



The Role of Financial Literacy and Market Orientation in Increasing MSME Business Success in Indonesia

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Abstract. This study aims to analyse the influence of financial literacy and market orientation on the business success of MSMEs in Indonesia, particularly in food sector in Sukabumi. This study explores the importance of financial literacy and market orientation as key factors in improving the performance and sustainability of micro, small and medium enterprises (MSMEs) that form the backbone of the local economy. Using quantitative method with multiple linear regression analysis, data was obtained through questionnaires distributed to 100 MSMEs. The results showed that financial literacy and market orientation had a positive and significant influence on MSMEs business success with a combined contribution of 73,5%. A strong market orientation allowed MSMEs to target customers more effectively, while adequate financial literacy supported better decision-making in financial management and business investment. These findings underscore the important role of financial literacy in creating more competitive and economically stable MSMEs. The originality of study lies in the in-depth analysis of the interaction between financial literacy and market orientation in the context of food sector MSMEs in Indonesia, which has not been widely discussed in previous literature. The implications of this study include the importance of collaboration between the government and MSMEs players to improve access to financial literacy training and the implementation of effective marketing strategies. This will help MSMEs strengthen their competitiveness, improve their financial management, and expand their market share. As such, MSMEs are expected to better adapt to market changes and economic challenges, contribute to the local economy, and support long-term business sustainability.

Keywords: Micro Small Medium Enterprises, Financial Literacy, Market Orientation, Business Success.

1 Introduction

MSMEs play an important role in the Indonesian economy, especially in supporting labour absorption and reducing unemployment. According to Statistics Indonesia (*Badan Pusat Statistik*) data, MSMEs in the food sector experienced a significant increase to reach 1.51 million units in 2022, or 36% of the total national MSMEs, reflecting their important contribution to the economy [1]. However, MSMEs still face serious

challenges, such as raw material scarcity and declining demand, exacerbated by the pandemic. A UNDP and LPEM UI survey noted that most MSMEs experienced a decline in income, demand, and asset value [2].

The success of MSMEs is closely linked to good performance, reflecting their ability to achieve business goals. However, the lack of financial literacy is a major obstacle for MSMEs, hindering the management of financial reports needed for business development [3]. Financial literacy, which includes understanding and skills in financial management, is considered to improve the quality of decision-making and productivity of MSMEs [4]. MSME managers with good financial literacy are better equipped to face market challenges and improve business competitiveness.

In addition to financial literacy, market orientation also plays a role in determining MSME performance. According to Slater and Narver [5], market orientation includes understanding customer needs, orientation towards competitors, and good internal coordination, all of which support customer satisfaction and business sustainability of MSMEs [6]. However, research on the impact of financial literacy and market orientation on MSME performance shows mixed results. Dzogbenuku and Keelson [7] concluded that market orientation had a positive effect on MSME performance, while Abbas [8] stated otherwise. Similarly, Naufal [9] found a positive impact of financial literacy on performance, but Hilmawati and Kusumaningtias [10] found no significant effect.

This study aims to analyze the role of financial literacy and market orientation in improving the performance of MSMEs in Indonesia. Hopefully, the results of this study can help MSME players understand the importance of financial literacy and market orientation and serve as a guide in designing more effective business strategies.

2 Methods

This study was conducted to measure the effect of financial literacy and market orientation on the success of MSMEs using a quantitative approach employing data collection through a series of questionnaires distributed to 100 MSME players engaged in the food industry in Indonesia. Sample determination using a sampling method that can be used to make a good sample from a large population is stratified cluster sampling. The quantitative research model or a simple paradigm form includes three variables, namely financial literacy (X1) and market orientation (X2) as independent variables expressed by (X), and the variable business success is used as the dependent variable marked (Y).

In this study, the research variables are financial literacy and market orientation as independent variables (X) while business success is the dependent variable (Y). Then, it can be seen which elements of financial literacy (X1) and market orientation (X2) have an influence on business success (Y) in the food industry MSMEs in Sukabumi. The data analysis technique used was multiple linear regression, and the measurement test is validity, reliability, and classical assumption test, and hypothesis testing on correlation analysis of determination, f-test, multiple linear regression analysis, and t-test. This research was conducted for 3 months.

3 Result and Discussion

This study used multiple linear regression tests to analyze the effect of financial literacy and market orientation on the business success of MSMEs in Indonesia. Based on the regression test results, the calculated F value is 148,501, which is greater than the F table, with a significance value of $0.000 < 0.05$. This shows that the regression model used is feasible and both independent variables, namely financial literacy and market orientation, have a good ability to measure the dependent variable, namely MSME business success. Data were collected through questionnaires distributed to 100 MSME players in the food industry and analyzed using IBM SPSS Statistics version 25 software. The coefficient of determination (Kd) of 73,5% indicates that the two independent variables together contribute 73,5% to the success of MSME businesses.

Table 1. Measurement Results

No	Testing	Result	Criterion	Information
1	Multiple Correlation	0,875	Interval cophicin 0.0 – 1.000	Very powerful
2	Coefficient of Determination	0,735	-	Strong
3	Simultaneous Significant (Test F)	148,501	Sig. =<0.05	Proper
4	Double Linier Regression	$Y=12.469 + 0.250 + 0.516 x_2$		
5	t test	Market Orientation MSME business success		t test 2,606 Sig.=0.010
		Financial Literacy MSME business success		t test 6.078 Sig.=0.000

Source: Author's work

The hypothesis testing results show that market orientation has t-value of 2.606 with a significance of 1.010, which indicates that market orientation has a positive and significant effect on MSME business success. Meanwhile, the relationship between financial literacy and MSME business success has a t-value of 6.078 with a significance of 0.000, which also indicates that financial literacy has a positive and significant influence.

The findings of this study support the theory that financial literacy and market orientation are important factors in the success of MSME businesses. The practical implications highlight the need for government and financial institutions to play an active role in providing financial literacy training for MSMEs, particularly in the food sector. This study has limitations, including a sample size limited to the food industry and location focused on Sukabumi, so the results may not be fully representative of MSMEs in the other sectors and regions.

4 Conclusion

This research showed that MSME actors in Sukabumi had a good understanding of market orientation and financial literacy, both of which contribute positively and significantly to the success of their businesses, characterized by increased sales, capital, labor, and business profits. The implications of the findings emphasize the importance of improving financial literacy through training and collaboration between the government and MSME actors to strengthen financial capabilities and market strategies. Effective implementation of financial literacy and market orientation will help MSMEs achieve greater success while positively impacting the local and national economy.

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