DRIVING FINANCIAL PERFORMANCE IN THE DIGITAL ERA: THE STRATEGIC ROLES OF FINANCIAL LITERACY, FINTECH, AND FINANCIAL INCLUSION

Rita Kusumawati[1*)], Selvia Putri Yasmara[2)]

[1,2] Department of Management, Universitas Muhammadiyah Yogyakarta, Indonesia

*E-mail: kusumawatirita@umy.ac.id

Abstract

This study aims to analyze the effect of financial literacy and financial technology on the financial performance of MSMEs in Yogyakarta, both directly and indirectly through financial inclusion as a mediating variable. The population in this study consists of Micro, Small, and Medium Enterprises (MSMEs) located in the City of Yogyakarta. A quantitative approach was used with a sample of 217 MSME respondents. Data were collected through a questionnaire distributed via Google Form and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that financial literacy and financial technology have a positive and significant effect on the financial inclusion of MSMEs. Furthermore, financial inclusion also has a positive and significant effect on the financial performance of MSMEs. Financial literacy and financial technology also have a direct positive effect on financial performance. The mediation analysis reveals that financial inclusion can mediate the effect of financial literacy and financial technology on the financial performance of MSMEs. This study can strengthen previous theories regarding the effect of financial literacy and financial technology on financial performance, as well as the role of financial inclusion as a mediating variable. This study has implications for researchers in gaining a deeper understanding of financial practices in the business world, particularly in the MSME sector. The limitations of this study are confined to certain factors, so it has not included other variables that could potentially affect the financial performance of MSMEs, such as financial attitude and financial management.

Keywords: *Financial Literacy, Financial Technology, Financial Inclusion, Financial Performance, MSMEs*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) make a very significant contribution to the national economy. This sector contributes around 60.5% of Gross Domestic Product (GDP) and absorbs around 96.9% of the total workforce in Indonesia (ekon.go.id., 2022). The strategic role of MSMEs is not only as a pillar of economic growth but also as the backbone of job creation and income distribution (Janah & Tampubolon, 2024). Yogyakarta, as one of the MSME centers in Indonesia, has great potential with thousands of business units spread across various sectors. Data show that in 2023, there were 39,807 MSME units in the City of Yogyakarta, with the food and beverage industry subsector being the largest contributor to the regional Gross Domestic Regional Product (GRDP) (bappeda.jogjaprov.go.id., 2023).

Despite its large contribution, the financial performance of MSMEs still faces various challenges. In general, the development of MSME financial performance is considered to still be low, with one of the main causes being the lack of awareness and ability of business actors to manage finances properly (Utomo et al., 2022). Low financial literacy and limited access to formal financial services (financial inclusion) are the main inhibiting factors. In fact, a good understanding of financial management is crucial for business sustainability. Financially literate business actors tend to be better able to plan, allocate, and control their business finances, thereby minimizing the risk of bankruptcy and encouraging growth (Buchdadi et al., 2020).

The government continues to strive to promote increased financial inclusion as a strategy to improve MSME performance. Broader access to banking, credit, insurance, and other financial products is expected to help business actors manage capital and cash flow, and protect their businesses from unforeseen risks. However, access alone is not enough without the ability to use it optimally. This is where financial literacy plays an important role, serving as the foundation that enables MSME actors to understand, choose, and use financial products that suit their business needs (Martono & Febriyanti, 2023).

In the digital era, the existence of financial technology (fintech) opens new opportunities for MSMEs to overcome access limitations and improve efficiency. Fintech, as an integration of technology and financial services, offers transaction convenience, faster access to capital, and more transparent financial information (Baker et al., 2023). Services such as mobile payment, online loans (peer-to-peer lending), and financial management applications can help MSMEs manage cash flow, expand market reach, and ultimately improve their financial performance (Naz et al., 2024).

