

# The Influence of Financial Literacy and Government Financial Support on the Financial Performance of Micro Businesses: the Mediating Role of Access to Finance

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## ABSTRACT

This study aims to analyze the effect of financial literacy and government financial support on financial performance, with access to financing as a mediating variable. A quantitative approach was used in this study, with Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis techniques processed using SmartPLS 4 software. The research population included micro-businesses in the agribusiness sector in Batu City, with a sample size of 383 agribusiness entrepreneurs residing in the region. The findings show that both access to financing and government financial support have a positive and significant effect on financial performance. Conversely, financial literacy does not have a significant direct impact on financial performance. However, access to financing was found to mediate the relationship between financial literacy and government financial support with financial performance. These results provide policy recommendations to improve the financial performance of micro businesses by increasing financial literacy and strengthening government financial support, by expanding access to sources of financing—thereby ultimately improving the welfare of micro entrepreneurs.

## Keywords:

Access to Finance;  
Financial Literacy;  
Financial  
Performance;  
Government  
Financial Support

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are productive business units that are independently run by individuals or business entities. In Government Regulation of the Republic of Indonesia Number 7 of 2021, the criteria for classifying micro, small, and medium enterprises are determined based on the amount of business capital or annual sales. The role of MSMEs in the Indonesian economy is very significant, as has been shown in various studies (Affandi et al., 2024; Al-shami et al., 2024; Kurniadi et al., 2022; Srimulyani et al., 2023). Data from the Ministry of Finance (2020) reveals that the MSME sector is able to absorb around 97% of the total workforce and contributes approximately 61% to the Gross Domestic Product (GDP). The contribution of MSMEs is also evident in the local economies of various regions, including Batu City, which recorded an increase in Regional Gross Domestic Product (RGDP) from 11.471 billion rupiah in 2021 to 12.935 billion rupiah in 2023 (East Java Provincial Cooperative and MSME Office, 2023).

Besides being known as a tourist destination, Batu City also plays an important role in the agricultural sector, particularly in the horticultural agribusiness sub-sector. This advantage in agriculture is further developed through the downstream sector, which is in line with the region's tourism potential (Susilowati et al., 2021). This study specifically examines one micro-level MSME sector in the agribusiness field in Batu City. Despite its potential, business actors in this city face a number of challenges in business development, particularly related to marketing and capital (Laksmana et al., 2024). The issue of limited funding for businesses has been the main focus of several previous studies (Huang & Huang, 2024; Li et al., 2024; Martinez-Cillero et al., 2023;

Zhai et al., 2025). The aspect of funding is considered crucial for business development and financial performance (Fowowe, 2017; Jha & Mittal, 2024).

Financial performance reflects the ability of managers to manage the company's financial resources to generate profits (Pagaddut, 2021). This concept describes business achievements that can be measured monetarily (Jayeola et al., 2022; Nguyen et al., 2021; Wang et al., 2008). Several indicators commonly used to assess financial performance, according to research (Anwar & Li, 2021; Jayeola et al., 2022; Wang et al., 2008), include return on investment, return on sales, revenue growth, and market share. To improve financial performance, business actors must have the ability to access and manage their financial resources effectively (Fowowe, 2017; Jha & Mittal, 2024; Maesaroh et al., 2023).

The resources possessed by a business are the main foundation for achieving competitive advantage and improving business performance (Truong & Nguyen, 2024). The Resource-Based View (RBV) theory introduced by Wernerfelt (1984) and further developed by Barney (1991) offers a framework for identifying strategic resources that companies can utilize to achieve sustainable competitive advantage, which ultimately drives company performance. According to the RBV perspective, resources are classified into two categories, namely tangible resources such as buildings, machinery, and equipment, and intangible resources such as brands, reputation, and organizational culture. This theory emphasizes that managerial capabilities—which include processes, expertise, and knowledge—are needed to effectively manage and utilize both types of resources in order to achieve competitive advantage and improve business performance (Jayeola et al., 2022; Kamasak, 2017; Sidek et al., 2019).

In the context of microenterprises, access to funding in the form of loans from banks or non-bank financial institutions is a source of external capital and a key factor in achieving competitive advantage (Wicaksono & Atiningsih, 2021). Through this additional capital, micro businesses can invest in innovation, improve product quality, and develop effective marketing strategies, all of which have a positive impact on business performance (Rita et al., 2022). Thus, financial access can act as a mediator that links entrepreneurial orientation with competitive advantage and performance (Sidek et al., 2019).

Financial access is defined as the ability of business actors to obtain financial services, including insurance, payments, savings, and credit (Bernando et al., 2023). Financial access indicators, adopted from Ikasari et al. (2016), include accessibility, eligibility, and affordability. MSMEs in Southeast Asian countries, including Indonesia, face significant obstacles in accessing funding, especially in the early stages of business establishment (Maran, 2022). Some previous studies have revealed that financial access affects the financial performance of MSMEs (Fomum & Opperman, 2023; Nizam et al., 2019; Onyiego et al., 2017; Wamiori et al., 2016). However, other findings show that access to loans does not have a significant impact on financial performance (Maesaroh, 2021).

Financial literacy is a process in which individuals improve their knowledge, confidence, and skills to manage their finances better (Widyaningsih et al., 2021). The Organisation for Economic Co-operation and Development (OECD, 2023) details three dimensions or indicators of financial literacy, namely financial knowledge, financial behavior, and financial attitude (Al-shami et al., 2024). Various studies have

proven that financial literacy affects financial access (Addo et al., 2022; Addo & Asante, 2023; Hussain et al., 2018; Mabula & Ping, 2018; Yuneline & Suryana, 2020). In addition, financial literacy has also been proven to influence financial performance (Awwaliyah et al., 2023; Dewi & Candraningrat, 2022; Sudewi & Dewi, 2022; Yakob et al., 2021). In this case, financial access can mediate the relationship between financial literacy and performance (Frimpong et al., 2022; Priyantoro et al., 2023). On the other hand, different research results show that financial access does not mediate the relationship between financial literacy and business continuity (Ferli, 2023; Zaniarti et al., 2022).

