

Financial Discipline Mediation: A Study Of Financial Literacy And The Use Of Fintech On Small And Medium Business Performance

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Abstract

This study aims to examine the influence of financial literacy, fintech, and financial discipline on the business performance of small and medium enterprises (SMEs) in Jeneponto Regency. The method used is a quantitative approach with data analysis techniques using SmartPLS. The results of the study show that financial literacy has a significant effect on financial discipline, which in turn contributes to improving the business performance of SMEs. Although fintech has an effect on financial disciplines, its influence on business performance is not very strong. The implications of this research are the importance of increasing financial literacy and fintech adoption through training and mentoring to improve the performance of SMEs. The novelty of this research lies in testing the relationship between financial literacy, fintech, and financial discipline to the business performance of SMEs in Jeneponto Regency, which has not been widely explored, especially in rural areas. The study also introduces financial disciplines as a mediating variable that links financial literacy to business performance, making a new contribution to the literature examining how financial factors interact to improve SME performance. The limitations of this study lie in the limited number of samples and the dependence on respondents' perceptions. Further research with a larger sample and qualitative approach is expected to provide a deeper understanding.

Keywords: *financial literacy, fintech, financial discipline, business performance, SME*

BACKGROUND

In the era of globalization and increasingly advanced digitalization, a deep understanding of finance has become essential for business success. Good financial literacy, effective financial management practices, and the application of technology in financial administration can have a significant impact on the performance and sustainability of a business. With a strong financial discipline as a mediator, the relationship between these factors and business performance is an interesting topic to research.

MSMEs have a very important role in the Indonesian economy as the backbone of the national economy. MSMEs account for more than 60% of the Gross Domestic Product (GDP) and create more than 97% of jobs across Indonesia, making them a vital sector for economic growth and poverty alleviation. In addition, MSMEs make a major contribution to supporting local economic development through optimizing regional potential, distributing income, and increasing national economic competitiveness. In the digital era, the role of MSMEs is increasingly strategic in encouraging financial inclusion and digital transformation, especially by integrating digital financial technology to improve efficiency and market access. With the ability to adapt to change, MSMEs are key in facing global challenges, such as economic crises, and supporting post-pandemic economic recovery.

The importance of MSMEs paying attention to financial aspects in business and having digital literacy lies in their role in ensuring the sustainability, efficiency, and competitiveness of businesses in the modern era. Good financial management allows MSMEs to manage cash flow, expenses, and investments effectively, thereby avoiding the risk of bankruptcy and increasing business growth opportunities. In addition, digital literacy is very important for MSMEs to utilize technology in financial transactions, marketing, and operational management. By utilizing digital financial services, such as electronic payments, access to digital financing, and automated record-keeping, MSMEs can expand the market, increase efficiency, and save time and costs. The combination of good financial management and digital literacy skills makes MSMEs more adaptive to market dynamics and technology-based economic transformation.

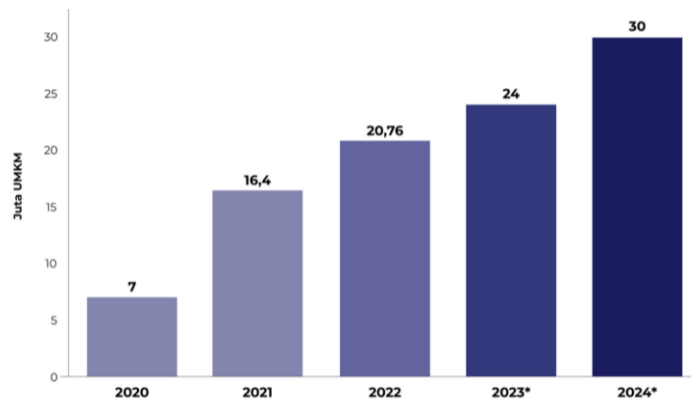


Figure 1. Number of MSMEs entering Indonesia's digital ecosystem in 2020-2024
Source: <https://kadin.id/data-dan-statistik/umkm-indonesia/>

The data in the graph above shows a significant growth in the number of MSMEs entering the digital ecosystem in Indonesia, with a target of 30 million MSMEs by 2024. This shows that digital transformation is increasingly widespread, including in the aspect of digital finance. Financial digitalization provides a great opportunity for MSMEs to improve the efficiency of financial management, access to financing, and business transactions. However, on the other hand, many MSMEs, especially in rural areas such as Jeneponto, still face challenges in financial literacy and the use of digital technology, including digital finance. This research focuses on how financial literacy and financial discipline can affect the application of digital finance in MSMEs, which in turn improves their business performance. By examining this, this research can contribute to supporting the transition of MSMEs to a more inclusive financial digital ecosystem, thereby supporting the achievement of national digital transformation targets. Small and medium enterprises in South Sulawesi Province play a very important role in the regional economy, contributing to job creation, local economic growth, and poverty reduction. Most SMEs in South Sulawesi are engaged in the trade, processing industry, agriculture, and fisheries sectors, which have great potential to grow, but still face various challenges (Toaha et al., 2019). Despite having a significant contribution, many SMEs in this area, including in Jeneponto Regency, still face difficulties in terms of financial management, both in terms of financial literacy, effective financial management, and the use of financial technology (Fintech). Many SMEs in South Sulawesi do not fully understand the importance of good financial management, so there is often irregular cash flow management, as well as difficulties in budget planning and data-driven business decision-making.

Jeneponto Regency has an interesting uniqueness to be used as a research location related to the finance of small and medium enterprises (SMEs). With a total of 3,350 small businesses and only 58 medium-sized enterprises, Jeneponto shows a significant dominance of small businesses in its economic structure. The relatively large number of small businesses compared to some other areas in South Sulawesi, such as Bantaeng and Sinjai, reflects the great economic potential in rural areas. However, the dominance of small businesses also indicates that there are specific challenges, such as limited access to financial literacy, training, and digital infrastructure, which can affect financial management and business performance. In addition, the potential for small businesses to develop into medium-sized businesses opens up opportunities for research on the role of financial literacy, financial discipline, and digital literacy in increasing business scale.

Jeneponto is a strategic location to study the financial dynamics of SMEs, especially in the context of rural areas with unique challenges and opportunities. Although SMEs have great potential to drive regional economic growth, they often face various challenges, especially when it comes to financial management. In Jeneponto, limited access to financial resources, low financial literacy, and limited infrastructure and technology are the main obstacles in improving business efficiency and performance. Many SMEs have not adopted good financial management practices, which has an impact on irregularities in cash flow management, budget planning, and financial decision-making.