Although theoretically these three variables (financial literacy, fintech, and financial inclusion) contribute to financial performance, empirical research results show inconsistencies. Some studies state that financial literacy has a positive effect on financial performance (Hanasri et al., 2023; Putri et al., 2022); however, there are also studies that found the effect to be non-significant (Maulana et al., 2023). In addition, the effect of financial inclusion on financial performance also shows mixed results; a significant positive effect was found by Yanti (2019), while Maulana et al. (2023) and Putri et al. (2022) found non-significant results. Mixed results were also found in the relationship between fintech and financial inclusion and financial performance (Menza et al., 2024; Purnasalam & Suryani, 2025).

The role of financial inclusion as a mediating variable in the relationship between financial literacy and fintech on financial performance also remains debated. Rahadjeng et al. (2023) found that financial inclusion mediates the effect of fintech on financial performance, but Safrianti et al. (2022) did not find a significant mediating effect. Nainggolan (2022) reported that financial literacy plays a role as a mediating variable. However, this result differs from the study by Aini and Astuti (2023), which showed that this mediating effect was not significant. This inconsistency in previous research findings indicates an important research gap that needs further investigation, particularly in a specific context such as MSMEs in the City of Yogyakarta, which has unique characteristics as a tourism and education region.

Based on the background and research gap described above, this study aims to analyze the effect of financial literacy and financial technology on the financial performance of MSMEs in the City of Yogyakarta by including financial inclusion as a mediating variable. This study is expected to provide a theoretical contribution to the development of financial management science, as well as practical implications for MSME actors, the government, and financial institutions in formulating more effective MSME empowerment strategies.

Financial Performance

Financial Performance is the achievement attained by a company within a certain period that reflects the company’s financial condition and health (Nurjannah, Ibrahim Daud et al., 2022). In the context of MSMEs, financial performance is not only seen from formal financial statements but also from asset growth, increased sales turnover, and net profit achievement (Maulana et al., 2023). Indicators used to measure financial performance in this study include positive cash flow from sales, sales growth rate, profit target achievement, market share expansion, and increased annual revenue (Kristanto & Kurniawati, 2025).

Financial Literacy

Financial Literacy is knowledge and understanding of financial concepts and risks, complemented by the ability and confidence to use that knowledge effectively in financial decision-making (OECD, 2014). Financial literacy aims to improve individual financial well-being and enable active participation in the economy. The financial literacy indicators in this study were adapted from Rapina et al. (2023), covering understanding of personal financial condition, understanding of credit risk, perception of investment, and insurance.

Financial Technology

Financial Technology (Fintech) is a new financial industry that leverages technology to improve efficiency in financial services (Schueffel, 2017). Fintech makes financial processes more practical, fast, and efficient, and can bring positive impacts to the welfare of society at large (Sangwan et al., 2019). The fintech indicators in this study refer to Sumani and Prasetya (2022), namely the ability to maximize performance, provision of complete information, transaction time efficiency, improved business communication, business development innovation, and reduction of fraud risk.

Financial Inclusion

Financial Inclusion refers to the widespread ownership of savings accounts among the public and ease of access to formal financial services, such as savings, credit, insurance, and payments, provided responsibly and sustainably (Abel et al., 2018; Rangarajan, 2008). Financial inclusion is not only about account ownership but also about the active use of such services. The financial inclusion indicators in this study refer to Raza et al. (2023), which include the security of financial services, affordability of service costs, affordability of transportation costs, suitability of loan products, favorable loan terms, suitability of savings products for business needs, security of business fund storage, bank support for increasing profits, ease of access to working capital, and support for business sustainability.

The Effect of Financial Literacy on Financial Inclusion

Financial literacy plays an important role in increasing the access and participation of MSME actors in formal financial services; adequate understanding of financial products and services, including risks as well as rights and obligations as customers, can increase business actors' confidence and awareness in utilizing financial services (Menon, 2019; Xu & Zia, 2012). In addition, a high level of financial literacy enables MSME owners to manage finances more effectively, understand various financial products, and convey relevant information to lenders, thereby expanding access to financial services. The role of financial literacy in promoting financial inclusion is in line with research conducted by Reddy et al. (2024), Akakpo et al. (2022), and Khan et al. (2022), which shows that financial literacy has a positive and significant effect on financial inclusion. Thus, the first hypothesis states:
H1: Financial literacy has a significant positive effect on financial inclusion among MSMEs in the City of Yogyakarta.

