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## Culture is a moderator of the interaction between financial inclusion and financial performance

*La cultura moderadora de la interacción entre la inclusión financiera y el desempeño financiero*

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Komang Krishna Yogantara

Universitas Udayana (Indonesia)

[yogantara.2291311002@student.unud.ac.id](mailto:yogantara.2291311002@student.unud.ac.id)

<https://orcid.org/0000-0002-1411-0468>

I Ketut Yadnyana

Universitas Udayana (Indonesia)

[ketutyadnyana@unud.ac.id](mailto:ketutyadnyana@unud.ac.id)

<https://orcid.org/0000-0003-3976-3905>

I Putu Sudana

Universitas Udayana (Indonesia)

[iputusudana@unud.ac.id](mailto:iputusudana@unud.ac.id)

<https://orcid.org/0000-0002-3436-9143>

I Ketut Sujana

Universitas Udayana (Indonesia)

[ketutsujana\\_fe@unud.ac.id](mailto:ketutsujana_fe@unud.ac.id)

<https://orcid.org/0009-0003-4240-621X>

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### ABSTRACT

This study examines how the integration of local culture can enhance the connection between financial inclusion and the financial success of MSMEs in Bali. A survey was conducted on Hindu export-oriented MSME owners in Bali. Questionnaires, document analysis, and interviews were used to collect data, which were then analyzed using the SEM-PLS technique. The research findings show that, although financial services do not have a statistically significant effect, other results indicate a beneficial effect on financial performance. Additionally, local culture was found to strengthen this relationship. The study supports the Resource-Based Theory as a theoretical contribution, making it relevant in reducing barriers to the growth of MSMEs. The relevance of this article lies in providing new insights from the perspective of users, namely MSMEs, whose numbers are still relatively small, particularly in terms of utilising unique local genius values to enhance the interaction between financial inclusion and MSMEs' financial performance.

Keywords: Financial performance; Financial inclusion; Catur Purusa Artha culture; MSMEs.

Jel Code: D9, G2, G3



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## **RESUMEN**

Este estudio busca explorar cómo la aplicación de la cultura local puede fortalecer la relación entre la inclusión financiera y el desempeño financiero de las MIPYMES en Bali. Se realizó una encuesta a propietarios de MIPYMES hindúes orientadas a la exportación en Bali. Se utilizaron cuestionarios, documentos y entrevistas para recopilar datos, que posteriormente se analizaron mediante la técnica SEM-PLS. Los hallazgos de la investigación muestran que, si bien el uso de servicios financieros no tiene un impacto significativo, otros resultados mostraron un efecto beneficioso. Además, se demostró que la cultura local fortalece las relaciones. Como contribución teórica, el estudio respalda la Teoría Basada en Recursos, lo que la hace relevante para reducir las barreras al crecimiento de las MIPYMES. La relevancia de este artículo radica en brindar nuevas perspectivas, desde la perspectiva de los usuarios, es decir, las MIPYMES, cuyo número aún es muy reducido, especialmente el uso de valores locales únicos para fortalecer la interacción entre la inclusión financiera y el desempeño financiero de las MIPYMES.

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- 4 Palabras clave: Desempeño financiero, Inclusión financiera, Cultura Catur Purusa Artha, MIPYMES.

Código JEL: D9, G2, G3.

## INTRODUCTION

In a highly competitive business world, the operational sustainability of a company depends on financial performance; this applies to all lines of business, including Micro, Small, and Medium Enterprises (MSMEs), the smallest yet vital sector. For MSMEs to remain viable today and in the future, their capacity to enhance their financial performance is crucial. The issue of financial performance in the MSMEs segment is critical because it reflects the level of profitability achieved. A high level of profit allows MSMEs to develop their businesses more effectively.

Conversely, A low-profit level hinders MSMEs in fulfilling financial obligations, servicing debts, and increases the risk of bankruptcy. Suharman et al. (2022) said financial success encompasses multiple metrics of corporate efficacy, including revenue and sales. This suggests that analyzing multiple financial variables can provide a comprehensive understanding of the financial health of MSMEs. Ullah (2020) explains how financial difficulties affect employment growth and business sales. To improve the performance of MSMEs, strategic initiatives are necessary, including more efficient financial management, product and service diversification, market development, and the pursuit of innovative financial solutions.

The phenomenon that occurs is that MSMEs struggle to improve and typically face significant challenges. (Moscalu et al., 2020). MSMEs face various obstacles, but the primary one preventing them from doing better is financial access (Lakuma et al., 2019; Desmiyawati et al., 2023). Enhancing financial access across regions amplifies income-generating prospects and guarantees the availability of financial resources that support MSMEs in executing economic activities and mitigating risks (Yangdol & Sarma, 2019; Yogantara et al., 2024). This initiative aims to enhance the business productivity of MSMEs.

Referring to the Resource-Based Theory (RBT) proposed by Barney (1991), enterprises can leverage both valuable and potentially valuable resources, which can be material or intangible. Financial inclusion falls into the category of intangible resources, which aims to reduce barriers that hinder the growth of MSMEs and ultimately improve their financial performance. The judicious deployment of organizational resources enhances both the efficacy and efficiency of operational processes.

Although financial inclusion plays a vital role in the growth of MSMEs, not all MSMEs take advantage of it (Liu et al., 2021). This is demonstrated by the reality that a significant portion of the global population continues to be inadequately served by modern financial services (Ghosh & Vinod, 2017). Furthermore, the use of financial inclusion to drive the growth of

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MSMEs remains very modest. This can be caused by several issues, including access to finance, incompatibility between financial products and market needs, and difficulties in securing financing (Owusu et al., 2021; Pranatasari et al., 2021).

