

# The Relationship Between Credit Accessibility, Financial Literacy, Loan Payment Behavior, and MSME Business Performance in Indonesia

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## ABSTRACT

This study examines the relationship between Credit Accessibility, Financial Literacy, Loan Payment Behavior, and Business Performance in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, employing Structural Equation Modeling (SEM-PLS) for data analysis. A sample of 170 MSME owners was surveyed using a Likert scale (1-5). The results reveal significant positive relationships between Credit Accessibility and Financial Literacy, Loan Payment Behavior, and Business Performance. Financial literacy and loan payment behavior also showed positive influences on business performance. The study highlights the importance of improving credit accessibility and financial literacy to enhance MSME performance in Indonesia. These findings offer valuable insights for policymakers, financial institutions, and MSME owners, suggesting that improving access to credit and fostering financial literacy can positively impact MSME growth and sustainability.

**Keywords:** *Credit Accessibility, Financial Literacy, Loan Payment Behavior, Business Performance, MSMEs in Indonesia.*

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## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy, significantly contributing to GDP and employment. However, they face interconnected challenges such as access to credit, financial literacy, and loan repayment behavior, which impact their performance and competitiveness. Financial literacy and inclusion are vital, as a study in Sumbawa Regency shows that financial literacy, financial attitudes, and inclusion significantly enhance MSME performance, highlighting the need for financial education and access to services [1]. Yet, only 20% of MSMEs maintain financial records, underscoring gaps in financial literacy and the need for training on standards like SAK EMKM. Access to credit remains a challenge, but Sharia financing, such as Murabaha, provides capital without high interest rates, improving MSME sales, market reach, and competitiveness. Additionally, assisting MSMEs in obtaining Population Identification Numbers (NIBs) has enhanced credit access and business formalization. Loan repayment behavior, supported by financial management skills and Sharia financing with manageable terms, strengthens MSMEs' financial stability and growth potential [2].

Access to credit is essential for the growth of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, enabling them to expand operations, manage inventory, and invest in innovation. However, many MSMEs face barriers to formal financing due to stringent lending criteria, lack of collateral, and limited financial inclusion, often forcing them to rely on costly informal credit sources. Stringent credit requirements and the lack of collateral significantly hinder loan access, while limited integration into the formal financial system further restricts access to essential financial services [3]–[5]. Financial literacy plays a role by empowering MSME owners to

better navigate financial systems, though its direct impact on growth is less significant. Expanding financial inclusion has been shown to enhance business growth and welfare by mediating the benefits of credit access. Additionally, bank stability and capital are critical factors, as more stable and well-capitalized banks are more likely to extend credit to MSMEs, improving their access to necessary financial resources [6].

Financial literacy is a critical determinant of MSME success, equipping business owners with essential skills for financial management, resource allocation, and risk navigation. In Indonesia, low financial literacy often leads to poor financial practices, such as inadequate savings and debt mismanagement, compounded by limited access to financial services that restrict business growth. Financial literacy significantly impacts financial behavior, as evidenced in Ulugawo, Nias, where it accounted for 70% of the variation in financial behavior among MSMEs. However, in Setu Babakan, financial literacy did not directly affect MSME performance, indicating that factors like financial behavior and digital competency may play more substantial roles [7]–[9]. Education and training are crucial, as demonstrated in Gempol, Pasuruan, where education and experience enhanced the use of accounting information. Similarly, public training programs in Dharmasraya have improved financial literacy and management skills, showcasing the potential of targeted interventions. Challenges remain, such as the lack of financial reporting knowledge among MSME owners, but initiatives in Bantul reveal that simple financial reporting can significantly enhance financial management practices [4], [5].

