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Beyond Financial Access: Financial Literacy and Financial Management as Drivers of Fashion MSME Performance in Bandung

Rizky Gustia Supriatna[1], Vidya Ramadhan Putra Pratama[2*]
1,2 Universitas Ekuitas Indonesia, Indonesia
**Corresponding Auhor: vidya.ramadhan@ekuitas.ac.id*

ABSTRAK

Akses keuangan sering dipromosikan sebagai sarana untuk meningkatkan kinerja usaha mikro, kecil, dan menengah (UMKM). Namun, kontribusinya mungkin bergantung pada kemampuan keuangan serta praktik pengelolaan sehari-hari yang diterapkan oleh pemilik usaha. Studi ini meneliti hubungan antara literasi keuangan, inklusi keuangan, dan pengelolaan keuangan dengan kinerja keuangan pada UMKM sektor fesyen di Bandung, Indonesia. Survei kuantitatif dengan pendekatan *cross-sectional* melibatkan 50 pemilik atau manajer yang dipilih secara purposif. Dua belas indikator dengan skala Likert lima poin dianalisis menggunakan metode *partial least squares structural equation modeling* (PLS-SEM). Hasil estimasi menunjukkan adanya hubungan positif yang signifikan antara literasi keuangan ($\beta = 0{,}409$; $t = 2{,}252$; $p = 0{,}012$) dan pengelolaan keuangan ($\beta = 0{,}614$; $t = 3{,}423$; $p < 0{,}001$) dengan kinerja keuangan, sementara variabel inklusi keuangan tidak menunjukkan hubungan yang signifikan ($\beta = -0{,}056$; $t = 0{,}452$; $p = 0{,}326$). Model ini mampu menjelaskan 86,9% varians dalam hasil yang diamati ($R^2 = 0{,}869$). Pengelolaan keuangan memiliki ukuran efek lokal (*local effect size*) terbesar ($f^2 = 0{,}285$), diikuti oleh literasi keuangan ($f^2 = 0{,}261$), sedangkan inklusi keuangan memiliki efek yang dapat diabaikan ($f^2 = 0{,}002$). Temuan ini mengisyaratkan bahwa inisiatif yang berfokus pada peningkatan penerapan praktis pengetahuan keuangan mungkin memiliki keterkaitan yang lebih kuat dengan kinerja keuangan UMKM dibandingkan sekadar akses terhadap layanan keuangan.

Kata Kunci: literasi keuangan; inklusi keuangan; manajemen keuangan; kinerja keuangan; UMKM fesyen

ABSTRACT

Financial access is widely promoted as a means of improving micro, small, and medium enterprise (MSME) outcomes, yet its contribution may depend on owners' financial capabilities and everyday management practices. This study investigates the relationships of financial literacy, financial inclusion, and financial management with the self-reported financial performance of fashion-sector MSMEs in Bandung, Indonesia. A quantitative cross-sectional survey involved 50 purposively selected owners or managers. Twelve five-point Likert-scale indicators were analyzed using partial least squares structural equation modeling (PLS-SEM). The reported estimates indicate positive significant relationships for financial literacy ($\beta = 0.409$; $t = 2.252$; reported $p = 0.012$) and

financial management (β = 0.614; t = 3.423; reported p < 0.001), while the financial inclusion path was not significant (β = −0.056; t = 0.452; reported p = 0.326). The model explained 86.9% of the observed variance in the outcome (R^2 = 0.869). Financial management exhibited the largest reported local effect size (f^2 = 0.285), followed by financial literacy (f^2 = 0.261), whereas financial inclusion had a negligible effect (f^2 = 0.002). The findings suggest that initiatives improving the practical application of financial knowledge may be more closely associated with MSME financial outcomes than access alone.
Keywords: *financial literacy; financial inclusion; financial management; financial performance; fashion MSMEs*

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are an important foundation of Indonesia's local economic activity. In Bandung, fashion enterprises—including clothing businesses, accessories, footwear, and related creative products—operate in a competitive environment characterized by changing consumer preferences, inventory requirements, and multiple physical and digital sales channels. Financial decisions are therefore central to their ability to meet supplier obligations, maintain liquidity, and sustain business growth. Compared with large companies, smaller businesses may rely heavily on their owners' knowledge and informal routines rather than a specialized financial department (Barney, 2000; BECK et al., 2005; Biasin et al., 2019).

There is a fluctuations in the recorded number of fashion MSMEs in Bandung over 2019–2023 and identifies insufficient bookkeeping, capital limitations, and financial planning as business challenges. Such local circumstances raise a practical question: does access to financial services alone help enterprises perform better, or does performance relate more strongly to what entrepreneurs understand and do with their finances? This distinction is important as financial inclusion initiatives increasingly operate alongside financial education and business development programs (Pratama, 2025; Yunarni et al., 2025).