Table 1. Economic Growth Rate of Gross Regional Domestic Product on a Constant Price Basis by Regency/City (percent), 2019-2023

Yes	Regency/City	2019	2020	2021	2022*	2023**
1	Kep. Selayar	7,68	-1,78	4,02	3,67	3,68
2	Bulukumba	5,49	0,43	4,76	3,81	4,11
3	Bantaeng	10,75	0,52	5,26	3,56	2,92
4	Jeneponto	5,47	0,16	5,4	3,81	1,9
5	Takalar	6,46	-0,61	5,05	4,64	3,86
6	Gowa	7,46	1,76	7,26	4,59	5,82
7	Sinjai	6,12	1,55	5,23	4,87	5,71
8	Maros	1,24	-10,87	1,36	9,13	5
9	Jail	6,41	-1,69	3,46	4,93	4,75
10	Barru	7,41	0,87	4,77	5,11	3,51
11	Bone	7,01	-0,25	5,53	5,23	3,77
12	Soppeng	7,69	2,19	6,15	6,18	3,33
13	Wajo	4,06	-1,17	6,71	2,38	1,43
14	Sidrap	4,65	-0,59	5,54	4,86	3,32
15	Stuttgart	6,53	0,04	5,04	4,53	2,18
16	Enrekang	6,53	0,43	6,36	3,71	3,23
17	Südü	6,26	1,3	5,69	5,62	5,14
18	Tana Toraja	7,22	0,28	5,19	5,12	3,66
19	Luwu North	5,12	0,39	3,9	5,19	5,66
20	East Luwu	1,17	1,46	-1,39	1,99	9,66
21	North Toraja	7,56	0,17	4,05	5,27	3,94
22	Makassar	8,79	1,47	6,86	5,4	5,31
23	Protect	6,65	-0,08	4,41	5,93	3,88
24	Squirt	6,75	0,45	5,41	5,83	4,34

Source: Secondary Data (2025)

Jeneponto Regency experienced fluctuations in the economic growth rate (GDP on a constant price basis) during the period 2019 to 2023. In 2019, Jeneponto's economic growth reached 5.47%, reflecting stable economic conditions before the COVID-19 pandemic. However, in 2020, economic growth fell dramatically to 0.16%, which shows the significant impact of the pandemic on economic activity in the region, including small and medium enterprises (SMEs).

In 2021, there was a recovery with economic growth reaching 5.40%, but it declined again to 3.81% in 2022 and only 1.90% in 2023 (a very temporary figure). This decline indicates that there are obstacles in maintaining the momentum of the economic recovery, which may be due to challenges in financial management, financial literacy, and financial technology (Fintech) adoption.

Financial literacy is crucial for SMEs in Jeneponto to help them understand the basic concepts of financial management, including the importance of financial discipline and the use of digital financial services, such as electronic payments and automated record-keeping. With better financial literacy, SMEs in Jeneponto can increase competitiveness, improve business performance, and take advantage of opportunities to grow into more established medium-sized businesses.

There are many economic and social aspects that are influenced by the gap between micro, small, and medium enterprises (MSMEs) in the cities and villages of a district (Beckmann et al., 2023). Infrastructure differences are the main factors influencing this difference. SMEs in cities typically have better access to infrastructure, technology, capital, and markets than SMEs in rural areas. SMEs in major cities enjoy better access to better transport networks, more advanced telecommunications services, and a more stable supply of electricity. This allows them to work more efficiently, maintain the quality of goods or services,

and communicate with suppliers and customers better (Ratnawati et al., 2023). Small and medium enterprises (SMEs) in villages are often plagued by poor infrastructure, which ranges from problems distributing products to problems in obtaining raw materials.

Access to technology is also very important. Urban SMEs are generally faster to adopt new technologies, such as management software, e-commerce platforms, and digital payment solutions. This allows them to improve their business processes and expand their market reach. In contrast, rural SMEs are often limited to conventional technology and do not have access to the latest technological solutions. Small and medium-sized businesses (SMEs) located in urban areas have easier access to capital and funding as banks and other financial institutions are more likely to operate in urban areas, which allows them to provide credit and other financial products more easily.

The phenomenon of the SME gap in Jeneponto between SMEs in the sub-district/village compared to SMEs in the city and district seems to have too many factors influencing, for example, the amount of income of urban people, the majority of whom are employees or traders, makes their purchasing power higher when compared to people in rural or sub-districts. The ability to access markets and better distribution networks in cities allows urban SMEs to sell their products more efficiently and to larger markets. In rural areas, SMEs are often limited to small local markets, with few opportunities for expansion due to a lack of access to larger markets and distribution networks. SMEs in the urban area of Jeneponto tend to have better access to financial services such as bank loans, microcredit, and even investments. SMEs in villages face greater challenges in accessing these financial resources, often relying on loans from families or non-formal financial institutions that may offer less favorable conditions and therefore require strengthening financial literacy.

Financial literacy refers to the ability of individuals to understand and use various financial products effectively (Lusardi, 2019). In a business context, financial literacy allows entrepreneurs to make informed decisions about investments, financing, risk management, and asset allocation. Previous research has shown that high levels of financial literacy correlate with better cash flow and credit management skills, which can directly affect business performance (Goyal & Kumar, 2021).

Financial literacy is considered an intangible resource, which provides a competitive advantage. SME owners who have better financial literacy will be able to utilize their financial resources more efficiently, increasing profitability and competitiveness in the market. Although in theory, financial literacy is expected to help SMEs in managing cash flow, increasing access to financing, and planning for long-term growth, in reality there is still a significant gap in the understanding and application of financial literacy by SME owners.

According to a survey conducted by the OJK in 2022, the financial literacy index of the Indonesian population was 49.68 percent, up from 21.84 percent in 2013, 29.70 percent in 2019, and 38.03 percent in 2019. Therefore, to improve people's financial literacy, financial education is very necessary. These financial education activities can help the public in providing an understanding of financial literacy, namely by providing educational materials that at least include the characteristics of the financial services sector, characteristics of financial products and/or services, financial management, and taxation related to products and/or services.

The adoption of digital technologies in financial administration, such as the use of accounting software, online banking platforms, and Fintech solutions, has revolutionized the way companies manage their finances (Viswanathan & Telukdarie, 2021). This technology not only improves efficiency through repetitive process automation but also improves the accuracy of financial data and speeds up decision-making. Recent studies show that the integration of financial technology can increase transparency, reduce errors, and support better decision-making.