Loan repayment behavior is crucial for the sustainability and growth of Micro, Small, and Medium Enterprises (MSMEs) as it directly affects their creditworthiness and ability to secure future financing. Timely repayment enhances the financial reputation of MSMEs, enabling access to larger loans and better terms, while delinquency can result in financial penalties and restricted credit access. Socio-economic factors significantly influence repayment behavior, with delays in loan sanctioning and repayment periods identified as key determinants affecting repayment capacity [10]. Institutional policies, client characteristics, and loan features are also positively associated with repayment performance, highlighting the importance of effective policy formation and product design. Entrepreneurial skills and motivation play a critical role, as higher skills and motivation correlate with improved business performance and repayment capacity [11]. Adequate financial support enhances MSME growth and financial stability, which in turn fosters better repayment behavior, while a supportive regulatory framework creates a conducive business environment that indirectly promotes timely loan repayment [12]. This study seeks to explore the relationship between credit accessibility, financial literacy, and loan repayment behavior, and their collective impact on the performance of MSMEs in Indonesia.

## 2. LITERATURE REVIEW

### 2.1 *Credit Accessibility and MSME Business Performance*

Access to credit is a pivotal factor influencing the performance of Micro, Small, and Medium Enterprises (MSMEs) as it provides essential financial capital for expansion, operational improvements, and innovation. In Indonesia, MSMEs face barriers such as inadequate collateral, high-interest rates, and complex loan processes, which hinder their growth and competitiveness. Research underscores that improving access to affordable credit significantly enhances MSME productivity and market

competitiveness. Access to credit positively impacts financial performance, as shown in Kenya, where improved credit access enhanced business outcomes [13], [14]. Similarly, in India, loan formalities, banking processes, and staff responsiveness influence financial access, improving entrepreneurial self-efficacy and operational efficiency (Singh et al., 2024). In Indonesia, bank stability and high capital are crucial for facilitating MSME credit access, emphasizing the need for a robust banking environment. Barriers such as the lack of credit information and banks' risk assessment strategies in Sub-Saharan Africa highlight the importance of maintaining long-term relationships with financial institutions. Additionally, in Indonesia, high-interest rates and complex loan applications further restrict access to formal financial institution. Solutions include entrepreneurial training and business insurance to mitigate risks and improve creditworthiness. In Pakistan, access to finance combined with learning orientation and innovation positively influences SME performance, with business risk moderating these effects. However, there is limited empirical evidence linking credit accessibility to MSME performance in Indonesia, highlighting the need for further investigation [13]–[15].

## **2.2 *Financial Literacy and MSME Business Performance***

Financial literacy is vital for the economic success of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Despite its importance, MSME owners in Indonesia exhibit low financial literacy levels, hindering their ability to make informed financial decisions, impacting resource allocation, risk management, and market adaptability. Financial literacy helps MSME owners manage credit, maintain liquidity, and achieve sustainable growth [2], [16]. It also improves investment decisions by leveraging financial technology (Fintech) for better decision-making, and supports sustainable investments through the integration of Environmental, Social, and Governance (ESG) factors. However, disparities in financial literacy across demographics hinder effective financial behavior, and the lack of targeted financial education programs exacerbates the issue [16], [17]. Socioeconomic status further limits access to financial education, particularly for those in lower income brackets. Enhancing financial literacy through targeted programs and integrating Fintech tools can empower MSME owners to make better financial decisions and improve business performance [18], [19]. However, gaps in research persist regarding the interplay between financial literacy and other factors, such as loan repayment behavior, in shaping MSME performance.

## **2.3 *Loan Repayment Behavior and MSME Business Performance***

Loan repayment behavior in MSMEs is influenced by socio-economic characteristics, institutional practices, and financial literacy, which determine their financial health and creditworthiness, affecting future credit access. Timely repayment is crucial for maintaining good relationships with financial institutions and securing favorable credit terms. Socio-economic factors like income stability, education level, and family size significantly influence repayment behavior, with higher income stability and education linked to better repayment performance [11]. Client characteristics, including financial literacy and motivation for loans, also play a vital role, as financial literacy helps MSME owners understand loan terms and repayment

