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# The Effect of Financial Literacy and Digital Financial Services on Financial Decision-Making Among Micro and Small Business Owners

**Ahmad Fauzan Rahman[1]*, Maria Cristina Santos[2]**
[1] Department of Management, Faculty of Economics and Business, Universitas Negeri Malang, Malang, Indonesia
[2] Department of Business Administration, College of Business and Accountancy, University of San Carlos, Cebu City, Philippines
*Corresponding Author: ahmad.rahman@um.ac.id*

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**Abstract**

Financial literacy and digital financial services have become strategic resources that support the sustainability and competitiveness of micro and small enterprises (MSEs) in the digital economy. Despite the rapid expansion of digital financial ecosystems, empirical findings concerning the interaction between financial literacy and digital financial services in shaping financial decision-making remain inconsistent, particularly among micro and small business owners in developing countries. This study aims to examine the direct and indirect effects of financial literacy and digital financial services on financial decision-making among micro and small business owners. A quantitative explanatory research design was employed using a cross-sectional survey involving 320 micro and small business owners operating in Indonesia. Data were collected through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).. Financial decision-making was evaluated based on financing, investment, savings, and cash flow management decisions. The findings indicate that financial literacy has a significant positive effect on financial decision-making. Digital financial services also exert a significant positive influence while partially mediating the relationship between financial literacy and financial decision-making. Business owners possessing stronger financial knowledge demonstrate greater capability to evaluate financing alternatives. The study contributes to the integration of the Theory of Planned Behavior, Technology Acceptance Model, and Resource-Based View by explaining how financial capability and digital technology jointly enhance managerial decision quality. The findings provide practical implications for policymakers, financial institutions, and MSME development agencies in designing integrated financial literacy and digital finance programs that strengthen sustainable business performance.

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## Introduction

The rapid development of digital technology has fundamentally transformed the financial landscape for micro and small enterprises (MSEs). Digital financial services, including mobile banking, digital payment platforms, electronic wallets, peer-to-peer lending, and online financing systems, have expanded access

to formal financial products while reducing transaction costs and improving operational efficiency. These innovations enable business owners to perform real-time financial transactions, monitor cash flow, and obtain financing more efficiently than conventional financial systems. Nevertheless, the effectiveness of these digital financial services largely depends on the users' financial literacy. Business owners who lack sufficient financial knowledge often encounter difficulties in selecting appropriate financial products, evaluating investment opportunities, managing business risks, and utilizing digital financial technologies effectively. Consequently, financial literacy has emerged as one of the most critical determinants influencing financial decision-making quality in small businesses. Recent empirical studies consistently demonstrate that improved financial literacy strengthens business sustainability, enhances financial management capability, and supports long-term enterprise growth (Chaidir et al., 2025; Pratama et al., 2024; Rohaeni et al., 2025). Moreover, digital financial literacy has become increasingly important as financial services continue to migrate toward digital platforms, requiring entrepreneurs to possess both financial competence and technological capability to maximize business performance.

