The Role of Financial Literacy in Moderation of the Influence of Working Capital Management on MSME Performance

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Abstract. This study is motivated by the importance of effective working capital management in ensuring the sustainability of Micro, Small, and Medium Enterprises (MSMEs) in an increasingly competitive business environment. The main research problem addressed in this study is whether financial literacy strengthens the relationship between working capital management and MSME performance. Accordingly, the study aims to examine the effect of working capital management on MSME performance and to investigate the moderating role of financial literacy. A quantitative research approach was employed using primary data collected through questionnaires distributed to 100 MSME owners in Sumur Bandung District. The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The findings reveal that working capital management has a positive and significant effect on MSME performance. However, financial literacy does not significantly moderate the relationship between working capital management and MSME performance. These findings suggest that the success of MSMEs is primarily determined by the effectiveness of working capital management rather than by the level of financial literacy. This study contributes to the existing literature by providing new evidence that, although financial literacy is an important managerial capability, effective working capital management remains the primary driver of improved MSME performance, thereby offering a different perspective from previous studies that have placed greater emphasis on financial literacy.

Keywords: Working Capital, Literacy Finance, MSME Performance

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a central role in Indonesia's economy at both the national and regional levels [1]. According to data from the Ministry of Cooperatives and SMEs, Indonesia had approximately 64.2 million MSMEs in 2023, contributing 61.07% to the country's Gross Domestic Product (GDP) [1]. In 2024, President Joko Widodo stated that the MSME sector employs approximately 97% of

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Indonesia's workforce, making it one of the country's primary drivers of employment and economic growth. Furthermore, Bambang Tirtoyuliono, based on data from the Bandung City Office of Cooperatives and MSMEs, reported that MSMEs in Bandung City employ approximately 26,226 workers and generate an annual turnover of around IDR 1.3 trillion. These figures demonstrate the significant contribution of MSMEs to Indonesia's economy through their substantial contribution to GDP and employment generation, particularly in Bandung City.

Based on an interview with Mr. Deddy from the Ministry of Cooperatives and SMEs, MSMEs in Sumur Bandung District make a significant contribution to the local economy. The district is home to approximately 290 MSMEs, consisting of 276 micro enterprises and 14 small enterprises, with no registered medium-sized enterprises. The MSME sector in Sumur Bandung is dominated by culinary businesses (132 units), followed by trade (49 units), fashion (39 units), other business sectors (32 units), and 19 units each in the service and handicraft sectors.

Collectively, these MSMEs employ approximately 586 workers, generate an annual turnover of around IDR 27.6 billion, and possess total assets of approximately IDR 5.4 billion. Sumur Bandung District is strategically located in the center of Bandung City, making it easily accessible to both business owners and consumers. The district is well known as a major culinary and commercial hub and is also home to several popular tourist attractions, including Braga Street and other historical landmarks that attract both domestic and international visitors. These characteristics demonstrate that MSMEs in Sumur Bandung District make a substantial contribution to the local economy and possess significant potential to further stimulate regional economic growth.

This is consistent with the fact that Micro, Small, and Medium Enterprises (MSMEs) play a central role in Indonesia's economy at both the national and regional levels. Within the framework of sustainable development, maintaining consistent MSME performance is essential because the sustainability of MSMEs has the potential to make a substantial contribution to economic growth [2]. Strong and sustainable business performance enables MSMEs to serve as the backbone of the national economy by promoting economic resilience, creating employment opportunities, and supporting inclusive development [3].

Performance refers to the results achieved through the implementation of organizational activities and reflects the extent to which predetermined objectives have been accomplished. Therefore, performance can be regarded as a measure of the success of an individual, group, organization, or institution in achieving its planned goals and objectives.

Furthermore, organizational performance refers to the achievements attained by an organization over a specific period and reflects the effectiveness of its operational activities. Organizational performance can be evaluated from both financial and managerial perspectives. To ensure that MSMEs operate efficiently and maintain stable profitability, effective working capital management is essential [4].