Government financial support is assistance provided to businesses in the form of incentives, grants, subsidies, and tax breaks to help them operate, improve competitiveness, and enhance performance (Anwar & Li, 2021; Jayeola et al., 2022; Xiang & Worthington, 2017). The indicators of government financial support were adopted from (Ahmad & Xavier, 2012; Songling et al., 2018), namely financial resources available and growth and operation. Previous studies have shown that government financial support affects access to finance (Aslam et al., 2023; Bakhtiari, 2021; Hottenrott et al., 2018; Sun et al., 2024). Government financial support also affects the financial performance of s (Anwar & Li, 2021; Dvouletý et al., 2021; Ramadhona et al., 2023; Xiang & Worthington, 2017). Access to finance is able to mediate the relationship between government financial support and performance (Aslam et al., 2023; Xiang & Worthington, 2017). Different research results show that government financial support does not affect financial performance (Jayeola et al., 2022; Pergelova & Angulo-Ruiz, 2014).

The results of several previous studies show that access to finance is not always able to mediate the influence of financial literacy and government financial support on financial performance. This research gap indicates that there is a recommendation to test access to finance as a mediating variable. The research recommendation is also based on the study by Laksmana et al. (2024), which shows that MSMEs in Batu City face funding constraints. The novelty of this study is that it offers a new perspective that has rarely been explored, namely government financial support, and integrates it with other variables in a single RBV-based framework, focusing on micro-scale businesses in the agribusiness sector in Batu City.

### **Resource-Based View Theory**

Resource-Based View Theory is a theory that explains that resources within a company can be strengths or weaknesses that can affect its profitability. (Wernerfelt, 1984). Resources as company assets are divided into tangible and intangible resources. Resources are used as determinants of a company's operational decisions, thereby providing a competitive advantage and ultimately influencing business profitability.

Barney (1991) Explains that sustainable competitive advantage comes from tangible and intangible resources. Capabilities are a company's ability to manage and utilize its resources effectively and efficiently. (Barney et al., 2001) Developed the RBV theory in various disciplines, including human resource management, economics and finance, entrepreneurship, marketing, and international business. Resources that can create sustainable competitive advantage must be VRIO: valuable, rare, inimitable, and organized.

### **1. Financial Literacy and Financial Performance**

Based on RBV theory, financial literacy is an intangible resource used to help make better financial decisions. Financial literacy is also referred to as financial capability because it encompasses the knowledge and behavior needed to make financial decisions (Amari et al., 2020). Good financial management decisions can improve operational efficiency and increase business profitability. The financial literacy of business managers strengthens the internal capacity of businesses to identify and utilize financial resources optimally, thereby contributing to improved financial performance.

Previous research has found that digital financial literacy affects financial performance both directly and through financial behavior as a mediating variable in MSMEs in Jember (Awwaliyah et al., 2023). Financial literacy also affects the financial performance and sustainability of MSMEs in Denpasar (Dewi & Candraningrat, 2022). Other findings show that financial literacy, together with human capital, structural capital, and relational capital, affects financial performance (Sudewi & Dewi, 2022). Financial literacy affects the performance of MSMEs in Malaysia (Yakob et al., 2021). H1: Financial literacy has a positive effect on financial performance.

### **2. Government Financial Support on Financial Performance**

Based on RBV theory, government financial support is included in tangible resources, namely external financial resources. Government financial support in the form of financial incentives can facilitate SMEs in smooth operations and stimulate business performance (Anwar & Li, 2021). Government financial support aims to overcome the financial limitations of SMEs through subsidies, grants, or tax incentives. Government financial support is a valuable and scarce resource because it is not available to all micro-enterprises equally. Government financial support received by businesses can improve capital structure, increase investment in operations, and reduce cost burdens, thereby contributing to improved financial performance.

Previous research has found that government financial support and government non-financial support affect the financial performance and environmental performance of MSMEs in Pakistan (Anwar & Li, 2021). Government financial support in the form of public grants affects the performance of MSMEs in European Union countries (Dvouletý et al., 2021). Government financial support and government non-financial support affect the performance of MSMEs in Pesawaran Regency, Lampung (Ramadhona et al., 2023). Government financial assistance affects the performance of MSMEs in Australia (Xiang & Worthington, 2017).

H2: Government financial support has a positive effect on financial performance.

### **3. Access to Finance on Financial Performance**

Access to finance is used as an indicator of corporate innovation (Lu et al., 2024). Corporate innovation in the form of external funding can become a competitive advantage for companies according to RBV theory. Accessible external funding enables a business to optimize its potential to achieve a competitive advantage. Well-managed access to finance is a valuable, rare, and difficult-to-imitate resource, making it a key driver for improving financial performance. Businesses that can access and manage external funding can increase capital efficiency, improve cash flow, and reduce liquidity risk, thereby contributing to increased competitiveness and profitability.



Previous studies have found that access to finance affects the financial performance of MSMEs in the hospitality sector in Mombasa and MSMEs in the manufacturing sector in Nairobi, Kenya (Onyiego et al., 2017; Wamiori et al., 2016). Other relevant studies show that financial inclusion affects performance. Financial inclusion refers to SMEs' access to and use of formal financial services, including access to bank accounts, savings, and formal insurance, which can help SMEs manage risk, develop credit, and increase profitability (Fomum & Opperman, 2023).

H3: Access to finance has a positive effect on financial performance.

