

LINKING FINANCIAL LITERACY TO ENTREPRENEURIAL SUCCESS: A SYSTEMATIC REVIEW OF THEORETICAL AND EMPIRICAL EVIDENCE

MENGHUBUNGKAN LITERASI KEUANGAN DENGAN KEBERHASILAN KEWIRAUSAHAAN: SEBUAH TINJAUAN SISTEMATIS ATAS BUKTI TEORITIS DAN EMPIRIS

Indah Ariffianti<sup>1</sup>, I Nengah Arsana<sup>2</sup>, Baiq Desthania Prathama<sup>3</sup>, Armiani<sup>4</sup>

STIE AMM Mataram, NTB<sup>1,2,3,4</sup>

\*indahariffianti99@gmail.com<sup>1</sup>, inengaharsana2@gmail.com<sup>2</sup>, desthania.27@gmail.com<sup>3</sup>, armiani198431s3@gmail.com<sup>4</sup>

\*Corresponding Author

ABSTRACT

Financial literacy is increasingly recognized as a crucial factor influencing the success of micro, small and medium enterprises (MSMEs), especially in developing countries. Despite the importance of financial literacy, many entrepreneurs still lack adequate knowledge, which hinders their decision-making abilities and business performance. This study aims to investigate the relationship between financial literacy and financial performance of MSMEs, with a focus on identifying mediating and moderating factors that influence this relationship. A systematic literature review (SLR) was conducted by analyzing peer-reviewed articles published between 2016 and 2024. Data were collected from leading databases, including Scopus and Web of Science. Thematic analysis was applied to synthesize findings and identify key patterns in the literature. This review reveals a positive correlation between financial literacy and business performance indicators such as profitability and revenue growth. In addition, factors such as managerial competence and access to financial resources are found to act as mediators and moderators in this relationship, enhancing the effectiveness of financial literacy in improving business outcomes. These findings emphasize the need for targeted financial literacy programs for MSMEs, which can significantly improve their financial management practices and overall performance. This study contributes to the theoretical framework of financial literacy and offers practical implications for policymakers and business educators in promoting sustainable entrepreneurship.

**Keywords:** Financial literacy, MSMEs, business performance, systematic literature review, developing countries

ABSTRAK

Literasi keuangan semakin diakui sebagai faktor krusial yang mempengaruhi keberhasilan usaha mikro, kecil, dan menengah (UMKM), terutama di negara berkembang. Meskipun pentingnya literasi keuangan, banyak pengusaha yang masih kurang memiliki pengetahuan yang memadai, yang menghambat kemampuan pengambilan keputusan dan kinerja bisnis mereka. Penelitian ini bertujuan untuk menyelidiki hubungan antara literasi keuangan dan kinerja keuangan UMKM, dengan fokus pada identifikasi faktor-faktor mediasi dan moderasi yang mempengaruhi hubungan ini. Tinjauan literatur sistematis (SLR) dilakukan dengan menganalisis artikel-artikel yang telah melalui proses peer-review yang diterbitkan antara tahun 2016 dan 2024. Data dikumpulkan dari basis data terkemuka, termasuk Scopus dan Web of Science. Analisis tematik diterapkan untuk mensintesis temuan dan mengidentifikasi pola-pola kunci dalam literatur. Tinjauan ini mengungkapkan adanya korelasi positif antara literasi keuangan dan indikator kinerja bisnis seperti profitabilitas dan pertumbuhan pendapatan. Selain itu, faktor-faktor seperti kompetensi manajerial dan akses terhadap sumber daya keuangan ditemukan berperan sebagai mediator dan moderator dalam hubungan ini, meningkatkan efektivitas literasi keuangan dalam memperbaiki hasil bisnis. Temuan ini menekankan perlunya program literasi keuangan yang terarah bagi UMKM, yang dapat secara signifikan meningkatkan praktik manajemen keuangan dan kinerja keseluruhan mereka. Penelitian ini memberikan kontribusi pada kerangka teori literasi keuangan dan menawarkan implikasi praktis bagi pembuat kebijakan dan pendidik bisnis dalam mendorong kewirausahaan yang berkelanjutan.

**Kata Kunci:** Literasi keuangan, UMKM, kinerja bisnis, tinjauan literatur sistematis, negara berkembang

## 1. INTRODUCTION

Financial literacy encompasses an individual's ability to effectively understand, manage, and utilize financial information, which is vital for making informed decisions in entrepreneurship. This is particularly important for entrepreneurs, who must accurately handle capital, manage cash flow, and evaluate financial risks to ensure the sustainability and growth of their ventures. Numerous studies highlight the significance of financial literacy in fostering improved financial decision-making, which correlates positively with enhanced business performance.

Research conducted by Resmi et al. emphasizes that financial literacy acts as a determinant factor in the growth of small and medium-sized enterprises (MSMEs), particularly in creative sectors in Yogyakarta. The findings indicate that entrepreneurs with higher financial literacy are better equipped to participate in financial markets, directly impacting their business growth potential (Resmi et al., 2019). Similarly, Adewumi and Cele identify that a lack of financial literacy among business managers can hinder growth and decision-making capabilities, underscoring the need for training to elevate financial skills among entrepreneurs in developing contexts (Adewumi & Cele, 2023). Furthermore, evidence from a study by Subagyo et al. suggests that financial literacy can mediate the relationship between digital transformation and company performance, positing that businesses proficient in financial management are more likely to leverage digital advancements effectively for growth (Subagyo et al., 2023).