In recent decades, research on financial performance and financial inclusion has become a significant subject of academic study. In Indonesia's recent G20 presidency, financial inclusion has become a top priority of the financial track. Numerous studies investigating the relationship between financial inclusion and financial performance in micro, small, and medium enterprises (MSMEs) have produced inconsistent findings.

Research indicates that financial performance is influenced by financial inclusion (Owusu et al., 2021; Eton et al., 2021; Kalaipriya Kalaieesan, 2021; Thathsarani & Jianguo, 2022). Conversely, various other findings confirm that financial inclusion is not effective for the financial success of MSMEs (Pranatasari et al., 2021; Amin & Pamungkas, 2022; Bhattacharyya et al., 2023; Marini et al., 2024).

6 Although the significance of financial inclusion has been extensively acknowledged, and prior research has identified several aspects that influence financial inclusion, cultural factors may not have been sufficiently considered, despite their considerable potential to support financial inclusion and encourage optimal financial outcomes for MSMEs. In Bali, the cultural role is significant and serves as a guiding philosophy and spirit in the conduct of business activities by business actors.

One of the cultures in the Sarasamuscaya book Sloka 262, which is applied in Bali, namely the Catur Purusa Artha (CPA) culture, is a unique local genius value regarding the purpose of humanoid life consisting of truth called Dharma, wealth called Artha, desire called Kama, and the highest happiness called Moksa (Kadjeng, 2010). These four dimensions are interconnected in forming the ideal balance of human life.

These four dimensions do not stand alone but complement each other. Dharma provides moral guidance to achieve Artha and Kama, supporting the journey to Moksa. The CPA culture can serve as a foundation for effective organizational management and is expected to enhance the correlation between the financial performance of MSMEs and their financial inclusion.

The majority of preceding articles are written from a macro perspective, with most studies focusing on country-level or overall economy and banking sector analysis (Adugna, 2024). However, research from the user's perspective, such as MSMEs, is still relatively scarce. This study makes a substantial contribution and presents novel insights from the user standpoint, specifically MSMEs, whose numbers remain relatively small, particularly in

terms of leveraging unique local genius values to enhance the interaction between financial inclusion and MSMEs' financial performance.

Focusing on local genius values, this study offers new insights into how local characteristics can enhance the interaction between financial outreach and corporate financial health, providing a more holistic approach. It can guide policymakers and practitioners in designing agendas that are more appropriate to the needs of MSMEs and help formulate more effective strategies to support their growth in the financial sector.

This paper continues in the next section by conducting a literature review. Then, it introduces the theoretical framework and proposed hypotheses, covers the data collection methods, and provides a comprehensive analysis of the survey results. The paper concludes by discussing the theoretical and practical implications of the findings and offers suggestions for future research.

## THEORETICAL FRAMEWORK

### *Resource-Based Theory (RBT)*

RBT, also known as Resource-Based Theory, popularized by Barney (1991), is one of the most significant theories in the history of management theory, particularly in the context of indicator theory, which focuses on resources and capabilities. The primary assumption of this theory is that a corporation can earn increasingly substantial competitive advantages and achieve good financial and non-financial performance by possessing, monitoring, and utilizing strategic assets, including both intangible and tangible assets (Barney, 1991).

Resources and capabilities are two essential elements that companies must possess at the business level. RBT emphasizes what can make resources better and why competitors cannot easily get, create, or imitate better resources. The characteristics and capabilities of resources referred to as "strategic assets" are the answer. RBT also highlights that to comprehend and implement strategies aimed at enhancing the company's efficiency and effectiveness, it is necessary to refer to company-controlled resources, such as assets, processes, competencies, business attributes, knowledge, and information (Barney, 1991).

Company resources can originate from within or outside the organization. Internal resources include product management, development and study capabilities, culture, product organization, logistics, and low-cost development. Meanwhile, external resources, such as the supplier network, client demand, and technological changes (Kozlenkova et al., 2014), also play a role. A business that utilizes its resources effectively can create a competitive

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advantage for the company compared to its peers. This advantage can manifest in the form of good business financial performance.

### *Financial Performance of MSMEs*

Based on a company's ability to generate earnings, financial performance is assessed and measured. Fatihudin et al. (2018) defined financial performance as a business's ability to manage and utilize its resources effectively. Financial performance can reveal a business's financial status, allowing it to be determined whether it is good or bad, and can then be investigated using financial analysis techniques. The financial performance of MSMEs serves as a crucial determinant of a business's overall success and long-term viability. The assessment of financial performance plays a pivotal role in illustrating the financial conditions over a specific timeframe, encompassing various metrics of corporate efficacy (Widiatami et al., 2024).

MSMEs must evaluate their strategies before making critical decisions to enhance their financial performance. The significance of financial performance lies in its role as an indicator of the profitability of micro, small, and medium-sized enterprises (MSMEs). Zubair et al. (2020) found that the performance assessments of MSMEs are often carried out haphazardly.

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This indicates that the awareness of performance evaluation among MSMEs remains relatively low. To keep contributing significantly to economic development, MSMEs must connect their financial performance to the broader external business environment. With the correct approach and assistance from numerous stakeholders, including the government and financial institutions, the current difficulties can be resolved. MSMEs can thrive, expand, and compete in the market when they have strong financial performance. Strategic initiatives are necessary to enhance the financial performance of MSMEs. MSMEs can significantly improve their financial performance by maximizing financial inclusion (Mamaro & Sibindi, 2022).

### *Financial Inclusion*

Financial inclusion is an inclusive financing program that strives to deliver a wide variety of financial facilities to the underserved, low-income persons, and MSMEs. These services include capital credit, savings, financial transfer services, and insurance. In practice, microfinance is a form of program based on the concept of financial inclusion. Financial inclusion is a diverse and active topic. The three dimensions of the lens for promoting financial inclusion are access, use, and quality (Al-Eitan et al., 2022; Presidential Regulation of the Republic of Indonesia No. 114 of 2020). Financial inclusion has been globally acknowledged as one of the key options for firm growth, particularly for MSMEs (Mago & Chitokwindo, 2014).