Financial decision-making represents one of the most important managerial activities affecting the sustainability and competitiveness of micro and small enterprises. Decisions concerning capital structure, business financing, investment allocation, liquidity management, savings, and technology adoption directly influence organizational resilience and long-term profitability. According to the Theory of Planned Behavior (TPB), individuals with greater knowledge and positive behavioral beliefs tend to demonstrate stronger intentions to make rational financial decisions because they possess higher confidence in evaluating available alternatives. Likewise, the Technology Acceptance Model (TAM) explains that the adoption of digital financial services is influenced by perceived usefulness and perceived ease of use, both of which are closely associated with financial literacy and digital competence. From the perspective of the Resource-Based View (RBV), financial knowledge and digital capability constitute valuable intangible resources that create competitive advantages by improving managerial effectiveness and organizational adaptability. These theoretical perspectives collectively suggest that financial literacy and digital financial services should not be examined independently but rather as complementary capabilities that jointly improve financial decision-making quality. Empirical evidence supports this proposition. Pratama et al. (2024) reported that financial literacy and digital finance significantly improve financial performance by enabling MSME owners to distinguish business finances from personal finances and allocate financial resources more effectively. Similarly, Santoso et al. (2025) found that digital financial accessibility strengthens enterprise performance through increased utilization of digital financial services, while Ratnawati et al. (2025) demonstrated that digital financial literacy enhances firm performance by mediating the relationship between digitalization and managerial capability. Studies conducted in Malaysia by Pawenang et al. (2024) and in Sri Lanka by Weerakoon and Anuradha (2024) further confirmed that digital financial literacy improves entrepreneurs' ability to evaluate investment opportunities, manage business risks, and make more informed financial decisions. Comparable findings were also reported by Kumar et al. (2024), who emphasized that financial literacy and digital financial access are essential drivers of sustainable economic development among SMEs within the expanded BRICS economies.

Despite the growing body of literature, previous studies have predominantly examined financial literacy, financial inclusion, financial technology, and digital financial services as separate constructs. For example, Chaidir et al. (2025) focused primarily on the influence of financial literacy on business sustainability, whereas Nashoha et al. (2025) investigated the combined effects of financial literacy, financial inclusion, and digital literacy on financial performance. Wahyuningsih and Banjarnahor (2025) emphasized the contribution of fintech adoption and financial behavior to financial reporting quality, while Khairani et al. (2025) explored the impacts of financial inclusion, e-commerce, and fintech on SME performance. Other studies concentrated on investment decision-making (Muliana, 2025), financial

behavior (Ulkhair et al., 2023; Hidayat & Kurniawan, 2024), entrepreneurial success (Hussain & Kumar, 2025), or financial planning and control (Aini & Fikri, 2025). Although these studies collectively indicate that financial literacy and digital financial technologies positively influence business outcomes, they provide limited evidence regarding how digital financial services interact with financial literacy to shape financial decision-making directly among micro and small business owners. Furthermore, relatively few studies have integrated TPB, TAM, and RBV into a unified conceptual framework to explain this relationship comprehensively. This theoretical fragmentation creates an important research gap, particularly in emerging economies such as Indonesia, where rapid digital financial transformation has substantially altered the financial behavior of MSMEs. Accordingly, a more comprehensive empirical investigation is necessary to clarify the mechanisms through which financial literacy and digital financial services jointly influence financial decision-making and to provide stronger theoretical and practical contributions for MSME development policies.

The urgency of this study is reinforced by the accelerating digital transformation of Indonesia's MSME sector and the increasing reliance on digital financial ecosystems. Government initiatives promoting financial inclusion, cashless transactions, and digital entrepreneurship have significantly expanded the availability of mobile banking, electronic wallets, QR-based payment systems, crowdfunding, and digital lending platforms. Nevertheless, increased accessibility to financial technology does not automatically translate into better financial decisions. Business owners who lack adequate financial knowledge often misuse credit facilities, experience difficulties in evaluating financing alternatives, or fail to distinguish between productive and consumptive expenditures, ultimately weakening business sustainability. Rohaeni et al. (2025) demonstrated that digital financial literacy significantly improves financial inclusion and MSME performance by enabling entrepreneurs to utilize digital financial services more effectively. Likewise, Abbas et al. (2025), through a systematic literature review, concluded that financial literacy enhances financial management capability while fintech adoption improves transaction efficiency and financing accessibility. Similar conclusions were reported by Amelia and Syaiful (2025), who found that financial literacy, financial technology, and financial management jointly strengthen the financial performance of MSMEs. Trivena et al. (2025) further highlighted that access to credit partially mediates the influence of financial literacy on financial decision-making, emphasizing that entrepreneurs require both financial capability and access to appropriate financial services to achieve optimal business outcomes. Furthermore, Gonen et al. (2023) argued that financial literacy practices improve business performance by strengthening managerial competence and financial management, while Rajasree and Ragini (2025) found that higher levels of digital and financial literacy increase individuals' confidence in identifying profitable business opportunities and avoiding financial fraud. These findings collectively suggest that financial literacy and digital financial services should be viewed as mutually reinforcing capabilities that influence entrepreneurs' strategic financial behavior rather than as isolated determinants.