Working capital plays a crucial role in supporting a company's day-to-day operations and ensuring business continuity. Insufficient working capital may limit management's ability to formulate and implement strategic decisions effectively [5]. Previous studies have shown that MSMEs with effective working capital management are less dependent on external financing, resulting in lower financing costs and reduced production costs. Consequently, these enterprises are better positioned to enhance their competitiveness and achieve sustainable business growth.

According to an article published by Gadjah Mada University, the Head of the Branch Office of Bank Rakyat Indonesia emphasized that effective working capital management plays a crucial role in reducing credit risk, one of the major challenges faced by MSMEs. Poorly managed credit can disrupt business liquidity and may ultimately lead to business failure or bankruptcy. Therefore, MSMEs should adopt sound working capital management strategies, such as separating business capital from profits, establishing collaborative partnerships within the supply chain, and implementing appropriate accounting systems to monitor cash flows and financial liabilities. In addition, continuous training and mentoring in working capital management are essential to improve financial decision-making. By managing working capital effectively, MSMEs can not only maintain business continuity but also enhance their operational efficiency and strengthen their competitiveness in an increasingly competitive market.

Therefore, it can be concluded that effective working capital management, supported by adequate financial literacy, makes a significant contribution to enhancing the competitiveness, operational efficiency, and sustainability of MSMEs in an increasingly competitive business environment. Financial literacy plays an important role in the relationship between working capital management and MSME performance, as it influences how business owners assess their financial conditions and make strategic financial decisions. MSME owners with a higher level of financial literacy are more likely to prepare effective budgets, make sound financial decisions, and manage financial risks efficiently, thereby improving overall business performance [6].

MSME owners with adequate financial literacy are better able to understand and utilize a wide range of financial products and services to support their working capital needs and business development. Financial knowledge enables MSMEs to identify and access various financing alternatives, thereby supporting business growth and long-term sustainability. Therefore, a sound understanding of financial products and services is essential for improving access to capital and enhancing business performance. According to the 2022 National Survey of Financial Literacy and Financial Inclusion (SNLIK) conducted by the Indonesian Financial Services Authority (OJK), Indonesia's financial literacy index reached only 49.68%. This figure indicates that, despite the increasing availability of financial services, a substantial gap remains between financial inclusion and financial literacy. The findings highlight the need for more intensive financial education programs to improve financial knowledge and empower MSME owners to make informed financial decisions.

One of the major challenges faced by MSMEs in Bandung City is the relatively low level of financial literacy among business owners, which hinders their ability to make sound financial decisions. Although Indonesia's financial inclusion index reached 85.10%, the financial literacy index remained at only 49.68%, according to the 2022 National Survey of Financial Literacy and Financial Inclusion (SNLIK) conducted by the Financial Services Authority (OJK). This disparity indicates a significant gap between access to financial services and the ability to understand and utilize them effectively. MSME owners with limited financial literacy tend to manage their working capital intuitively rather than through systematic financial planning. As a result, inefficient working capital management may reduce business performance and hinder long-term business sustainability. Previous studies have produced inconsistent findings regarding the relationship between working capital management and MSME performance. A study conducted in Prambanan District, Klaten Regency, found that working capital management has a positive and significant effect on MSME performance. This finding was attributed to business owners' awareness of the importance of managing cash, receivables, and inventory effectively to support daily business operations and ensure business sustainability [7]. In contrast, another study reported that working capital management does not have a significant effect on financial performance [8]. These inconsistent findings highlight the need for further research to better understand the relationship between working capital management and MSME performance.

Previous studies have also examined the moderating role of financial literacy in the relationship between working capital management and MSME performance. One study found that financial inclusion and peer-to-peer (P2P) lending have a positive effect on MSME performance, and that financial literacy strengthens the positive relationship between financial inclusion, P2P lending, and MSME performance. In contrast, another study reported that access to capital and payment gateways have a positive and significant effect on MSME performance in Buleleng Regency. However, financial literacy was not found to moderate the relationship between access to capital, payment gateways, and MSME performance [8].