Financial inclusion for MSMEs entails ensuring that these businesses have access to financial facilities tailored to their specific needs. Financial inclusion may serve as a pivotal element in the expansion and sustainability of enterprises. Enhanced access to finance and the utilization of banks for working capital financing will improve the financial performance of MSMEs (Bhattacharyya et al., 2023).

Utilizing banking for working capital financing offers advantages such as reduced interest rates, access to banking services, and increased funding availability. Policy makers, development organizations, and financial institutions can help MSMEs unlock their potential to drive inclusive and sustainable economic growth by addressing their needs and challenges in accessing financial services (Thathsarani & Jianguo, 2022). Based on the literature review discussed, this study posits the following hypothesis:

H1: Accessibility of financial facilities affects the financial performance of MSMEs in Bali.

H2: The use of financial facilities has an impact on the financial performance of MSMEs in Bali.

H3: The quality of financial facilities affects the financial performance of MSMEs in Bali.

#### Catur Purusa Artha (CPA) Culture

In the life of Balinese society, especially Hindus, some customs or teachings reflect various cultural concepts about life. One of the local cultural concepts in Bali about life, expressed in the verses of the Sarasamuscaya Book 261 – 262, is Catur Purusa Artha (CPA) (Kadjeng, 2010).

Catur Purusa Artha (CPA) encompasses values that guide the four goals of human life, considered practical in daily existence. The four goals of human life in CPA are stated in the verses, namely: Dharma, artha, kama, moksana sariram sadhanam, meaning the human body or 'sarira' may only be used as a tool to achieve truth (dharma), wealth (artha), desire (kama), and highest happiness (moksa).

Based on RBT, it is evident that a company's internal capabilities are crucial for managing its unique resources, enabling it to gain a competitive advantage. The Catur Purusa Artha (CPA) culture, derived from Hindu teachings in Bali, is an intangible asset that supports financial inclusion and encourages optimal financial performance among MSMEs in Bali. In the Bali area, culture plays a decisive role and serves as a guiding philosophy for corporate actors in their business activities.

The CPA culture, if appropriately implemented, can strengthen the relationship between the accessibility of financial services (referring to the extent to which the financial system

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penetrates) and the financial performance of MSMEs. Makdissi et al. (2020) explained that culture has been proven to be important in stimulating MSMEs.

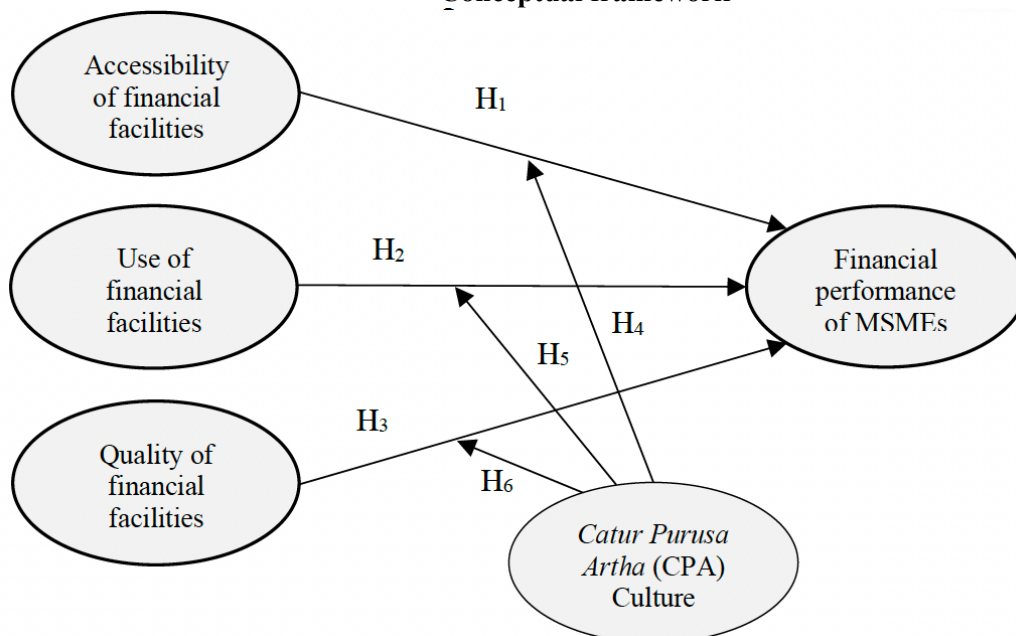
Positive values in local culture can help an organization improve its financial performance. Implementation of the CPA culture will encourage members and company management to make better decisions to support the company's performance. Based on the literature review and theoretical research framework, as presented in Figure 1, the following hypotheses are formulated:

H4: The role of Catur Purusa Artha (CPA) culture in strengthening the interaction between accessibility of financial facilities and financial performance of MSMEs in Bali.

H5: The role of Catur Purusa Artha (CPA) culture in strengthening the interaction between the utilization of financial facilities and the financial performance of MSMEs in Bali.

H6: The role of Catur Purusa Artha (CPA) culture in strengthening the interaction between the quality of financial facilities and the financial performance of MSMEs in Bali.

**Figure 1**  
**Conceptual framework**



Source: Own elaboration.

