

Financial Literacy as an Educational Competency for Creative Economy MSMEs

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ABSTRACT

Financial literacy is a crucial competency for micro, small, and medium enterprises (MSMEs), particularly within the creative economy sector. This article aims to analyze the factors influencing financial literacy among MSME actors in West Java and discuss their implications for education and training. Using a quantitative approach, data were collected from 309 MSME operators in the culinary, fashion, and craft subsectors. The findings indicate that financial knowledge, understanding of financial concepts, personal financial management skills, and adaptive financial decision-making significantly and positively influence financial literacy. These results confirm that financial literacy is a multidimensional competency that should be strengthened through formal education, entrepreneurship training, and community empowerment programs. Integrating financial literacy education into entrepreneurship curricula and MSME training programs can support business sustainability and economic independence.

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1. INTRODUCTION

The creative economy sector has become one of the main drivers of economic growth in Indonesia. This sector is largely dominated by micro, small, and medium enterprises (MSMEs), which play a vital role in job creation, income generation, and regional economic development (Ministry of Tourism and Creative Economy, 2023). MSMEs also contribute significantly to national economic performance and reflect Indonesia's cultural diversity and innovation [1]. The creative economy sector has become one of the main drivers of economic growth in Indonesia. This sector is largely dominated by micro, small, and medium enterprises (MSMEs), which play a vital role in job creation, income generation, and regional economic development. Indonesia has one of the largest MSME populations in ASEAN, and the creative economy contributes significantly to national GDP and employment [1], [2].

Despite their strategic role, many MSMEs still face challenges in financial management. One of the most critical factors influencing business sustainability is financial literacy, which includes knowledge of financial concepts, financial management skills, and the ability to make informed financial decisions. Financial literacy is widely recognized as an essential competency for entrepreneurs because it supports effective budgeting, risk management, and long-term business planning [3]–[5]. From an educational perspective, financial literacy can be considered a fundamental life skill and a key component of entrepreneurship education. It encompasses not only

theoretical knowledge but also practical financial behavior, including bookkeeping, saving, and investment decision-making. Entrepreneurs with stronger financial literacy tend to demonstrate better business performance, improved access to financial services, and greater resilience in dynamic market environments [6]–[8].

However, previous studies indicate that many MSME actors still have limited financial literacy, which can negatively affect business sustainability and increase the risk of business failure. Strengthening financial literacy through education, training, and capacity-building programs is therefore essential for improving the competitiveness and long-term sustainability of MSMEs in the creative economy sector [4], [7], [9].

Based on this background, this study examines the factors influencing financial literacy among MSME actors in the creative economy sector and discusses their implications for educational programs and entrepreneurship training aimed at enhancing financial competencies and business sustainability. Financial literacy is defined as the capacity of entrepreneurs to understand and analyze financial data to make informed financial decisions [4]. Lusardi and Mitchell define financial literacy as knowledge of basic financial concepts and the ability to perform simple calculations [5]. The World Bank conceptualizes financial literacy as a combination of understanding financial products, concepts, and skills, along with the confidence to assess risks and opportunities in order to make appropriate financial decisions [11]. Similarly, the OECD/INFE defines financial literacy as a combination of awareness, knowledge, skills, attitudes, and behaviors necessary to make sound financial decisions and achieve financial well-being [12]. Therefore, financial literacy is inherently multidimensional, encompassing knowledge, skills, attitudes, and behaviors. Accordingly, financial literacy among entrepreneurs can be understood as an integration of financial knowledge, risk management capability, and the ability to optimize financial performance.



Fig. 1. Financial literacy factors [11]

Entrepreneurs with limited financial literacy tend to overlook financial statements as a basis for decision-making, which negatively affects the competitiveness of MSMEs in the creative economy sector. Financial literacy is widely recognized as a prerequisite for strengthening the performance of creative economy MSMEs, as business owners make routine financial decisions that directly influence enterprise sustainability and growth [12]. The success of creative economy MSMEs therefore depends heavily on the financial literacy level of entrepreneurs. To operate efficiently and achieve sustainable economic growth, MSME actors must possess the skills required to make effective financial decisions [6]. Financial literacy also plays a critical role in fostering broader economic growth and development [5]. The 2022 National Financial Literacy Survey conducted by the Financial Services Authority (OJK) reported that the financial literacy level of the Indonesian population reached approximately 49.68%.