The Effect of Financial Technology on Financial Inclusion

Fintech offers solutions to overcome various obstacles such as limited geographic reach and complex administrative processes in accessing formal financial services. Through digital platforms, fintech enables MSME actors to conduct transactions, obtain loans, or save funds

more easily and quickly (Demirguc-Kunt et al., 2017). Services such as mobile banking and e-money can significantly strengthen financial inclusion strategies by reaching previously unbanked populations (Fernandes et al., 2021). Research conducted by Menza et al. (2024), Demir et al. (2022), and Odei-Appiah et al. (2022) states that fintech plays an important role in expanding access to financial services. Thus, the second hypothesis states:
H2: Financial technology has a significant positive effect on financial inclusion among MSMEs in the City of Yogyakarta.

The Effect of Financial Inclusion on Financial Performance

With access to formal financial products and services, MSME actors can manage their business finances more optimally. Ease of access to financial services enables more optimal management of capital, cash flow, and business risk, thereby improving the overall efficiency and financial performance of the business (Adriani & Wiksuana, 2018; Thathsarani & Jianguo, 2022). Research conducted by Yanti (2019), Laila & Sihotang (2022), and Andriyani and Sulistiyowati (2021) states that financial inclusion has a positive and significant effect on the financial performance of MSMEs. Thus, the third hypothesis states:
H3: Financial inclusion has a significant positive effect on the financial performance of MSMEs in the City of Yogyakarta

The Effect of Financial Literacy on Financial Performance

Good financial literacy enables effective financial planning, effective cash flow management, distinguishing between personal and business finances, and evaluating investment decisions. Therefore, adequate financial literacy is believed to improve the effectiveness of business financial management (Lusardi & Mitchelli, 2007; Okello Candiya Bongomin et al., 2017). Research results by Hanasri et al. (2023) and Putri et al. (2022) show that financial literacy has a positive and significant effect on the financial performance of MSMEs. Thus, the fourth hypothesis states:
H4: Financial Literacy has a significant positive effect on the financial performance of MSMEs in the City of Yogyakarta

The Effect of Financial Technology on Financial Performance

The use of fintech can improve financial performance well at both the individual and business levels. As a technology-based financial service innovation, it can expand access to financial services, improve transaction efficiency through reduced costs and increased speed, and strengthen financial transparency by providing more accessible information (Alkhawaldeh et al., 2023; Lontchi et al., 2023). Fintech can promote financial inclusion by reaching previously unserved populations, enabling them to save, invest, and participate more actively in economic activities. Research conducted by Rahadjeng et al. (2021) and Effiom & Edet (2022) states that fintech has a positive and significant effect on MSME performance. Thus, the fifth hypothesis states:
H5: Financial technology has a positive effect on the financial performance of MSMEs in the City of Yogyakarta.

The Mediating Role of Financial Inclusion in the Effect of Financial Literacy on Financial Performance

Financial literacy encourages individuals to understand and apply relevant financial concepts. A good financial understanding encourages MSME actors to be more open to using formal financial services, thereby increasing their participation in the financial system (inclusion). Through financial inclusion, MSMEs can access financing sources such as

microcredit, loans, and funding from non-bank financial institutions (Nainggolan, 2023). Thus, financial literacy can improve the financial performance of MSMEs. The higher the financial literacy possessed by MSME actors, the greater their tendency to access formal financial services, which will ultimately impact the improvement of their business financial performance. This is supported by the research results of Nainggolan (2023) and Astohar et al. (2024).
H6: Financial inclusion mediates the effect of financial literacy on the financial performance of MSMEs in the City of Yogyakarta.

The Mediating Role of Financial Inclusion in the Effect of Financial Technology on Financial Performance

Fintech affects the stability and performance of the financial system by providing new, more reliable and efficient products, services, and business models. The effect of fintech on MSME performance will be more optimal if supported by good financial inclusion, because access to formal financial services helps MSME actors manage their finances more effectively. Thus, financial inclusion can serve as a mediating pathway between financial technology and the financial performance of MSMEs. This is supported by research (Rahadjeng et al., 2023; Rizqi et al., 2025).
H7: Financial inclusion mediates the effect of financial technology on the financial performance of MSMEs in the City of Yogyakarta.

