

## Empowering MSMEs: The Impact Of Financial Literacy And Inclusion (Systematic Literature Review)

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**Abstract** . Micro, Small and Medium Enterprises (MSMEs) play a crucial role in the global economy by making a significant contribution to economic growth, job creation and increasing social inclusion. However, many MSMEs face challenges in optimizing their potential due to limited resources and access to financial services. Financial literacy among MSME players can be a fundamental pillar in forming smart and sustainable financial decisions. Financial inclusion provides wider access to financial services, such as banking and insurance, for MSMEs. With strong financial inclusion, MSMEs can overcome financial obstacles and take more measured risks, encourage innovation and stimulate local economic growth. The method used in this research is Systematic Literature Review (SLR) by collecting and analyzing journals related to keywords. Based on the literature study conducted, it was found that the importance of increasing financial literacy is the main key in helping Micro, Small and Medium Enterprises (MSMEs) overcome financial challenges and increase the effectiveness of business decision making. The need for more targeted financial education programs for MSME owners was also highlighted. In addition, supporting financial inclusion by providing wider and easier access to financial services can be a driver of MSME growth. Steps such as simplifying the credit process and integrating digital payment services are considered vital. Research also shows that there is a strong synergy between financial literacy and inclusion, where better financial literacy prepares MSMEs to utilize financial services, while effective financial inclusion facilitates their access to such services. Despite these developments, research highlights gaps in access to education and financial technology, emphasizing the need for more inclusive and holistic efforts to support MSME growth.

**Keywords** : MSMEs; Financial Literacy; Financial Inclusion.

## INTRODUCTION

In the direction of a country's economic development, the role of certain sectors cannot be ignored. In Indonesia, the sector that is the backbone and has a big influence on economic growth is Micro, Small and Medium Enterprises (MSMEs). In the midst of the shock of the global economic crisis, the MSME sector in Indonesia showed resilience, not only surviving the crisis but also growing. Based on data from the Indonesian Central Bureau of Statistics, the number of MSMEs has even increased post-crisis, with the ability to absorb a workforce of between 85 and 107 million people in 2012. With a total of 56,539,560 entrepreneurs in the same year, almost all of them, 99.99 %, are MSMEs, while large businesses are only 0.01% or 4,968 units . This is in line with Kara et al., (2021); Maurya et al., (2022); Ryiks et al., (2023)

emphasized that MSMEs are not just businesses, but are important pillars in macro and micro economic development in Indonesia. MSMEs are not only the main source of livelihood for many people, but also open up employment opportunities for various levels of society, from the educated to the less skilled, and play an active role in reducing poverty. MSMEs are proven to have a strategic position in the national economy, including: (1) as supporters of cross-sector economic activities, (2) the largest providers of employment opportunities, (3) drivers of regional economic activity and community empowerment, and (4) innovators and creators of new markets ( Rosyadah et al., 2022 ; Megawati et al., 2020; et al., 2023)

As the driving force of the Indonesian economy, Micro, Small and Medium Enterprises (MSMEs) have a strategic role. Amry Mahdan Abrari, ( 2023 ) ; Nurwulandari, ( 2022) Setyawati, Azadilah, et al., (2023); Setyawati, Wibowo, et al., (2023) stated that the contribution of MSMEs is vital in various aspects of the economy, starting from employment absorption, job creation, to their contribution to Gross Domestic Product (GDP), exports and investment. Based on the latest data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, almost all companies in Indonesia, namely 99.9% or 64,194,057 out of a total of 64,199,607 companies, were MSMEs in 2018. This sector managed to absorb around 97, 2% of the total workforce in Indonesia, namely 116,978,631 workers. In terms of contribution to GDP, MSMEs play a role of up to 61.07%, with a value reaching IDR 8,573.89 trillion. In terms of exports, MSMEs contributed around 14.37% of the total, or the equivalent of IDR 293.84 trillion. Apart from that, the MSME sector also succeeded in creating around 60.42% of total investment or fixed capital, whose value reached approximately IDR 2,564.54 trillion (Setyawati, Azadilah, et al., 2023; Setyawati, Lestari, et al., 2023; Setyawati, Rahman, et al., 2023; Setyawati, Suggangga, et al., 2023; Setyawati, Wibowo, et al., 2023)

In accordance with the statement above, Aritonang et al., (2023); Budiyo et al., (2023); Wibowo & Christian Widayat, (2023) further emphasized that the empowerment of Micro, Small and Medium Enterprises (MSMEs) in Indonesia plays a central role in supporting inclusive and sustainable economic growth. As the backbone of the country's economy, MSMEs make a significant contribution to job creation and income distribution. However, a number of challenges are still faced by this sector, including limited access to capital, lack of financial literacy among MSME players, and lack of access to wider markets (Rosyadah et al., 2022; Sari et al., 2023) .