#### **4. Financial Literacy and Access to Finance**

From an RBV perspective, financial literacy is an intellectual resource that can be used to gain access to finance (Addo & Asante, 2023). Financial literacy enables business managers to proactively identify opportunities, develop strategies, and build relationships with financial institutions. Financial literacy becomes capital for creating a competitive advantage that supports the sustainability of MSMEs in increasing access to finance, enabling them to obtain and manage their external financial resources effectively.

Previous research has found that financial literacy affects access to finance, which ultimately affects risk propensity among MSME actors in Ghana (Addo et al., 2022). Financial literacy affects access to finance either directly or through risk attitude (Addo & Asante, 2023). Financial literacy has an effect on access to finance growth in MSMEs in the Midlands, England (Hussain et al., 2018). Financial literacy has an effect on financial access for economic development in Tanzania (Mabula & Ping, 2018). The level of financial literacy has an effect on funding decision making in MSMEs in Bandung (Yuneline & Suryana, 2020).

H4: Financial literacy has a positive effect on access to finance.

#### **5. Government Financial Support on Access to Finance**

From an RBV perspective, government financial support such as subsidies, small business loans, or credit guarantee programs can be valuable and scarce resources that help businesses overcome capital constraints and financing risks. Low-intensity subsidies as a form of government financial support contribute to external financing capabilities. Low-intensity subsidy policies imply that government funds cannot fully replace external financing (Sun et al., 2024). A business that partners with the government and financial institutions can increase its credibility in the eyes of external fund providers.

Previous research has found that government support affects access to finance for MSMEs in Pakistan (Aslam et al., 2023). Companies that receive government financial support are more likely to apply for external funding in Australia (Bakhtiari, 2021). New businesses receiving public subsidies increase their chances of obtaining bank loans in Germany (Hottenrott et al., 2018). Low-intensity government subsidies significantly increase the financing capacity of MSMEs in China (Sun et al., 2024).

H5: Government financial support has a positive effect on access to finance

#### **6. Access to Finance in Mediating the Influence of Financial Literacy on Financial Performance**

In the RBV theoretical framework, access to finance acts as a mediator of the influence of financial literacy on financial performance. The financial literacy of business managers has an impact on financial competence and decision-making, including in terms of funding (Frimpong et al., 2022). Financial literacy acts as an

intangible resource used to understand and manage financial information in order to increase business opportunities to obtain external funding. Better access to finance then provides the financial resources needed to take advantage of profitable business opportunities. The acquisition of external financial resources ultimately drives an increase in financial performance.

Previous research has found that access to finance mediates the influence of financial literacy on the financial performance of MSMEs in Ghana, that financial literacy affects management's ability to seek funds from all legitimate sources, build human resource competencies or capabilities to generate competitive advantage and higher business performance. (Frimpong et al., 2022). Financial literacy affects business performance mediated by financial access in SMEs in the tofu processing industry in Kediri. Financial literacy can improve companies' access to financial services, enabling more effective decision-making to avoid losses and financial difficulties (Priyantoro et al., 2023).

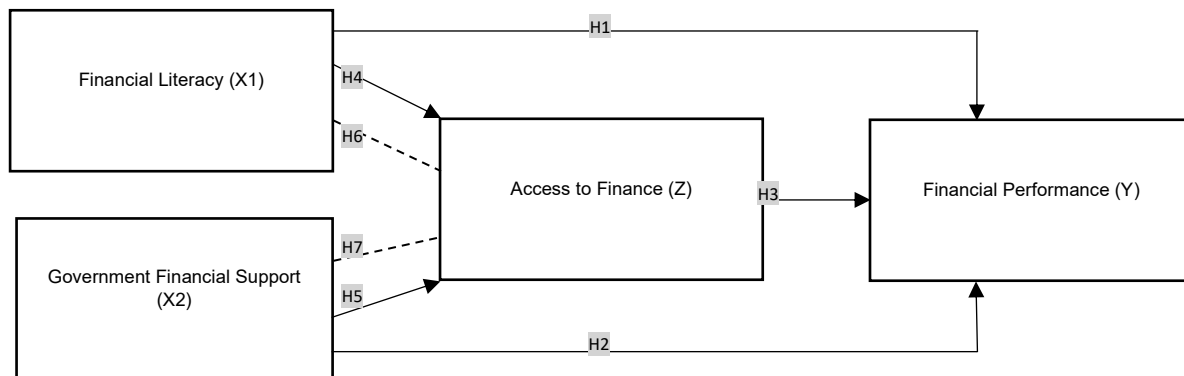
H6: Access to finance is able to mediate the influence of financial literacy on financial performance.

#### **7. Access to Finance in Mediating the Influence of Government Financial Support on Financial Performance**

In the RBV theoretical framework, access to finance acts as a mediator of the influence of government financial support on financial performance. Theoretically, government financial support can support business performance through two main mechanisms. First, government financial support can improve firm performance by generating greater cash flow as a direct way to reduce financial constraints. Second, a business that receives government financial support tends to find it easier to obtain financing from creditors or investors, because the assistance acts as a guarantee (Xiang & Worthington, 2017). Government financial support as a tangible resource functions as a strategic resource that helps businesses build credibility in the eyes of financial institutions. Government financial support not only increases initial capital capacity, but also opens up wider access to external funding that is not from the government. Access to finance can be utilized by businesses to increase productivity that supports business growth, thereby improving financial performance.

Previous research has found that government financial assistance in the form of grants, subsidies, and price reductions significantly affects the performance of MSMEs as measured by income and profitability. Government financial assistance also helps MSMEs in Australia to obtain funding (Xiang & Worthington, 2017). Access to finance can mediate the influence of government support on the sustainability of MSMEs in Pakistan. Government support enables MSMEs to approach financial sources such as banking institutions, capital markets, and other credit providers. Financial resources are very important for start-ups to ensure their survival and growth (Aslam et al., 2023).