## RESEARCH METHODOLOGY

### *Data and Sampling*

This investigation uses quantitative methods to investigate the fundamental interaction between these variables. The study population was 152 export-oriented MSMEs in Bali Province, registered with the Bali Provincial Cooperatives, Small and Medium Enterprises

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Office in 2023. By focusing on export-oriented MSMEs, this study can provide valuable insights into how financial inclusion contributes to enhancing financial performance and strengthening their position in the global market. It can also offer practical recommendations to stakeholders to support the growth of MSMEs.

Data was collected according to the specified sample size based on the following criteria: (1) Proprietor and administrator of export-focused micro, small, and medium enterprises. This approach facilitates a deeper comprehension of the internal dynamics and decisions that impact business success. (2) The owner and manager of the UMKM are Hindu. This determination is based on the respondents' greater familiarity with the culture used in this study, specifically Catur Purusa Artha (CPA). A total of 110 samples were generated using these predetermined criteria.

#### *Instruments of Research and Measurement*

The investigation of the accessibility, utilization, quality of financial services, and financial performance of MSMEs employs measurement techniques that have been established, tested, and verified by prior researchers. The instrument used to measure the accessibility of financial facilities was adapted from the research of Banerjee and Donato (2021), and Kalaipriya Kalaicesan (2021).

Next, the items used to measure the utilization of financial services were modified from those used by Eton et al. (2021) and Thathsarani and Jianguo (2022). Financial service quality was measured using items constructed and modified from those of Owusu et al. (2021), and Thathsarani and Jianguo (2022). The financial performance of MSMEs was developed as a modified result of the study by Al-Matari et al. (2014), and Thathsarani and Jianguo (2022).

A new instrument was developed and validated to measure CPA culture. Academic experts and Catur Purusa Artha cultural experts agreed upon this during a Focus Group Discussion (FGD) held on Tuesday, April 16, 2024, at the Puri Saron Hotel in Denpasar, Bali. This stage was used to eliminate interpretational confounding of the CPA instrument.

The CPA culture is the primary teaching in Hindu philosophy, which consists of four goals for human life. These four dimensions are interconnected in forming an ideal balance of human life. The agreement obtained yielded the following indicators, operational definitions, and statement items, as shown in Table 1.

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**Table 1**

### Experts agree upon the validity of the content of the Catur Purusa Artha culture

No	Indicator	Operational definition	Statement item
1	<i>Artha</i> for <i>artha</i>	If associated with financial performance, namely the profit obtained by MSMEs. <i>Artha</i> for <i>artha</i> refers to the results of MSMEs efforts that should be reinvested in wealth-generating activities ( <i>artha</i> ) to foster further development.	1. I am passionate about developing my business in order to increase profits to develop my business sustainably (CPA <sub>1</sub> ) 2. I am passionate about developing my business in order to make costs more efficient to develop my business sustainably (CPA <sub>2</sub> ) 3. I am passionate about investing wisely for long-term wealth growth (CPA <sub>3</sub> )
2	<i>Artha</i> for <i>dharma</i>	If associated with financial performance, namely the profit obtained by MSMEs, <i>Artha</i> for <i>dharma</i> is the results of MSMEs efforts that should be allocated to achieve truth ( <i>dharma</i> ).	1. I am enthusiastic about developing my business in order to increase profits to be performed as a manifestation of <i>Panca Yadnya</i> (CPA <sub>4</sub> ) 2. I run my business with the principle of honesty (CPA <sub>5</sub> ) 3. I run my business by complying with applicable regulations (CPA <sub>6</sub> )
3	<i>Artha</i> for <i>kama</i>	If associated with financial performance, namely the profit obtained by MSMEs, <i>Artha</i> for <i>kama</i> reflects the fulfillment of material needs, therefore part of the MSMEs business results should be allocated to achieve desires ( <i>kama</i> ).	1. I am passionate about developing my business so that I can enjoy the results (CPA <sub>7</sub> ) 2. I want the business I have to be able to increase customer satisfaction (CPA <sub>8</sub> ) 3. I find a balance between saving for the future and enjoying current satisfaction in my spending (CPA <sub>9</sub> )
4	<i>Moksa</i> , inner and outer happiness ( <i>jiwa mukti</i> )	If it is associated with financial performance, namely the profit obtained by MSMEs, <i>Moksa</i> represents the spiritual freedom achieved, the results of MSMEs efforts should therefore be used for physical and spiritual happiness ( <i>jiwa mukti</i> ).	1. The business that I own and run gives me happiness both physically and mentally (CPA <sub>10</sub> ) 2. I invest responsibly by considering the long-term impact of every financial decision I make (CPA <sub>11</sub> ) 3. I view my wealth as a tool to achieve freedom and well-being, not just for personal gain (CPA <sub>12</sub> )

Source: Own elaboration

### Sample Size and Population

The questionnaire was first tested (pilot study). The trial is conducted on a small representative sample to identify invalid or ambiguous items. The trial was conducted on 36 Hindu student respondents. Furthermore, the pilot study (trial) results are measured for validity and reliability. The data obtained is analyzed to evaluate the performance of each item.

The results of the pilot test for construct validity, presented in Table 2, indicate that the research instrument possesses a loading factor value exceeding 0.70, thereby confirming the applicability of all instruments in this study. The pilot construct reliability test indicates that Cronbach's Alpha ( $\alpha$ ) exceeds 0.70, so the study data is deemed very trustworthy for inclusion in the data analysis procedure. The outcomes of this test can establish a robust foundation for creating a CPA culture measurement tool, which will be applied in the principal study.