Digital payment systems play an important role in the growth of SMEs, especially in the rapidly growing digital era. According to Bank Indonesia data in the Fourth Quarter 2023 Monetary Policy Report, the value of digital banking transactions was recorded at IDR 58,478.24 trillion or grew by 13.48% (yoy) and is projected to increase by 9.11% (yoy) to reach IDR 63,803.77 trillion in 2024. Meanwhile, the transaction value of Electronic Money (EU) increased by 43.45% (yoy) to reach Rp835.84 trillion and is projected to increase by 25.77% (yoy) to reach Rp1,051.24 trillion in 2024. QRIS transaction volume grew 130.01% (yoy) and reached IDR 229.96 trillion, with 45.78 million users and 30.41 million merchants, most of whom are MSMEs.

Financial discipline refers to the act of following established rules and procedures to manage financial resources (V. Gupta et al., 2018). This includes keeping spending levels within budget, avoiding excessive

debt, and regularly reviewing financial statements. Strong financial discipline is required to ensure that financial management practices and the application of financial technology are implemented effectively and provide maximum results on business performance (Ratnawati, 2020).

The research, which focuses on SMEs in Jeneponto Regency, South Sulawesi, brings a unique perspective in examining the influence of financial literacy, Fintech use, and financial discipline on business performance. Specific phenomena related to SMEs in these locations include specific challenges and opportunities related to the local geographical and economic context. SMEs in Jeneponto Regency from a financial literacy perspective may vary significantly. Many SME owners may not have enough access to formal financial education or training. This can affect their ability to manage their finances effectively, plan ahead, and take advantage of financing opportunities. Low levels of financial literacy can be an obstacle in managing risk and optimizing the use of available economic resources.

The development of financial technology (Fintech) has opened up opportunities for SMEs to improve their financial efficiency. Study by Zia et al (2021) Regarding the implementation of technology in resource management, it shows that the proper use of technology can reduce financial risks and increase business stability. This is in line with the phenomenon where SMEs are adopting Fintech have better access to funding sources, digital payments, and financial management tools that allow them to be more disciplined in managing their finances.

This study will explore the significant theoretical gap in the literature related to the relationship between financial literacy, financial management practices, the application of digital administration, and SME business performance, especially with financial discipline as a mediating variable. The Resource-Based View (RBV) theory states that competitive advantage can be achieved through the utilization of valuable, scarce, and hard-to-replicate resources. In this context, financial literacy and the implementation of digital administration can be considered as strategic intangible resources for SMEs. However, this theory has not explicitly explained how these factors are influenced by or affect financial disciplines in improving business performance.

The Technology Acceptance Model (TAM) emphasizes the ease of use and perceived benefits of adopting technology. Although this theory is relevant in explaining the adoption of digital administration, there have not been many studies that integrate TAM with financial disciplines to explain the influence of technology on business performance, especially in the context of SMEs in rural areas that have limited access to digital infrastructure.

Financial literacy is often referred to as one of the important factors in financial management based on classical financial theory. However, in many studies, financial literacy is treated as an independent variable that directly impacts business performance. The theoretical gap arises when the financial discipline, which acts as a mechanism for the implementation of financial literacy, has not been widely discussed as a mediating variable in the literature. In fact, a theoretical understanding of how financial disciplines strengthen the relationship between financial literacy and business performance can provide new insights to enrich financial theory.

Most of the research related to financial literacy, financial management, and digitalization in SMEs focuses on urban areas or developed countries. Thus, there is a gap in the literature regarding how certain socio-economic and geographical contexts, such as those in Jeneponto Regency, affect the validity of these theories. This research aims to fill these theoretical gaps by examining the mediating role of financial disciplines, while integrating RBV, TAM, and classical financial theory in specific local contexts.

As for the gap research, it is that although financial literacy has been recognized as an important factor that affects the sustainability of small and medium enterprises (SMEs), as shown by research Ambarwati et al (2020), there are still many SMEs who have low levels of financial literacy, especially in rural areas such as Jeneponto. In addition, although financial disciplines have the potential to strengthen the relationship between financial literacy, financial management practices, and the application of digital administration to business performance, research on the role of financial discipline as a mediating variable is limited. Previous studies, such as Gupta et al (2020), shows the importance of financial discipline, but not many have comprehensively examined its role in the context of SMEs in rural areas.

The adoption of digitalization has been proven to improve the performance of SMEs (Daud et al., 2022; Kádárová et al., 2023), However, limited infrastructure in remote areas creates a gap between the potential benefits of digitalization and its implementation on the ground. In addition, low access to financial training is also a major barrier for SMEs to improve their financial management skills(Ratnawati et al., 2023). Therefore, this study is important to bridge these gaps by examining the mediating role of

financial discipline and providing relevant new approaches to improve the performance of SMEs in remote areas

Based on the explanation above, the formulation of the problem in this study can be described as follows:

- 1) Does financial literacy affect the financial discipline of SMEs in Jeneponto Regency?
- 2) Does financial management practice affect the financial discipline of SMEs in Jeneponto Regency?
- 3) Does financial technology affect the financial discipline of SMEs in Jeneponto Regency?
- 4) Does financial literacy affect the business performance of SMEs in Jeneponto Regency?
- 5) Does financial management practice affect the business performance of SMEs in Jeneponto Regency?
- 6) Does financial technology affect the business performance of SMEs in Jeneponto Regency?
- 7) Does financial discipline affect the business performance of SMEs in Jeneponto Regency?
- 8) Does financial literacy affect the business performance of SMEs in Jeneponto Regency if mediated by financial discipline?
- 9) Does the practice of financial management affect the business performance of SMEs in Jeneponto Regency if mediated by financial discipline?
- 10) Does financial technology affect the business performance of SMEs in Jeneponto Regency if it is mediated by financial discipline?

RESEARCH METHODS

This study is a quantitative research that aims to find causal relationships from hypotheses that have been built by distributing questionnaires. The data obtained was processed using the help of SmartPLS software using the partial least squares (SEM-PLS) method.

The research will be carried out in Jeneponto Regency, South Sulawesi, with an estimated research time of approximately ± 3 (Three) from January to March 2025. The sample in this study was 100 respondents who were randomly selected from small and medium business managers in Jeneponto Regency.

The following table is presented related to the research variables and operational definitions used in the preparation of the instruments in this study.