The creative economy comprises 17 subsectors, including applications, architecture, visual communication design, photography, music, crafts, culinary, fashion, publishing, film, animation and video, advertising, interactive games, performing arts, fine arts, and television and radio. In 2023, there were more than 8.2 million creative enterprises in Indonesia, predominantly concentrated in the culinary, fashion, and craft subsectors. Approximately 94.4% of employment in the creative economy is generated within these three subsectors [1]. West Java contributes the largest share of the national creative economy output, accounting for about 20.73% of the national creative economy GDP [1]. Accordingly, this study focuses on MSMEs operating in the culinary, fashion, and craft subsectors in West Java. Investigating the determinants of financial literacy among creative economy MSMEs is essential given this context. The research hypotheses are formulated as follows:

- H1: Knowledge of financial concepts has a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs.
- H2: The ability to understand financial concepts has a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs.
- H3: The ability to manage personal finances has a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs.
- H4: Skills in making financial decisions in accordance with circumstances have a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs.
- H5: Knowledge of financial concepts, conceptual understanding, personal financial management ability, and adaptive financial decision-making skills simultaneously have a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs.

Previous studies have demonstrated the influence of financial literacy on MSME performance [3], [4], [7], [9]; however, limited research has specifically examined the determinants of financial literacy in the creative economy MSME sector. This sector holds substantial economic potential through job creation, income generation, and socio-cultural development. The creative economy encourages innovation, entrepreneurship, and cultural exchange across regions and communities. Therefore, this research aims to deepen understanding of financial literacy among creative economy MSME entrepreneurs and provide insights for designing more effective educational programs, training initiatives, and policy interventions to improve financial literacy in West Java.

2. METHOD

This study empirically examines the determinants of financial literacy among MSME entrepreneurs in the creative economy sector in West Java. A quantitative research approach was employed using a structured questionnaire to measure entrepreneurs' financial literacy in managing their businesses. The instrument consisted of two sections: respondent profiles and financial literacy statements adapted from Iramani et al. [11]. Respondent profiles included age, gender, city/regency, education level, number of employees, business duration, and subsector classification. The financial literacy section comprised 22 statements measured on a Likert scale, covering three dimensions: bookkeeping literacy, debit literacy, and budgeting literacy.

The study population consisted of 1,360 MSMEs in the culinary, fashion, and craft subsectors in West Java based on Kreasijabar data (2023). The sample size was determined using Slovin's formula [13], resulting in 309 respondents. Primary data were collected through the questionnaire and complemented by secondary data from academic journals, books, official reports, and credible institutional publications. Quantitative data analysis was conducted using descriptive statistics, classical assumption tests, and multiple linear regression analysis.

3. RESULTS AND DISCUSSION

3.1 Result

This study examines the role of financial literacy among micro, small, and medium enterprises (MSMEs) in the creative economy sector in West Java, involving 309 entrepreneurs. The demographic distribution of respondents is presented in Table I.

Table I
Respondent demographic characteristics

	Description	Number	Percentage
A	Residence		
	Bandung	20	6,47%
	Bogor	19	6,15%
	Cimahi	12	3,88%
	Cirebon	15	4,85%
	Depok	20	6,47%
	Sukabumi	14	4,53%

	Bekasi	22	7,12%
	Tasikmalaya	36	11,65%
	Ciamis	12	3,88%
	Garut	16	5,18%
	Indramayu	14	4,53%
	Karawang	17	5,50%
	Kuningan	13	4,21%
	Majalengka	12	3,88%
	Purwakarta	13	4,21%
	Subang	14	4,53%
	Sumedang	40	12,94%
B	Gender		
	Male	102	33,01%
	Female	207	66,9%
C	Age		
	Baby Boomers: 1946 – 1964	25	8,09%
	Generation X: 1965 – 1980	85	27,51%
	Millennials (Gen Y): 1981 – 1996	140	45,31%
	Generation Z (Gen Z): 1997 – 2012	59	19,09%
D	Sub-sector		
	Fashion	95	30,74%
	Cullinary	150	48,54%
	Kriya	64	20,71%
E	Business Duration		
	Less than 1 year	55	17,80%
	1–3 years	120	38,83%
	3–5 years	78	25,24%
	More than 5 years	56	18,12%

Source: Processed data (2025).

Based on Table I, the characteristics of creative economy entrepreneurs—predominantly individuals of productive age, particularly Millennials and Generation X, along with significant female participation—are closely associated with financial literacy within this sector. Entrepreneurs within the productive-age group tend to exhibit greater adaptability to financial technologies such as digital bookkeeping, access to formal financing, and the use of cashless payment systems, all of which represent key indicators of financial literacy.

The predominance of the culinary and fashion subsectors, characterized by rapid cash turnover and operational risks, requires strong financial management capabilities, including cash-flow monitoring, separation of personal and business finances, and medium-term financial planning. Furthermore, the large proportion of businesses operating for 1–3 years and 3–5 years indicates that many enterprises are in a growth phase in which financial literacy becomes a crucial determinant of sustainability, efficient capital use, and access to external financing. Financial literacy therefore functions not only as an individual competency but also as a strategic factor in enhancing competitiveness and ensuring the long-term sustainability of the creative economy sector.