In recent years, the Indonesian government has focused on efforts to empower MSMEs through various policies and programs. This initiative includes providing easier access to financing through microfinance institutions, financial literacy training, and information

technology support to improve the operational efficiency of MSMEs. In addition, the existence of online platforms and local e-commerce has opened the door for MSMEs to reach a wider market and increase their competitiveness (Aritonang et al., 2023; Rosyadah et al., 2022; Wibowo & Christian Widayat, 2023). Empowering MSMEs is also a strategic focus in supporting the achievement of the Sustainable Development Goals (SDGs). By paying special attention to social and economic inclusion, empowering MSMEs can help reduce economic disparities, advance regional community welfare, and stimulate overall sustainable economic growth.

Even though there has been significant progress, continuous efforts are still needed to improve the MSME ecosystem in Indonesia. Strengthening cooperation between the government, the private sector and supporting institutions for MSMEs is the key to creating an environment that supports innovation, growth and sustainability of MSMEs in the future. Thus, empowering MSMEs is not only an economic agenda, but also a strategic step in building a solid and inclusive economic foundation for the Indonesian nation. Researchers assess that the performance of MSMEs does not only depend on the internal capabilities of MSME actors in running and developing their businesses, but is also influenced by external factors such as capital, human resources and distribution channels. In the context of this research, researchers will measure the performance of MSMEs by focusing on aspects of sales growth, capital, labor, markets and profits.

Based on research by Iko Putri Yanti, (2019); Nindy, (2021); Sari et al., (2023); Septiani & Wuryani, (2020) stated that ideally, empowering Micro, Small and Medium Enterprises (MSMEs) in Indonesia requires a holistic approach that covers various aspects of the business ecosystem. Hilmawati & Kusumaningtias, (2021) highlight the importance of key aspects such as financial literacy, access to capital, information technology, and factors supporting sustainability in realizing effective empowerment. Research by Adquisiciones et al., (2019); Sugangga et al., (2023) also show that financial literacy is a critical foundation for the success of MSMEs. MSME players who have a deep understanding of financial concepts tend to make more strategic decisions regarding financial management and investment. In this context, research by Sanistasya et al., (2019) has highlighted the positive impact of financial literacy training programs on improving financial management skills among MSMEs.

Apart from that, access to capital remains the main obstacle (Hilmawati & Kusumaningtias, 2021; Sugangga et al., 2023). Sanistasya et al., (2019) shows that MSMEs tend to experience difficulties in accessing conventional financing. In the ideal of empowering MSMEs, policies and intervention programs, including government support and the role of

microfinance institutions, can help overcome these obstacles and provide easier and more affordable access to capital ( Sari et al., 2023; Septiani & Wuryani, 2020) . Sustainability and social responsibility factors also play an important role in the ideal narrative of empowering MSMEs (Nindy, 2021; Septiani & Wuryani, 2020) .

Financial literacy, defined by Sanistasya et al., (2019); Sari et al., (2023) as a series of knowledge and skills that are essential for individuals to make effective decisions regarding the use of their financial resources, have a crucial role in the development of MSMEs. These skills, as explained by Joko et al., ( 2022 ) ; and Maurya et al., ( 2022) enabling MSMEs to manage finances more optimally and compete effectively in both local and international markets. According to data from the 2019 National Financial Literacy and Inclusion Survey (SNLIK), the level of financial literacy in Indonesia is at 38.03% and financial inclusion at 76.19%, an increase from the 2016 OJK survey which recorded figures of 29.7% for financial literacy and 67.8% for financial inclusion. This shows that there is still considerable room for increasing the understanding and application of financial literacy among Indonesian people, including business people. The Organization for Economic Cooperation and Development (OECD) in 2020 also reported that Indonesia had a financial literacy percentage of 34.2%, which was still below the global average of 52.5% and below Thailand which reached 47.5%.