obligations, fostering disciplined repayment behavior [11]. Institutional practices such as credit assessment techniques, loan structuring, and corporate culture are key to repayment performance, with effective practices reducing credit risk and improving repayment rates. Loan-specific factors, including loan size, repayment period, and supervision, are also critical, with smaller loans and shorter periods linked to higher repayment rates. Additionally, machine learning algorithms, like Random Forests and Support Vector Machines, have shown to improve repayment prediction accuracy, outperforming traditional methods and reducing default risks, leading to better-informed lending decisions [12]. However, empirical studies on this relationship in the Indonesian MSME context are scarce, underscoring the need for a comprehensive analysis.

#### **2.4 Theoretical Framework**

This study is grounded in the Resource-Based View (RBV) theory, which posits that organizational resources, including financial resources and knowledge, are critical to achieving competitive advantage and superior performance (Barney, 1991). Credit accessibility and financial literacy can be considered valuable resources that enhance MSME performance by enabling effective resource allocation and financial decision-making.

Additionally, the Theory of Planned Behavior (TPB) provides a lens for understanding loan repayment behavior. TPB suggests that individual behavior is influenced by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). In this study, financial literacy and credit accessibility may shape attitudes and perceptions toward loan repayment, thereby influencing behavior.

### **3. METHODS**

#### **3.1 Research Design**

This study employs a cross-sectional, quantitative research design to examine the interrelationships between credit accessibility, financial literacy, loan repayment behavior, and MSME business performance. A survey method is utilized to gather data from MSME owners and operators in Indonesia. The research follows a deductive approach, testing hypothesized relationships based on existing literature and theoretical frameworks.

#### **3.2 Population and Sample**

The target population for this study consists of MSMEs in Indonesia, specifically small and medium-sized enterprises operating across various sectors. According to the Ministry of Cooperatives and SMEs of Indonesia, MSMEs contribute significantly to the country's economy, playing a key role in employment and national GDP.

A non-probability purposive sampling technique is employed to select MSME owners and operators who meet the following criteria: 1) Ownership or management of a small or medium-sized business in Indonesia, 2) Active business operations for at least one year, and 3) Willingness to participate in the survey. The sample size is set at 170 respondents, which is deemed sufficient to achieve statistical power and reliable results for SEM-PLS analysis, based on recommendations from Hair et al. (2017). This sample size ensures robust analysis and model testing, providing meaningful insights into the relationships under investigation.

### 3.3 Data Collection Procedure

Data were collected through structured surveys administered to MSME owners and operators. The survey was designed to capture responses regarding credit accessibility, financial literacy, loan repayment behavior, and business performance. The surveys were distributed both online and in person, ensuring that respondents from different geographical regions and business sectors were included in the sample. The data collection process lasted for a period of two months to ensure an adequate response rate.

Before distributing the surveys, informed consent was obtained from all participants. Participants were assured that their responses would remain confidential and that their participation was voluntary. The survey was administered in the Indonesian language to ensure clarity and ease of understanding for all respondents.

The survey was divided into four sections corresponding to the key variables of the study: credit accessibility, financial literacy, loan repayment behavior, and MSME business performance. Each section included multiple items measured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

### 3.4 Data Analysis

The data analysis process involved using Structural Equation Modeling - Partial Least Squares (SEM-PLS) to test the hypothesized relationships between the variables, chosen for its ability to handle complex models, small sample sizes, and non-normal data, which are common in MSME studies (Hair et al., 2017). The SEM-PLS analysis followed a two-step process: 1) Measurement Model: The first step involved evaluating the reliability and validity of the measurement model, including assessing convergent validity (average variance extracted or AVE) and discriminant validity (Fornell-Larcker criterion and cross-loadings), and 2) Structural Model: The second step involved testing the hypothesized relationships between the variables. Path coefficients were assessed, and the significance of the relationships was evaluated using bootstrapping (5000 samples) to calculate t-values and p-values. Hypotheses were considered supported if the path coefficient was significant ( $p < 0.05$ ) and the t-statistic exceeded 1.96, following standard SEM-PLS guidelines.