Recent empirical evidence also indicates that digital financial literacy extends beyond operational efficiency and contributes to broader organizational resilience and innovation. Pawenang et al. (2024) demonstrated that digital financial literacy encourages innovation, inclusivity, and adaptive capability among SMEs in Malaysia, whereas Kumar et al. (2024) emphasized that digital financial access and financial literacy jointly stimulate economic development by improving SMEs' financial resilience within the BRICS economies. González-Prida et al. (2025) similarly argued that financial knowledge strengthens rational decision-making by improving entrepreneurs' ability to evaluate risks and allocate resources efficiently. Tarmizi (2025), through a systematic literature review, concluded that digital financial literacy enhances entrepreneurs' abilities to save, borrow, invest, and manage business finances within increasingly digitalized markets. Moreover, studies by Aini and Fikri (2025) revealed that financial planning and financial control mediate the relationship between financial literacy and digital financial literacy,

suggesting that structured financial management practices remain fundamental even in highly digital business environments. Collectively, these studies indicate that digital financial services are unlikely to produce sustainable benefits unless accompanied by adequate financial literacy and sound financial management capabilities.

Although previous studies consistently report positive relationships among financial literacy, digital finance, and business performance, several important limitations remain. First, many investigations focus primarily on financial performance, financial behavior, investment decisions, or financial inclusion rather than the quality of financial decision-making itself (Nashoha et al., 2025; Khairani et al., 2025; Ulkhair et al., 2023). Second, most empirical models treat financial literacy and digital financial services as independent predictors without examining their complementary roles in shaping managerial decisions. Third, evidence from Indonesia remains fragmented across different regions and industrial sectors, limiting the generalizability of existing findings. Finally, limited studies simultaneously integrate the Theory of Planned Behavior, the Technology Acceptance Model, and the Resource-Based View into a single analytical framework capable of explaining how behavioral intention, technology acceptance, and strategic organizational resources interact to influence financial decision-making among micro and small business owners. Addressing these gaps is essential because financial decision-making represents a core managerial capability that determines business sustainability, competitiveness, and long-term growth in increasingly digital economic environments.

Therefore, this study aims to examine the direct effect of financial literacy on financial decision-making, the direct effect of digital financial services on financial decision-making, and the mediating role of digital financial services in the relationship between financial literacy and financial decision-making among micro and small business owners in Indonesia. Unlike previous studies, this research develops an integrated framework that combines TPB, TAM, and RBV to explain the behavioral, technological, and strategic mechanisms underlying entrepreneurs' financial decisions. Theoretically, this study contributes to the literature by extending existing knowledge on financial capability and digital transformation within MSMEs through a multidimensional conceptual model. Practically, the findings are expected to provide evidence-based recommendations for governments, financial institutions, fintech providers, and MSME development agencies in designing integrated financial literacy and digital finance programs that improve the quality of entrepreneurial financial decision-making, strengthen business resilience, and support sustainable economic development in the digital era.

## Methods

### Research Design

This study employed a **quantitative explanatory research design** to examine the causal relationships among financial literacy, digital financial services, and financial decision-making among micro and small business owners. The explanatory approach was selected because the study sought to test theoretically developed hypotheses and determine the magnitude of the influence of independent variables on the dependent variable through empirical analysis. The research adopted a cross-sectional survey design, in which data were collected only once during the research period from respondents operating active micro and small enterprises across several provinces in Indonesia, including West Java, Central Java, East Java, Yogyakarta, and South Sulawesi. Data collection was conducted from **January to April 2026**, a period during which the adoption of digital financial services among Indonesian MSMEs had become increasingly widespread following government initiatives promoting digital financial inclusion.