To further analyze the data, interval scale values were calculated for each research variable. The results are presented in Table II, which shows the distribution of mean scores and classifications.

Table II
Interval scale value results

Variable	Mean	Classification Score
Knowledge of financial concepts	3,72	High
Ability to understand financial concepts	3,83	High
Ability to manage personal finances	3,80	High

Skills to make financial decisions according to circumstances	3,58	High
Financial literacy	3,77	High

Source: Descriptive statistics results, primary data (2025).

All variables fall within the high category, indicating that respondents generally demonstrate relatively strong financial literacy and related competencies. Reliability testing results for all research variables are presented in Table III. All variables show Cronbach's alpha values above the acceptable threshold, indicating that the research instruments are reliable and consistent for measuring the intended constructs.

Table III
Reliability test results

Variable	Cronbach's Alpha	Value Description
Knowledge of financial concepts	0,856	Reliable
Ability to understand financial concepts	0,877	Reliable
Ability to manage personal finances	0,898	Reliable
Skills to make financial decisions according to circumstances	0,901	Reliable

Source: Descriptive statistics results, primary data (2025).

Hypothesis testing was conducted using multiple linear regression analysis. The regression model explains approximately 65% of the variance in financial literacy. The results are summarized in Table IV.

Table IV
Regression results for hypothesis testing

Hypothesis	Coefficients	t values	Result
Knowledge of financial concepts → Financial Literacy	0,628	2,525	Support
Ability to understand financial concepts → Financial Literacy	0,588	2,533	Support
Ability to manage personal finances → Financial Literacy	0,357	2,245	Support
Skills to make financial decisions according to circumstances → Financial Literacy	0,478	8,256	Support

Source: Regression results, primary data (2025).

All proposed hypotheses are positively supported, indicating significant relationships between the independent variables and financial literacy.

3.2 Discussion

H1: Financial knowledge → Financial literacy

The findings indicate that knowledge of financial concepts has a positive and significant effect on the financial literacy of creative economy MSME entrepreneurs. Entrepreneurs with stronger knowledge of financial management concepts—such as transaction recording, cash-flow management, budgeting, financial products, and investment decisions—demonstrate greater ability to analyze and apply financial information in business operations.

This result aligns with the financial literacy framework proposed by Lusardi and de Bassa Scheresberg, which identifies financial knowledge as the foundation for financial behavior and decision-making [5]. Empirical studies also confirm that MSME entrepreneurs with higher financial knowledge are better able to manage cash flows, plan expenditures, and conduct long-term financial planning [14], [15]. Financial knowledge therefore represents a primary determinant of MSME financial literacy and business sustainability.

H2: Understanding financial concepts → Financial literacy

The results show that the ability to understand financial concepts significantly improves financial literacy. Entrepreneurs who can interpret and apply financial concepts in real business contexts demonstrate higher literacy levels. The distinction between knowledge and understanding lies in application: knowledge refers to familiarity with financial terminology, while understanding involves the ability to apply such concepts in practice [5].

Previous research confirms that entrepreneurs who understand financial concepts can better interpret financial statements, prepare budgets, and make informed investment decisions [3], [16]. Comprehension also supports the adoption of digital financial tools and strategic financial planning, thereby strengthening financial literacy.

H3: Personal financial management → Financial literacy

The ability to manage personal finances significantly influences MSME financial literacy. Entrepreneurs who manage personal income, expenditures, savings, and investments in a disciplined manner tend to demonstrate stronger financial literacy in business management. Personal financial skills form the foundation of rational financial decision-making [5].

Studies show that disciplined personal finance management improves business capital management, cost control, and investment decisions [10], [15]. Entrepreneurs who separate personal and business finances are better able to manage cash flow and allocate resources effectively.

H4: Adaptive financial decision-making → Financial literacy

Adaptive decision-making skills significantly affect financial literacy. Entrepreneurs who can assess financial situations, evaluate alternatives, and choose appropriate actions demonstrate higher financial literacy. Financial literacy therefore involves not only knowledge but also the ability to apply knowledge in context [5].

Research indicates that entrepreneurs with adaptive decision-making skills are more effective in managing financial risks, responding to market changes, and maintaining business stability [14], [17]. Training programs emphasizing real-world financial decision scenarios can enhance these skills.

H5: Simultaneous effect of all variables

The results show that financial knowledge, conceptual understanding, personal financial management skills, and adaptive decision-making collectively have a positive and significant effect on financial literacy. This confirms that MSME financial literacy is multidimensional and formed through the integration of knowledge, skills, and behavior.