Table 2. Research Variables and Operational Definitions

Code	Research Variables	Operational Definition	Indicators
X1	Financial Literacy	Knowledge and understanding of every SME owner about the concept of financial management.	<ul style="list-style-type: none"> ▪ Interest. ▪ Inflation ▪ Insurance ▪ Investment
X2	Use of Fintech	The condition where SMEs have used Financial Technology to provide easier, faster, and more affordable financial services such as QRIS, BRImo, and BRILink.	<ul style="list-style-type: none"> ▪ Benefits of use (usefull) ▪ Easy to use ▪ Integration with Digital Technology ▪ Support for Different Types of Loans
Y1	Financial Discipline	The habits of SME owners in maintaining a balance between income and expenses, as well as the ability to set aside funds for investment and business development.	<ul style="list-style-type: none"> ▪ Budget compliance ▪ Accuracy of debt repayment ▪ Debt schedule management ▪ Consistency of Savings ▪ Achievement of investment objectives
Y2	Business Performance	The level of achievement of goals and results achieved by SMEs in various operational and financial aspects	<ul style="list-style-type: none"> ▪ Sales growth ▪ Workforce growth ▪ Customer Growth ▪ Profit growth ▪ Asset growth

Source: Researcher (2024)

RESEARCH RESULTS

Characteristics of Respondents by Gender

Based on the results of the distribution of questionnaires to 100 respondents, the characteristics of respondents based on gender can be described as follows:

Table 3. Respondents by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	L	47	47.0	47.0	47.0
	P	53	53.0	53.0	100.0
	Total	100	100.0	100.0	

Source: Data Processing (2025)

Based on the table above, the data on Jenis_Kelamin shows that respondents are almost evenly divided between men and women. A total of 47 respondents were male (47%) and 53 respondents were female (53%). This percentage shows a fairly balanced gender distribution in the study sample. The valid percentage and the cumulative percentage show similar results, where 47% of respondents are male and after adding with 53% of female respondents, the cumulative number reaches 100%. This shows that no data is missing in the gender category, so the sample of this study reflects an almost even gender division.

With a nearly equal gender distribution of 47% males and 53% females, this study has the potential to encompass diverse perspectives on how both genders are involved in business financial management, financial technology (fintech) adoption, and financial discipline implementation. The differences or similarities in responses between men and women to the research variables can provide additional insights related to gender factors in managing MSME finance and business performance, especially in rural areas such as Jeneponto.

Characteristics of Respondents by Age

Based on the results of the distribution of the questionnaire to 100 respondents, the characteristics of respondents based on age can be described as follows:

Table 4. Respondents by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<20 YEARS	1	1.0	1.0	1.0
	<50 YEARS	2	2.0	2.0	3.0
	>50 TH	7	7.0	7.0	10.0
	20-30- TH	1	1.0	1.0	11.0
	21-30 TH	30	30.0	30.0	41.0
	31-40 TH	33	33.0	33.0	74.0
	41-50 TH	26	26.0	26.0	100.0
	Total	100	100.0	100.0	

Source: Data Processing (2025)

Based on the data on respondent characteristics based on age, the age distribution of respondents shows quite diverse variations. Most of the respondents were in the age range of 21 to 50 years, with the age group of 31-40 years being the largest group, which was as much as 33% of the total respondents. The age group of 21-30 years is also quite significant, reaching 30%, while the age group of 41-50 years amounts to 26%. Only a small number of respondents were under the age of 20 (1%) or over 50 years old (7%). The cumulative percentage shows that about 74% of respondents are in productive age, which is between 31 and 50 years old. This reflects that the majority of respondents have sufficient experience in running a business, which is relevant to the focus of research that examines the influence of financial literacy, financial management, and the use of fintech on business performance in MSMEs in Jeneponto Regency.

Characteristics of Respondents Based on Education

Based on the results of the distribution of questionnaires to 100 respondents, the characteristics of respondents based on education can be described as follows:

Table 5. Respondents Based on Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DIPLOMA	2	2.0	2.0	2.0
	MASTER	1	1.0	1.0	3.0
	BACHELOR	14	14.0	14.0	17.0
	SD	1	1.0	1.0	18.0
	SMA	69	69.0	69.0	87.0
	JUNIOR	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

Source: Data Processing (2025)

Based on data on respondent characteristics based on education, the majority of respondents have an education level at the high school level, which is as much as 69% of the total respondents. Meanwhile, 14% of respondents have a Bachelor's degree (S1), and 13% have education up to the junior high school level. There are also 2% of respondents with a diploma education, and 1% with a Master's and Elementary education. The cumulative percentage shows that almost 87% of respondents have a high school level education and above. This reflects that the majority of respondents have secondary to higher education, which can affect their understanding of financial literacy and business management, which is the main focus of this study.

Characteristics of Respondents Based on Marital Status

Based on the results of the distribution of questionnaires to 100 respondents, the characteristics of respondents based on marital status can be described as follows:

Table 6. Respondents by Status_Pernikahan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UNMARRIED	27	27.0	27.0	27.0
	MARRY	73	73.0	73.0	100.0
	Total	100	100.0	100.0	

Source: Data Processing (2025)

Based on data on respondent characteristics based on marital status, the majority of respondents were married, which was 73% of the total respondents. Meanwhile, 27% of respondents were unmarried. Thus, this study was dominated by married respondents. The cumulative percentage shows that 100% of respondents are recorded in the marital status category, with no missing data. This marital status can provide additional insight in analyzing factors that may affect financial literacy, financial management practices, and the use of fintech in MSMEs, especially in the context of family and business financial management.

Model goodness test

The test of the structural model was carried out by looking at the R Square value which is a goodness fit test of the model. R² is used to measure the level of validity of the independent variable formation against the dependent variable, the higher R² means the better the prediction model of the research model used based on the results of the calculation obtained R square processed with Smart PLS can be presented through table 5.13, namely:

Table 7. R Square Data Processing Results

	R Square	R Square Adjusted
Financial Discipline	0,334	0,321
Business Performance	0,397	0,378

Source: SmartPLS (2025)

Based on the results of the test of the structural model using the R Square value (R^2), which is a goodness of fit model test, it can be interpreted as follows: R^2 is used to measure the extent to which independent variables (such as financial literacy, financial management practices, and fintech use) can explain dependent variables (financial discipline and business performance). The higher the R^2 value, the better the model is at predicting the desired outcome.