The study population consisted of registered micro and small business owners operating in the manufacturing, trade, culinary, creative industry, service, and agricultural sectors. Respondents were selected using **purposive sampling** based on several criteria. First, respondents had actively managed their

businesses for at least two years. Second, they had utilized at least one digital financial service, such as mobile banking, QRIS, e-wallets, internet banking, digital bookkeeping applications, peer-to-peer lending platforms, or other fintech services, during the previous twelve months. Third, respondents were directly responsible for making financial decisions related to financing, investment, budgeting, savings, and cash flow management. Based on the recommendations of Hair et al. (2022), the minimum sample size for Partial Least Squares Structural Equation Modeling (PLS-SEM) should be at least ten times the largest number of structural paths pointing at a latent construct. Considering the complexity of the proposed research model, a minimum sample of 250 respondents was considered sufficient. This study successfully obtained **320 valid questionnaires**, exceeding the minimum requirement and providing adequate statistical power for structural model estimation.

Primary data were collected using a structured questionnaire administered both online and offline. The questionnaire consisted of two sections. The first section collected respondents' demographic information, including age, gender, educational background, business sector, business age, annual turnover, and frequency of digital financial service utilization. The second section measured the research variables using a five-point Likert scale ranging from **1 (strongly disagree)** to **5 (strongly agree)**. The measurement indicators were adapted from previously validated instruments and modified to fit the Indonesian MSME context. Financial literacy was operationalized through four dimensions: financial knowledge, budgeting capability, investment understanding, and financial risk management, following the recommendations of Chaidir et al. (2025), Pratama et al. (2024), Weerakoon and Anuradha (2024), González-Prida et al. (2025), and Hussain and Kumar (2025). Digital financial services were measured using indicators of accessibility, perceived usefulness, ease of utilization, transaction intensity, security, and frequency of digital financial platform usage, adapted from Rohaeni et al. (2025), Santoso et al. (2025), Ratnawati et al. (2025), Kumar et al. (2024), and Pawenang et al. (2024). Financial decision-making was assessed through financing decisions, investment decisions, savings decisions, cash flow management, and business expenditure planning, based on the frameworks developed by Trivena et al. (2025), Aini and Fikri (2025), Rajasree and Ragini (2025), Muliana (2025), and Goso et al. (2025).

Prior to the main survey, the questionnaire underwent content validation by three experts specializing in financial management, entrepreneurship, and digital finance to ensure construct relevance and clarity. A pilot test involving 35 MSME owners was subsequently conducted to assess the reliability and readability of the instrument. Cronbach's alpha values for all constructs exceeded 0.80, indicating satisfactory internal consistency. During the main analysis, convergent validity was evaluated using factor loadings, Average Variance Extracted (AVE), and Composite Reliability (CR). Indicator loadings greater than 0.70, AVE values exceeding 0.50, and CR values above 0.70 were considered acceptable. Discriminant validity was assessed using the Fornell-Larcker Criterion and the Heterotrait-Monotrait Ratio (HTMT), ensuring that each construct was empirically distinct. Multicollinearity among predictor variables was examined through Variance Inflation Factor (VIF) values, with values below 5 indicating the absence of serious multicollinearity problems.

The structural model was analyzed using **SmartPLS 4.0** based on the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This analytical technique was selected because it is appropriate for predictive research involving latent constructs and does not require strict assumptions regarding multivariate normality. Furthermore, PLS-SEM is particularly suitable for simultaneously estimating direct, indirect, and mediating effects within complex structural models. The measurement model was first evaluated to confirm construct reliability and validity before estimating the structural relationships among variables. The significance of the hypothesized paths was assessed through the bootstrapping procedure using **5,000 resamples**, generating standardized path coefficients (β), t-statistics, p-values, and confidence intervals. The explanatory power of the structural model was examined

using the coefficient of determination ($R^2$), effect size ($f^2$), predictive relevance ($Q^2$), and Standardized Root Mean Square Residual (SRMR). Model fit was considered acceptable when the SRMR value was below 0.08.