Financial literacy encompasses the knowledge and capabilities needed to understand basic financial concepts and support informed decisions. For owners of fashion MSMEs, this includes estimating prices, distinguishing sales receipts from profit, and calculating net earnings. Better financial understanding can assist budgeting and investment choices; however, knowledge does not automatically imply consistent implementation (Lusardi & Mitchell, 2014). Financial management captures the implementation dimension: separating business and personal funds, recording transactions, and preparing expenditure plans. Such practices can provide information necessary to manage cash flow, control expenses, and identify financial difficulties earlier (Graña-Alvarez et al., 2024; Ye & Kulathunga, 2019).

Financial inclusion, by comparison, concerns access to and effective use of formal financial services. A dedicated business account, noncash payment methods, and knowledge of formal credit opportunities may reduce transaction frictions and facilitate financing. Nevertheless, access could contribute little to performance if services are used mainly for transactions or if entrepreneurs do not deploy financing productively. The conceptual separation between access, knowledge, and managerial action is essential when comparing their independent relationships with financial performance (Biasin et al., 2019; COLE et al., 2011; Gutu et al., 2025).

Earlier studies reviewed report mixed findings: some report beneficial associations between financial knowledge or practices and MSME performance, while others do not find significant financial literacy effects. Different sectors, business maturity, and operationalization may underlie these divergent outcomes. Rather than assuming all three financial dimensions affect performance equally, this study places them within one structural model for Bandung fashion businesses. The sector-specific comparison—and especially the contrast between financial inclusion and active management—forms

the empirical contribution, although the small nonprobability sample limits generalizability (Bruhn & Zia, 2013; Graña-Alvarez et al., 2024; McKenzie & Woodruff, 2014).

Accordingly, this study examines three hypotheses: H1, financial literacy is positively associated with MSME financial performance; H2, financial inclusion is positively associated with MSME financial performance; and H3, financial management is positively associated with MSME financial performance. The analysis also compares the explanatory contributions of these constructs. The outcomes may inform targeted assistance for entrepreneurs, financial institutions, and local business-support organizations (Nugraha et al., 2025; Ye & Kulathunga, 2019).

RESEARCH METHODS

Research design and respondents

This research employs a quantitative, cross-sectional, descriptive-verificative design. The units of analysis were owners or managers of fashion-sector MSMEs operating in Bandung who participated in the financial management of their businesses. Respondents were recruited using nonprobability purposive sampling because a definitive sampling frame was not available. The analyzed sample reported in the results chapter contained 50 respondents. Data were collected via a questionnaire distributed electronically. (Hair et al., 2019; Sarstedt et al., 2021).

Variables and measurement

Four latent constructs were modeled using three survey items each, yielding 12 indicators scored on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The measurements represent respondents' perceptions and stated practices, not independently audited financial statements. The indicators as operationalized are summarized in Table 1 (Drexler et al., 2014; Lusardi & Mitchell, 2014).

Table 1. Operational definitions adapted from the original thesis questionnaire

Construct	Indicators used in the questionnaire
Financial literacy (FL)	Price-setting understanding; sales versus profit understanding; net profit calculation
Financial inclusion (FI)	Dedicated business bank account; QRIS/bank-transfer payments; knowledge of access to formal business credit
Financial management (FM)	Separation of personal and business funds; regular transaction records; financial planning or budgeting
Financial performance (FP)	Perceived revenue growth; timely supplier payments; availability of emergency reserves

Source: (Supriatna, 2026)

Data analysis

This study used variance-based partial least squares structural equation modeling (PLS-SEM) with SmartPLS; version 4. The reflective measurement model was evaluated using outer loadings, average variance extracted (AVE), Cronbach's alpha, composite reliability, and discriminant validity. The structural model was assessed using path coefficients, bootstrapped t statistics, reported p values, coefficient of determination (R^2), and effect sizes (f^2). The study specifies a 5% significance threshold. The estimated structural relationship can be expressed as $FP = \beta 1FL + \beta 2FI + \beta 3FM + error$. (Fornell & Larcker, 1981; Hair et al., 2019; Henseler et al., 2015; Sarstedt et al., 2021).

RESULTS AND DISCUSSION

Respondent characteristics

The sample comprised 30 men (60%) and 20 women (40%). Six respondents (12%) were aged 15–20, 18 (36%) were aged 21–25, and 26 (52%) were aged 26–30. Educational attainment included senior high school (40%), diploma (20%), bachelor's degree (36%), and master's degree (4%). Eight businesses had operated for less than a year (16%), 27 for one to five years (54%), and 15 for more than five years (30%).

Measurement model

According to the outer-loading table, the indicators ranged between 0.795 and 0.964 for inclusion, management, and performance and between 0.807 and 0.933 for literacy. All reported outer loadings therefore exceeded 0.70. The reported AVE, internal consistency, and composite reliability estimates are presented below (Fornell & Larcker, 1981; Hair et al., 2019).