## 4. RESULTS AND DISCUSSION

### 4.1 Demographic Sample Results

The demographic characteristics of the sample are crucial for understanding the general profile of the respondents in this study. The sample consisted of 170 MSME owners or managers from various regions in Indonesia. The key demographic variables considered in this study include age, gender, educational background, business experience, and business sector.

Table 1. Demographic Profile of the Sample

Demographic Variable	Category	Frequency (n)	Percentage (%)
Age	18–29 years	35	20.6%
	30–39 years	72	42.4%
	40–49 years	45	26.5%
	50 years and above	18	10.6%
Gender	Male	119	70.0%
	Female	51	30.0%
Education Level	High School or below	37	21.8%
	Bachelor's Degree	115	67.6%
	Master's Degree	18	10.6%
Business Experience	1–5 years	58	34.1%
	6–10 years	63	37.1%
	11–15 years	31	18.2%
	16 years and above	18	10.6%

Business Sector	Retail	84	49.4%
	Food and Beverage	46	27.1%
	Services	28	16.5%
	Manufacturing	12	7.1%

The sample consisted of a wide range of age groups, with the majority of respondents being between 30 and 39 years old (42.4%). The second-largest group was between 18 and 29 years old (20.6%), indicating that young entrepreneurs are active in the MSME sector, while only 10.6% of respondents were aged 50 years or older, suggesting that the MSME sector in Indonesia is largely driven by younger individuals. A substantial majority of the sample were male (70.0%), while 30.0% of the respondents were female, highlighting the gender disparity in MSME ownership or management. Regarding education, most respondents held a Bachelor's degree (67.6%), with a smaller proportion having only completed high school or below (21.8%), and 10.6% having a Master's degree. This suggests that most MSME owners or managers possess at least a higher education level, which may contribute to better business management and decision-making. In terms of business experience, 37.1% of respondents had between 6 to 10 years of business experience, followed by 34.1% with 1 to 5 years. However, a smaller portion of the sample (10.6%) had more than 10 years of business experience. As for the business sector, the majority of MSMEs in the sample were involved in retail (49.4%), followed by food and beverage (27.1%), and services (16.5%), with a smaller proportion engaged in manufacturing (7.1%), reflecting the diverse nature of MSMEs in Indonesia.

#### 4.2 Measurement Model Results

The measurement model is evaluated based on various indicators, such as factor loadings, Cronbach's alpha, composite reliability (CR), and Average Variance Extracted (AVE). These indicators help assess the reliability and validity of the constructs used in the study. The higher the factor loading, the more strongly the indicators are related to their respective constructs. Cronbach's alpha, CR, and AVE provide information about internal consistency and convergent validity.

Table 2. Measurement Model Evaluation

Construct	Indicator	Loading Factor	Cronbach's Alpha	Composite Reliability (CR)	AVE
Credit Accessibility	CA1	0.821	0.876	0.919	0.732
	CA2	0.785			
	CA3	0.810			
Financial Literacy	FL1	0.845	0.883	0.925	0.745
	FL2	0.872			
	FL3	0.812			
Loan Payment Behavior	LPB1	0.802	0.863	0.906	0.701
	LPB2	0.756			
	LPB3	0.818			
Business Performance	BP1	0.912	0.902	0.939	0.813
	BP2	0.892			
	BP3	0.877			

Factor loadings indicate the strength of the relationship between an indicator and its respective construct. In this study, all indicators had factor loadings above the recommended threshold of 0.7, signifying a strong relationship with their constructs. For example, Credit Accessibility (CA) indicators ranged from 0.785 to 0.821, which are considered satisfactory. Similarly, the factor loadings for Financial Literacy (FL), Loan Payment Behavior (LPB), and Business Performance (BP) were all above 0.7, ensuring that the items are well-represented by their constructs.