Financial literacy is the main pillar in empowering Micro, Small and Medium Enterprises (MSMEs) in Indonesia. An in-depth understanding of financial management concepts provides a solid foundation for MSMEs in planning budgets, managing cash flow, and making more appropriate financial decisions. This expertise not only strengthens business growth, but also provides the basis for long-term business continuity (Amry Mahdan Abrari, 2023; Permata Sari et al., 2022) . Apart from that, financial literacy also has a significant impact on MSMEs' access to financing. MSMEs who are able to present financial information well tend to be more valued by financial institutions, increasing their chances of getting critical financial support.

Irman et al., ( 2021) said that a good understanding of financial risk, supported by financial literacy, helps MSMEs identify and manage risks more effectively, providing resilience to market fluctuations and economic challenges. In addition, financial literacy supports the integration of MSMEs with financial technology, enabling them to utilize *fintech platforms* to increase operational efficiency and access to markets. In line with this, Aritonang et al., (2023); and Rosyadah et al., (2022) adding that financial literacy helps MSMEs make wise investment decisions, ensuring that their resource allocation supports long-term growth. Thus, increasing financial literacy through education and training is the key to forming MSMEs

that are stronger, more sustainable and able to compete in an increasingly complex economic market.

Apart from financial literacy, financial inclusion is a very relevant topic in global development discussions (Budiyono et al., 2023; Irman et al., 2021) . Generally, financial inclusion is considered a policy instrument that plays an important role in promoting growth and stability, as well as contributing to poverty reduction. The same thing was also stated by Aritonang et al., (2023); Wibowo & Christian Widayat, (2023) that financial inclusion plays a vital role in empowering Micro, Small and Medium Enterprises (MSMEs) in Indonesia, creating an inclusive foundation that supports equitable economic growth. Through financial inclusion, MSMEs can access financial resources that were previously difficult to achieve, opening the door to various benefits that are essential for business development.

Access to capital is a key element in empowering MSMEs, and financial inclusion expands the scope of micro banking services and provides easier access to financing (Adquisiciones et al., 2019; Iko Putri Yanti, 2019) . In this way, MSMEs can run their operations, increase production capacity, and respond to business opportunities without being constrained by financial limitations. In addition, financial inclusion reduces MSMEs' dependence on informal loans or loan sharks, creating a more structured and secure financial environment. With inclusive micro banking services, MSMEs can manage their finances better, helping to reduce risks that may arise from unauthorized lending practices (Hilmawati & Kusumaningtias, 2021; Sanistasya et al., 2019; Sugangga et al., 2023) .

Adquisiciones et al., (2019) added that financial inclusion is not only about access to capital, but also supports marketing and market expansion for MSMEs. With digital banking services, MSMEs can more easily participate in e-commerce platforms, reach a wider market, and increase the visibility of their products at national and international levels. So researchers can conclude that financial inclusion provides business protection and sustainability. With access to insurance and other financial instruments, MSMEs can protect themselves from economic risks and natural disasters, creating a solid foundation for long-term growth. By implementing financial inclusion in its MSME empowerment strategy, Indonesia can form a business ecosystem that is more inclusive, sustainable and supports inclusive economic growth. Financial inclusion is not only about providing access, but also opening up opportunities for MSMEs to develop and contribute positively to the national economy.

Although the role of Micro, Small and Medium Enterprises (MSMEs) in Indonesia's economic development has received great attention, there are still research gaps that need to be filled. Existing research, such as that conducted by Aritonang et al., (2023) and Rosyadah et

al., (2022), has highlighted the importance of MSMEs in the national economy. However, this research is still limited to a comprehensive evaluation of MSME performance, taking into account factors such as sales growth, capital, labor, market access and profits. A deep understanding of the dynamics of MSME development and the challenges they face, especially in the context of financial literacy and inclusion, is still an area of research that needs to be deepened.

This research aims to provide new insights by conducting a holistic assessment of MSME performance, covering various aspects that are crucial for the growth and sustainability of MSMEs. Apart from that, the integration of financial literacy and inclusion in the context of empowering MSMEs is a unique approach. Although previous research has recognized the importance of comprehensively examining factors their simultaneous impact on MSMEs, as well as the effectiveness of government initiatives and digital platforms, provides a new perspective.