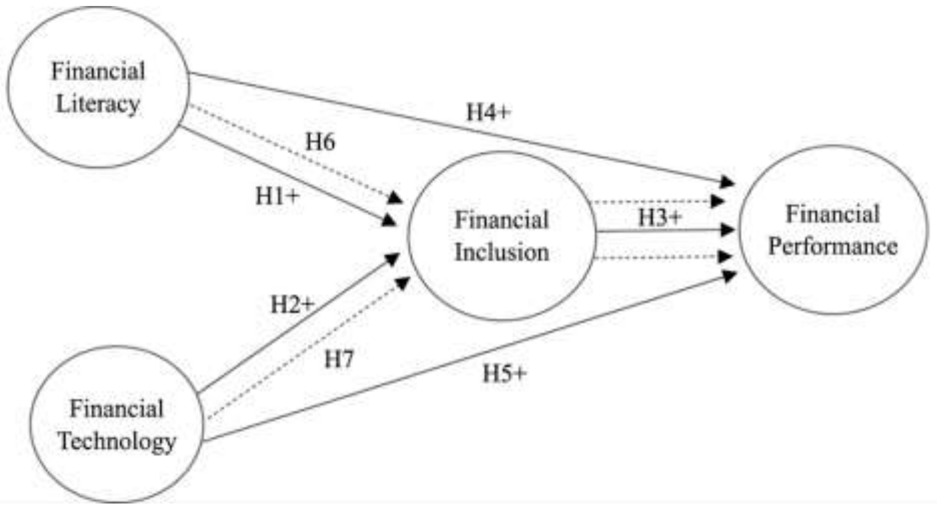

Figure 1. Research Model

2. RESEARCH METHOD

This study uses a quantitative approach with a survey method. The object of the study is Micro, Small, and Medium Enterprises (MSMEs) in the City of Yogyakarta, with the research subjects being MSME actors who run their businesses. The data used are primary data collected through an online questionnaire (Google Form) distributed directly to respondents who met the criteria. The sampling technique used purposive sampling with the following criteria: (1) the business has been operating for more than two years in the City of Yogyakarta, (2) has a permanent business location, and (3) the MSME actor understands the financial and operational condition of their business. The sample size was determined based on the guidelines of Hair et al. (2019), namely 5-10 times the number of indicators. With 31 indicators, the minimum target sample was 155, and this study successfully collected 217 qualifying respondents. The research variables were measured using a 1-5 Likert scale. Data analysis was conducted using the Partial

Least Squares Structural Equation Modeling (PLS-SEM) method with SmartPLS software. Model evaluation included testing the measurement model (outer model) for convergent and discriminant validity as well as reliability, and testing the structural model (inner model) to test the hypotheses through a bootstrapping procedure.

3. RESULTS AND DISCUSSION

3.1 Research Results

Respondent Characteristics

Descriptive analysis was used to provide a general overview of respondents' answers for each research variable. The results of the descriptive analysis include the mean, standard deviation, and minimum and maximum values for each variable.

Table 1. Summary of Descriptive Analysis Results

No	Variable	Category	N	%
1	Gender	Male	98	45%
		Female	119	55%
	Total		**217**	**100%**
2	Age	<26 Years	36	17%
		26-30 Years	56	26%
		31-35 Years	61	28%
		36-40 Years	45	21%
		>41 Years	19	9%
	Total		**217**	**100%**
3	MSME Category by Number of Employees	Micro	189	87%
		Small	17	8%
		Medium	11	5%
	Total		**217**	**100%**
4	Last Education	Elementary School/Equivalent	3	1%
		Junior High School/Equivalent	7	3%
		Senior High/Vocational School/Equivalent	116	53%
		Diploma	12	6%
		Postgraduate (S1/S2)	10	5%
	Total		**217**	**100%**
5	Length of Business Operation	2-6 Years	111	51%
		7-11 Years	60	28%
		>11 Years	46	21%
	Total		**217**	**100%**