In table 5.13, the R^2 value for Financial Disciplines is 0.334, which indicates that about 33.4% of the variation in financial disciplines can be explained by the independent variables studied. The Adjusted R^2 value for financial discipline is 0.321, which takes into account the number of variables in the model, and is slightly lower than the R^2 value, indicating that after correction, the model remains quite good but there are other factors that have not been measured.

The R^2 value of the business performance variable is 0.397, which means that about 39.7% of the variation in business performance can be explained by independent variables. The Adjusted R^2 value for business performance is 0.378, which also reflects a fairly good model although there are other factors that may affect business performance but are not yet covered in the model. This R^2 value indicates that the research model has a fairly good level of validity in explaining the relationship between the existing variables, although there is room for improvement and addition of other variables to improve the accuracy of the predictions.

Path Coefficient Analysis

In this study, after bootstrapping, the estimated coefficient value for the path connection in the structural model processed with Smart PLS was obtained. For more details, a bootstrapping image with Smart PLS 4 will be presented through the following image:

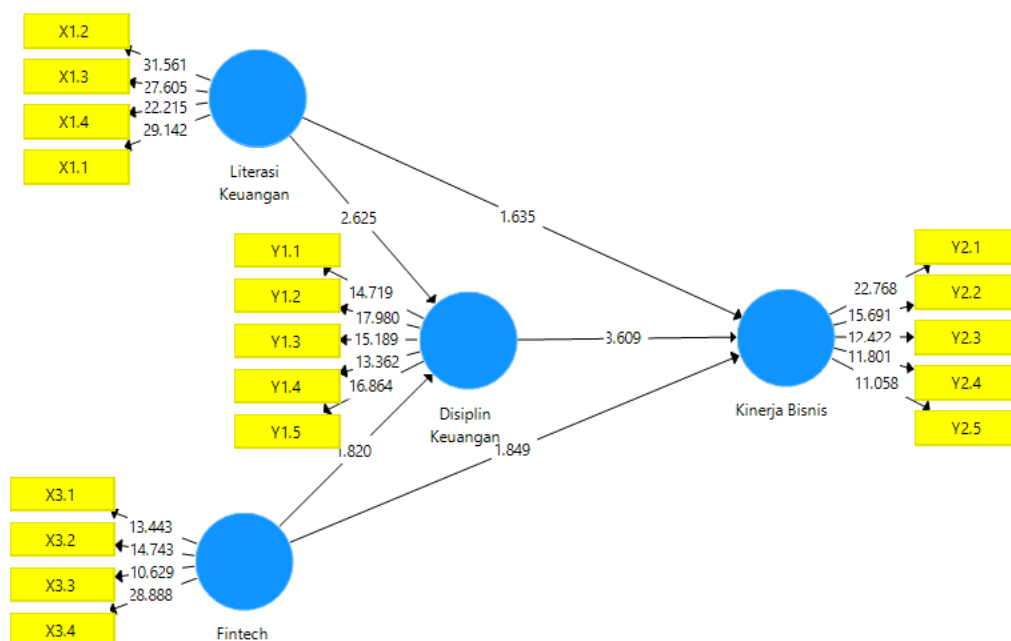


Figure 2. Bootstrapping Results with Smart PLS 4

Based on the results of the Path Coefficient analysis after the bootstrapping process using Smart PLS, the estimated coefficient value for the path relationship in the structural model was obtained. The value of this estimation coefficient illustrates the strength and direction of the relationship between the variables in the research model. Each coefficient value indicates how much an independent variable affects the dependent variable or how the mediating variable affects the model.

The image of the bootstrapping results presented in Figure 2 shows the path relationship between Financial Literacy, Financial Discipline, Fintech, and Business Performance. Each independent variable (Financial Literacy and Fintech) has a significant influence on the dependent variable of Business Performance, either directly or through Financial Discipline as a mediation variable. The numbers seen on each path in the image illustrate the estimation coefficient that shows the strength of the relationship between variables.

Based on figure 2 and after data processing, the results of data processing of the path coefficient with Smart PLS can be presented as follows:

Table 8. Path Coefficient Data Processing Results

Types of Influences	Relationships Between Variables	T Statistics (O/STDEV)	P Values	Information
Direct Influence	Financial Literacy - > Financial Discipline	2,625	0,009	Accepted Hypothesis
	Fintech - > Financial Discipline	1,820	0,069	Hypothesis Rejected
	Fintech -> Business Performance	1,849	0,065	Hypothesis Rejected
	Financial Literacy - > Business Performance	1,635	0,103	Hypothesis Rejected
	Financial Discipline - > Business Performance	3,609	0,000	Accepted Hypothesis
Indirect Influence	Financial Literacy -> Financial Discipline -> Business Performance	1,926	0,055	Hypothesis Rejected
	Fintech -> Financial Discipline -> Business Performance	2,029	0,043	Accepted Hypothesis

Source: SmartPLS (2025)

Based on the results of data processing presented in table 8 regarding Path Coefficient using Smart PLS, this analysis shows the relationship between variables as well as the direct and indirect influence between variables in the research model. These results include the value of T Statistics (|O/STDEV|) and P Values used to test the hypothesis in this study.

- 1) Financial Literacy -> Financial Discipline has a T Statistics value of 2.625 and a P Value of 0.009. Since the P Value < 0.05, this hypothesis is accepted, which means that financial literacy has a significant effect on financial discipline.
- 2) Fintech -> Financial Discipline shows a T Statistics of 1,820 with a P Value of 0.069. Since the P Value > 0.05, this hypothesis is rejected, which means fintech has no significant effect on financial discipline.
- 3) Fintech -> Business Performance has a T Statistics of 1.849 and a P Value of 0.065. With a P Value of > 0.05, this hypothesis is rejected, which means fintech has no significant effect on business performance.
- 4) Financial Literacy -> Business Performance has a T Statistics of 1.635 and a P Value of 0.103. A P value greater than 0.05 indicates that this hypothesis is also rejected, which means that financial literacy has no significant effect on business performance.
- 5) Financial Discipline -> Business Performance has a T Statistics of 3.609 and a P Value of 0.000. Since the P Value < 0.05, this hypothesis is accepted, which means that financial discipline has a significant effect on business performance.
- 6) Financial Literacy -> Financial Discipline -> Business Performance has a T Statistics of 1.926 and a P Value of 0.055. Since the P Value is greater than 0.05, this hypothesis is rejected, meaning that the indirect influence between financial literacy through financial discipline on business performance is not significant.
- 7) Fintech -> Financial Discipline -> Business Performance shows T Statistics 2.029 and P Value 0.043. With a P Value of < 0.05, this hypothesis is accepted, which means that there is a significant indirect influence between fintech through financial discipline on business performance.