H7: Access to finance can mediate the influence of government financial support on financial performance



**Figure 1.** Conceptual Framework

Source: Data processed by researcher (2025)

## METHOD

This study was designed as a quantitative study to analyze the relationship between financial literacy and government financial support on the financial performance of micro businesses in the agribusiness sector in Batu City, considering the role of financial access as a mediating variable. The theoretical framework used is the Resource-based View (RBV). This study involved 383 respondents as the research sample.

Financial performance is measured using indicators of return on investment, return on sales, revenue growth, and market size (Anwar & Li, 2021; Jayeola et al., 2022; Wang et al., 2008). Financial access was assessed using indicators of accessibility, eligibility, and affordability (Ikasari et al., 2016; Ismanto et al., 2022). Financial literacy was measured based on indicators of financial knowledge, financial behavior, and financial attitudes (OECD, 2023). Meanwhile, government financial support is assessed using indicators of financial resource availability, growth, and operations (Ahmad & Xavier, 2012; Songling et al., 2018). The research instrument was a questionnaire consisting of 33 statements with a 1-5 Likert scale, ranging from strongly disagree to strongly agree, which was distributed digitally and in print.

Data analysis used Partial Least Square - Structural Equation Model (PLS-SEM) with SmartPLS 4 software. Evaluation of the reflective measurement model (outer model) was conducted to assess the validity and reliability of the measurements, including indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Furthermore, the structural model (inner model) was evaluated to test the assumptions of multicollinearity, significance, relevance, and predictive power, including variance inflation factor (VIF), path coefficients, R-square, and Q-square. Hypothesis testing was conducted by measuring the significance level of direct and indirect effects through P-value.

## RESULTS AND DISCUSSION

### 1. Description of Respondent Characteristics

Based on demographic data, this study involved 383 micro-business actors in the agribusiness sector who work as farmers or traders of agricultural products, including vegetables, fruits, and flowers, located in Batu City. The characteristics of the respondents show a male dominance of 63%, while women account for 37%. In terms of education level, the majority of respondents had a junior high school education (46%), followed by senior high school (39%), elementary school (12%), and bachelor's degree/D4 (3%).

### 2. Description of Responses to Variables

Based on the descriptive analysis results presented in Table 1, this study uses four main variables: financial literacy (X1) and government financial support (X2) as independent variables, financial access (Z) as a mediating variable, and financial performance (Y) as a dependent variable.

The combined average obtained for each variable shows that the financial literacy variable (X1) scored 4.25, followed by government financial support (X2) at 4.07, financial access (Z) at 4.05, and financial performance (Y) at 3.69. These findings indicate that, in general, respondents agreed with all of the questionnaire statements, with financial literacy being the variable that received the highest level of agreement..

**Table1 .** Minimum Value, Maximum Value, Mean Value, and Standard Deviation

| .Variable                    | Item | Min | Max | Mean  | Grand Mean | SD    |
|------------------------------|------|-----|-----|-------|------------|-------|
| Financial Performance        | FP1  | 2   | 5   | 3,619 | 3,686      | 0.610 |
|                              | FP2  | 2   | 5   | 3,183 |            | 0.661 |
|                              | FP3  | 2   | 5   | 3,684 |            | 0.632 |
|                              | FP4  | 2   | 5   | 3,214 |            | 0.759 |
|                              | FP5  | 1   | 5   | 4,023 |            | 0.965 |
|                              | FP6  | 2   | 5   | 4,144 |            | 0.910 |
|                              | FP7  | 2   | 5   | 3,937 |            | 0.954 |
| Access to Finance            | ATF1 | 2   | 5   | 4,008 | 4,049      | 0.884 |
|                              | ATF2 | 1   | 5   | 4,264 |            | 0.871 |
|                              | ATF3 | 2   | 5   | 3,603 |            | 1,001 |
|                              | ATF4 | 2   | 5   | 3,452 |            | 0.859 |
|                              | ATF5 | 2   | 5   | 4,245 |            | 0.943 |
|                              | ATF6 | 2   | 5   | 4,334 |            | 0.842 |
|                              | ATF7 | 2   | 5   | 4,180 |            | 0.844 |
|                              | ATF8 | 2   | 5   | 4,261 |            | 0.870 |
|                              | ATF9 | 1   | 5   | 4,094 |            | 0.844 |
| Financial Literacy           | FL1  | 3   | 5   | 4,376 | 4,254      | 0.700 |
|                              | FL2  | 3   | 5   | 4,457 |            | 0.668 |
|                              | FL3  | 2   | 5   | 4,055 |            | 1,009 |
|                              | FL4  | 2   | 5   | 4,076 |            | 0.742 |
|                              | FL5  | 2   | 5   | 4,300 |            | 0.805 |
|                              | FL6  | 2   | 5   | 4,133 |            | 0.805 |
|                              | FL7  | 2   | 5   | 4,222 |            | 0.785 |
|                              | FL8  | 2   | 5   | 4,078 |            | 0.817 |
|                              | FL9  | 2   | 5   | 4,366 |            | 0.698 |
|                              | FL10 | 3   | 5   | 4,475 |            | 0.661 |
| Government Financial Support | GFS1 | 2   | 5   | 3,454 | 4,073      | 0.777 |
|                              | GFS2 | 2   | 5   | 4,104 |            | 0.934 |
|                              | GFS3 | 1   | 5   | 4,337 |            | 0.761 |



| .Variable | Item | Min | Max | Mean  | Grand Mean | SD    |
|-----------|------|-----|-----|-------|------------|-------|
|           | GFS4 | 2   | 5   | 4,131 |            | 0.681 |
|           | GFS5 | 1   | 5   | 4,131 |            | 0.681 |
|           | GFS6 | 1   | 5   | 4,172 |            | 0.698 |
|           | GFS7 | 3   | 5   | 4,183 |            | 0.710 |

Source: Data processed by researcher (2025)

### 3. Outer Model

The outer model results or validity and reliability tests eliminated 11 items from a total of 33 items to meet the validity and reliability requirements.