**Table 2**  
**Recapitulation of the validity and reliability test of the pilot test construct**

Construct	Item	OL	CR
Accessibility of financial facilities	Aff <sub>1.1</sub>	0.760	0.853
	Aff <sub>1.2</sub>	0.775	
	Aff <sub>1.3</sub>	0.748	
	Aff <sub>1.4</sub>	0.858	
	Aff <sub>1.5</sub>	0.821	
Use of financial facilities	Uff <sub>2.1</sub>	0.763	0.873
	Uff <sub>2.2</sub>	0.911	
	Uff <sub>2.3</sub>	0.912	
	Uff <sub>2.4</sub>	0.814	
Quality of financial facilities	Qff <sub>3.1</sub>	0.815	0.891
	Qff <sub>3.2</sub>	0.920	
	Qff <sub>3.3</sub>	0.847	
	Qff <sub>3.4</sub>	0.789	
	Qff <sub>3.5</sub>	0.771	
Financial performance of MSMEs	Fp <sub>1</sub>	0.870	0.929
	Fp <sub>2</sub>	0.849	
	Fp <sub>3</sub>	0.826	
	Fp <sub>4</sub>	0.797	
	Fp <sub>5</sub>	0.773	
	Fp <sub>6</sub>	0.873	
	Fp <sub>7</sub>	0.872	
	Fp <sub>8</sub>	0.874	
	Fp <sub>9</sub>	0.823	
The Culture of <i>Catur Purusa Artha</i> (CPA)	CPA <sub>1</sub>	0.843	0.961
	CPA <sub>2</sub>	0.701	
	CPA <sub>3</sub>	0.743	
	CPA <sub>4</sub>	0.811	
	CPA <sub>5</sub>	0.866	
	CPA <sub>6</sub>	0.914	
	CPA <sub>7</sub>	0.910	
	CPA <sub>8</sub>	0.911	
	CPA <sub>9</sub>	0.891	
	CPA <sub>10</sub>	0.923	
	CPA <sub>11</sub>	0.802	
	CPA <sub>12</sub>	0.727	

Source: Own elaboration.

Based on the previous explanation, the overall indicators used are shown in Table 3. All items are rated on a five-point Likert scale, where option five indicates “strongly agree” and option one indicates “strongly disagree”.

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**Table 3**  
**Indicators used**

Construct	Indicator
Accessibility of financial facilities	1. Strategically located financial institutions 2. Knowing the financial services provided by financial institutions 3. Financial services are easy to access 4. Using the internet to access financial services 5. Financial institutions create guidelines on procedures for accessing financial services.
Use of financial facilities	1. Use of financial institution facilities such as taking out loans to meet needs and manage business finances 2. Ownership of financial institution accounts 3. Regularity of use of financial institution products 4. Frequency of use of financial institution products
Quality of financial facilities	1. Suitability of financial institution products with MSME needs 2. Convenience in using the product 3. Speed in completing financial transactions 4. Security in using financial institution products 5. Ease of use of financial products
Financial performance of MSMEs	1. Funding rule 2. Cash obtainability 3. Punctuality in paying duties 4. Inventory organization effectiveness 5. Ability to generate profits
The Culture of Catur Purusa Artha (CPA)	1. <i>Artha</i> for <i>artha</i> 2. <i>Artha</i> for <i>dharma</i> 3. <i>Artha</i> for <i>kama</i> 4. <i>Moksa</i> , inner and outer happiness ( <i>jiwa mukti</i> )

Source: Own elaboration.

### *Data Analysis Procedures*

The analysis method of this investigation is Partial Least Squares (PLS) Structural Equation Modelling (SEM) evaluated using SmartPLS 4.1.1.2 software. SEM analysis is best understood by examining the fundamental interaction between endogenous and exogenous variables (Hair et al., 2021). Two assessments were performed to enhance the validity and reliability of the instrument. Cronbach's alpha was used to evaluate the reliability and item correlation, emphasizing internal consistency. The reliability analysis was conducted before testing the future model, and the normal Cronbach's alpha value was 0.7.

Three tests are used in this examination: (1) examination of the dimension model or outer model, which is essential to ensure that the indicators used are valid and reliable; (2) examination of the inner model or structural model, which aims to test the relationship among latent variables; and (3) hypothesis testing, also known as bootstrapping. Bootstrapping can help you better understand the significance of the relationship between variables and analyse moderating variables (Ghozali, 2021).

## RESULTS

### *Descriptive Statistics*

Respondent characteristics refer to data collected from respondents to identify their profiles within the research. Based on the results of data collection, Table 4 displays the profile of the research respondents.

**Table 4**  
**Appearances of study**

Classification		Number of people who answered	%
Company categories	Micro	72	65.45
	Small	33	30.00
	Intermediate	5	4.55
	Total	110	100
Length of business	0-5 years	27	24.55
	6-10 years	48	43.64
	11 years and above	35	31.82
	Total	110	100
Age of respondents	21-30	19	17.27
	31-40	47	42.73
	41-50	37	33.64
	51<	7	6.36
	Total	110	100
Gender	Man	40	36.36
	Woman	70	63.64
	Total	110	100
Level of education	Basic school	0	0.00
	Children's high school	0	0.00
	Older High School	15	13.64
	Diploma I	1	0.91
	Diploma II	0	0.00
	Diploma III	8	7.27
	Diploma IV/Bachelor	86	78.18
	Master	0	0.00
	Total	110	100

Source: Own elaboration.

The sample size refers to the scale/size of the company, and Table 4 indicates that micro-businesses represent the most significant proportion of respondents, specifically 65.45%. This highlights that the majority of MSMEs' growth is concentrated in micro-enterprises. Regarding business longevity, the 6-10 year category accounts for the highest percentage at 43.64 percent, suggesting that export-oriented MSMEs possess considerable experience in the export process.