Moreover, financial literacy has direct implications for strategic decision-making processes. A study by Obi-Anike et al. illustrates how strategic decision-making effectiveness hinges on entrepreneurs' financial information literacy, suggesting that an enhanced understanding of financial concepts can lead to better investment strategies and sustainable performance in the agribusiness sector (Obi-Anike et al., 2023). This is further supported by findings from Fatoki, who emphasizes that financial literacy influences access to finance and thereby affects the overall performance of small firms in South Africa, positioning financial knowledge as an essential input for business sustainability (Fatoki, 2021).

The correlation of financial literacy with business outcomes extends into various regions and contexts. Research by Agyei revealed that financial literacy and cultural values play a pivotal role in enhancing SME performance in Ghana, indicating that a multifaceted approach to understanding financial principles can lead to sustained competitive advantages in business (Agyei, 2018). Furthermore, studies have shown that micro-entrepreneurs equipped with financial knowledge can make complex decisions throughout the business lifecycle, resulting in improved financial outcomes and sustainability (Kumari et al., 2024). Lastly, the necessity for financial literacy training and education among entrepreneurs is echoed across the literature, with multiple studies advocating for targeted interventions to raise financial knowledge levels among MSME owners. This improved literacy can lead to better financial management and operational decisions that are crucial for business survival and growth during challenging economic times, including those prompted by global crises like the COVID-19 pandemic (Rahmawati et al., 2022). In conclusion, financial literacy is an indispensable component of entrepreneurial success, serving not only as a foundation for sound financial management but also as a catalyst for overall business performance and growth. Implementing comprehensive financial education programs could greatly enhance the capabilities of entrepreneurs, leading to more sustainable and thriving business environments.

In Indonesia, the national financial literacy rate continues to show an increasing trend. Based on the latest data, the national financial literacy index in 2023 reached 69.7 points on a scale of 0-100, indicating an increase in public awareness of the importance of good financial management (Databoks, 2023). However, financial literacy among entrepreneurs is still

relatively lower compared to other professions, with a composite literacy index of 78.32%, lower than professional employees who reached 83.22% (GoodStats, 2024). This shows the need for more attention to improving financial literacy, especially for business actors. Low financial literacy can hinder entrepreneurs' ability to make strategic decisions related to capital management and cost control, which has the potential to reduce business financial performance. Conversely, adequate financial literacy can increase the effectiveness of financial resource management, thereby encouraging business growth and entrepreneurial success. Given the crucial role of MSMEs in the Indonesian economy, which reaches 66 million business units and absorbs 97% of the national workforce (KADIN Indonesia, 2023), increasing financial literacy in this sector is very important to drive better financial performance and long-term success.

In addition, MSMEs contribute 61% to the national Gross Domestic Product (GDP) with a value reaching IDR 9,580 trillion (GoodStats, 2023). However, the contribution of MSMEs to national exports is still relatively low at 16% (Ministry of Finance, 2023), which indicates that there is a large room for improving financial performance and business competitiveness through strengthening financial literacy. Therefore, this study aims to examine the relationship between the level of financial literacy and entrepreneurial success in improving business financial performance. With a deeper understanding of the influence of financial literacy, it is hoped that practical and strategic recommendations can be produced for developing the capacity of entrepreneurs in better financial management so as to support business growth and sustainability in Indonesia.

Although financial literacy has been recognized as an important factor in individual and business financial decision-making, there is a significant gap in the literature that specifically explores how financial literacy concretely affects the financial performance of entrepreneurs. Most studies so far have focused more on theoretical aspects of financial literacy or descriptive studies related to literacy levels in various populations (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012). However, measuring the direct impact of financial literacy on business financial performance, especially in the context of entrepreneurship, has rarely been studied in depth and systematically. In addition, existing research tends to be fragmented between studies that use a theoretical approach and empirical studies based on field data. Some theoretical literature offers conceptual models that explain how financial literacy can support rational decision-making and business risk management (Huston, 2010), but there has been little explicit linkage to measurable financial outcomes in the context of entrepreneurship. Conversely, existing empirical studies are often limited to case studies or surveys with limited coverage, making it difficult to generalize the findings to a wider population of entrepreneurs.

Another gap is the lack of a comprehensive literature review that integrates theoretical and empirical evidence holistically to provide a comprehensive picture of the relationship between financial literacy and entrepreneurial success in improving financial performance. With a systematic literature review (SLR) approach, this study will fill this gap by synthesizing findings from various studies to build a clearer and more structured understanding. This approach also allows for the identification of untapped research gaps and potential areas for future theory and practice development.

Based on the identification of these gaps, this study was designed to answer the following main questions: "**What is the relationship between the level of financial literacy and entrepreneurial success in improving business financial performance?**". This question is investigative and explorative in nature, aiming to uncover causal and correlational relationships between two main variables, namely financial literacy and entrepreneurial success, especially in the context of improving business financial performance. With a clear focus on the financial performance aspect, this study seeks to provide concrete and applicable contributions to academics and business practitioners. This study provides significant academic and practical contributions by providing a systematic overview of the existing evidence related to the

relationship between financial literacy and entrepreneurial success in improving financial performance. By using a systematic literature review (SLR) approach, this study not only summarizes various empirical findings from previous literature, but also critically examines the theories underlying the concept of financial literacy and its application in the context of entrepreneurship. This approach allows for an in-depth exploration of how financial literacy affects decision-making behavior, operational efficiency, and business sustainability of business actors.