DISCUSSION

The Impact of Financial Literacy on Financial Literacy

The influence of financial literacy on the financial discipline of small and medium enterprises (SMEs) in Jenepono Regency has important significance in the context of local economic development. Financial literacy refers to the ability of individuals to understand and use various financial concepts and products that are relevant to making wise decisions in daily economic life, including in business financial management. Financial discipline, on the other hand, describes the ability to follow the principles of good

financial management, such as proper record-keeping, budget supervision, and controlling expenses in business activities.

In this study, it was found that financial literacy has a positive effect on financial discipline in SMEs in Jeneponto Regency. The results of this study are in line with theories that suggest that a good understanding of financial literacy can improve the ability of entrepreneurs to manage business finances in a more structured and directed manner. For example, the theory of personal financial management proposed by **Klapper & Lusardi (2020)** It shows that high levels of financial literacy are associated with more efficient financial management and better decision-making in regulating cash flow and investment. Financial literacy plays a crucial role in determining business success, as many SME owners do not have a formal educational background in economics or finance. Along with business development, SME owners need to understand basic concepts such as cash flow, transaction recording, debt management, and tax planning to ensure the sustainability of their business. Research by **Sharma et al (2024)** It shows that small business owners who have a high level of financial literacy tend to be more disciplined in compiling financial statements and managing their business cash flow, which in turn helps the business to develop better.

In Jeneponto Regency, most SMEs still face challenges in terms of good financial management. The lack of understanding of financial literacy causes many SMEs to have difficulty distinguishing between personal and business expenses, and does not have an adequate financial recording system. Based on this study, it was found that the higher the level of financial literacy, the better the financial discipline applied in business management. This shows that there is a significant correlation between financial literacy and the application of financial discipline principles to SMEs in Jeneponto Regency.

Previous research, such as those conducted by Kurniawan and Wulandari (2019), has also found that SME entrepreneurs with low levels of financial literacy are more prone to errors in financial management and are less able to utilize financial resources optimally. Conversely, entrepreneurs with good financial literacy are more skilled in planning and managing existing funds for the sustainability of their business. In this case, providing financial training and education to SME owners in Jeneponto Regency is essential to increase their understanding of the importance of accurate record-keeping, cost control, and financial risk management.

The Impact of Fintech on Financial Discipline

The influence of fintech (financial technology) on the financial discipline of small and medium enterprises (SMEs) in Jeneponto Regency is a relevant theme in the context of the increasingly rapid development of the digital economy. Fintech refers to the use of technology to provide more efficient, accessible, and more affordable financial services. In this case, fintech can have a significant impact on the financial discipline of SMEs, especially in terms of more efficient cash flow management, payments, loans, and financial records.

Based on the results of research conducted in Jeneponto Regency, it was found that the use of fintech has an effect on the financial discipline of SMEs, although the influence is not as strong as financial literacy. The use of fintech, which includes digital payment services, online loans, and application-based financial recording, can make it easier for SMEs to manage business transactions and improve their financial records. However, not all types of fintech exert a significant influence, as seen in the influence of fintech on financial disciplines which has a p-value of 0.069, which suggests that this relationship is not significant at the 5% confidence level. This indicates that although fintech provides convenience, SME entrepreneurs in Jeneponto Regency may not have fully utilized the potential of this technology optimally to improve their financial discipline.

The theory underlying the influence of fintech on financial disciplines can refer to the theory of technology adoption, as explained by **Davis (1989)** in the Technology Acceptance Model (TAM). This model suggests that a person will adopt a new technology if they feel that it is easy to use and provides clear benefits. In the context of SMEs, fintech adoption will be higher if businesses feel that the technology can simplify the payment process, increase efficiency, and provide better control over their cash flow. Research by **Yunita Leatemia et al (2023)** shows that the adoption of fintech in SMEs can improve operational efficiency and help business actors in monitoring transactions more systematically. Research by **Bhat et al (2023)** shows that the use of fintech, such as the use of financial recording applications, can improve financial discipline because it allows SME owners to record and monitor transactions in real-time. With easy access to digital financial data, SMEs can more quickly identify

existing financial problems, such as recording errors or mismatches between income and expenses, which are often the main obstacles in SME financial management.

Although fintech has the potential to improve financial discipline, several challenges are still faced by SMEs in Jenepono Regency. One of them is the low understanding and digital skills possessed by most SME owners. According to research conducted by Setyawan and Wibowo (2020), many SME entrepreneurs still have difficulty in operating digital financial applications, which hinders the full potential of fintech to help them in managing business finances.

The Influence of Financial Literacy on Business Performance

The influence of financial literacy on the business performance of small and medium enterprises (SMEs) in Jenepono Regency is an important topic in the context of business management and local economic growth. Financial literacy refers to the ability of individuals or business actors to understand and use finance-related information to make wise and strategic decisions in the management of their financial resources. In the context of SMEs, financial literacy can affect various aspects of business operations, ranging from cash flow management, investment decision-making, to long-term financial planning.

Based on the results of research conducted in Jenepono Regency, it was found that financial literacy has a positive influence on SME business performance. These results show that SMEs who have a higher level of financial literacy tend to be able to manage their business finances better, which in turn improves their business performance. Specifically, the test results showed that financial literacy made a significant contribution to business performance, with a T-statistic value of 2.625 and a p-value of less than 0.05, indicating that the proposed hypothesis was accepted. This shows that a good understanding of financial concepts such as cash flow management, debt management, and investment planning can improve the decisions made in running a business and have an impact on improving the performance of the business itself.

The theory underlying the influence of financial literacy on business performance can be explained through the theory of financial behavior put forward by **Lusardi and Mitchell (2014)**. According to this theory, individuals or business actors who have good financial literacy will be better able to make more rational financial decisions and in accordance with their business goals. They will be wiser in managing financial resources, so they can minimize financial risks and maximize potential profits. Thus, higher financial literacy allows SMEs to make more mature financial planning, which ultimately contributes to improved business performance.