The urgency of this research lies in the continued increase in the importance of MSMEs in Indonesia's economic landscape. As highlighted by Budiyono et al., (2023) and Irman et al., (2021), MSMEs significantly contribute to job creation, income distribution and overall economic growth. Addressing the challenges faced by MSMEs, such as limited access to capital and markets, inadequate financial literacy, and the need for sustainable practices, is critical to driving inclusive economic development. As the global economic landscape continues to evolve, understanding how MSMEs can adapt and thrive has become increasingly urgent.

The implications of this research cover various stakeholders, including policy makers, financial institutions, and MSMEs themselves. By uncovering the subtle dynamics of MSME performance and the impact of financial literacy and inclusion, policymakers can design more effective strategies to support MSME growth. Financial institutions can design specific programs to increase financial literacy and facilitate better access to capital. MSMEs, on the other hand, can benefit from insights that can be implemented to improve their financial management practices and leverage digital platforms for market expansion. Ultimately, the findings of this research can contribute to creating a more resilient, competitive and inclusive environment for MSMEs in Indonesia.

## **THEORETICAL**

The theoretical overview outlined in this research comes from a number of relevant previous studies, as a basis for the theoretical framework, determination and analysis of the study as follows

### **MSMEs in Indonesia**

In the context of economic development, Micro, Small and Medium Enterprises (MSMEs) in Indonesia play a strategic role in creating job opportunities and driving the economy. MSMEs are not only a source of income for the majority of the population, but also act as an economic buffer in facing the crisis. According to Law no. 20 of 2008, MSMEs are the backbone of the national economy with a significant contribution to GDP and employment. The resilience of MSMEs in facing economic fluctuations makes them an important element in an inclusive and sustainable economic development strategy. This fact is reinforced by data from the Central Statistics Agency (BPS) and OJK, which shows an increase in the number of MSMEs and their substantial contribution to GDP and national employment . ( Megawati et al., 2020)

The development of MSMEs in Indonesia is one of the priorities in national economic development. This is apart from the fact that MSMEs are the backbone of the people's economic system which is not only aimed at alleviating poverty and absorbing labor, but also reducing the problem of inequality between business actors and income groups. (Bhatti et al., 2022; Hanggraeni et al., 2019; Latifah et al., 2021) . More than that, its development is able to make a significant contribution in accelerating structural change and expanding the economic base, namely improving the regional economy and national economic resilience.

### **Financial Literacy**

Financial literacy, in the context of this research , includes a deep understanding of financial management, including the ability to read, manage, analyze and communicate about financial issues. Financial literacy education is not only about knowledge, but also involves skills and behavior in applying financial concepts in everyday life (Maurya et al., 2022; Permata Sari et al., 2022; Septiani & Wuryani, 2020) . In this research, researchers emphasize that financial literacy is not just a practical skill, but an important foundation for making responsible and future-looking financial decisions . Shunmugasundara & Maurya, ( 2023) also explained that financial literacy includes an understanding of savings, investment, risk management and financial planning. Financial literacy does not only refer to knowledge, but

also involves skills and behavior, including the ability to apply these concepts in making daily financial decisions.

From the description above, researchers can conclude that financial literacy not only offers a deep understanding of the concept, but also highlights the importance of its application in everyday life. Financial literacy is not merely an individual skill, but is also an important foundation for economic sustainability both personally and globally. Therefore, increasing financial literacy is a collective effort involving educational institutions, society and the government, in order to create a society that is more educated in financial matters and able to survive sustainably.

### **Financial Inclusion**

Financial inclusion is an important key in ensuring inclusive and sustainable economic growth. This is achieved by providing people access to a variety of financial services, enabling them to manage their finances effectively. These services include, but are not limited to, savings, loans, payments, and insurance. The level of financial inclusion in a country reflects the extent to which people can access and utilize these services to improve their welfare. Thus, financial inclusion not only serves as an indicator of economic prosperity, but also as a tool to encourage the use of formal financial services, which ultimately supports healthy and efficient economic expansion. (Nurwulandari, 2022)