The main contribution of this study can be described in several important points. First, this study contributes to the development of a theoretical framework by integrating and synthesizing theories related to financial literacy and entrepreneurship, resulting in a more comprehensive conceptual understanding of the mechanism of financial literacy in influencing business performance. Second, this study presents structured empirical evidence by combining previous research results, identifying consistent and inconsistent relationship patterns, and revealing mediating or moderating variables that are often overlooked in previous studies. Furthermore, this study also plays a role in identifying research gaps that are still open and providing directions for future research, both in terms of methodology and themes. This study proposes the need for a more varied and contextual approach in examining the dynamics of financial literacy in different entrepreneurial environments. From a practical perspective, the findings in this study have real implications for entrepreneurs and policy makers. For example, the results of this study can be the basis for designing financial literacy education programs that are more relevant, adaptive, and have a real impact on improving business performance, especially for MSMEs and micro entrepreneurs who are the backbone of the national economy. Overall, this research aims to strengthen the scientific foundation in the field of financial literacy and entrepreneurship and provide real contributions to the practice of developing sustainable and highly competitive businesses.

## **2. METHODS**

### **2.1. Research Design**

This study uses the Systematic Literature Review (SLR) approach as the main methodology to identify, evaluate, and synthesize relevant literature systematically and transparently. The SLR approach was chosen because of its ability to provide a comprehensive overview of the state-of-the-art research related to the relationship between financial literacy and entrepreneurial success in improving business financial performance. The standards used in implementing the SLR follow the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines which are widely recognized as a methodological standard to ensure transparency and replication of review results.

### **2.2. Inclusion and Exclusion Criteria**

To maintain the relevance and quality of the analyzed literature, inclusion and exclusion criteria were strictly set as follows:

- **Publication Type:** Only articles published in peer-reviewed journals and conference proceedings articles that meet academic standards will be included. Books, dissertations, white papers, and non-peer-reviewed publications were excluded to ensure the quality and validity of the sources.
- **Publication Year Range:** Studies published between the year 2016 to 2024 selected to ensure that the review results reflect the latest developments in financial literacy, entrepreneurship, and financial performance.
- **Main Topics:** Articles must explicitly address one or a combination of the following topics: financial literacy, entrepreneurship, and financial performance. Studies not relevant to these focuses will be eliminated.

- Language: Only English language articles are included to ensure accuracy of interpretation and consistency of analysis.

### **2.3. Data Sources**

Primary data collection was conducted through three main credible and comprehensive academic databases:

- Scopus: As the largest and leading bibliographic database covering high-quality international journals in the fields of economics and business.
- Web of Science: Provides access to leading journals with high impact factors and multidisciplinary coverage.

### **2.4. Search and Selection Process**

The literature search strategy used Boolean operators to effectively combine primary keywords, such as: (“financial literacy” OR “financial education”) AND (“entrepreneurship” OR “entrepreneurial success”) AND (“financial performance” OR “business performance”). The search was conducted on the titles, abstracts, and keywords of the articles to capture the most relevant studies.

The article selection process follows the PRISMA flowchart consisting of four main stages: identification, screening, eligibility, and inclusion. Each stage is carried out with systematic documentation to reduce selection bias. Articles that do not meet the inclusion criteria or are duplicated will be eliminated consistently.

### **2.5. Data Analysis Techniques**

After the selection process is complete, the selected articles will be analyzed using thematic coding methods to identify key patterns, themes, and categories in the literature related to financial literacy and entrepreneurial performance. This thematic analysis serves to organize and interpret qualitative data systematically, allowing for meaningful and in-depth synthesis.

The thematic analysis framework will follow these steps:

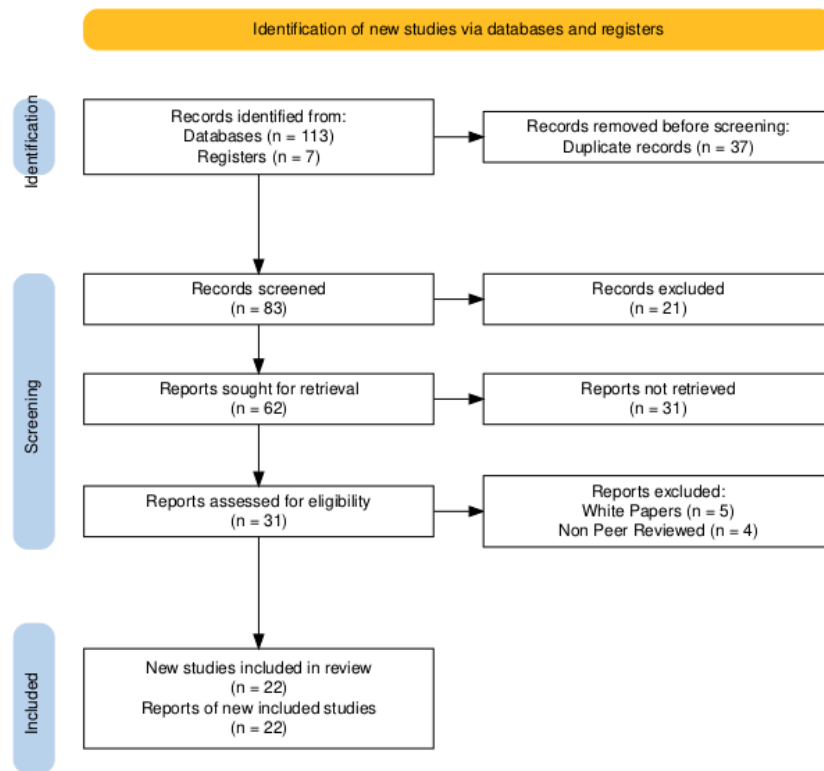
1. Familiarisation with data (reading and understanding the contents of the article).
2. Create initial code based on financial literacy and entrepreneurship concepts and theories.
3. Grouping codes into broader themes according to the research focus.  
Develop a thematic narrative that connects findings in the literature and identifies research gaps.