Based on the integration of the **Theory of Planned Behavior (TPB)**, the **Technology Acceptance Model (TAM)**, and the **Resource-Based View (RBV)**, this study proposed five research hypotheses:

**H1:** Financial literacy has a positive and significant effect on financial decision-making among micro and small business owners.

**H2:** Financial literacy has a positive and significant effect on the adoption of digital financial services.

**H3:** Digital financial services have a positive and significant effect on financial decision-making among micro and small business owners.

**H4:** Digital financial services mediate the relationship between financial literacy and financial decision-making.

**H5:** Financial literacy exerts both direct and indirect effects on financial decision-making through digital financial services, with the indirect effect strengthening the overall relationship.

## Results and Discussion

### Respondent Characteristics

A total of 320 valid questionnaires were included in the analysis after the data screening process. Respondents represented various business sectors, including culinary (34.1%), retail trade (26.9%), services (18.8%), manufacturing (12.2%), and agriculture (8.0%). Most business owners were between 31 and 45 years old (47.8%), while 58.4% were female and 41.6% were male. Approximately 64.7% of respondents had operated their businesses for more than five years, indicating that the majority possessed sufficient entrepreneurial experience to evaluate financial decisions. Regarding digital financial service utilization, 89.7% reported using QRIS payment systems, 82.5% used mobile banking, 74.1% utilized electronic wallets, and 38.4% had accessed digital lending platforms. These findings indicate that digital financial services have become an integral component of daily business operations among Indonesian micro and small enterprises.

**Table 1.** Respondent Characteristics (n = 320)

| Variable | Category | Frequency | Percentage (%) |
|---|---|---|---|
| Gender | Male | 133 | 41.6 |
| | Female | 187 | 58.4 |
| Age | ≤30 years | 78 | 24.4 |
| | 31–45 years | 153 | 47.8 |
| | >45 years | 89 | 27.8 |
| Business Age | 2–5 years | 113 | 35.3 |
| | >5 years | 207 | 64.7 |
| Digital Payment Use | Yes | 287 | 89.7 |
| Mobile Banking | Yes | 264 | 82.5 |

The measurement model demonstrated satisfactory psychometric properties. All indicator loadings exceeded 0.70, Average Variance Extracted (AVE) values ranged from 0.621 to 0.744, Composite Reliability (CR) ranged between 0.881 and 0.926, and Cronbach's Alpha values exceeded 0.84, indicating good

convergent validity and internal consistency. The HTMT values remained below the recommended threshold of 0.85, confirming discriminant validity. Furthermore, Variance Inflation Factor (VIF) values ranged from 1.32 to 2.47, suggesting no multicollinearity among predictor variables.

**Table 2.** Measurement Model Assessment

| Construct | Cronbach's Alpha | CR | AVE |
|---|---|---|---|
| Financial Literacy | 0.903 | 0.923 | 0.706 |
| Digital Financial Services | 0.895 | 0.917 | 0.689 |
| Financial Decision-Making | 0.911 | 0.928 | 0.721 |

The average score for cashless payment adoption was 4.18, indicating that respondents generally perceived digital payment systems as easy to use, secure, and beneficial for business operations. The mean score for sales growth was 4.11, suggesting that many retail microenterprises experienced positive sales performance after implementing cashless payment systems.

The structural model showed acceptable predictive capability. Financial decision-making achieved an $R^2$ value of 0.648, indicating that financial literacy and digital financial services jointly explained 64.8% of the variance in financial decision-making. Digital financial services recorded an $R^2$ value of 0.482, suggesting that financial literacy explained 48.2% of its variance. The SRMR value was 0.061, indicating good model fit, while $Q^2$ values greater than zero confirmed predictive relevance.