**Table 2.** Outer Loading, Composite Reliability, and Average Variance Extracted

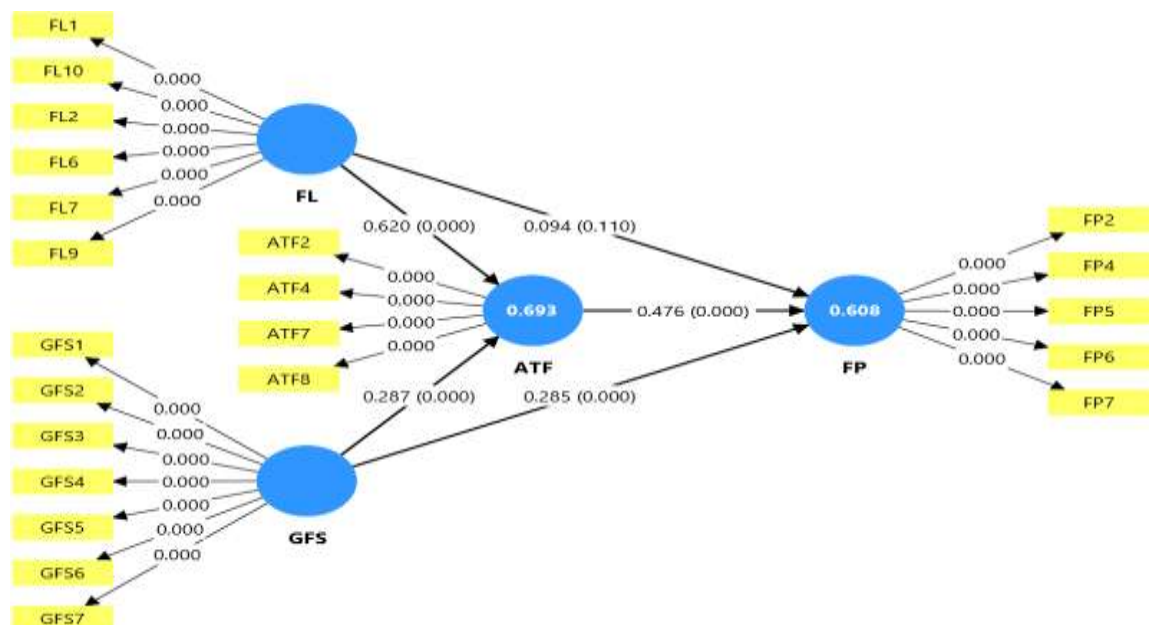
| Variable                     | Item | Outer Loading | CR    | AVE   |
|------------------------------|------|---------------|-------|-------|
| Financial Performance        | FP2  | 0.741         | 0.920 | 0.700 |
|                              | FP4  | 0.769         |       |       |
|                              | FP5  | 0.919         |       |       |
|                              | FP6  | 0.920         |       |       |
|                              | FP7  | 0.816         |       |       |
| Access to Finance            | ATF2 | 0.867         | 0.916 | 0.735 |
|                              | ATF4 | 0.712         |       |       |
|                              | ATF7 | 0.906         |       |       |
|                              | ATF8 | 0.927         |       |       |
| Financial Literacy           | FL1  | 0.869         | 0.940 | 0.724 |
|                              | FL2  | 0.893         |       |       |
|                              | FL6  | 0.896         |       |       |
|                              | FL7  | 0.774         |       |       |
|                              | FL9  | 0.790         |       |       |
|                              | FL10 | 0.873         |       |       |
| Government Financial Support | GFS1 | 0.713         | 0.905 | 0.577 |
|                              | GFS2 | 0.703         |       |       |
|                              | GFS3 | 0.735         |       |       |
|                              | GFS4 | 0.796         |       |       |
|                              | GFS5 | 0.754         |       |       |
|                              | GFS6 | 0.799         |       |       |
|                              | GFS7 | 0.785         |       |       |

Source: Data processed by researcher (2025)

Table 2 shows the results of the outer loading analysis for each indicator with a value  $>0.708$ , so that the indicator reliability is accepted because it can explain more than 50% of the construct variance. Several items such as ATF1, ATF3, ATF9, FL4, FL8, FP1, and FP3 must be eliminated because they do not meet the requirements. Composite Reliability (CR) values  $>0.95$  are considered problematic because they indicate that the indicators are excessive and reduce construct validity, so the CR values of each variable are declared to meet the internal consistency reliability requirements. The analysis results show that the Average Variance Extracted (AVE) value of each variable is  $>0.50$ , indicating that the construct explains 50% or more of the variance of the indicators that form the construct, so that the convergent validity requirement can be accepted. The discriminant validity test requirement is met after eliminating four items, FL3, FL5, ATF5, and ATF6, because they have the highest average correlation in the relationship between financial literacy and access to finance variables. Thus, the heterotrait-monotrait (HTMT) value is  $<0.90$ .

#### 4. Inner Model

In evaluating the inner model, collinearity, significance, and relevance were evaluated. The results of the data analysis show that all Variance Inflation Factor (VIF) values are  $<5$ , indicating that there is no possibility of collinearity problems between constructs. The path coefficients shown in Figure 2 indicate a positive relationship between variables. The coefficient of determination or (R-square) measures the explanatory power in the construct sample. The variables of financial literacy (X1), government financial support (X2), and access to finance (Z) have a moderate influence (60.8%) on financial performance (Y), with the remaining 39.2% explained by other variables not described in this study. Similarly, 69.3% of the access to finance variable is explained by the financial literacy and government financial support variables, while other variables outside this study contribute 30.7%.