Outer Model Test

Convergent Validity Test

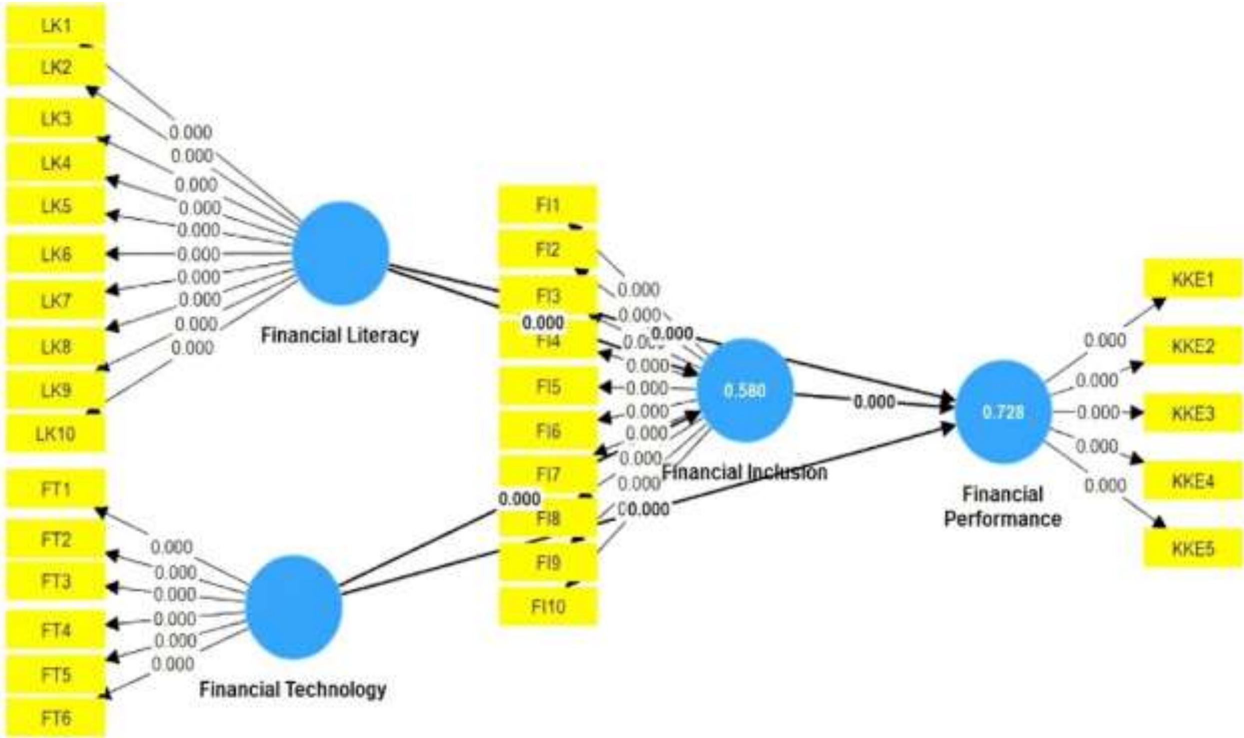

Figure 2. Convergent Validity Test Results

Source: SmartPLS Output Results (2026)

Based on Figure 2, the convergent validity test results for all variables in this study have met the required validity criteria, namely an outer loading value greater than 0.70. The results can be seen in Table 2.