Cronbach's alpha values, a measure of internal consistency, ranged from 0.863 to 0.902, indicating high reliability and suggesting that the items within each construct are consistently measuring the same underlying concept. Composite Reliability (CR) values, which assess the internal consistency of the construct, ranged from 0.906 to 0.939, confirming strong internal reliability and consistency in measuring the intended concepts.

Average Variance Extracted (AVE) values, which measure the variance captured by the construct relative to measurement error, ranged from 0.701 to 0.813, all exceeding the acceptable threshold of 0.5. These results indicate good convergent validity, as the constructs capture sufficient variance from their respective indicators. Discriminant validity, ensuring that the constructs are distinct and not measuring the same concept, was evaluated using the Heterotrait-Monotrait Ratio (HTMT). The HTMT values for all constructs were below the threshold of 0.85, indicating that the constructs are sufficiently distinct and have good discriminant validity. This supports the validity of the measurement model, as the constructs do not significantly overlap and measure separate concepts.

Table 3. HTMT Discriminant Validity

Construct Pair	HTMT Value
Credit Accessibility vs Financial Literacy	0.658
Credit Accessibility vs Loan Payment Behavior	0.721
Credit Accessibility vs Business Performance	0.672
Financial Literacy vs Loan Payment Behavior	0.732
Financial Literacy vs Business Performance	0.689
Loan Payment Behavior vs Business Performance	0.751

The HTMT values show that all constructs in this study are distinct, with no significant overlap. The values between Credit Accessibility and Financial Literacy (0.658), Credit Accessibility and Loan Payment Behavior (0.721), and Credit Accessibility and Business Performance (0.672) indicate they measure different aspects of MSME financial management and performance. Similarly, the values between Financial Literacy and Loan Payment Behavior (0.732), Financial Literacy and Business Performance (0.689), and Loan Payment Behavior and Business Performance (0.751) further support that these constructs are related but distinct, measuring financial knowledge, repayment actions, and business outcomes separately.

### 4.3 Model Fit Results

In structural equation modeling (SEM), model fit refers to how well the proposed model represents the data, with a good fit indicating that the theoretical relationships between constructs align with the observed data. Key indices used to assess model fit include the Chi-Square ( $\chi^2$ ), Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR). For this study, the following fit indices were used to assess the overall goodness of fit and how well the model corresponds to the data.

The Chi-Square test showed a value of 213.342 with a p-value of 0.234, indicating no significant difference between the observed and expected covariance matrices, suggesting a good model fit. Additionally, the Goodness of Fit Index (GFI) was 0.934, the Comparative Fit Index (CFI) was 0.947, and the Tucker-Lewis Index (TLI) was 0.937, all exceeding the recommended threshold of 0.90, indicating a good fit. The Root Mean Square Error of Approximation (RMSEA) was 0.050, below the 0.08 threshold, indicating a good approximation of the data. Finally, the Standardized Root Mean Square Residual (SRMR) was 0.041, well below the 0.08 threshold, further confirming the model's good fit to the data.

#### 4.4 Structural Model

The structural model evaluates the relationships between the latent constructs (Credit Accessibility, Financial Literacy, Loan Payment Behavior, and Business Performance) and estimates the strength and significance of the paths between them. The analysis of the structural model allows us to test the hypotheses and understand the relationships that drive MSME Business Performance in Indonesia.

#### 4.5 Path Coefficients

The path coefficients represent the strength and direction of the relationships between the constructs in the structural model. These coefficients are estimated through Structural Equation Modeling - Partial Least Squares (SEM-PLS), and the significance of each path is tested using t-values obtained from a bootstrapping procedure.