This approach enables a systematic evaluation of empirical and theoretical evidence and supports the formulation of research and practice recommendations based on a comprehensive analysis.

### 3. RESULTS

#### 3.1. Characteristics of the Studies Reviewed

##### 3.1.1. Prisma Protocol



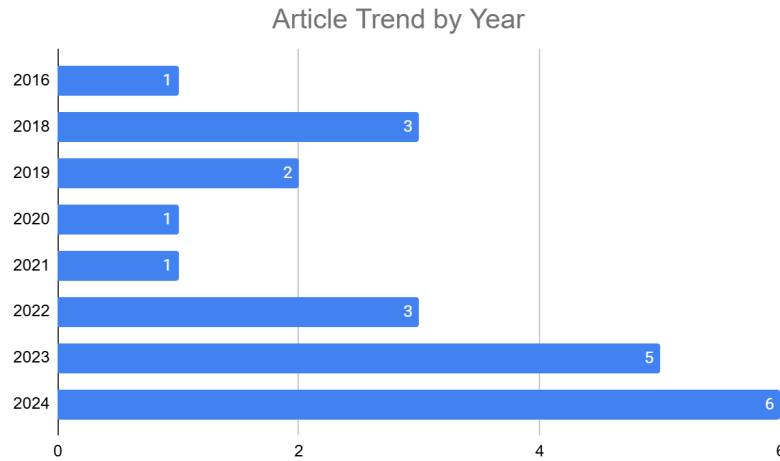
**Figure 1. Prisma Protocol**

Source: Processed Data, 2025

The process of identifying and selecting articles in this study was carried out by following the protocol. PRISMA 2020, to ensure transparency and replicability in the approach Systematic Literature Review (SLR). The first stage is the process identification, where a number of 113 articles are found through search in databases (Scopus and Web of Science), as well as 7 additional articles obtained from the bibliography and other registers. After initial screening, as many as 37 duplicate articles removed, leaving only 83 articles which is ready for further selection. At the level screening, 83 articles are reviewed based on their titles and abstracts, and 21 articles eliminated because it is not relevant to the topic of the relationship between financial literacy and entrepreneurial success. Furthermore, 62 articles selected to take the full text version, but 31 articles cannot be accessed in full (due to limited or unavailable access), so that only 31 articles enter the level eligibility assessment.

In the eligibility assessment process, a critical evaluation of the quality and inclusion criteria, such as publication status, is carried out. peer-reviewed, as well as the relevance of the study context. Of these 31 articles, 9 articles issued because it is included in the category white papers (n = 5) And not a peer-reviewed article (n = 4). Finally, as many as 22 articles meet all the criteria and are included in the systematic review. These articles form the basis of analysis of the relationship between financial literacy and entrepreneurial performance, both from a theoretical perspective and from the available empirical evidence.

**3.1.2. Article Trend by Year**



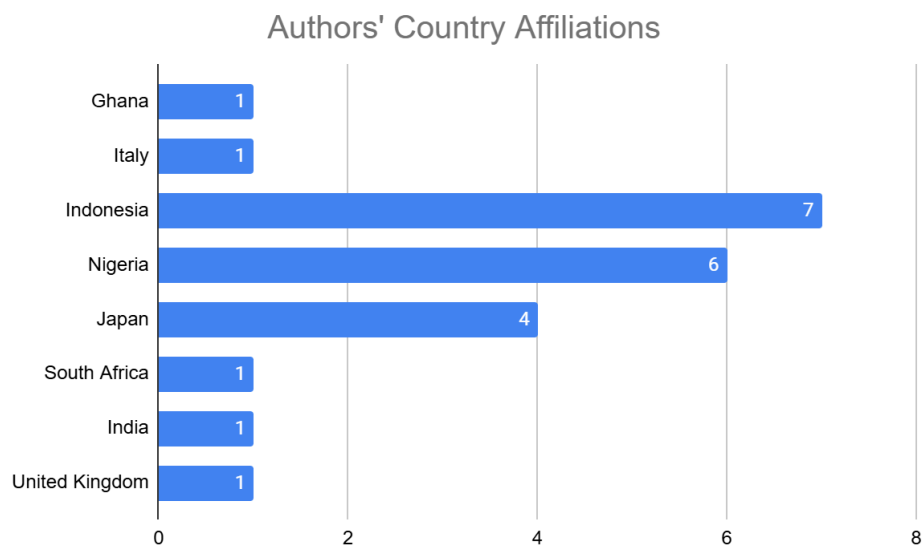
**Figure 2. Article Trend by Year**  
 Source: Processed Data, 2025

From Figure 2 above, it shows that academic interest in the relationship between financial literacy and entrepreneurship has increased significantly in the period 2016 to 2024. At the beginning of the period (2016), there was only 1 relevant article. This number began to increase gradually with 3 articles in 2018 and 2 articles in 2019. Although there was a slight decrease in 2020 and 2021 (only 1 article each), a positive trend re-emerged in the following years.