A previous study conducted by [9] examined the moderating role of financial literacy in the relationship between working capital management (WCM) and financial performance. The findings revealed that financial literacy has a significant direct effect on financial performance. However, financial literacy was not found to significantly moderate the relationship between working capital management and financial performance [9].

Although previous studies have investigated working capital management and financial literacy separately, limited research has integrated these two variables into a single framework to examine the moderating role of financial literacy in the relationship between working capital management and MSME performance. Therefore, this study aims to address this research gap by providing a more comprehensive understanding of how financial literacy influences the relationship between working capital management and MSME performance.

By focusing on MSMEs in Sumur Bandung District, Bandung City, this study is expected to provide empirical evidence that reflects the actual conditions of MSMEs in the study area. Furthermore, the findings are expected to offer practical recommendations for improving MSME financial management through financial literacy enhancement, educational initiatives, and policy interventions that support sustainable business development.

2. Literature Review

2.1 Theory

The performance of MSMEs reflects how far the effort small and medium succeed reach objective business. Results or evaluation Work a company that is achieved b someone or group with distribution activity in the form of duties and roles during the period certain with standard from company the [10] Working capital is a certain amount of funds or assets used company for finance activity operational every day, such as payment material standard, wages power work and salary employee [11, 12]. working capital management is aspect important in support continuity and growth business. Management This includes strategies for guard balance between asset current and liabilities smoothly, through arrangement cash flow, inventory, accounts payable, and receivables for operational company still walk in a way efficient and stable [13]. Literacy finance is insight, expertise, and abilities individual in understand as well as manage various aspect finance, such as savings, investments, debt, insurance, and instruments finance other, use optimize use finance in a way wise and effective [14].

2.2 Hypothesis

Effective working capital management plays a crucial role in maintaining the continuity of business operations, ensuring smooth cash flow, and improving overall business performance [15]. This is particularly important for MSMEs, as limited financial resources often become a major constraint in managing daily operational activities. Therefore, effective working capital management is essential for enhancing business performance and ensuring long-term sustainability [15].

According to the Financial Services Authority (OJK, 2022), financial literacy refers to the knowledge and ability to prepare budgets, understand loans and interest rates, manage assets and working capital effectively, and select appropriate financial products to support business sustainability. A higher level of financial literacy enables MSME owners to utilize working capital more efficiently, make informed financial decisions, and improve business productivity and performance. Accordingly, financial literacy is expected to strengthen the relationship between working capital management and MSME performance.

Based on the theoretical framework and previous empirical studies, the hypotheses of this study are formulated as follows:

H^1: Working capital management has a positive and significant effect on MSME performance.

H^2: Financial literacy positively moderates the relationship between working capital management and MSME performance.

3 Methodology

This study employed a descriptive and verificative research design using a quantitative approach. The descriptive method was used to provide a comprehensive overview of the research variables, while the verificative method was applied to examine the relationships among the variables and to test the proposed hypotheses. This approach enables the study to provide both a clear description of the research object and empirical evidence regarding the relationships among the variables under investigation. The study utilized primary data collected through a structured questionnaire based on a five-point Likert scale. The questionnaires were distributed directly to MSME owners operating in Sumur Bandung District, Bandung City. The study population consisted of 290 MSMEs, including 276 micro enterprises, 14 small enterprises, and no medium-sized enterprises, based on data obtained from the Bandung City Office of Cooperatives and MSMEs and the Sumur Bandung District Office (2025).