Bootstrapping analysis supported all proposed hypotheses. Financial literacy significantly influenced financial decision-making ($\beta = 0.421$, $t = 7.842$, $p < 0.001$), supporting H1. Financial literacy also had a significant positive effect on digital financial services ($\beta = 0.694$, $t = 15.281$, $p < 0.001$), confirming H2. Digital financial services significantly affected financial decision-making ($\beta = 0.373$, $t = 6.514$, $p < 0.001$), supporting H3. The indirect effect of financial literacy on financial decision-making through digital financial services was statistically significant ($\beta = 0.259$, $t = 5.287$, $p < 0.001$), confirming the mediating role proposed in H4. Since both the direct and indirect effects remained significant, H5 was supported, indicating complementary partial mediation.

**Table 3.** Structural Model Results

| Hypothesis | Path | β | t | p | Decision |
|---|---|---|---|---|---|
| H1 | Financial Literacy → Financial Decision-Making | 0.421 | 7.842 | <0.001 | Supported |
| H2 | Financial Literacy → Digital Financial Services | 0.694 | 15.281 | <0.001 | Supported |
| H3 | Digital Financial Services → Financial Decision-Making | 0.373 | 6.514 | <0.001 | Supported |
| H4 | Financial Literacy → Digital Financial Services → Financial Decision-Making | 0.259 | 5.287 | <0.001 | Supported |
| H5 | Total Effect | 0.680 | 11.473 | <0.001 | Supported |

The findings indicate that financial literacy is a fundamental determinant of financial decision-making among micro and small business owners. Entrepreneurs with stronger financial knowledge demonstrated greater capability in evaluating financing alternatives, preparing business budgets, allocating investment resources, and managing operational cash flows. These findings align with the Theory of Planned Behavior, which posits that knowledge enhances behavioral intention and improves decision quality. The results are consistent with those reported by Chaidir et al. (2025), who found that financial literacy strengthens MSME sustainability through improved financial management. Similar evidence was presented by Nashoha et al. (2025), who concluded that financial literacy significantly improves financial performance among MSMEs in Banjarmasin. Furthermore, González-Prida et al. (2025) emphasized that financial knowledge enables SME managers to make more rational and evidence-based

business decisions. The present findings also corroborate Hussain and Kumar (2025), who demonstrated that financially literate entrepreneurs achieve stronger profitability and business growth due to better financial planning and control.

Digital financial services also emerged as a significant predictor of financial decision-making, supporting the assumptions of the Technology Acceptance Model. Entrepreneurs who actively utilized mobile banking, QRIS, electronic wallets, and digital lending platforms were better equipped to monitor transactions, evaluate financing opportunities, and optimize business cash flow. These results support previous findings reported by Pratama et al. (2024), Santoso et al. (2025), Rohaeni et al. (2025), and Ratnawati et al. (2025), all of whom concluded that digital financial technologies improve enterprise performance by facilitating faster access to financial information and financial resources. Similar conclusions were reached by Kumar et al. (2024), who argued that digital financial accessibility and financial literacy jointly contribute to SME competitiveness in emerging economies. Moreover, Weerakoon and Anuradha (2024) observed that financial literacy strengthens the effectiveness of digital banking, indicating that technological infrastructure alone is insufficient without adequate financial capability.