In 2022, the number of articles increased to 3, followed by a significant spike in 2023 with 5 articles, and peaked in 2024 with a total of 6 articles. This pattern reflects the growing interest and urgency of research on the topic of financial literacy and entrepreneurial performance, along with the increasing importance of financial management in business success, especially in the digital era and post-pandemic.

This increasing trend in publications can also be interpreted as a signal that this topic is increasingly relevant and discussed across disciplines, both in the context of microeconomics (MSMEs), entrepreneurship education, and public policy.

**3.1.3. Authors' Country Affiliations**



**Figure 3. Authors' Country Affiliations**

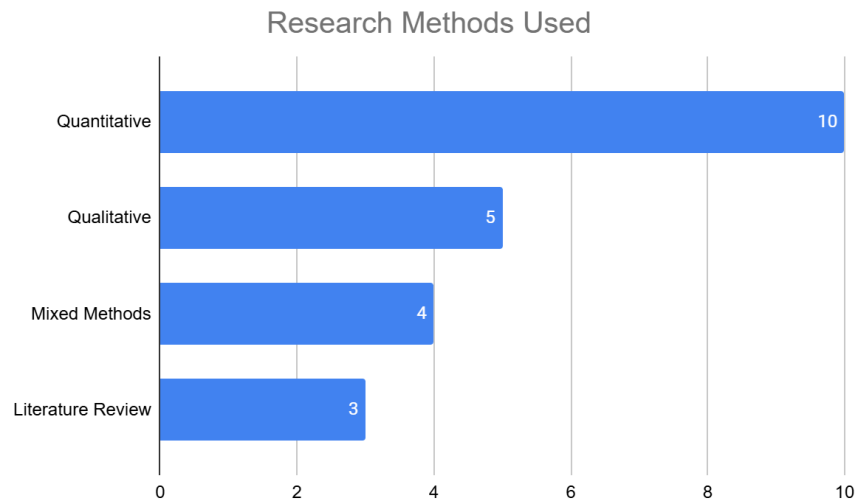
Source: Processed Data, 2025

From figure 3 above, the distribution of author affiliations by country shows that Indonesia is the largest contributor to the literature on the relationship between financial literacy and entrepreneurial success, with a total of 7 articles. This reflects the high level of attention of Indonesian academics to the issue of financial literacy, especially in the context of developing MSMEs and local entrepreneurship which are the backbone of the national economy.

Nigeria Took second place with 6 articles, showing that this topic is also highly relevant in other developing countries, where challenges in financial management and access to formal financial education remain important issues. Japan Follow with 4 articles, reflecting interest from developed countries that are likely to emphasize technology-based approaches and more established financial systems. Countries like Ghana, Italy, India, South Africa, And English Each contributing 1 article, indicating that there is global attention to this topic, although contributions are not evenly distributed geographically.

These findings indicate that the study of financial literacy and entrepreneurial performance has become a cross-country topic, but with a predominance from developing countries that face an urgent need to improve financial competence in business practices. Further research from other regions such as Latin America or Eastern Europe could broaden the geographical scope and enrich the global discussion in this area.

#### 3.1.4. Research Methods Used

**Figure 4. Research Methods Used**

Source: Processed Data, 2025

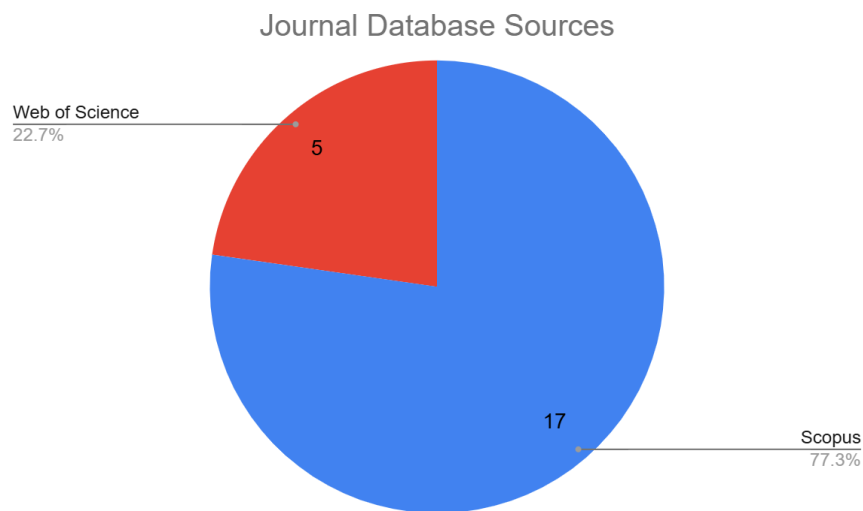
From figure 4 above, analysis of the research methods used in previous studies shows that quantitative methods are the most dominant approach, used in 10 articles. This reflects the tendency of researchers to test the relationship between financial literacy and entrepreneurial performance empirically using numerical data and statistical techniques, such as regression and correlation analysis, to ensure the existence of a statistically significant relationship. Furthermore, qualitative approach found in 5 articles, which generally aims to dig



deeper into the perceptions, experiences, and socio-cultural contexts that influence how business actors understand and apply financial literacy. This method often involves in-depth interviews, case studies, or participant observation.