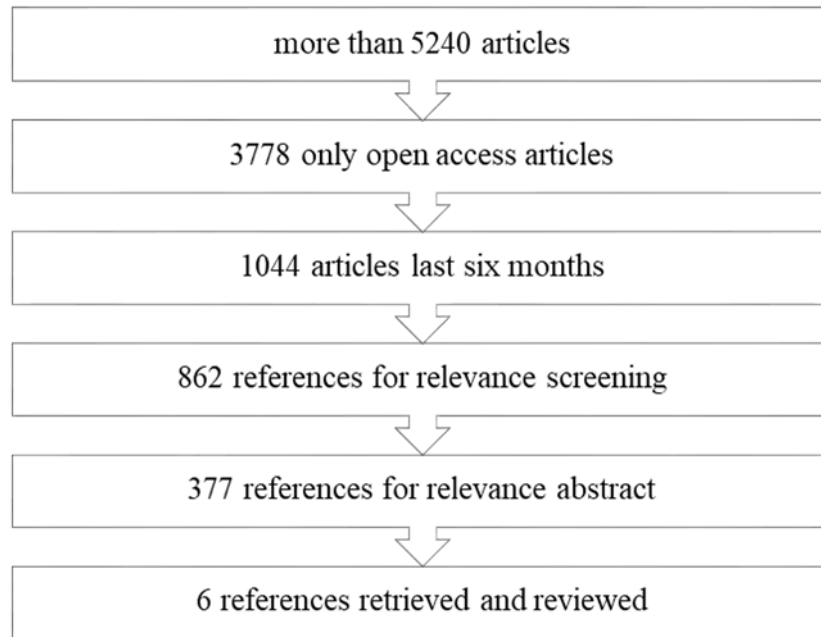
Joko et al., ( 2022 ) ; Kusuma et al., ( 2022 ) ; and Maurya et al., ( 2022) explain about measuring effective financial inclusion for Micro, Small and Medium Enterprises (MSMEs), several key indicators can be identified. First of all, the aspect of access to formal financial services such as banks and financial institutions can be measured through the reach of banks and the use of bank accounts by MSMEs. The use of financial technology (fintech) is also a focus, by looking at the adoption of e-commerce and the use of financial applications. Then, the aspect of access to financing is reflected in access to formal credit and participation in microcredit programs. Financial education and training, risk measurement and insurance, and digital inclusion can be seen from MSME participation in financial literacy programs, financial management training, insurance schemes, and the use of social media and digital transaction security. Finally, indicators of participation in formal financial markets, such as capital market investment, show the level of involvement of MSMEs in formal financial instruments. Regular evaluation of these indicators is the key to designing financial inclusion policies that are more appropriate and support the sustainable growth of MSMEs.



## METHODS

This research uses systematic literature ( *Systematic Literature Review /SLR*) which discusses the issue of improving the performance of MSMEs in the post-pandemic era through Strategic Decisions and Innovation . Literature study research is a process or activity of collecting data from various literature such as books and journals to compare the results of one research study with another (Nowell et,al, 2014). The aim of this literature study research is to obtain a theoretical basis that can support solving the problem being researched and reveal various theories that are relevant to the case, more specifically in this research the researcher examines the problem of empowering MSMEs through Financial Literacy and Financial Inclusion . This literature study is a comprehensive summary of several research studies determined based on certain themes. The data used in this research is secondary data obtained not from direct observation, but obtained from the results of research conducted by previous researchers.

Secondary data sources obtained were articles from reputable journals with predetermined themes. The literature search in this literature study used the Sagepub, Springer, Elsevier, MDPI and Emerald Insight databases. Searching for published articles on the search engine above uses the keywords, namely: " MSMEs, Financial Literacy, Financial Inclusion ". The search process is used to obtain relevant sources to answer the problem formulation/Research Question (RQ) and other related references using Search Engine Dimensions ( <https://www.emerald.com/insight/> ). From the identification results, more than 5240 articles were obtained . Next, articles were filtered according to access criteria, year, type of content and abstract analysis. As a result, 862 article titles were obtained. From the title of the article, it was then filtered based on the suitability of the digital transformation topic through abstract analysis, resulting in 6 articles. In detail, it looks like in the following picture:



**Figure 1. Article Filtering Flow Diagram**

## RESULTS AND DISCUSSION

### Results

The results of the review of selected articles answer the problem formulation regarding the distribution of journals that discuss Entrepreneurship Learning in Higher Education through Business Incubators , as follows:

**Table 1. Distribution of journals related to MSME Performance, Strategy Decisions, Innovation Management.**

No	Journal Name	Journal Link	Indexation	Amount
1	Journal of Innovation and Knowledge	Journal of Innovation and Knowledge   Elsevier	Elsevier	2
2	Journal of Management	Journal of Management   Sage Publish	Sage Publish	1
3	Business Process Management Journal	Business Process Management Journal   Springer	Springer	4
4	Cogent Business and Management	Cogent Business and Management   Taylor & Francis	Taylor & Francis	2
5	Sustainability	Sustainability  MDPI	MDPI	2
6	European Research on Management and Business Economics	European Research on Management and Business Economics   Elsevier	Elsevier	2

Source: processed by researchers, 2023

## Discussion

Based on the results of a review of several relevant research articles, systemic research into the empowerment of Micro, Small and Medium Enterprises (MSMEs) in Indonesia through financial literacy and financial inclusion reveals the complexity and urgency of these factors in supporting the growth and sustainability of the MSME sector which is the backbone national economy. Financial literacy, as a main aspect, is defined as a deep understanding of financial management, involving reading, managing, analyzing and communicating skills regarding financial issues that affect welfare ( Amry Mahdan Abrari, 2023; Kara et al., 2021; Novita Sari., Achmad Hizazi., 2021) . In the context of MSMEs, financial literacy plays a strategic role by increasing financial decision-making capacity, including understanding financial concepts, risk management and financial planning.

The results of this research underline the need for financial inclusion as a basis for MSMEs to access broader financial resources. Through access to formal financial services, such as credit from financial institutions, MSMEs can increase production capacity, respond to business opportunities, and overcome financial challenges (Nurwulandari, 2022; Shunmugasundara & Maurya, 2023) . With this, policies that support financial inclusion, including the role of microfinance institutions and digital banking services, are considered a key strategy in empowering MSMEs.

In line with this statement, Edi Wibowo et al., (2022); Irman et al., (2021) explained that the dimensions of the digital ecosystem, financial literacy and financial inclusion help MSMEs engage in e-commerce platforms and utilize financial technology (fintech). The increased involvement of MSMEs in formal financial markets, including potential participation in capital market investments, shows the positive impact of financial inclusion in diversifying resources and managing business risks.

This research confirms that financial literacy is not just about providing conceptual understanding, but also about applying that knowledge in everyday life. Implementing a structured and comprehensive financial literacy program at the school level is identified as the key to creating a more financially educated society. The role of financial inclusion is not only limited to access to capital, but also supports marketing and market expansion for MSMEs. With inclusive digital banking services, MSMEs can more easily participate in e-commerce platforms, reach a wider market, and increase the visibility of their products at national and international levels.

Overall, this research makes a significant contribution in designing a holistic and effective MSME empowerment strategy in Indonesia. The implications of these findings

stimulate in-depth consideration for designing policies and intervention programs that can advance the MSME sector, ensure inclusive economic growth, and build a solid and sustainable economic foundation for Indonesia. Furthermore, the Systematic Literature Review (SLR) method has proven effective in providing a holistic and in-depth picture of the role of financial literacy in the MSME context. SLR provides a solid knowledge base for understanding existing research findings, providing a strong foundation for further research and policy development. (Sugangga et al., 2023)

These results create an initial description of the possible challenges faced by various business actors in the area. It is important for MSME players to continue to increase their success because MSMEs are the backbone of the people's economic system which not only aims to alleviate poverty and absorb labor, but also reduce the problem of inequality between business actors and income groups. (Bhatti et al., 2022; Hanggraeni et al., 2019; Latifah et al., 2021). More than that, its development is able to make a significant contribution in accelerating structural change and expanding the economic base, namely improving the regional economy and national economic resilience.

This is also relevant to empirical facts from observations which reveal that increasing financial literacy can have a positive impact on business management. Business people who have good financial understanding are seen to be better able to make smart financial decisions, plan investments carefully, and manage business risks more effectively. This creates a more stable and competitive business environment. Several research results support the statement that financial literacy can be defined as an individual's ability to understand, manage and make intelligent decisions regarding personal finances. Understanding the concepts of savings, investment, risk management and financial planning are the main foundations that form financial literacy. that the dimensions of financial literacy are not limited to knowledge alone. There is knowledge literacy, which involves understanding financial concepts; skills literacy, which measures the ability to use these concepts in everyday life; and behavioral literacy, which involves applying knowledge and skills in financial decision making . (Novita Sari., Achmad Hizazi., 2021)

Based on what has been stated previously, this Systematic Literature Review (SLR) research provides in-depth insight into how financial literacy and financial inclusion influence the performance of MSMEs in Indonesia. The following is a summary of the important findings from this study.