**Figure1 . Path Coefficient and R-square**

Source: Data processed by the researcher (2025)

#### 5. Hypothesis Testing

Table 3 shows the results of the direct influence between variables to answer H1, H2, H3, H4, and H5. Based on the table, H1 with a T-statistic value of  $1.596 < 1.96$  and a P-value of  $0.110 > 0.05$ , it can be concluded that there is no significant influence between financial literacy and financial performance, and H1 is rejected. Based on the table, H2, H3, H4, and H5 have T-statistic values  $> 1.96$  and P-values  $0.000 < 0.05$ , so it can be concluded that the hypotheses are accepted and there is a significant positive effect

**Table 3. Direct Effect Hypothesis Test**

| Hypothesis                                            | Original Sample (O) | T Statistics ( O/STDEV ) | P Values | Decision    |
|-------------------------------------------------------|---------------------|--------------------------|----------|-------------|
| Financial Literacy -> Financial Performance           | 0.094               | 1.596                    | 0.110    | H1 rejected |
| Government Financial Support -> Financial Performance | 0.285               | 7,973                    | 0        | H2 accepted |
| Access to Finance -> Financial Performance            | 0.476               | 7,425                    | 0        | H3 accepted |
| Financial Literacy -> Access to Finance               | 0.620               | 13,638                   | 0        | H4 accepted |
| Government Financial Support -> Access to Finance     | 0.286               | 7,973                    | 0        | H5 accepted |

Source: Data processed by researcher (2025)

Table 3 shows the results of the direct influence between variables to answer H1, H2, H3, H4, and H5. Based on the table, H1 with a T-statistic value of 1.596 < 1.96 and a P-value of 0.110 > 0.05, it can be concluded that there is no significant influence between financial literacy and financial performance, and H1 is rejected. Based on the table, H2, H3, H4, and H5 have T-statistic values > 1.96 and P-values 0.000 < 0.05, so

**Table 4 . Testing the Hypothesis of Indirect Influence**

| Hypothesis                                            | Original Sample (O) | T Statistics ( O/STDEV ) | P Values | Decision    |
|-------------------------------------------------------|---------------------|--------------------------|----------|-------------|
| Financial Literacy -> Financial Performance           | 0.094               | 1.596                    | 0.110    | H1 rejected |
| Government Financial Support -> Financial Performance | 0.285               | 7,973                    | 0        | H2 accepted |
| Access to Finance -> Financial Performance            | 0.476               | 7,425                    | 0        | H3 accepted |
| Financial Literacy -> Access to Finance               | 0.620               | 13,638                   | 0        | H4 accepted |
| Government Financial Support -> Access to Finance     | 0.286               | 7,973                    | 0        | H5 accepted |

Source: Data processed by researcher (2025)

Table 4 shows the results of the indirect effect to answer H6 and H7. Based on the table, H6 and H7 have T-statistic values > 1.96 and P-values 0.000 < 0.05, so it can be concluded that H6 and H7 are accepted, that financial literacy and government financial support each have a positive and significant effect on financial performance through access to finance. Based on Tables 3 and 4, it can also be concluded that access to finance fully mediates the effect of financial literacy on financial performance. In addition, access to finance mediates the complementary effect of government financial support on financial performance.

## Discussion

### 1. The Effect of Financial Literacy on Financial Performance

Based on the analysis of research data, financial literacy was found to have no significant effect on financial performance, thus rejecting the first hypothesis (H1). This finding is not in line with the Resource-Based View (RBV) theory, which states that intangible resources—in this case, financial literacy, which includes financial knowledge, behavior, and attitudes (OECD, 2023)—are unable to improve operational cost efficiency or business profitability.

The financial literacy competencies possessed by microbusiness managers in the agribusiness sector in Batu City did not show an impact on their financial performance. Although the statement “I always pay my debts on time” achieved the highest average score on the financial attitude indicator, this did not contribute positively to business financial performance. This finding indicates that there are factors other than financial literacy that hinder efforts to reduce operational costs.

The results of this study are consistent with the findings of Miran et al. (2025), which refute the assumption that financial literacy is a direct cause-and-effect pathway to financial performance. Although financial literacy equips business actors with an understanding of basic financial concepts, it does not guarantee optimal financial decision-making. The research by Martinez-Cillero et al. (2023) supports this conclusion by revealing that the dimensions of financial knowledge and attitudes do not have a significant impact on company performance, unlike financial behavior, which shows a real influence.

Furthermore, the study by Mogale et al. (2025) on small businesses in South Africa confirmed that financial knowledge and attitudes have no significant relationship with Return on Assets (ROA). These findings reinforce the argument that a good understanding of finance does not necessarily have a direct impact on business performance without being accompanied by effective financial behavior and the ability to adapt to external conditions.

### 2. The Influence of Government Financial Support on Financial Performance

Based on the research findings, it can be concluded that government financial support has a positive and significant effect on financial performance, so that the second hypothesis (H2) can be accepted. This result is in line with the Resource-Based View (RBV) theory, which explains that tangible resources with the criteria of being valuable, scarce, inimitable, and organized can increase business cash flow through reduced operational costs and increased productivity, which ultimately improves financial performance (Xiang & Worthington, 2017).

The response to subsidy assistance showed the highest average value, indicating that micro businesses feel greater benefits from subsidy assistance than from debt assistance or capital assistance from the government. Although capital assistance in the form of production equipment procurement is available, the perceived benefits are not as great as those of subsidy assistance. This financial assistance is perceived to reduce business operating costs, thereby improving financial performance, even though the magnitude of the impact of government financial support on financial performance is relatively low.

These findings are consistent with various previous studies. Anwar & Li (2021) proved that government financial support has a significant effect on the financial performance of MSMEs in Pakistan, where external assistance from the government

can provide direction and empowerment for business actors to improve business results. Research by Xiang & Worthington (2017) in Australia reinforces this finding by showing that government financial assistance helps small businesses overcome financial constraints, particularly those related to capital shortages for short-term investment needs.