Mixed methods used in 4 articles, which combines the power of quantitative and qualitative analysis to provide a more comprehensive understanding. This approach allows researchers to identify numerical patterns while explaining the mechanisms or contextual factors that underlie empirical findings. Meanwhile, literature study found in 3 articles, which focuses on collecting, synthesizing, and analyzing previous findings without primary data collection. Although relatively few in number, this approach is important for building a theoretical framework and understanding the existing research landscape. The distribution of these methods indicates that the field of financial literacy and entrepreneurship has been studied with quite diverse approaches, but is still dominated by quantification. Therefore, future studies can expand the methodological approach, especially with qualitative exploration and mixed methods to explore the complexity of the phenomenon more holistically.

### 3.1.5. Journal Database Sources



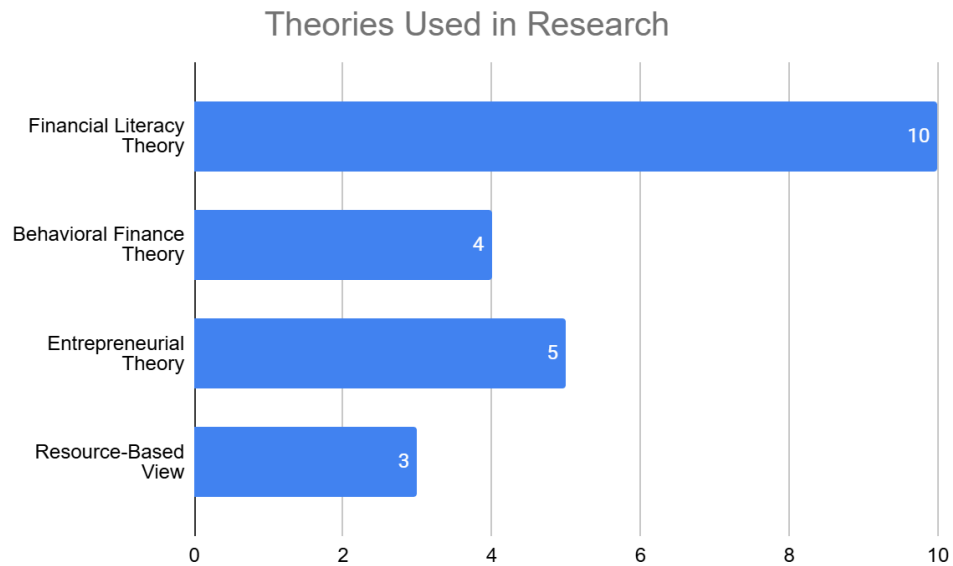
**Figure 5. Journal Database Sources**

Source: Processed Data, 2025

From figure 4 above, this systematic review shows that most of the articles used as research sources come from Scopus, namely as much as 17 articles from a total of 22 references. The dominance of Scopus as the primary source reflects the credibility and broad coverage of this database, which is known as one of the leading global indexers of cross-disciplinary academic literature. Articles published in Scopus-indexed journals have generally gone through a rigorous peer-review process and meet international scientific standards, thus providing a strong basis for the literature analysis in this study.

Meanwhile, Web of Science contributes 5 articles, which is also a highly reputable database and is often used for high-impact academic research. Although fewer in number than Scopus, articles from Web of Science still make significant contributions in enriching theoretical and empirical perspectives on the relationship between financial literacy and entrepreneurial success. This distribution emphasizes the importance of using reputable database sources in a systematic literature review (SLR) to ensure the validity and reliability of the findings.

### 3.1.6. Theories Used in Research



**Figure 6. Theories Used in Research**

Source: Processed Data, 2025

From figure 6 above, analysis of the theories used in the 22 articles reviewed shows that Financial Literacy Theory is the most dominant theoretical framework, used in 10 articles. This is very relevant considering the main focus of the study is to understand how the level of financial literacy affects entrepreneurial performance. This theory emphasizes the importance of individual understanding of financial concepts such as budget management, investment, risk, and savings in the context of effective financial decision making.

Furthermore, Entrepreneurial Theory, found in 5 articles, highlights how entrepreneurial behaviors and characteristics, such as innovation, risk taking, and opportunity orientation, play a role in determining business success. This theory provides a conceptual foundation for understanding the dynamics and strategies used by entrepreneurs in facing market challenges.

Behavioral Finance Theory, which is used in 4 articles, plays an important role in explaining the influence of cognitive and psychological biases on financial decision making. This approach broadens the understanding of how entrepreneurs do not always act rationally in managing their business finances, which can significantly affect business results.

Meanwhile, Resource-Based View (RBV) is adopted in 3 articles, which underlines the importance of a company's internal resources — including financial literacy as a form of intellectual capital — in creating sustainable competitive advantage. RBV views mastery of financial knowledge as a strategic asset for business success.

Overall, the use of these theories shows that the reviewed studies do not only focus on the direct relationship between financial literacy and business performance, but also integrate cross-disciplinary approaches to gain a more comprehensive understanding. The use of these various theoretical frameworks enriches the analysis and strengthens the validity of the research findings.