Based on Arikunto's sampling guidelines, the minimum sample size required for this study was 25% of the total population, resulting in 73 respondents. However, to improve the accuracy and reliability of the research findings, the researchers increased the sample size to 100 respondents. This decision was supported by the argument of [16], who stated that the larger the sample relative to the population, the smaller the likelihood of generalization error. Conversely, a smaller sample that is less representative of the population increases the possibility of generalization error [17]. Therefore, the sample size in this study was set at 100 respondents. The respondents were selected proportionally according to the number of MSMEs in each business category. This proportional sampling approach ensured that each MSME category was adequately represented, thereby improving the representativeness, accuracy, and validity of the research findings for MSMEs in Sumur Bandung District.

This study employed the Partial Least Squares Structural Equation Modeling (PLS-SEM) method because the variables examined are latent constructs that cannot be measured directly but are represented by a set of observable indicators (manifest variables). In addition, the PLS-SEM approach accounts for measurement error, thereby providing more reliable parameter estimates. This method also enables a comprehensive evaluation of the measurement model by assessing the extent to which each indicator reflects its corresponding latent construct, allowing the identification of both the strongest and weakest indicators while considering the influence of measurement error.

3.1 Measurement Model Test (*Outer model*)

The measurement model (outer model) was assessed to evaluate the validity and reliability of the research instrument. Validity assessment aims to determine the extent to which the questionnaire accurately measures the intended latent constructs in accordance with the research objectives. In this study, construct validity was evaluated using two criteria: *convergent validity* and *discriminant validity*. Convergent validity assesses the extent to which the indicators of a construct converge or share a high proportion of variance, whereas discriminant validity evaluates the extent to which each construct is empirically distinct from other constructs in the model.

Reliability assessment was conducted to evaluate the internal consistency of the measurement instrument. A construct is considered reliable when its indicators consistently measure the same underlying concept. In this study, construct reliability was assessed using *Cronbach's Alpha* and *Composite Reliability (CR)*. A construct is regarded as reliable when both reliability coefficients meet the recommended threshold values, indicating satisfactory internal consistency and measurement reliability.

3.2 Test Structural Model (Inner *Model)*

The structural model (inner model) was assessed to evaluate the relationships among the latent constructs proposed in the research model. One of the primary criteria used to assess the structural model is the *coefficient of determination (R^2)*.

The R^2 value is calculated for each endogenous construct and indicates the proportion of variance in the endogenous variable that is explained by its exogenous variables. The higher the R^2 value, the greater the model's explanatory and predictive power. According to the commonly accepted criteria, R^2 values of 0.67, 0.33, and 0.19 indicate substantial (strong), moderate, and weak explanatory power, respectively. Therefore, a higher R^2 value suggests that the proposed model is better able to explain the variation in the endogenous construct.

Effect Size (f^2). The effect size (f^2) is used to assess the magnitude of the effect of an exogenous construct on an endogenous construct in the structural model. It indicates the contribution of each exogenous variable to the explained variance of the endogenous variable. According to the recommended guidelines, f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effect sizes, respectively.

Path Coefficient. The path coefficient represents the direction and strength of the causal relationship between latent constructs in the PLS-SEM structural model. The standardized path coefficient ranges from −1 to +1, where values closer to +1 or −1 indicate stronger relationships, while values closer to 0 indicate weaker relationships. The significance of the path coefficients was evaluated using the bootstrapping procedure by examining the t-statistic and p-value. A path coefficient is considered statistically significant when the t-statistic exceeds the recommended critical value and the p-value is less than the specified significance level.

4. Discussion

4.1 Recapitulation Answer Respondents on Variables Working Capital Management

The highest percentage score was obtained for the Inventory indicator, with a score of 87.0%, which falls into the "Very Good" category. In contrast, the lowest percentage score was recorded for the *Cash and Cash Equivalents indicator*, with a score of 51.4%, which is classified as "Poor."

Overall, the Working Capital Management variable achieved a total percentage score of 66.1%, indicating a "Fair" level of implementation. These findings suggest that the working capital management practices of MSMEs in Sumur Bandung District are at a moderate level. Although several aspects of working capital management have been implemented effectively, there remains considerable room for improvement, as reflected by the remaining 33.9% gap.