The number of samples based on age is dominated by MSME owners aged 31-40, totaling 47 (42.73%). This suggests that entrepreneurial interest in Bali is primarily driven by millennials, who tend to exhibit a greater propensity for risk-taking. Based on gender, women

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dominate export-oriented MSMEs, comprising 63.64% of respondents compared to 36.36% for men. This trend signifies a growing number of female entrepreneurs in the export-oriented MSMEs sector across Bali Province. Finally, the respondents' profiles, based on education level, are primarily comprised of respondents with Diploma IV/Bachelor's degrees, at 78.18 per cent. This indicates the significant role of higher education in the success and sustainability of MSME actors.

### *Evaluation of Outer Model/ Measurement Model*

Outer model analysis was conducted to ensure that the measurement was appropriate for use. Measurement model testing shows convergent and discriminant validity. If the reflexive correlation exceeds 0.70, it is considered high. However, for early-stage research in scale creation, an external filling value of 0.5–0.60 is considered sufficient (Chin et al., 2003).

**Table 5**  
**Outer model analysis**

Construct	Item	OL	AVE	CR
Accessibility of financial facilities	Aff <sub>1.1</sub>	0.804	0.653	0.895
	Aff <sub>1.2</sub>	0.729		
	Aff <sub>1.3</sub>	0.846		
	Aff <sub>1.4</sub>	0.867		
	Aff <sub>1.5</sub>	0.790		
Use of financial facilities	Uff <sub>2.1</sub>	0.968	0.706	0.961
	Uff <sub>2.2</sub>	0.830		
	Uff <sub>2.3</sub>	0.965		
	Uff <sub>2.4</sub>	0.968		
	Qff <sub>3.1</sub>	0.841		
Quality of financial facilities	Qff <sub>3.2</sub>	0.854	0.874	0.949
	Qff <sub>3.3</sub>	0.834		
	Qff <sub>3.4</sub>	0.836		
	Qff <sub>3.5</sub>	0.837		
	Fp <sub>1</sub>	0.975		
Financial performance of MSMEs	Fp <sub>2</sub>	0.976	0.945	0.995
	Fp <sub>3</sub>	0.990		
	Fp <sub>4</sub>	0.967		
	Fp <sub>5</sub>	0.985		
	Fp <sub>6</sub>	0.947		
	Fp <sub>7</sub>	0.977		
	Fp <sub>8</sub>	0.958		
	Fp <sub>9</sub>	0.974		
	CPA <sub>1</sub>	0.949		
The Culture of Catur Purusa Artha (CPA)	CPA <sub>2</sub>	0.952	0.913	0.996
	CPA <sub>3</sub>	0.957		
	CPA <sub>4</sub>	0.955		
	CPA <sub>5</sub>	0.958		
	CPA <sub>6</sub>	0.961		
	CPA <sub>7</sub>	0.964		
	CPA <sub>8</sub>	0.959		
	CPA <sub>9</sub>	0.961		
	CPA <sub>10</sub>	0.943		
	CPA <sub>11</sub>	0.965		
	CPA <sub>12</sub>	0.944		

Source: Own elaboration.

The outer loading value serves to assess the convergent validity of each variable. Table 5 indicates that each item exhibits an external loading value exceeding 0.5. This indicates that all research indicators have met the criteria for convergent validity. All of the research variables are reliable, as indicated by the composite reliability value, which exceeds 0.70. Subsequently, discriminant validity was evaluated to examine the measurement model. Table 6 presents the findings of the HTMT test. This investigation has achieved discriminant validity if all values are found to meet the criteria of not exceeding 0.90 (Hair et al., 2021).

**Table 6**  
**HTMT (Discriminant Validity)**

Construct	Aff	CPA	Fp	Qff	Uff
Aff					
CPA	0.047				
Fp	0.363	0.215			
Qff	0.550	0.097	0.251		
Uff	0.300	0.054	0.133	0.341	

Source: Own elaboration.

#### *Structural Model/Inner Model Evaluation*

At the beginning of the model evaluation with PLS, the R-squared for each dependent latent variable was observed. Table 7 shows that the profitability determination coefficient yields an R-squared value of 0.385. This indicates that the dependent variable can only be explained by the independent variable and moderation by 38.5 percent. Other variables not discussed represent the remaining 61.5 percent.

**Table 7**  
**Model Suitability Test R-Square (R2)**

Variables	R-Square
Financial performance of MSMEs (dependent variable)	0.385

Source: Own elaboration.

Subsequently, assess the predictive relevance of Q-square for the construct model in conjunction with the R-square value. The quality of the experience value created by the parameter estimates and their models is evident in the Q-square results. The presentation of the Predictive Relevance Q-Square (Q2) can be seen below:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R^2) \\
 &= 1 - (1 - 0.385) \\
 &= 1 - (0.615) \\
 &= 0.385 \text{ (strong model)}
 \end{aligned}$$

The calculation results show a Q<sup>2</sup> value of 0.385, which is greater than 0, indicating that the structural model has strong predictive relevance. Goodness of Fit or GoF is the result of general validation for the model. According to Ghazali (2021), Goodness of Fit or GoF is

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measured with a score of 0.36 (large GoF), 0.25 (moderate GoF), and 0.10 (small GoF). The following is a display of calculations based on GoF.

$$\begin{aligned}
 \text{GoF} &= \sqrt{(\text{AVE} \times R^2)} \\
 &= \sqrt{[(0.653+0.913+0.945+0.706+0.873)/5] \times \{0.385\}} \\
 &= \sqrt{0.818 \times 0.385} \\
 &= \sqrt{0.31493} \\
 &= 0.561 \text{ (GoF large)}
 \end{aligned}$$

The calculation results indicate that the structural model is in good condition, with a Goodness of Fit (GoF) value of 0.561, placing it in the large category. The final test is hypothesis testing. Conducted in two stages: direct effect testing and moderation effect testing. Testing is done by comparing P values, t-statistics, and observing the original sample in the path coefficient table. If the p-values <0.05, then the variable is declared to have an effect. Table 8 presents the results of the hypothesis testing.