### 3.2. Key Findings

The thematic analysis of the literature indicates a comprehensive understanding of the connection between financial literacy and the financial performance of entrepreneurs, particularly within Micro, Small, and Medium Enterprises (MSMEs). Numerous studies demonstrate that financial literacy positively influences business performance indicators like profitability, revenue growth, and financial stability. For instance, financial literacy enhances working capital management, investment decision-making, and risk management, which are vital components for MSME success (Hererra et al., 2023; (Culebro-Martínez et al., 2024;

Moreover, the evidence suggests that financial literacy serves as a strategic asset that allows entrepreneurs to navigate financial risks more adeptly. According to Engström and Mckelvie, financial literacy is critical in recognizing and evaluating opportunities within the informal economy, where formal education may be lacking (Engström & Mckelvie, 2017). Further, financial literacy equips entrepreneurs with the necessary skills for effective budget management and financial planning, which are crucial for sustaining and growing their businesses (Dwyanti, 2024).

Despite the prevailing consensus on the benefits of financial literacy, some studies reveal a more nuanced perspective. Research indicates that the impact of financial literacy can vary depending on the individual entrepreneur's context, including education level, demographic factors, and the specific nature of the business (Huston, 2010), Fachrurazi et al., 2023). For example, Huston emphasizes the mixed results surrounding financial education programs, which can lack effectiveness in certain contexts or for specific groups (Huston, 2010). This aligns with findings by Kanagasabai and Aggarwal that suggest mediating variables, such as managerial ability and access to financial resources, strengthen the correlation between financial literacy and performance outcomes (Kanagasabai & Aggarwal, 2020).

Crucially, understanding the role of financial literacy within the broader business environment can enhance its efficacy in promoting better financial outcomes. Studies by Culebro-Martínez et al. assert that financially literate entrepreneurs are more adept at making informed decisions that align with their business goals, indicating that financial literacy not only impacts individual capability but also shapes overall enterprise performance (Culebro-Martínez et al., 2024; Gunawan et al., 2023). Ultimately, fostering financial literacy through targeted educational initiatives is necessary for improving the performance of entrepreneurs, particularly in dynamic and diverse economic environments.

In conclusion, while financial literacy is generally linked to improved financial performance among entrepreneurs, the degree of its impact can fluctuate based on several contextual factors. A combination of robust training and an understanding of specific business challenges can significantly enhance the financial capabilities of MSME owners, thereby bolstering their success.

## 4. DISCUSSIONS

### 4.1. Synthesis of Results

The results of this systematic literature review confirm Financial literacy plays a crucial role in enhancing entrepreneurial success by significantly influencing business financial performance. Research consistently indicates that higher levels of financial literacy empower entrepreneurs to manage financial resources more effectively, make informed strategic decisions, and mitigate associated business risks, all of which contribute to enhanced business growth and financial stability. For example, (Hussain et al., 2018) highlighted that financial literacy enables entrepreneurs to allocate resources judiciously, ultimately leading to improved financial management practices and performance outcomes (Hussain et al., 2018). Similarly, (Li & Qian, 2019) argued that financial literacy is critical for entrepreneurial capabilities, with micro-entrepreneurs benefiting from this knowledge to establish sound financial decision-making processes (Li & Qian, 2019). This aligns with Becker's Human Capital Theory,

which posits that the acquisition of knowledge and skills serves as a vital form of capital, optimizing individuals' business potential, though a proper citation for Becker's theory is missing in the provided references.

Moreover, several studies elucidate the mediating and moderating variables that impact the relationship between financial literacy and business performance. For instance, (Iram et al., 2022) identified managerial abilities and behavioral biases as pivotal factors that can enhance the impact of financial literacy on business success, indicating that while financial literacy itself is critical, the effectiveness of this knowledge is contingent upon supplementary factors such as managerial skills (Iram et al., 2022). Additionally, various moderating variables—including an entrepreneur's educational background, business experience, and the surrounding economic environment—have been noted to influence the relationship between financial literacy and entrepreneurial performance (Burchi et al., 2021).

Furthermore, (Khattak et al., 2024) reported that traits such as education level and relevant business experience can serve as vital moderators in this relationship, suggesting that the interplay of these elements significantly affects performance outcomes (Khattak et al., 2024). Iram et al. also reinforced the significance of these moderating variables by demonstrating that financial literacy could mitigate behavioral biases in decision-making processes for entrepreneurs, thereby illustrating the multifaceted mechanisms through which financial literacy affects entrepreneurial performance (Iram et al., 2022). In summary, the relationship between financial literacy and entrepreneurial success is intricate and shaped by various mediating and moderating factors. Financial literacy not only equips entrepreneurs with essential skills for effective management and strategic decision-making but also interacts with other variables such as managerial competencies and educational background to positively influence overall business performance.

#### **4.2. Theoretical and Practical Implications**

Theoretically, the results of this study strengthen the validity of the Resource-Based View (RBV) which places financial literacy as a strategic asset for entrepreneurs in maintaining and improving business competitive advantage (Barney, 1991). In addition, these findings challenge the view that financial literacy only plays a marginal role in the context of micro and small businesses, by showing that basic financial knowledge has a significant effect on financial management and decision making. In practical terms, these findings suggest the need for a structured and sustainable financial literacy education program, especially for micro, small, and medium entrepreneurs (MSMEs). The government and related institutions should integrate financial training into entrepreneurship development programs to improve the capacity of business financial management. In addition, policy makers need to facilitate access to easy-to-understand financial information and services so that entrepreneurs can optimally utilize financial literacy in their management.business decision making.