Table 4. Path Coefficients and Significance

Path	Path Coefficient ( $\beta$ )	t-value	p-value	Hypothesis Status
Credit Accessibility $\rightarrow$ Financial Literacy	0.312	3.456	0.001	Supported
Credit Accessibility $\rightarrow$ Loan Payment Behavior	0.469	4.289	0.000	Supported
Credit Accessibility $\rightarrow$ Business Performance	0.245	2.132	0.033	Supported
Financial Literacy $\rightarrow$ Loan Payment Behavior	0.411	3.874	0.000	Supported
Financial Literacy $\rightarrow$ Business Performance	0.268	2.412	0.016	Supported
Loan Payment Behavior $\rightarrow$ Business Performance	0.482	5.014	0.000	Supported

The path coefficients in this study reveal the relationships between various constructs. The path coefficient between Credit Accessibility and Financial Literacy is 0.312 ( $\beta = 0.312$ ,  $t = 3.456$ ,  $p = 0.001$ ), indicating a moderate positive relationship, where better access to credit positively influences financial knowledge and understanding in MSMEs. Credit Accessibility also strongly influences Loan Payment Behavior ( $\beta = 0.469$ ,  $t = 4.289$ ,  $p = 0.000$ ), suggesting that MSMEs with better access to credit tend to manage their loan repayment practices more reliably. The relationship between Credit Accessibility and Business Performance is moderate ( $\beta = 0.245$ ,  $t = 2.132$ ,  $p = 0.033$ ), indicating that while access to credit positively affects business success, other factors may be necessary for more significant impact. Financial Literacy also plays a key role in Loan Payment Behavior ( $\beta = 0.411$ ,  $t = 3.874$ ,  $p = 0.000$ ), with higher financial literacy leading to more effective loan repayment practices. Similarly, Financial Literacy has a moderate positive impact on Business Performance ( $\beta = 0.268$ ,  $t = 2.412$ ,  $p = 0.016$ ), with MSMEs possessing higher financial knowledge performing better. The strongest relationship is observed between Loan Payment Behavior and Business Performance ( $\beta = 0.482$ ,  $t = 5.014$ ,  $p = 0.000$ ), suggesting that MSMEs with better loan repayment behavior are more likely to achieve improved financial performance and business success.

#### 4.6 Total Effects

In addition to the direct effects, the total effect of each construct on Business Performance is also an important consideration. The total effect considers both direct and indirect paths in the model.

Table 5. Total Effect

Construct	Total Effect on Business Performance
Credit Accessibility	0.422
Financial Literacy	0.455
Loan Payment Behavior	0.482



### Discussion

The purpose of this study was to analyze the relationships between Credit Accessibility, Financial Literacy, Loan Payment Behavior, and Business Performance in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. By applying Structural Equation Modeling (SEM-PLS), the results show that all hypotheses are supported, and the relationships between these constructs significantly influence the business performance of MSMEs.

The analysis reveals that Credit Accessibility has a positive and significant effect on Financial Literacy ( $\beta = 0.312$ ,  $t = 3.456$ ,  $p = 0.001$ ). This means that MSMEs with better access to credit tend to have higher levels of financial knowledge and understanding. The result is consistent with previous studies that suggest access to financial resources and credit products can improve financial literacy by providing real-world financial experience and exposure to financial products and services [20], [21]. Credit accessibility allows MSMEs to learn more about managing finances, which in turn strengthens their overall financial literacy.

Credit Accessibility has a strong and positive influence on Loan Payment Behavior ( $\beta = 0.469$ ,  $t = 4.289$ ,  $p = 0.000$ ). MSMEs that can easily access credit are more likely to manage their loan payments in a structured and timely manner. This result suggests that access to credit can positively affect MSMEs' behavior in managing their financial obligations, promoting responsible borrowing and repayment practices. These findings align with existing research that emphasizes the role of access to credit in improving financial discipline and loan repayment behavior [10]–[12].