**Table 8**  
**Outcomes of Research Hypothesis Testing**

Influence	Coef. Track	Stdev	t statistics	P values	F-Square	Information
Aff → Fp	0.208	0.101	2.072	0.038	0.047	H <sub>1</sub> Accepted
Uff → Fp	0.022	0.115	0.192	0.848	0.001	H <sub>2</sub> Rejected
Qff → Fp	0.254	0.129	1.984	0.048	0.065	H <sub>3</sub> Accepted
CPA x Aff → Fp	0.261	0.163	2.555	0.011	0.038	H <sub>4</sub> Accepted
CPA x Uff → Fp	0.384	0.192	2.000	0.046	0.070	H <sub>5</sub> Accepted
CPA x Qff → Fp	0.319	0.124	2.575	0.010	0.104	H <sub>6</sub> Accepted

Source: Own elaboration.

The study's findings on the effect of accessibility of financial facilities on the financial performance of MSMEs in Bali revealed a path coefficient of 0.208 and a significance value of 0.038. Thus, it can be concluded that the accessibility of financial facilities has a positive impact on the financial performance of MSMEs in Bali, with an influence size of 0.047. The outcomes indicate that H1 is accepted.

The path coefficient value is 0.022, and the significance value is 0.848, indicating the influence of financial facilities on the financial performance of MSMEs in Bali. The results show that the significance value is more than 0.05, so H2 is rejected. Finally, with a path coefficient of 0.254 and a significance value of 0.048, the results show that the quality of financial facilities positively affects the financial performance of MSMEs in Bali, with an effect size of 0.065. These results indicate that H3 is accepted.

With the moderation of CPA culture, the path coefficient of 0.261 and the significance value of 0.011 were observed in the interaction between the accessibility of financial facilities and the financial performance of MSMEs. The results showed that the significance value was smaller than 0.05, indicating that the hypothesis was proven true: the role of CPA culture strengthens the interaction between the accessibility of financial facilities and the financial



performance of MSMEs in Bali. Therefore, the direct influence coefficient of 0.038 is smaller than 0.05, and the moderation influence coefficient of 0.011 is smaller than 0.05, indicating that the moderation nature of the role of CPA culture is quasi-moderation.

A study examining the impact of financial facilities on the financial performance of MSMEs, moderated by CPA culture, revealed a path coefficient of 0.384 and a significant value of 0.046. The results suggest that, although the direct influence may not be evident, CPA culture can attenuate the impact of financing facilities on the financial performance of MSMEs. This analysis reveals that the essence of CPA culture is characterized by moderation.

Finally, with the moderation of CPA culture, the path coefficient value is 0.319, and the significance value is 0.010. The result confirms that the hypothesis is supported: CPA culture strengthens the interaction between financial service quality and the financial performance of MSMEs in Bali, with a significant value of 0.048, which is less than 0.05. Therefore, the test result shows that the nature of CPA moderation is quasi-moderation, as both the direct effect coefficient (0.048) and the moderation effect coefficient (0.010) are less than 0.05.

## DISCUSSION

This study investigates the impact of financial inclusion on the financial performance of MSMEs in Bali. Additionally, it examines the role of Catur Purusa Artha (CPA) culture in fostering stronger relationships. The issue of financial performance in the MSME sector is critical. Strengthening financial access, often a significant obstacle for MSMEs, can increase opportunities to generate income and ensure the provision of financial facilities that help MSMEs.

The role of CPA culture, which serves as a foundation, philosophy, and spirit in managing an organization, is expected to enhance the interaction between financial inclusion and the financial performance of MSMEs, particularly in Bali. Based on the Resource-Based Theory (RBT), company resources, such as financial access and the role of culture, are effectively utilized to reduce obstacles that hinder the growth of MSMEs, ultimately improving their financial performance.

The results of this investigation reveal that, based on direct testing of financial facility accessibility practices, it plays a significant role for managers and business owners in advancing the financial performance of MSMEs in Bali. With easier access to financial facilities, MSMEs have more resources to finance their business operations, develop their businesses, and ultimately improve their financial performance.

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The results of this investigation align with those of previous studies (Kalaipriya Kalaieesan, 2021; Thathsarani & Jianguo, 2022), which have found that financial access is the most critical factor influencing the growth and survival of MSMEs. Greater accessibility can provide competitive advantages and open up new revenue streams for MSMEs (Wijaya et al., 2025).

There is a positive correlation between the financial performance of MSMEs in Bali and the quality of financial facilities. This indicates that the performance of MSMEs in Bali improves along with an increase in the quality of financial facilities. With access to quality financing, MSMEs can develop and create new products or services. This innovation increases the competitiveness and market potential of MSMEs.

Providing reasonable and affordable quality financial services conveniently, our solution not only facilitates MSMEs' capital needs but also contributes to overall business management and development. Thus, the financial performance of MSMEs can improve, contributing to broader economic growth. The findings of this study align with those of Thathsarani and Jianguo (2022), which showed that the quality of financial institutions influences the degree of financial inclusion, thereby enhancing the financial performance of MSMEs. The quality of available products also provides evidence of the profitability and growth of MSMEs (Eton et al., 2021; Owusu et al., 2021). In addition, with the improvement in the quality of financial facilities, MSMEs can achieve stability, growth, and a competitive advantage (Carè et al., 2025; Satpathy et al., 2025).

The financial performance of MSMEs in Bali is not affected by the use of financial facilities. Evidence suggests that the use of financial facilities does not significantly impact the financial performance of MSMEs in Bali. The use of financial facilities does not have an impact on financial performance due to the lack of financial knowledge. Although MSMEs have access to financial facilities, their effectiveness in utilizing these services is hindered if they lack adequate information about financial management. In addition, many MSMEs rely on internal financing, such as personal savings, previous business income, or relatives or family members who provide profitable loans.