- 1) **The Critical Role of Financial Literacy:** High financial literacy among MSME entrepreneurs has been proven to increase their ability to manage business finances. This includes a better understanding of debt management, investment, and resource allocation, which directly contributes to improved business performance.
- 2) **Effect of Financial Inclusion:** Financial inclusion facilitates MSMEs in gaining access to a wider range of financial products and services. This includes easy access to credit, electronic payment services, and insurance, which supports business operations and growth.
- 3) **Improved Business Performance:** MSMEs whose owners or managers have higher financial literacy and better access to financial services show improvements in business performance. This includes growth in revenue, profits and market expansion.
- 4) **Better Risk Management:** The ability to manage financial and operational risks more effectively is one of the benefits of high financial literacy among MSMEs, which contributes to business stability.
- 5) **Innovation and Expansion Drive:** Financial literacy and access to financial inclusion services motivate MSMEs to adopt innovative approaches in their businesses, including the use of new technologies and exploring new markets.
- 6) **Challenges in Implementation:** Although the benefits are clear, there are still challenges in increasing financial literacy and inclusion, such as limited access to financial education, difficulties in using financial technology, and banking policies that do not always support MSMEs.

From the results of this SLR, it can be concluded that financial literacy and financial inclusion have a significant impact on improving the performance of MSMEs in Indonesia. Therefore, collaborative efforts are needed from various parties, including the government, financial institutions and MSME players themselves, to develop and improve these aspects, in order to support national economic growth.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Based on the results of this Systematic Literature Review, the researcher has a summary of the conclusions as follows:

- 1) **The Importance of Financial Literacy:** The results of this research show that increasing financial literacy is key to helping MSMEs overcome financial challenges and improve effective business decision making. This emphasizes the need for more targeted financial

education programs for MSME owners to hone their skills in financial aspects.

- 2) Financial Inclusion Support: Wider and easier access to financial services through financial inclusion can encourage the growth of MSMEs. Steps such as simplifying the credit process and integrating digital payment services are vital in driving business growth.
- 3) Interaction of Financial Literacy and Inclusion: There is a strong synergy between financial literacy and inclusion. Better financial literacy prepares MSMEs to take advantage of available financial services, while effective financial inclusion eases their access to such services.
- 4) Facing Challenges: Despite progress, there are still gaps in access to education and financial technology. This research highlights the need for more inclusive and holistic efforts to support MSME growth.

## **Recommendations**

This research suggests several development directions to increase the empowerment of Micro, Small and Medium Enterprises (MSMEs) in Indonesia through financial literacy and financial inclusion. First, efforts are needed to develop more targeted financial literacy programs, with an emphasis on program design and teaching methods that can effectively increase understanding of financial concepts, risk management and financial planning among MSME owners. Furthermore, research can explore innovations in providing financial services to MSMEs, including the development of more appropriate financial products and digital empowerment so that MSMEs are more involved in e-commerce platforms and financial technology. Furthermore, cooperation between the government and the private sector needs to be improved, with research exploring effective partnership models to empower MSMEs.

Increasing MSME access to financial education is also a focus, with the development of financial training programs and workshops that are easily accessible to MSMEs, especially at local and regional levels. Further research could explore the impact of financial inclusion in more detail, including analysis of the long-term social and economic impact of financial inclusion on MSMEs. Efforts to increase MSMEs' access to capital also need to be strengthened, with research that considers microcredit models, financial cooperatives, or other innovative financial solutions that support MSMEs' growth.

Finally, policy advocacy research is also needed, with a focus on analysis and concrete recommendations to the government regarding policies that can improve the business environment for MSMEs, including tax incentives, legal protection and supportive regulations. By exploring these aspects in depth, it is hoped that future research can provide a holistic and

sustainable view to advance the empowerment of MSMEs in Indonesia.

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