Table 2. Outer Loading Values

Variable	Indicator	Loading Factor	Remarks
Financial Literacy	LK1	0.827	Valid
	LK2	0.867	Valid
	LK3	0.817	Valid
	LK4	0.823	Valid
	LK5	0.838	Valid
	LK6	0.882	Valid
	LK7	0.828	Valid
	LK8	0.872	Valid
	LK9	0.794	Valid
	LK10	0.839	Valid
Financial Inclusion	FI1	0.802	Valid

	FI2	0.783	Valid
	FI3	0.789	Valid
	FI4	0.773	Valid
	FI5	0.759	Valid
	FI6	0.769	Valid
	FI7	0.759	Valid
	FI8	0.779	Valid
	FI9	0.743	Valid
	FI10	0.718	Valid
Financial Technology	FT1	0.865	Valid
	FT2	0.833	Valid
	FT3	0.856	Valid
	FT4	0.845	Valid
	FT5	0.843	Valid
	FT6	0.866	Valid
Financial Performance	KKE1	0.818	Valid
	KKE2	0.780	Valid
	KKE3	0.836	Valid
	KKE4	0.837	Valid
	KKE5	0.854	Valid

Source: SmartPLS Data Processing Results (2026)

Reliability Test

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	AVE
Financial Literacy	0.953	0.960	0.704
Financial Inclusion	0.922	0.935	0.589
Financial Technology	0.924	0.940	0.725
Financial Performance	0.883	0.914	0.681

Source: SmartPLS Data Processing Results (2026)

The outer model evaluation results show that all research instruments have met the validity and reliability criteria. The Average Variance Extracted (AVE) value for all variables is > 0.5, and Cronbach's Alpha is > 0.7 and Composite Reliability is > 0.6, so the data is valid and reliable.

Discriminant Validity Test

Table 4. HTMT Values

Variable	Financial Inclusion	Financial Performance	Financial Literacy
Financial Performance	0.831		
Financial Literacy	0.692	0.771	
Financial Technology	0.720	0.813	0.530

Source: SmartPLS Data Processing Results (2026)

Based on the test results presented in Table 4, all Heterotrait-Monotrait (HTMT) ratio values are below the threshold of 0.90. This indicates that discriminant validity in the research model has been met. Therefore, no values were found exceeding the recommended significance threshold. Thus, it can be concluded that each construct has unique characteristics and there is no overlap between constructs in this research model.

Table 5. Fornell-Larcker Values

Variable	Financial Inclusion	Financial Performance	Financial Literacy	Financial Technology
Financial Inclusion	0.768			
Financial Performance	0.752	0.825		
Financial Literacy	0.651	0.708	0.839	
Financial Technology	0.667	0.735	0.499	0.851

Source: SmartPLS Data Processing Results (2026)

Based on the test results presented in Table 4.5, the discriminant validity test using the Fornell–Larcker criterion shows that the square root of the Average Variance Extracted (AVE) for each construct is greater than the correlation values between other constructs. The square root of AVE values for the Financial Inclusion variable is 0.768, Financial Performance is 0.825, Financial Literacy is 0.839, and Financial Technology is 0.851, all of which are higher than the correlations between variables.

Inner Model Test

Table 6. R-Square Values

Variable	R Square	R Square Adjusted
Financial Inclusion	0.580	0.576
Financial Performance	0.728	0.724

Source: SmartPLS Data Processing Results (2026)

Based on the analysis results, the R Square value for the financial inclusion variable is 0.580. This indicates that the variables in the research model can explain 58.0% of the variation in financial inclusion. Therefore, the model can be categorized as moderate. Meanwhile, the R-square value for the financial performance variable is 0.728. This indicates that the variables in the research model can explain 72.8% of the variation in financial performance. Therefore, the model can be categorized as high.

Effect Size

Table 7. F-Square Values

Variable	Financial Inclusion	Financial Performance
Financial Inclusion		0.120
Financial Literacy	0.320	0.237
Financial Technology	0.372	0.291

Source: SmartPLS Data Processing Results (2026)

Based on Table 7, financial literacy and financial technology show a moderate to large effect on financial inclusion, with f2 values of 0.320 and 0.372, respectively. Financial performance, financial literacy and financial technology have a moderate effect, with f2 values of 0.237 and 0.291. Meanwhile, financial inclusion has a small to moderate effect on financial performance, with an f2 value of 0.120.

Q-Square Value

Table 8. Q-Square Values

Variable	Q^2
Financial Inclusion	0.326
Financial Performance	0.481

Source: SmartPLS Data Processing Results (2026)

Based on Table 8, the q-square value for the financial inclusion variable is 0.326 and for financial performance is 0.481. All Q2 values are greater than zero, indicating that the structural model has good predictive relevance. Thus, this research model is considered capable of adequately predicting the dependent construct.