The weakest performance was observed in the *Cash and Cash Equivalents indicator*, indicating that many MSME owners continue to experience difficulties in managing daily cash flows and separating business finances from personal finances. This condition may reduce the effectiveness of working capital management and ultimately affect the financial performance and sustainability of MSMEs.

Table 1. Working capital management.

No	Indicator	Score Index		Percent-age Score	Criteria
		Current	Ideal		
1	Cash and cash equivalents	257	500	51.4%	No Good
2	Accounts receivable	389	500	77.8%	Good
3	Supply	435	500	87.0%	Very good
4	Accounts payable	574	1000	57.4%	Enough
5	Working Capital Ratio	659	1000	65.9%	Enough
	Total	**2314**	**3500**	**66.1%**	**Enough**

4.2 Recapitulation Answer Respondents on Literacy Finance

The highest percentage score was obtained for the Financial Attitude indicator, with a score of 82.7%, which falls into the "Good" category. In contrast, the lowest percentage score was recorded for the *Trust in Financial Institutions indicator*, with a score of 63.2%, which is classified as "Fair."

Overall, the Financial Literacy variable achieved a total percentage score of 76.4%, indicating a "Good" level of financial literacy among MSME owners in Sumur Bandung District. However, a gap of 23.6% remains, suggesting that there is still room for improvement in several aspects of financial literacy.

Although the *Trust in Financial Institutions indicator* recorded the lowest numerical score, the descriptive findings indicate that most MSME owners are sufficiently willing to utilize formal financial services. Nevertheless, the most notable weakness was identified in the Financial Attitude indicator, particularly in the negative statement (P.11), where a considerable proportion of respondents agreed that maintaining detailed financial records is time-consuming. This finding indicates a relatively low level of awareness regarding the importance of comprehensive financial record-keeping. Consequently, financial recording practices among MSMEs remain relatively simple and limited.

These findings suggest that, although the overall level of financial literacy among MSME owners in Sumur Bandung District can be considered good, greater efforts are needed to strengthen awareness of proper financial record-keeping. Improving this aspect is expected to enhance financial accountability and support the long-term sustainability of MSMEs.

Table 2. Literacy finance.

No	Indicator	Score Index Current	Score Index Ideal	Percentage Score	Criteria
1	Knowledge Basic Finance	412	500	82.4%	Good
2	Skills Management Finance	405	500	81.0%	Good
3	Attitude To Finance	827	1000	82.7%	Good
4	Behavior Finance	397	500	79.4%	Good
5	Belief Towards Financial Institutions	632	1000	63.2%	Enough
	Total	**2673**	**3500**	**76.4%**	**Good**

4.3 Recapitulation Answer Respondents on MSME Performance Variables

Table 3. MSME performance.

No	Indicator	Score Index Current	Score Index Ideal	Percentage Score	Criteria
1	Growth Rate Sales / Turnover Increased Sales	395	500	79.0%	Good
2	Increasing Capital / Financial Growth Rate	779	1000	77.9%	Good
3	High Workforce Growth Rate	366	500	73.2%	Good
4	Broad Market Growth Rate	603	1000	60.3%	Enough
5	Profit Growth Rate	382	500	76.4%	Good
	Total	**2525**	**3500**	**72.1%**	**Good**

4.4 Measurement Model Assessment (Outer Model)

The measurement model (outer model) was evaluated through convergent validity, discriminant validity, and reliability assessments.

The *convergent validity* results indicate that all latent constructs—namely Working Capital Management, Financial Literacy, and MSME Performance—demonstrate satisfactory convergent validity. This is evidenced by factor loadings exceeding the recommended threshold of 0.70 and Average Variance Extracted (AVE) values greater than 0.50 for all constructs. These findings confirm that all measurement indicators are valid and adequately represent their respective latent constructs, making them suitable for further analysis.