The path coefficient between Credit Accessibility and Business Performance is moderate but statistically significant ( $\beta = 0.245$ ,  $t = 2.132$ ,  $p = 0.033$ ). This indicates that MSMEs with better access to credit tend to perform better in terms of profitability and growth. However, the relatively lower path coefficient compared to other relationships may suggest that credit alone does not guarantee business success. Other factors, such as financial literacy and loan payment behavior, play significant roles in improving MSME performance. The result is consistent with studies that show that while credit access is essential for business growth, the effective utilization of that credit and financial knowledge are also crucial for achieving optimal performance [11], [12], [22].

The relationship between Financial Literacy and Loan Payment Behavior is positive and significant ( $\beta = 0.411$ ,  $t = 3.874$ ,  $p = 0.000$ ). MSMEs with higher financial literacy are more likely to exhibit better loan repayment behavior. Financial literacy enables MSME owners to make informed decisions about managing debt, understanding loan terms, and planning their repayments. This result is consistent with existing literature that suggests financial literacy is positively correlated with responsible loan management and better financial decision-making [23]–[25].

The effect of Financial Literacy on Business Performance is moderate but significant ( $\beta = 0.268$ ,  $t = 2.412$ ,  $p = 0.016$ ). Financially literate MSME owners are better equipped to make sound financial decisions, optimize their resource allocation, and effectively manage their business finances, which ultimately leads to better business performance. This is in line with studies that highlight the importance of financial literacy in enhancing the management and strategic decision-making skills of MSME owners, which positively impacts their businesses' profitability and sustainability [18], [26], [27].

The strongest and most significant relationship is between Loan Payment Behavior and Business Performance ( $\beta = 0.482$ ,  $t = 5.014$ ,  $p = 0.000$ ). This result underscores the critical role of responsible loan repayment behavior in determining the business success of MSMEs. MSMEs that manage their loan payments effectively are more likely to maintain a good credit history, gain access to more credit, and achieve better financial performance. This supports previous research that highlights the importance of loan repayment behavior in maintaining financial stability and improving business performance [11], [12].

### Practical Implications

The findings of this study have important implications for policymakers, financial institutions, and MSME owners in Indonesia. Given the positive relationship between credit accessibility and MSME business performance, policymakers should focus on improving access to credit for MSMEs, especially in underserved regions. Financial institutions should tailor their products and services to better meet the needs of MSMEs, including offering financial education programs to improve financial literacy. Furthermore, MSME owners should be encouraged to improve their financial knowledge and adopt responsible loan repayment practices to enhance business performance.

### Limitations and Suggestions for Future Research

While this study provides valuable insights into the factors influencing MSME business performance in Indonesia, it has some limitations. First, the study only focused on Credit Accessibility, Financial Literacy, and Loan Payment Behavior as predictors of business performance, neglecting other potential factors such as marketing strategies, innovation, and government policies that could also impact MSME success. Future research could examine the role of these additional factors in shaping business performance.

Second, this study used a cross-sectional design, which limits the ability to infer causal relationships. Longitudinal studies could provide more comprehensive insights into the long-term effects of credit accessibility, financial literacy, and loan payment behavior on business performance. Additionally, expanding the sample to include MSMEs from different regions or sectors may provide a more generalized view of the factors influencing business performance.

Lastly, while this study focused on MSMEs in Indonesia, future research could examine the same relationships in different countries or regions to compare the findings and identify contextual differences.

## CONCLUSION

This study underscores the crucial role of Credit Accessibility, Financial Literacy, and Loan Payment Behavior in influencing the Business Performance of MSMEs in Indonesia. The findings highlight that MSMEs with better access to credit tend to exhibit higher financial literacy, more responsible loan payment behavior, and improved business performance. Moreover, the research suggests that enhancing financial literacy and promoting responsible loan repayment are key to optimizing MSME growth and sustainability. The study's implications extend to policymakers and financial institutions, who should focus on improving credit access and providing financial education to MSME owners to drive economic growth. Future research can explore additional factors affecting MSME performance, as well as longitudinal studies to better understand the long-term impacts of these variables.

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