Furthermore, Ramadhona et al. (2023) found that the most effective form of government support is providing incentives to high-performing MSMEs. The main problem faced by MSMEs lies in their mindset and ability to manage the funds received, where many business actors still mix personal and business finances, thereby disrupting business stability. Dvouletý et al. (2021) concluded that the majority of government financial support programs have a positive impact on the sustainability of small businesses. Thus, the findings of this study reinforce the argument that properly managed government financial support is an important factor in improving the performance and resilience of micro businesses.

### **3. The Effect of Access to Finance on Financial Performance**

Based on the analysis of the research results, it can be concluded that financial access has a positive and significant effect on financial performance, so that the third hypothesis (H3) can be accepted. This finding reinforces the postulate in the Resource-Based View (RBV) theory, which places competitive advantage as the main driver of business performance improvement. Companies that can access better funding have the capacity to innovate by utilizing financing products to improve their business performance.

Although some micro-enterprises prefer to use internal capital and avoid debt, the ability to access external funding provides significant strategic benefits. Financial access enables entrepreneurs to innovate, increase financing flexibility, strengthen capital structure, and ultimately drive improved financial performance. Ease of access to funding is a form of competitive advantage that distinguishes between micro-enterprises that are able to grow and those that are stagnant.

Various previous studies reinforce the consistency of these findings. Fomum & Opperman (2023) revealed that access to finance can accelerate business growth, increase productivity, and influence the decisions of micro entrepreneurs in starting a business. Business units that utilize banking services for savings and business development have greater potential to enter the category of growing businesses.

Nizam et al. (2019) state that access to finance is often used as a proxy to measure the sustainability of social performance, given the role of banks in providing access to financing for underserved sectors such as MSMEs. In many developing countries, banking institutions are indeed the main source of external funding.

Research by Wamiori et al. (2016) on manufacturing companies in Kenya proves that financial access enables business actors to expand production capacity, provide working capital, encourage innovation, and allocate assets more efficiently. These findings are supported by Onyiego et al. (2017), who found a positive and significant relationship between financial access and the financial performance of MSMEs in Kenya, even though some entrepreneurs are still reluctant to apply for loans due to a lack of awareness and the obstacle of not having the collateral required by banks.



#### 4. The Influence of Financial Literacy on Access to Finance

Berdasarkan analisis data penelitian, literasi keuangan terbukti memiliki pengaruh positif dan signifikan terhadap akses keuangan, sehingga hipotesis keempat (H4) dapat dikonfirmasi. Temuan ini sejalan dengan kerangka teori Resource-Based View (RBV) yang menegaskan bahwa sumber daya tidak berwujud seperti kompetensi literasi keuangan berperan sebagai modal strategis dalam membentuk keunggulan kompetitif melalui perluasan akses pendanaan.

Pelaku usaha dengan pemahaman keuangan yang memadai menunjukkan kemampuan lebih baik dalam memahami konsep finansial dasar seperti suku bunga pinjaman, manajemen risiko utang, serta manfaat pendanaan eksternal. Pengetahuan ini meningkatkan kesiapan mereka dalam mengakses sumber pembiayaan dari lembaga keuangan. Kemampuan literasi keuangan yang baik memungkinkan pelaku usaha untuk mengidentifikasi produk keuangan yang tersedia dan mempersiapkan dokumen administratif yang dipersyaratkan. Kapasitas ini memberikan keunggulan komparatif dalam memperoleh pendanaan eksternal dibandingkan dengan pesaing yang memiliki kompetensi keuangan lebih terbatas. Dengan demikian, literasi keuangan dipandang sebagai fondasi krusial dalam membangun akses keuangan sebagai bagian dari keunggulan kompetitif berkelanjutan.

Hasil penelitian ini konsisten dengan temuan Addo & Asante (2023) yang mengungkapkan bahwa pelaku usaha dengan tingkat literasi keuangan memadai cenderung lebih memahami persyaratan pengajuan kredit di lembaga keuangan. Mereka mampu menganalisis berbagai sumber pendanaan dan tahapan prosedural dalam proses aplikasi pembiayaan. Penelitian Addo et al. (2022) lebih lanjut membuktikan bahwa literasi keuangan berkontribusi positif terhadap akses keuangan melalui peningkatan kemampuan entrepreneur dalam menyeleksi keputusan finansial berisiko.

Mabula & Ping (2018) mengemukakan bahwa meskipun literasi keuangan berpengaruh terhadap akses layanan keuangan, namun tidak selalu berdampak pada tingkat utilisasi layanan tersebut. Hal ini mengindikasikan bahwa pemahaman finansial tidak serta merta mendorong penggunaan produk keuangan, namun berperan sebagai faktor pemungkin (enabling factor) bagi terbukanya akses. Lebih lanjut, Hussain et al. (2018) menekankan bahwa relasi antara literasi keuangan dan akses pendanaan pada usaha mikro bersifat kompleks dan sangat dipengaruhi oleh konteks sosial-ekonomi. Mereka menyimpulkan bahwa pelaku usaha yang melek keuangan umumnya mampu membuat keputusan finansial lebih baik, termasuk dalam mempersiapkan informasi dan dokumentasi keuangan yang diperlukan untuk mengakses sumber pendanaan eksternal.

#### 5. The Effect of Government Financial Support on Access to Finance

Based on the research findings, government financial support has been proven to have a positive and significant effect on financial access, thus accepting hypothesis H5. This result is in line with the Resource-Based View (RBV) theory, which emphasizes that tangible resources in the form of government financial assistance serve as initial capital in creating competitive advantages through increased access to funding. Business actors who receive government assistance tend to have easier access to external financing, because this support acts as a bridge that opens up awareness of the benefits of additional capital, such as reduced operational costs and accelerated business growth. The government also plays a role in introducing the

importance of external financing as an alternative to personal capital. However, the preference for conventional banking products is sometimes higher than the People's Business Credit (KUR) program, as it is considered more flexible and suited to specific business needs.