The *discriminant validity* assessment, based on the cross-loading analysis, also confirms that all constructs satisfy the required criteria for discriminant validity. Each indicator exhibits a higher loading on its corresponding construct than on other constructs, indicating that every indicator uniquely measures its intended latent construct without significant overlap with other variables. These results demonstrate that the measurement model possesses good discriminant validity and is capable of distinguishing among the latent constructs included in the research model.

The *reliability assessment* further indicates that all constructs exhibit a high level of internal consistency. Both *Cronbach's Alpha* and *Composite Reliability (CR)* values exceed the recommended threshold of 0.70 for all variables. Therefore, the measurement instrument can be considered reliable, indicating that the questionnaire consistently and accurately measures the constructs included in this study.

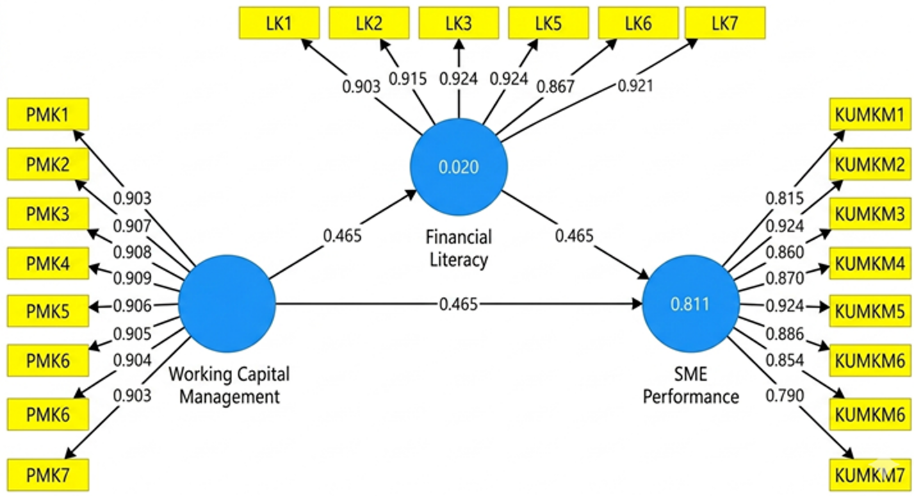

Fig 1. Structural model.

4.5 Structural Model Assessment (Inner Model)

The structural model (inner model) was evaluated using the coefficient of determination (R^2) to assess the model's explanatory power. Based on the R^2 test results, the endogenous construct of MSME Performance achieved an R^2 value of 0.860. This indicates that 86.0% of the variance in MSME performance is explained by the exogenous constructs, namely Working Capital Management and Financial Literacy, included in the research model. The remaining 14.0% of the variance is explained by other factors not included in the model.

These factors may include access to capital, the adoption of digital technologies, business owner characteristics (such as age, education, and business experience), financial inclusion, the use of payment gateways, as well as market competition and access to markets. Furthermore, the adjusted R^2 value of 0.855 confirms the robustness of the structural model, indicating that it has strong explanatory and predictive capabilities.

Table 4. R- *Square* Test Results

Endogenous Variables	*R Square*	*R Square Adjusted*
MSME Performance	0.860	0.855

Based on the statistical test results, the effect of Working Capital Management on MSME Performance yielded a path coefficient (Original Sample) of 0.564, with a t-statistic of 9.945 and a p-value of 0.000. Since the t-statistic (9.945) exceeds the critical value of 1.96 (at the 5% significance level) and the p-value is less than 0.05, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. Therefore, it can be concluded that Working Capital Management has a positive and significant effect on MSME Performance.

The positive path coefficient ($\beta = 0.564$) indicates that improvements in working capital management are associated with higher levels of MSME performance. In other words, MSMEs that manage their working capital more effectively tend to achieve better business performance.