Model Fit

Table 9. Model Fit

Fit Index	Saturated Model	Estimated Model
SRMR	0.044	0.044

Source: SmartPLS Data Processing Results (2026)

Based on Table 9, the SRMR values for the saturated model and estimated model are each 0.044. This value is below 0.10, in accordance with the recommended threshold, so it can be concluded that the research model has a good level of fit and is able to adequately represent the empirical data.

Hypothesis Testing

Table 10. Hypothesis Testing Results

Direction of Effect	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Remarks
Financial Literacy -> Financial Inclusion	0.423	0.422	0.057	7.403	0.000	H1 Accepted
Financial Technology -> Financial Inclusion	0.456	0.455	0.052	8.851	0.000	H2 Accepted
Financial Inclusion -> Financial Performance	0.278	0.285	0.068	4.079	0.000	H3 Accepted
Financial Literacy -> Financial Performance	0.337	0.332	0.051	6.560	0.000	H4 Accepted
Financial Technology -> Financial Performance	0.381	0.376	0.055	6.946	0.000	H5 Accepted
Financial Literacy -> Financial Inclusion -> Financial Performance	0.118	0.122	0.038	3.135	0.002	H6 Accepted
Financial Technology -> Financial Inclusion -> Financial Performance	0.127	0.131	0.037	3.471	0.001	H7 Accepted

Source: SmartPLS Data Processing Results (2026)

Table 10 shows that all hypotheses proposed in this study are accepted. The direct effect of financial literacy and financial technology on financial inclusion is proven positive and significant, with t-statistic values of 7.403 and 8.851, respectively ($p<0.05$). Likewise, financial inclusion, financial literacy, and financial technology have a positive and significant effect on financial performance, with t-statistic values of 4.079, 6.560, and 6.946, respectively ($p<0.05$). In addition, the indirect effect test results confirm that financial inclusion significantly mediates the effect of financial literacy on financial performance ($t=3.135$; $p<0.05$) as well as the effect of financial technology on financial performance ($t=3.471$; $p<0.05$). Thus, all hypotheses (H1 through H7) are declared accepted.

3.2 Discussion

The Effect of Financial Literacy on Financial Inclusion

The results show that financial literacy has a positive effect on the financial inclusion of MSMEs in Yogyakarta. This finding is consistent with the research of Reddy et al. (2025) and Akakpo et al. (2022). MSME actors were measured through understanding of personal financial condition, understanding of credit card risk, insurance awareness, financial planning, setting long-term financial goals, readiness to take investment risks, and habits of saving, bank borrowing, or insurance. Financial literacy plays an important role in increasing the accessibility of formal financial services for MSME actors. Thus, the first hypothesis (H1) is accepted.

The Effect of Financial Technology on Financial Inclusion

The results show that financial technology has a positive effect on the financial inclusion of MSMEs in Yogyakarta. This result is consistent with the findings of Menza et al. (2024) and Demir et al. (2022), who concluded that the convenience, speed, and efficiency offered by fintech platforms such as mobile banking and e-wallets have reduced barriers to accessing financial services. For MSMEs in Yogyakarta, fintech serves as a gateway to connect with the formal financial ecosystem that may have previously been difficult to reach due to time and distance constraints. Thus, the second hypothesis (H2) is accepted.

The Effect of Financial Inclusion on Financial Performance

The results show that financial inclusion has a positive effect on the financial performance of MSMEs in Yogyakarta. Financial inclusion was measured through the security of bank services, cost affordability, suitability of loan and savings products, favorable loan terms, security of fund storage, bank support for increasing profits, ease of access to working capital, and support for business sustainability (Raza et al., 2023). This is consistent with the findings of Yanti (2019) and Laila & Sihotang (2022), which state that financial inclusion has a positive and significant effect on the financial performance of MSMEs. These findings indicate that access to and use of formal financial services play a role in improving the stability and growth of business financial performance. Thus, the third hypothesis (H3) is accepted.

