary practical implication is that capacity-building initiatives for smaller enterprises must pivot toward experiential training, structured mentorship, and the integration of accounting technologies to guarantee the internalization of planning methodologies, rather than relying exclusively on simple knowledge dissemination. Nonetheless, the constraints

associated with cross-sectional data and the inherent risks of participant self-report bias must be acknowledged, necessitating future longitudinal investigations to robustly validate this mediating pathway. On the whole, this study provides novel empirical insights by demonstrating that Financial Planning serves as the fundamental mechanism converting literacy into tangible performance outcomes, thereby establishing it as a critical focal point for the design of small enterprise empowerment strategies.

Results indicate that financial behavior significantly affects financial performance through the mediation of financial planning (coefficient = 0.194, $t = 5.088$, $p = 0.000$). This finding offers a fresh perspective by demonstrating that, for small businesses, Financial Behavior cannot achieve its full impact unless it is channeled into structured planning. Drawing from the Theory of Planned Behavior (Ajzen, 1991), this study presents an original argument that an owner's intentions and sense of control only improve financial performance when put into practice through systematic planning. This result also builds on earlier empirical work by Widayanti, R., Susilo, H. (2020) showing that Financial Planning is the central mechanism that turns smart financial behavior into better business outcomes. From a practical perspective, these findings underscore the necessity of small business empowerment initiatives that go beyond cultivating prudent financial behavior to actively reinforce the execution of structured financial planning, particularly through the adoption of digital accounting technologies. Consequently, this study delivers both conceptual and empirical advancements by demonstrating that Financial Planning operates as the primary mediating mechanism determining the efficacy of Financial Behavior in optimizing business financial performance.

CONCLUSION

The empirical evidence indicates that financial literacy and behavior serve as critical determinants of MSME performance, mediated by financial planning. Financial literacy cultivates planning proficiency, whereas financial behavior exerts a direct impact on both planning and performance outcomes. These insights underscore a distinct knowledge–action gap, suggesting that theoretical understanding must be integrated into operational workflows to generate tangible business success. While this study is limited by its one-time data collection and a reliance on self-reported answers, its primary strength is a robust mediation model combining financial literacy, behavior, and planning. In practice, programs aiming to empower small businesses should focus on building consistent financial habits, providing hands-on guidance, and encouraging the use of accounting technology to boost planning skills and drive sustainable financial growth.

REFERENCES

- Ajzen, Icek. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211. [https://doi.org/10.1016/0749-5978\(91\)90020-T](https://doi.org/10.1016/0749-5978(91)90020-T)
- Aprilia, Novita, Subroto, Waspodo Tjipto, & Sakti, Norida Canda. (2025). The role of small and medium enterprises (SMEs) in supporting the people's economy in Indonesia. *International Journal of Research and Scientific Innovation*, XI (XII),

368–376.

- Azizah. (2020). Analisis perilaku keuangan dan dampaknya terhadap kinerja keuangan UMKM. *Jurnal Manajemen Dan Kewirausahaan*, 22(3), 274(J. Manaj. dan Kewirausahaan,).
- BPS. (2025). Badan Pusat Statistik Kabupaten Pangkajene dan Kepulauan.
- Dai, L., & Suryanto, T. (2019). Behavioral finance perspective on financial decision making among small business owners. *International Journal of Economics and Management Studies*, 6(5), 140–.
- Fitria, I., Soejono, F., & Tyra, M. (2021). Literasi Keuangan, Sikap Keuangan dan Perilaku Keuangan dan Kinerja UMKM. *Journal of Business and Banking*, 11. <https://doi.org/https://doi.org/10.14414/jbb.v11i1.2496>.
- Ghozali, Imam. (2016). *Aplikasi analisis multivariate dengan program IBM SPSS 23* (7th ed). Semarang: Universitas Diponegoro.
- Hair, Joseph F. ..., Hult, G. Tomas M. ..., Ringle, Christian M. ..., & Sarstedt, Marko. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage.
- Hair, Joseph F., Hult, G. Tomas M., & Ringle, Christian M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. United States of America.
- Hurdawaty, Ramon, & Tukiran, Martinus. (2024). Strategies to Increase the Competitiveness of Micro, Small and Medium Enterprises (MSMES): A narrative literature review. *South Asian Journal of Social Studies and Economics*, 21(1), 112–125.
- Kusumah, Echo Perdana. (2023). *Metode Penelitian Bisnis: Analisis Data Melalui SPSS dan Smart-PLS*. Yogyakarta: CV BUDI UTAMA : Yogyakarta.
- Lestari, P. (2015). Literasi keuangan dan pengaruhnya terhadap kinerja UMKM di Surabaya. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 10(1), 25–35.
- Nurjannah, Hikmayani Subur. (2024). Pengaruh Literasi Keuangan Dan Literasi Digital Terhadap Pertumbuhan UMKM Di Kecamatan Rappocini Kota Makassar. *Jurnal Rumpun Manajemen Dan Ekonomi*, 1(5), 163–173.
- Resti Gustika, Rinofah, Risal, & Maulida, Alfiatul. (2024). The Influence of Financial Literacy, Credit Requirements, and Financial Report Quality on Access to Financing for Micro, Small and Medium Enterprises. *Jurnal Ilmiah Manajemen Kesatuan*, 12(5), 1499–1508. <https://doi.org/10.37641/jimkes.v12i5.2772>
- Setiawati, Sri, Gursida, Hari, & Indrayono, Yohanes. (2025). Financial Literacy Model for MSMEs as a Financial Performance Measurement Tool (Case Study of MSMEs in Bogor, Depok, and Kuningan). *Journal of World Science*, 4(2), 247–255. <https://doi.org/10.58344/jws.v4i2.1303>
- Suci Ramadani, Dilla Amelia Ramadhani, Muhammad Ikrom, & Lokot Muda Harahap. (2025). Peran Strategis UMKM dalam Mendorong Pertumbuhan Ekonomi Berkelanjutan di Indonesia. *Jurnal Ekonomi, Bisnis Dan Manajemen*, 4(1), 158–166. <https://doi.org/10.58192/ebismen.v4i1.3183>
- Sugiyono. (2022). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Bandung: Alfabeta.
- Undari, Wika, & Lubis, Anggia Sari. (2021). Micro, Small and Medium Enterprises (MSMEs) in Improving Community Welfare. *Jurnal Penelitian Pendidikan Sosial Humaniora*, 6(1), 32–38.
- Varga, János. (2021). Defining the economic role and benefits of micro, small and

medium-sized enterprises in the 21st century with a systematic review of the literature. *Acta Polytechnica Hungarica*, 18(11), 209–228.

Widayanti, R., Susilo, H., & Sumiati. (2020). Pengaruh literasi keuangan terhadap kinerja UMKM dengan perilaku dan perencanaan keuangan sebagai variabel mediasi. *Jurnal Ilmiah Bisnis Dan Ekonomi Asia*, 14(1), 12–.