These findings are consistent with the theory proposed by Nuraini (2025), who argued that effective working capital management helps firms maintain operational continuity, improve cash flow turnover, and enhance overall business performance. Similarly, Hendrayanti et al. (2022) emphasized that effective working capital management contributes to business sustainability through the efficient management of cash, accounts receivable, and inventory.

The findings of this study are also supported by previous empirical research. Putri and Setyawan (2024) reported that working capital management has a positive and significant effect on MSME performance. Likewise, Rani and Desiyani (2024) found that efficient working capital management enhances business growth, profitability, and productivity among MSMEs. However, these findings differ from those of Ladjim et al. (2020), who reported that working capital management did not have a significant effect on business performance under certain conditions. This inconsistency suggests that the impact of working capital management may vary depending on the characteristics of the business environment and regional context.

In the context of MSMEs in Sumur Bandung District, where working capital management practices remain relatively weak, improving the management of cash, receivables, and inventory is likely to have a substantial impact on enhancing business performance. These findings highlight the importance of strengthening working capital management practices as a strategic approach to improving the competitiveness and sustainability of MSMEs.

The results of Hypothesis 2 testing, which examined the moderating effect of Financial Literacy on the relationship between Working Capital Management and MSME Performance, indicate a path coefficient (β) of −0.014, a t-statistic of 0.318, and a p-value of 0.751. Based on the decision criteria, where a hypothesis is rejected if the p-value exceeds 0.05 or the t-statistic is less than 1.96, Hypothesis 2 is rejected.

These findings indicate that Financial Literacy does not significantly moderate the relationship between Working Capital Management and MSME Performance. Although the path coefficient is negative, suggesting a weak negative moderating effect, the relationship is not statistically significant. Therefore, the moderating effect of Financial Literacy is not supported by the empirical evidence in this study.

The findings suggest that improvements in working capital management contribute directly to MSME performance regardless of the level of financial literacy possessed by business owners. In other words, financial literacy does not strengthen or weaken the effect of working capital management on MSME performance in the context of MSMEs in Sumur Bandung District.

When viewed from the respondents' demographic characteristics, the majority of MSME owners were in the productive age group (36–45 years) and had relatively extensive business experience. As a result, they tend to rely more on practical experience and intuition in managing their businesses than on formal financial literacy or analytical financial management. In addition, most respondents had completed only secondary education (senior high school), which may limit their understanding of accounting concepts and modern financial management practices.

These characteristics help explain why financial literacy did not significantly moderate the relationship between working capital management and MSME performance in this study. This finding is consistent with Hermawan and Purnamawati (2024), who reported that MSME owners with a secondary education level tend to rely more on practical business experience than on technical financial literacy skills. Therefore, demographic factors such as age, educational background, and business experience may reduce the moderating role of financial literacy in improving MSME performance.

Table 5. Summary of hypothesis test results.

Hypothesis	Statement	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
H1	Working Capital Management →MSME Performance	0.564	9,945	0,000
H2	Literacy Finance * Working →Capital Management of MSME Performance	- 0.014	0.318	0.751

5. Conclusion and Recommendation

The findings of this study demonstrate that the quality and effectiveness of Working Capital Management are key determinants of MSME Performance. The results indicate that better planning and more effective management of working capital contribute directly to improved business performance. MSMEs that manage their working capital efficiently are more likely to achieve higher levels of operational performance and business sustainability. Furthermore, the study confirms that Working Capital Management has a direct and significant positive effect on MSME Performance. However, Financial Literacy was not found to significantly moderate the relationship between Working Capital Management and MSME Performance.

For future research, it is recommended to consider additional moderating variables, such as access to capital, digital literacy, or the adoption of information technology, to further examine factors that may strengthen the relationship between working capital management and MSME performance. Future studies are also encouraged to employ more advanced quantitative analytical techniques and larger sample sizes to improve the robustness and generalizability of the findings. Such efforts are expected to provide a stronger contribution to the development of accounting, financial management, and MSME literature.

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