This finding reinforces the research by Aslam et al. (2023), which emphasizes the crucial role of government support in maintaining the sustainability of micro and small businesses in Nigeria, where without such intervention, many businesses would potentially fail. Bakhtiari (2021) explains that grants and subsidies influence entrepreneurs' tendency to access external funding sources, although in Australia, these fiscal incentives do not always have a positive impact. Recipients of government assistance may not be encouraged to seek additional funding unless supported by the confidence of the business owner. According to Hottenrott et al. (2018), receiving grants can facilitate the use of bank credit because it is considered a positive signal by financial institutions. Such non-cash assistance increases the credibility of the business in the eyes of capital providers. In line with these findings, Sun et al. (2024) revealed that low-intensity subsidies have a positive impact on access to external funding, while excessive subsidies risk reducing the motivation for financial independence among business actors.

## **6. The Effect of Financial Literacy on Financial Performance through Access to Finance**

Based on the research findings, financial literacy has been proven to influence financial performance through access to funding, thus supporting hypothesis H6. These results support the Resource-Based View (RBV) theory, which states that intangible resources such as financial knowledge can improve business performance by creating competitive advantages. Financial literacy serves as a knowledge base that enables business actors to understand, access, and utilize external funding sources more optimally. Although it does not have a direct impact on financial performance, financial literacy is an important foundation that encourages the creation of competitive advantages in the form of better financial access. With adequate financial literacy skills, business actors become more administratively prepared and eligible to access external capital. Obtaining access to funding then provides flexibility and capacity to increase production, expand markets, and ultimately has an impact on improving business financial performance.

Consistent with the research by Frimpong et al. (2022), financial literacy influences performance through the partial mediation of digital financial access. The study recommends that business actors explore various external financing options, given that good financial literacy enables them to utilize financial technology to support business growth. When financially literate entrepreneurs use their knowledge strategically to access digital funding, this will have an impact on improving overall business performance. In line with these findings, Priyantor et al. (2023) revealed that financial access is a mediating variable that connects the influence of financial literacy on performance in the tofu processing industry in Kediri. Good financial literacy encourages entrepreneurs to understand the types and sources of available funding, while also improving their ability to meet administrative requirements and make more rational financial decisions. Financial access plays an important role in connecting financial literacy with improved performance, helping MSME players avoid the risk of

loss, overcome financing constraints, and optimize financial management to support business growth.

### **7. The Effect of Government Financial Support on Financial Performance through Access to Finance**

Based on the research findings, government financial support has been proven to influence financial performance through access to funding, thus supporting hypothesis H7. These findings reinforce the Resource-Based View (RBV) theory, which states that tangible resources can improve business performance through competitive advantage. Government financial support acts as initial capital that increases the readiness of business actors to access external funding. Indirectly, this encourages business actors who were previously reluctant to utilize external funding to become more open, understand its benefits, and be able to meet the administrative requirements to obtain funding from banks or other financial institutions. In addition to its direct impact, government financial support also has a significant indirect influence through the mediation of financial access. The maximum impact of government support on performance occurs when such support can be converted into a competitive advantage in the form of expanded access to funding.

The results of this study are in line with the findings of Xiang & Worthington (2017), which show that government financial support has a positive effect on business profitability when accompanied by access to external funding in the same year. However, when government support is provided with a one-year gap, its effect on profitability remains, although the level of significance decreases. With a two-year gap, the effect is no longer significant, indicating that the effectiveness of government assistance tends to be short-term if a funding strategy from business actors does not immediately follow it. Government financial support encourages MSME actors to obtain external funding because lenders assess the successful management of government assistance as an indicator of creditworthiness. In line with this, Aslam et al. (2023) argue that government support affects business sustainability through financial access. The role of the government is not only limited to providing financial assistance but also includes providing funding channels and other support services for MSMEs.

### **CONCLUSION**

Based on the research results, it can be concluded that there is a significant causal relationship between access to finance and government financial support on the financial performance of micro businesses, while financial literacy has no direct influence on financial performance. These findings also show that access to finance fully mediates the influence of financial literacy on financial performance, as well as partially mediates the influence of government financial support on financial performance. These results indicate that financial literacy, although important, is not sufficient to drive business performance improvement without being accompanied by real access to funding. This is in line with previous studies that emphasize that financial behavior, not just financial knowledge or attitudes, is more relevant in determining business financial performance. Meanwhile, the influence of government financial support on business performance is relatively small, because among the financial assistance instruments, subsidies are the form of assistance that is most beneficial to business actors in alleviating the operational burden of their businesses.

Micro-business actors in the agribusiness sector in Batu City have good access to external funding sources, but still show a strong preference for using personal capital and tend to avoid using debt from conventional banks. Nevertheless, good access to finance provides flexibility for businesses that want to grow, particularly in terms of operational expansion and increased production capacity. To support wiser funding decisions, it is necessary to improve financial literacy through relevant training so that business actors understand basic financial concepts and are able to consider various funding alternatives. Subsidies as an instrument of government financial support have the greatest impact compared to other forms of assistance, so it is necessary to evaluate the government financial support provided in order to have an optimal impact on micro business growth. Government financial support should serve as a bridge to overcome capital constraints, not as an instrument that makes business actors continuously dependent.

For future researchers, it is recommended to develop different research models in assessing financial performance to produce stronger research models, by considering other forms of competitive advantage beyond access to finance, applying different variables such as financial behavior, perceptions of debt, and social capital, which are considered to influence competitive advantage and business performance. Using different research objects can be done to overcome the limitations of this study, expanding the understanding of the dynamics of access to finance and financial performance with different business characteristics. This approach will not only increase the generalization of findings but also contribute more broadly to efforts to improve business sustainability in various contexts.

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