Research by **Li et al (2025)** It also shows that financial literacy can improve business performance by providing a better understanding of efficient and effective financial management. Knowledge of budget management, transaction recording, and tax and investment planning are basic skills needed by SMEs to run their businesses in a sustainable and profitable manner. Therefore, SMEs who have a good level of financial literacy are more likely to make the right financial decisions and avoid mistakes that can harm their business.

Financial literacy plays an important role in improving business performance, research by **Farhan et al (2022)** also stated that the level of financial literacy among SMEs in certain areas is still relatively low. In Jenepono Regency, the challenge faced by SMEs is the lack of access to adequate financial training and education. This causes many SMEs to struggle to understand how to manage their finances effectively, even though they have great business potential.

The Influence of Fintech on Business Performance

The influence of fintech on the business performance of small and medium enterprises (SMEs) in Jenepono Regency is an important issue, considering the rapid development of financial technology that can provide convenience for business actors in managing their finances. Fintech encompasses a wide range of financial services that use technology to facilitate transactions, management, and access to financial products. For SMEs, the use of fintech can increase operational efficiency, speed up the payment process, and open access to previously limited financial resources, such as business loans.

Based on the results of a study conducted in Jenepono Regency, the influence of fintech on SME business performance showed significant results, although not all relationships between variables were supported. In the path coefficient test, it was found that the influence of fintech on business performance had a T-statistic of 1.849 and a p-value of 0.065. This p-value is slightly greater than 0.05, which indicates that the influence of fintech on business performance is still at a level that is not entirely significant, although it

indicates a potential impact. In other words, although fintech has a positive impact on the business performance of SMEs in Jeneponto Regency, its influence is not strong enough to be fully accepted in the context of this research model.

The influence of fintech on business performance can be explained through the theory of technology adoption, as proposed by **Davis (1989)** in the Technology Acceptance Model (TAM). According to this model, business actors who adopt new technologies such as fintech will experience increased efficiency and effectiveness in their business operations, provided that the technology is easy to use and provides real benefits. In the context of SMEs, fintech provides various advantages, such as ease of making payments, quick access to loans, and more transparent and accurate financial management. Thus, the proper use of fintech can improve SME business performance, especially in terms of cash management and financial planning.

Previous research conducted by **Wulandari et al (2023)** shows that the application of fintech in the SME sector can improve business performance through operational efficiencies resulting from the use of digital payment platforms, financial recording applications, and online lending services. Fintech enables SMEs to reduce their reliance on traditional payment systems that are often complex and time-consuming, as well as open up wider access to financial services that are not limited to conventional banks. This is particularly relevant to the findings of research in Jeneponto Regency, where the adoption of fintech has the potential to speed up the transaction process and improve business financial management. Although the influence of fintech on business performance in Jeneponto Regency shows positive potential, the biggest challenge faced by SMEs is the lack of understanding and access to more advanced technologies. According to previous research from **Tambunan et al (2019)**, in many regions, including Jeneponto Regency, fintech adoption by SMEs is still relatively low. Some of the factors that affect the low adoption of fintech include limited technology infrastructure, lack of digital skills, and uncertainty regarding the security of digital transactions.

The Influence of Financial Discipline on Business Performance

The influence of financial discipline on the business performance of small and medium enterprises (SMEs) in Jeneponto Regency is an important aspect in supporting the sustainability and development of SMEs. Good financial discipline will help SMEs manage cash flow, optimize the use of funds, and make more precise and accurate business decisions. In this study, the influence of financial discipline on business performance was measured through a structural model that connects financial discipline with SME business performance in Jeneponto Regency. This shows that the better the financial discipline applied by SMEs, the better their business performance will be. This research supports the finding that financial discipline can directly affect business performance, both in terms of operational efficiency, cost management, and the ability to generate optimal profits.

A theory that can explain the relationship between financial disciplines and business performance is a financial management theory that emphasizes the importance of effective and efficient financial management in achieving business goals. According to him, good financial management involves planning, control, and reporting financial that is transparent and accurate. In the context of SMEs, financial discipline includes managing cash flow, recording proper transactions, effective debt and receivables management, and good asset management. All of these aspects are essential to improve business performance, as SMEs that are able to manage their finances well will have a strong foundation to grow and develop.

Previous research has also shown a positive relationship between financial discipline and SME business performance. For example, research conducted by **Azizatur Rohmah et al (2024)** in Indonesia shows that disciplined financial management can improve the ability of SMEs to survive and grow, as financial discipline allows SMEs to manage costs more efficiently, avoid bankruptcy, and maximize profits. In addition, research by **Ariadin & Safitri (2021)** It also states that SMEs that implement good financial discipline are better able to manage risk and make smart investment decisions, leading to a significant improvement in business performance.

In Jeneponto Regency, the influence of financial discipline on SME business performance can be seen through several indicators, such as increasing operating profits, increasing competitiveness, and better financial stability. SMEs who have good financial discipline tend to be better able to face existing challenges, such as fluctuations in raw material prices and changes in market demand. They are also better

able to take advantage of investment and business development opportunities that can strengthen their business position in the market.

The Indirect Influence of Financial Literacy on Business Performance Through Financial Discipline

The indirect influence of financial literacy on business performance through financial disciplines is a very relevant topic in this study, considering that good financial literacy can affect the application of financial discipline which ultimately has an impact on business performance. In the context of small and medium-sized enterprises (SMEs), the implementation of proper financial discipline is essential to maintain sustainability and improve their business performance. Based on the results of the research that has been conducted, the indirect influence of financial literacy on business performance through financial discipline shows a T-statistical value of 1.926 and a p-value of 0.055, which means that this hypothesis is not accepted at a significance level of 5% but is close to an acceptable value.

These results provide an idea that although financial literacy plays a role in improving financial discipline, its influence on SME business performance through financial discipline is not very strong. This shows that although business actors who have good financial literacy can better understand the basic concepts of financial management, other challenges in the implementation of financial discipline are still important factors that affect business performance.

The theory that underlies the indirect influence of financial literacy on business performance through financial disciplines is the theory of financial management which states that good financial management can help organizations in achieving more effective business goals. According to **Irdawati et al (2022)**, good financial literacy will help individuals or business actors to make better decisions related to fund management, budget planning, and cash flow control, which will then contribute to better financial discipline. Good financial discipline will create a strong foundation for more optimal business performance.

However, the influence of financial literacy on business performance through financial disciplines may not always be immediately noticeable in the short term. As explained by **Jiatong et al (2021)**, Although financial literacy is associated with more rational decision-making and better financial management, success in implementing financial discipline requires practical skills and habits that develop over time. This means that while financial literacy is important, SMEs may still need time to apply that knowledge in their daily practices and make financial discipline a part of their business culture.