#### **4.3. Comparison with Previous Studies**

The vital role of financial literacy in enhancing business success is increasingly supported by both contemporary studies and prior literature. Numerous studies underscore that a profound understanding of financial principles significantly contributes to the resilience and sustainability of small businesses, particularly in varying socio-economic contexts. For instance, Hamid et al. illustrate that small businesses with high financial literacy levels perform better and are more adept at navigating the complexities of the business cycle, thus emphasizing financial literacy as an essential skill for entrepreneurs (Hamid et al., 2023).

Moreover, the impact of financial literacy appears to be more pronounced in emerging economies compared to developed countries. Research in regions with lower access to financial education indicates that the socio-economic backdrop significantly influences the efficacy of financial literacy initiatives. Kadoya and Khan highlight how socio-economic

variables like family income and education positively correlate with financial literacy, suggesting that individuals from lower socio-economic standings typically exhibit lower financial literacy levels, which in turn hampers their financial decision-making (Kadoya & Khan, 2016).

Additionally, studies argue that the benefits of financial literacy may not be experienced uniformly across various demographics or geographical regions. For instance, Zhao and Zhang highlight how parental financial socialization has a substantial effect on financial skills and self-efficacy, indicating that individual financial experiences, often shaped by socio-economic status, can influence financial literacy levels more than direct knowledge alone (Zhao & Zhang, 2020). Furthermore, Kadoya and Khan's investigations into the determinants of financial literacy demonstrate that broader socio-economic factors, including employment status, significantly affect financial understanding and capability, further validating the need for tailored financial education programs (Kadoya & Khan, 2020).

The acknowledgment of these contextual disparities in financial literacy points towards the necessity of refining financial education strategies to better cater to the distinct needs of diverse populations. Erhomosele and Oluchi argue that greater financial literacy is crucial for achieving long-term business viability, especially in regions where basic financial skills are lacking due to socio-economic challenges (Erhomosele & Oluchi, 2022). This reinforces the critical need for economic policies and educational programs designed to enhance financial literacy, particularly for underprivileged populations who may benefit most from such interventions. In summary, a comprehensive understanding of financial literacy not only empowers individual entrepreneurs but also contributes to a more robust business environment, especially in developing contexts where this knowledge can drastically mitigate risks associated with limited financial access.

#### **4.4. Study Limitations**

Although this study provides a comprehensive picture, there are several limitations that need to be considered. First, the scope of the literature is still limited to English-language publications and a certain period. (2016–2024), so potential language and time bias cannot be avoided. Second, most studies used quantitative designs with cross-sectional data, which limits the ability to identify stronger causal relationships. Third, variables such as business type, industry sector, and macroeconomic factors were less explored in depth in some studies, so generalization of findings needs to be done with caution.

#### **4.5. Recommendations for Further Research**

Future research is recommended to expand the scope by including literature from more diverse languages and geographical contexts to gain a more inclusive global perspective. In addition, longitudinal and mixed-methods methodological approaches can be used to explore the dynamics of the relationship between financial literacy and entrepreneurial performance in more depth. Focusing on mediating and moderating variables such as business innovation, social capital, and regulatory environment can also enrich theoretical and practical understanding. Finally, research that examines the impact of financial literacy training programs in the context of specific industry sectors will greatly contribute to the development of more effective entrepreneurship policies and practices.

### **5. CONCLUSIONS**

#### **5.1. Summary of Main Findings**

This study successfully identified a significant positive relationship between the level of financial literacy and increased financial performance in the context of entrepreneurship. Financial literacy is proven to be a crucial factor that strengthens entrepreneurs' ability to manage the financial aspects of their business effectively, which in turn contributes to business

success and growth. This relationship is also influenced by mediating variables such as managerial ability and access to capital, and moderated by factors such as business experience and the economic environment. These findings strengthen empirical evidence that underscores the importance of financial knowledge in supporting strategic and operational business decision-making.

### 5.2. Contribution to Literature

This study makes a significant contribution to the development of the literature by presenting a systematic review that combines theoretical and empirical findings related to the relationship between financial literacy and entrepreneurial performance. This systematic literature review approach provides a comprehensive picture that has not been widely explored in previous studies, thus enriching academic understanding and opening up space for further discussion and theory development, especially in the context of MSME entrepreneurship. In addition, this study confirms the relevance of financial literacy as a strategic asset within the framework of Human Capital and Resource-Based View theories.

### 5.3. Study Limitations

Despite providing a comprehensive picture, this study has important methodological limitations to note. First, the use of a systematic literature review (SLR) method with a focus on publications within a specific time period and in English only limits the scope of the data and may have overlooked relevant literature from a broader context. Second, limitations in the variety of research designs analyzed, the majority of which were cross-sectional, reduce the ability to draw strong causal conclusions. These limitations should be taken into account in the interpretation of the results and in the formulation of entrepreneurship development policies and programs.

### 5.4. Suggestions for Future Research

To overcome these limitations and deepen understanding, further research is suggested to adopt a longitudinal empirical design that is able to capture the dynamics of the relationship between financial literacy and entrepreneurial performance more accurately over time. Exploring mediating and moderating variables in more detail will be very helpful in understanding the complex mechanisms behind the relationship. In addition, research in more diverse geographical contexts, especially in developing countries and regions with varying levels of financial literacy, will provide a more holistic and applicable perspective for the development of entrepreneurship theory and practice globally.

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