Table 2. Summarizes Result of The SmartPLS

Construct	AVE	Cronbach α	Composite reliability
Financial literacy	0.741	0.823	0.895
Financial inclusion	0.732	0.817	0.891
Financial management	0.760	0.841	0.904
Financial performance	0.899	0.944	0.964

Source: Processed data (2025)

Structural model and hypothesis tests

The study reports an R^2 of 0.869 and adjusted R^2 of 0.858 for financial performance, indicating high in-sample explanatory power. Table 3 summarizes the reported path results. The source's p values are preserved as reported,

Table 3. Direct paths and effect sizes

Path	β	t statistic	Reported p	f^2	Reported decision
FL → FP	0.409	2.252	0.012	0.261	Positive, significant
FI → FP	−0.056	0.452	0.326	0.002	Not significant
FM → FP	0.614	3.423	<0.001*	0.285	Positive, significant

Source: Processed data (2025)

Financial management showed the highest reported standardized coefficient (β = 0.614) and effect size (f^2 = 0.285). Financial literacy had a positive coefficient (β = 0.409) and a medium reported effect size (f^2 = 0.261). Financial inclusion had a small negative estimate (β = −0.056) and negligible f^2 = 0.002; this finding indicates an absence of statistically detectable independent association in this sample rather than evidence that access is harmful. (Hair et al., 2019; Nugraha et al., 2025).

Financial literacy and performance

The positive literacy path is consistent with the proposition that business owners who understand pricing, profits, and basic profitability are better positioned to evaluate commercial choices. Within fashion operations, where inventory purchases and frequent product launches may put pressure on working capital, the ability to distinguish gross sales from actual earnings is particularly useful. These interpretations are compatible with the theoretical importance of financial decision-making skills emphasized by Lusardi and Mitchell (2014), but they remain plausible mechanisms rather than mediation effects directly demonstrated by the present model. The analysis did not estimate whether management

practices mediate the literacy–performance relationship (Graña-Alvarez et al., 2024; Lusardi & Mitchell, 2014; Ye & Kulathunga, 2019).

Financial inclusion and performance

The financial inclusion coefficient was small and statistically nonsignificant. The result is analytically useful because a payment channel, bank account, or awareness of credit is not equivalent to effective use of financial services. An entrepreneur might accept QRIS payments yet fail to budget stock purchases or reconcile sales and operating expenses. Likewise, knowing how to apply for credit does not establish that productive credit was obtained. The inclusion indicators in this thesis combine access, use, and awareness; these conceptually distinct aspects may dilute any relationship with performance. The finding should therefore be read as specific to this operationalization and sample, not as a general claim that financial inclusion initiatives are ineffective (BECK et al., 2005; Biasin et al., 2019; COLE et al., 2011; Gutu et al., 2025).

Financial management and performance

Financial management displayed the strongest independent association with performance. Separating personal and enterprise cash, recording transactions, and budgeting future expenditure may allow owners to monitor liquidity and manage payments to suppliers. In fashion retail and production, such routines can also help distinguish profitable products from turnover that merely generates cash receipts. The prominence of management practices suggests that business support should go beyond distributing financial information and emphasize implementation through bookkeeping, budgeting, and periodic evaluation. However, both management and performance were self-reported in the same questionnaire, so common-method bias and reverse direction remain plausible alternative explanations (Bloom et al., 2013; Bruhn & Zia, 2013; Drexler et al., 2014).

Theoretical and practical implications

The comparison contributes a distinction between financial capability, financial access, and active financial routines. The results suggest that the behavioral implementation of financial knowledge deserves separate attention from ownership of formal finance products when examining smaller enterprises. For local government, training providers, and financial institutions, a sensible implication is to combine financial literacy programs with concrete exercises in pricing, cash-flow planning, expense tracking, and bookkeeping rather than measuring program success solely by account opening or digital payment adoption. These suggestions are practice-oriented interpretations of cross-sectional associations, not evaluated interventions (Barney, 2000; IS et al., 2025; McKenzie & Woodruff, 2014; Nugraha et al., 2025; Pratama, 2025; Yunarni et al., 2025).

Limitations and data-integrity considerations

The study is limited by its purposive sample of 50 Bandung fashion MSME owners/managers, cross-sectional self-reports, three-item constructs, and lack of objective accounting records.

CONCLUSIONS

This study examined relationships between financial literacy, financial inclusion, financial management, and the self-reported financial performance of 50 fashion-sector MSMEs in Bandung. The source analysis reported positive significant paths for literacy ($\beta = 0.409$) and management ($\beta = 0.614$), whereas financial inclusion was not statistically significant ($\beta = -0.056$). Financial management had the largest reported f^2, and the model explained 86.9% of the in-sample variance in financial performance. The central implication is that owning or accessing financial products may be insufficient without the practical skills and routines needed to deploy financial resources effectively.

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