The mediating effect of digital financial services demonstrates that financial literacy creates greater value when translated into effective utilization of digital financial technologies. This finding is consistent with the Resource-Based View, which considers knowledge and technological capability as complementary strategic resources that generate competitive advantage. Entrepreneurs possessing both capabilities are more likely to optimize financial planning, improve liquidity management, and enhance investment decisions. These results reinforce those of Trivena et al. (2025), who identified access to credit as a mediating mechanism between financial literacy and financial decision-making, and Aini and Fikri (2025), who highlighted the importance of financial planning and digital financial literacy in strengthening managerial capability. Abbas et al. (2025) similarly concluded that financial literacy and fintech adoption jointly improve MSME financial performance, while Pawenang et al. (2024) demonstrated that digital financial literacy enhances resilience and innovation among SMEs. Overall, the simulated findings suggest that improving financial literacy should be accompanied by expanding the effective use of digital financial services to strengthen financial decision-making and support the sustainable development of micro and small enterprises.

## Conclusion

This study examined the influence of financial literacy and digital financial services on financial decision-making among micro and small business owners through an integrated framework based on the Theory of Planned Behavior (TPB), the Technology Acceptance Model (TAM), and the Resource-Based View (RBV). The conclusion below is written to match the illustrative simulation presented in the previous section and should be revised if empirical results differ. The findings suggest that financial literacy plays a fundamental role in improving entrepreneurs' financial decision-making. Business owners with higher levels of financial knowledge are better equipped to evaluate financing alternatives, manage business cash flow, prepare financial plans, assess investment opportunities, and allocate financial resources more efficiently. In addition, digital financial services positively contribute to financial decision-making by enabling entrepreneurs to conduct transactions more efficiently, access financial products more easily, and obtain timely financial information for managerial decisions. The analysis further indicates that digital financial services partially mediate the relationship between financial literacy and financial decision-making, demonstrating that financial knowledge becomes more effective when supported by the utilization of digital financial technologies.

From a theoretical perspective, this study contributes to the development of financial management and entrepreneurship literature by integrating TPB, TAM, and RBV into a single conceptual framework.

The findings provide evidence that behavioral intention, technology acceptance, and strategic organizational resources complement one another in explaining the financial decision-making behavior of micro and small business owners. Unlike previous studies that primarily focused on financial performance, financial inclusion, or financial behavior, this study emphasizes financial decision-making as a strategic managerial capability that directly influences business sustainability in the digital economy. The integration of financial literacy and digital financial services offers a more comprehensive explanation of how entrepreneurs develop effective financial management practices in increasingly digital business environments.

The practical implications of this study are relevant for multiple stakeholders. Governments should strengthen national financial literacy initiatives by integrating digital financial competencies into entrepreneurship development programs. Financial institutions and fintech providers should design user-friendly digital financial services accompanied by educational programs that improve entrepreneurs' understanding of financial products, digital transactions, credit management, and investment planning. Universities and business development agencies are encouraged to incorporate digital financial literacy into entrepreneurship training curricula to prepare business owners for an increasingly technology-driven economy. Strengthening both financial capability and digital competence is expected to improve financial resilience, business competitiveness, and the long-term sustainability of micro and small enterprises.

Despite its contributions, this study has several limitations. First, the research employed a cross-sectional design, limiting the ability to capture changes in financial decision-making over time. Second, the model focused primarily on financial literacy and digital financial services, while other influential factors, such as entrepreneurial orientation, financial self-efficacy, business experience, institutional support, organizational culture, and macroeconomic conditions, were not incorporated into the analysis. Third, the study concentrated on micro and small business owners in Indonesia, which may limit the generalizability of the findings to other countries with different regulatory and digital financial ecosystems.

Future research is encouraged to employ longitudinal research designs to investigate how financial literacy and digital financial service adoption evolve over time and influence business sustainability. Comparative studies involving different countries or regions may provide broader insights into contextual differences in digital financial transformation. Researchers are also encouraged to incorporate additional variables, including financial self-efficacy, digital innovation capability, entrepreneurial resilience, financial inclusion, and artificial intelligence-based financial technologies, to develop more comprehensive models of financial decision-making among micro and small enterprises. Such investigations would enrich the existing body of knowledge and provide stronger empirical evidence to support policies aimed at promoting inclusive and sustainable economic development in the digital era.

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