Previous research conducted by **Daud et al (2022)** shows that financial literacy can play a role in improving personal and business financial management. However, the study also emphasizes that just a deep understanding is not enough to ensure good financial discipline. The implementation of financial discipline requires continuous monitoring of cash flow, cost control, and evaluation of expenses and income that occurs. Therefore, while financial literacy can influence better decision-making, other factors such as internal oversight and operational policies also play an important role.

Research conducted by the Financial Services Authority (OJK) in Indonesia also supports these findings. Although financial literacy among SMEs in Indonesia continues to increase, there are still many SMEs who have difficulty managing their business finances in a disciplined manner. This is due to the limitations in resources, both in terms of time, skills, and tools available to monitor and manage their business finances effectively.

The Indirect Influence of Fintech on Business Performance Through Financial Discipline

The indirect influence of fintech on business performance through financial discipline is an important issue in the context of small and medium enterprises (SMEs) development, especially in Jeneponto Regency. Based on the results of the study using SmartPLS, the indirect influence of fintech on business performance through financial disciplines showed a T-statistic of 2.029 and a p-value of 0.043, which means that this hypothesis is accepted at a significance level of 5%. These results show that fintech has a significant impact on financial discipline, which in turn contributes to the business performance of SMEs in Jeneponto Regency.

Fintech can increase access to a range of financial services that are more efficient and affordable, which in turn improves the financial discipline of business actors. According to technology theories mediated by decision-making (Venkatesh et al., 2003), the ease of access provided by fintech, such as digital payment applications, microloans, and automatic cash flow management, can make it easier for SMEs to plan and manage their finances in a more disciplined manner. High financial discipline is one of the key factors

underlying business success, especially in cash flow management, cost control, and proper investment planning.

Fintech plays an important role in improving financial discipline by providing tools that enable SMEs to conduct financial recording and analysis more efficiently. For example, the use of a digital cashier application or financial management system can make it easier for SMEs to record transactions in real-time, which improves accuracy in financial management and ensures that expenses remain under control. This high level of financial discipline, in turn, has a positive impact on business performance.

Research conducted by **Wulandari et al (2023)** shows that the adoption of financial technology in financial management helps improve business operational efficiency, which has a direct impact on improving performance. When businesses can manage their finances more efficiently through technology, they can allocate resources more optimally and make better financial decisions. Therefore, the better the financial discipline applied by SMEs, the better the business performance will be.

Previous research conducted by **Yang et al (2024)** revealed that the use of fintech can improve the ability of business actors to manage finances, which leads to increased profitability and cost efficiency. This is in line with the findings in this study, which show that fintech affects financial disciplines and, in turn, improves the business performance of SMEs in Jeneponto Regency. In addition, a study by **Sharma et al (2024)** stated that the use of fintech among Indonesian SMEs can help them access capital that was previously difficult to reach, such as technology-based loans or crowdfunding. With better access to capital and more structured financial management, SMEs can increase production capacity and expand business networks, which has a positive impact on their business performance.

Research Implications

This research has significant implications both practically and theoretically. Practically, the findings of this study encourage the importance of improving financial literacy among SMEs in Jeneponto Regency, which can be done through broader training and education on cash flow management, cost control, and financial record-keeping. In addition, the adoption of fintech technology must be encouraged by providing technical assistance so that SMEs can utilize digital technology to facilitate financial management and improve financial discipline. Another implication is the need to strengthen a culture of financial discipline among SMEs so that they can make better financial decisions and improve their business performance.

Theoretically, this study enriches the financial management literature by introducing financial discipline as a mediating variable between financial literacy and business performance, as well as providing empirical evidence on the importance of financial literacy and technology in improving business efficiency. In addition, this study also highlights the challenges of limited digital infrastructure in rural areas that need to be taken into account in future research on the influence of fintech.

In terms of policy, the results of this research can be a reference for local governments to design SME empowerment programs, which include increasing financial literacy, providing fintech training, and strengthening digital infrastructure to support more efficient and sustainable financial management.

COVER

Conclusion

Based on the results of the research conducted, it can be concluded that financial literacy, the use of fintech, and financial discipline have a significant influence on the business performance of small and medium enterprises (SMEs) in Jeneponto Regency. Directly, financial literacy plays an important role in improving financial discipline, which further contributes to business performance. However, the influence of financial literacy on business performance through financial disciplines is not very strong, although there are positive influences that can be seen.

Fintech has a significant impact on financial discipline and business performance directly or indirectly, but it can improve business financial management and improve operational efficiency because financial discipline has a greater direct impact on business performance, showing that good financial management is essential to support the sustainability and business growth of SMEs in the region.

Research Suggestions

Based on the results of the research, there are several suggestions that can increase the influence of financial literacy, fintech, and financial discipline on the business performance of SMEs in Jeneponto Regency, namely

- 1) In order to increase financial literacy among SMEs, it is recommended that financial training and education programs be expanded, focusing on cash flow management, expenditure control, and more efficient financial recording. This will help SMEs reduce financial risks and improve their business performance.
- 2) Provide assistance in fintech adoption, by introducing training on the use of relevant financial technologies, such as financial recording applications and digital payment systems. Given the limitations of digital infrastructure in rural areas, efforts to improve access to fintech services and digital infrastructure are essential to facilitate the adoption of technologies that can improve financial discipline and business efficiency.
- 3) Conduct a longitudinal study to measure the long-term impact of financial literacy and the use of fintech on business performance, in order to provide a more comprehensive picture of how these factors contribute to the growth and sustainability of SMEs in the region.

Research Limitations

This study has several limitations that need to be considered in the interpretation of the results. First, the research sample was limited to 100 respondents selected from small and medium enterprises (SMEs) in Jeneponto Regency. This limited sample count may limit the generalization of research findings, so the results may not fully reflect the conditions of SMEs in other areas, particularly in urban areas or in other provinces with different characteristics.

The adoption of fintech by SMEs in Jeneponto Regency is still in its early stages, which could affect the results of the research. Some SMEs may not have fully utilized the potential of financial technology to the fullest, and there is still a reliance on traditional financial management methods, which can minimize the influence of fintech on their business performance. Thus, while the findings of this study provide valuable insights, there are several factors to consider before drawing broader conclusions, and further research with a larger sample as well as a more in-depth qualitative approach may help clarify these findings.

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