The combined influence of these variables is stronger than their individual effects, consistent with financial literacy theory emphasizing the interaction of knowledge, behavior, and decision-making capabilities [5], [18]. Entrepreneurs who possess all four competencies are better able to manage finances, allocate capital, and adapt to market changes, thereby improving business sustainability.

4. CONCLUSION

This study concludes that financial literacy among creative economy MSME entrepreneurs in West Java is significantly influenced by multiple interrelated financial competencies. The findings demonstrate that financial knowledge, the ability to understand financial concepts, personal finance management skills, and adaptive financial decision-making skills each have a positive and significant effect on financial literacy, both individually and simultaneously. Financial knowledge provides the essential theoretical foundation, while comprehension enables the practical application of that knowledge in real business contexts. Personal finance management skills foster discipline and rational financial behavior, which can be transferred to business operations, and adaptive decision-making skills allow entrepreneurs to respond effectively to dynamic market conditions and financial challenges.

Importantly, the simultaneous analysis confirms that financial literacy is a multidimensional construct formed through the integration of these four competencies. Strengthening only one aspect

is insufficient to achieve optimal financial literacy; instead, a holistic combination of knowledge, understanding, discipline, and adaptability is required. Entrepreneurs who possess all four competencies are better equipped to manage cash flows, allocate capital efficiently, control costs, and sustain business growth. Therefore, this study underscores the need for integrated financial education and training programs that emphasize not only theory but also practical application, personal financial discipline, and situational decision-making to support the sustainability and competitiveness of creative economy MSMEs.

The findings of this study confirm that financial literacy among creative economy MSME actors is shaped by several interrelated competencies, namely financial knowledge, understanding of financial concepts, personal financial management skills, and adaptive financial decision-making ability. Each of these factors shows a positive and significant relationship with financial literacy, indicating that financial literacy is not a single skill but a multidimensional competency formed through the interaction of knowledge, behavior, and decision-making capacity [5], [9].

First, financial knowledge has a significant influence on financial literacy. Entrepreneurs who possess adequate knowledge of financial concepts such as bookkeeping, budgeting, financial products, and investment are better able to interpret financial information and apply it in business decision-making. This finding is consistent with prior research indicating that financial knowledge serves as the foundation for sound financial behavior and business sustainability [3], [5]. Entrepreneurs with stronger financial knowledge tend to demonstrate better cash-flow management, financial planning, and risk assessment, which ultimately improve business performance [7], [9].

Second, understanding of financial concepts also contributes significantly to financial literacy. While knowledge refers to familiarity with financial terminology, understanding reflects the ability to interpret and apply such knowledge in real business contexts. MSME actors who can analyze financial statements, evaluate costs, and interpret financial data are more likely to make informed financial decisions. This result supports previous studies emphasizing that conceptual understanding enhances the practical application of financial knowledge and strengthens financial decision-making skills [4], [8].

Third, personal financial management skills are found to significantly influence financial literacy. Entrepreneurs who manage personal income, expenses, savings, and investments in a disciplined manner are more capable of managing business finances effectively. The ability to separate personal and business finances is particularly important for maintaining financial stability and improving business sustainability. Previous studies have shown that disciplined personal financial management can enhance business capital allocation, cost control, and long-term financial planning [7], [9].

Fourth, adaptive financial decision-making skills have a strong and significant effect on financial literacy. Entrepreneurs who are able to evaluate financial conditions, assess risks, and make appropriate decisions in dynamic situations demonstrate higher levels of financial literacy. This finding highlights the importance of situational awareness and flexibility in financial decision-making, especially in the creative economy sector, which is characterized by rapid market changes and uncertainty. Adaptive decision-making skills enable entrepreneurs to respond effectively to financial challenges and maintain business resilience [3], [8].

Furthermore, the simultaneous influence of all variables indicates that financial literacy is formed through the integration of knowledge, understanding, financial discipline, and decision-making skills. Strengthening only one dimension is insufficient to achieve optimal financial literacy. Instead, comprehensive education and training programs that combine theoretical learning with practical application are necessary. This aligns with financial literacy frameworks that emphasize the importance of combining cognitive, behavioral, and contextual competencies to improve financial outcomes [5], [9].

From an educational perspective, these findings highlight the importance of integrating financial literacy into entrepreneurship education and MSME training programs. Financial literacy education should focus not only on theoretical knowledge but also on practical financial management skills, experiential learning, and real-world financial decision scenarios. Collaboration between educational institutions, government agencies, and financial institutions is essential to design

effective training programs that can enhance financial literacy and support the sustainability of MSMEs in the creative economy sector [1], [2].

Overall, this study confirms that improving financial literacy among MSME actors requires a holistic educational approach that combines knowledge development, skill training, and behavioral change. Strengthening financial literacy through integrated educational programs can enhance business sustainability, competitiveness, and economic resilience within the creative economy sector.

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