Most MSMEs operate on the principle of avoiding borrowing, particularly from banks and financial institutions, because it is considered to increase the burden of existing financing. If experiencing economic problems, another option is to borrow from relatives or family members who do not have a complicated scheme, and the installments are manageable. Given their limited business scale, export-oriented MSMEs in Bali that are still in the early stages may not feel a significant impact from the use of financial facilities because of their limited business scale. At this stage, performance improvements are more influenced by their ability to build markets and operational efficiency.

Previous studies (Amin & Pamungkas, 2022; Suminah et al., 2022; Marini et al., 2024) have shown that formal MSMEs are unprepared to leverage financial facilities in such circumstances. Although access to these facilities exists, their utilization is not necessarily adequate to positively influence the financial performance of MSMEs in Bali. The same results indicate that the use of digital financial services, lending platforms, and technology adoption can harm the overall financial performance of MSMEs due to varying levels of basic digital facilities and regulatory support (Abu et al., 2025; Ciza et al., 2025).

Moderation testing indicates that CPA culture contributes to enhancing the accessibility, quality, and utilization of financial facilities, hence impacting the financial performance of MSMEs in Bali. Hindu export-oriented MSME actors and managers practice the CPA culture as a local genius. They can leverage financial access more efficiently, hence enhancing the positive correlation between financial inclusion and financial performance.

This concept is relevant in Hindu culture in Bali and can be applied universally because it contains fundamental values suitable for modern life. These four values complement each other and provide comprehensive guidance for living a harmonious life. If applied universally, Dharma (truth) ensures that humans live with morality, Artha (wealth) provides a strong economic foundation, Kama (satisfaction) ensures emotional balance, and Moksa (happiness) directs humans towards true peace and happiness.

To achieve Dharma (truth), implementation is carried out by understanding the importance of social responsibility, which will increase the likelihood of utilizing and realizing the quality of financial services for sustainable investment. This can create added value, build a strong reputation, and attract more customers, ultimately contributing to improved financial performance. To implement the second part and achieve Kama (desire), MSMEs can utilize financial services to optimize their product offerings more effectively. By obtaining the correct information and support from financial institutions, MSMEs can develop products that meet market demands, increase sales and financial performance, and ultimately achieve the desired results.

The execution of the third component is employed to conduct business inside the Artha sector (wealth) to facilitate its growth; thus, it is essential to comprehend access to financial resources and the utilization of suitable financial instruments. Therefore, the value of understanding Artha lies in the spirit of developing a business to make costs efficient and the spirit of investing wisely for long-term wealth growth, thereby increasing profits and expanding the business sustainably.

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The implementation of the last part of Moksa is physical and spiritual happiness (jiwa mukti), namely understanding that access to good financial facilities can reduce financial pressure, effective use of financial facilities can reduce financial burdens and increase stability, and understanding quality financial services provide good solutions and support that reduce financial risk and stress for MSME owners. By integrating the cultural values of Catur Purusa Artha (CPA), MSMEs can utilize financial services more effectively and establish a robust foundation for ethical and sustainable growth, thereby strengthening their financial performance.

## **CONCLUSIONS**

The investigation results indicate that while the accessibility and quality of financial facilities influence the financial performance of MSMEs in Bali, the consumption of these facilities does not impact their financial performance. This results from various issues, including their insufficient understanding of money management. Another reason is that for many MSMEs that rely on internal financing, external financing is seen as increasing their financing burden.

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Additionally, other notable results include the cultural values of Catur Purusa Artha (CPA), which are implemented as a guiding philosophy. The enthusiasm of business actors in conducting their business activities can play a crucial role in strengthening these relationships, especially with MSMEs in Bali.

By integrating local cultural values, this study provides theoretical contributions to enrich academic research on financial inclusion and financial performance of MSMEs. It raises the idea of Catur Purusa Artha. It offers a new perspective on understanding economic behavior and financial decision-making in Bali, a topic that is rarely discussed in depth in academic literature.

The results of this study also have practical implications for many stakeholders, especially MSMEs, governments, and financial institutions. This study is expected to benefit MSMEs in Bali by providing them with a competitive advantage and enhancing their financial performance. To achieve this, MSMEs must be able to gain access to quality financial facilities tailored to their needs, or access to good financial facilities can be utilized as a form of effective resource management. With improved access to and utilization of financial services, MSMEs can optimize their capital structure, reduce their dependence on internal funding sources, and become more efficient in utilizing external capital for growth.

This study can also help the government and financial institutions develop pro-MSME policies and improve financial access. The government can simplify regulations related to

business licensing, business registration, or administrative requirements for obtaining credit and other financial facilities. This will reduce the barriers confronted by MSMEs in accessing formal financial facilities.

Financial institutions are expected to develop financial products that align with the needs of MSMEs, such as micro-credit products with more flexible tenures, business insurance products, and the optimization of financial technology to expand the reach of services, as well as invoice-based financing services. Considering these consequences, both the government and financial institutions can actively participate in building an inclusive financial ecosystem and supporting the growth of MSMEs. This will have a positive impact on overall economic growth.

Although our study provides valuable insights, it is not without limitations. When determining the sample using export-oriented MSMEs, they generally exhibit characteristics different from those of MSMEs that focus solely on the domestic market. Further research is suggested to involve MSME samples that focus on the domestic market so that they can provide more holistic recommendations to support the development of MSMEs in various orientations and market segments. Furthermore, MSMEs can utilize financial facilities; however, their success will depend on having sufficient information about financial management. Based on this, further research is recommended on how financial literacy can be integrated with financial facilities to enable MSMEs to manage and develop their businesses more effectively.

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