The Effect of Financial Literacy on Financial Performance

The results show that financial literacy has a positive effect on the financial performance of MSMEs in Yogyakarta. Financial literacy was measured through understanding of personal financial condition, understanding of credit card risk, insurance awareness, financial planning, setting long-term financial goals, readiness to take investment risks, and saving habits (Rapina et al., 2023). Research conducted by Hanasri et al. (2023) shows that financial literacy has a positive effect on financial performance. These findings indicate that a good understanding and ability to manage finances can support increased revenue, target achievement, profits, and business growth. Thus, the fourth hypothesis (H4) is accepted.

The Effect of Financial Technology on Financial Performance

The results show that financial technology has a positive effect on the financial performance of MSMEs in Yogyakarta. This is consistent with studies by Alkhawaldeh et al. (2023) and Rahadjeng et al. (2021), which state that financial technology has a positive effect on financial performance. The use of fintech not only accelerates transactions but also improves the transparency and accuracy of financial record-keeping. Better information can help MSMEs increase revenue, achieve sales growth, expand market share, achieve profit targets, and increase income. Thus, the fifth hypothesis (H5) is accepted.

Financial Inclusion Mediates the Effect between Financial Literacy and Financial Performance

The results show that financial literacy has an indirect effect on the financial performance of MSMEs in Yogyakarta through financial inclusion. Financial literacy was measured through understanding of financial condition, financial planning, awareness of saving and investing, and readiness to face risk (Rapina et al., 2023). This finding is consistent with (Nainggolan, 2023), which states that financial inclusion can mediate the effect of financial literacy on the financial performance of MSMEs. Thus, the sixth hypothesis (H6) is accepted.

Financial Inclusion Mediates the Effect between Financial Technology and Financial Performance

The results show that financial technology has an indirect effect on the financial performance of MSMEs in Yogyakarta through financial inclusion. Financial technology, measured through its ability to maximize financial performance, provide complete information, improve time efficiency, encourage innovation, and reduce fraud risk (Sumani & Prasetya, 2022), makes it easier for MSMEs to access banking services. This finding is consistent with research by (Rahadjeng et al., 2023), which states that financial inclusion can mediate the effect of financial technology on the financial performance of MSMEs. These findings indicate that the use of financial technology can improve business financial performance through increased access to and use of formal financial services. Thus, the seventh hypothesis (H7) is accepted.

4. CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter, the following conclusions are drawn: Financial literacy has a positive and significant effect on the financial inclusion of MSMEs in the City of Yogyakarta. This indicates that the better the level of financial literacy possessed by MSME actors, the greater their ability to access and utilize formal financial services. Thus, the first hypothesis is declared supported. Financial technology has a positive and significant effect on the financial inclusion of MSMEs in the City of Yogyakarta. This means that increased use of financial technology promotes wider access to and use of financial services by MSME actors. Therefore, the second hypothesis is declared supported. Financial inclusion has a positive and significant effect on the financial performance of MSMEs in the City of Yogyakarta. These findings indicate that ease of access to formal financial services contributes to improving business financial performance. Financial literacy has a positive and significant effect on the financial performance of MSMEs in the City of Yogyakarta. This means that the better the understanding and ability to manage finances among MSME actors, the better the resulting financial performance. Therefore, the fourth hypothesis is accepted. Financial technology has a positive and significant effect on the financial performance of MSMEs in the City of Yogyakarta. These findings indicate that the use of financial technology can support the efficiency and effectiveness of business financial management, thereby impacting improved financial performance. Thus, the fifth hypothesis is supported. Financial inclusion can mediate the effect of financial literacy on the financial performance of MSMEs in the City of Yogyakarta. This means that increased financial literacy will encourage improved financial performance if accompanied by increased access to and use of formal financial services. Thus, the sixth hypothesis is supported. Financial inclusion can mediate the effect of financial technology on the financial performance of MSMEs in the City of Yogyakarta. This indicates that the use of financial technology can improve business financial performance through increased access to and use of formal financial services. Therefore, the seventh hypothesis is supported.

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