

Enhancing MSME Financial Performance Through Strategic Capabilities: The Mediating Role of Managerial Decision-Making

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are vital to economic growth but often face challenges in financial sustainability and decision-making effectiveness. This study aims to examine how financial literacy, accounting technology utilization, and entrepreneurial orientation influence MSME financial performance, with managerial decision-making as a mediating variable. Using a quantitative research design, data were collected from 222 MSMEs in Makassar City through structured questionnaires and analyzed using Structural Equation Modeling with SmartPLS.

The results reveal that accounting technology utilization and entrepreneurial orientation have significant direct effects on financial performance. Financial literacy, while not directly associated with financial outcomes, significantly influences performance through managerial decision-making. This mediating role highlights that the strategic application of financial knowledge is more impactful than financial literacy alone. Conversely, technology and entrepreneurial behavior tend to bypass structured decision-making processes, indicating a need for better integration of these capabilities into managerial frameworks.

These findings contribute to existing knowledge by integrating cognitive, technological, and behavioral factors into a unified performance model. The study emphasizes that empowering decision-making capacities enhances the value of internal resources. Policymakers and business advisors are encouraged to adopt holistic development strategies that combine literacy, digital tools, and strategic judgment to strengthen MSME competitiveness.

Keywords: Financial Literacy, Accounting Technology, Entrepreneurial Orientation, Managerial Decision-Making, MSME Financial Performance

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are vital to economic development, especially in developing countries where they contribute significantly to employment and GDP. Despite their importance, MSMEs face persistent structural and operational challenges related to financial sustainability and competitiveness. To overcome these constraints, scholars have increasingly emphasized the need to strengthen internal capabilities, particularly financial literacy, accounting technology utilization, and entrepreneurial orientation (Dwyanti, 2024; Lubis & Irawati, 2022; Zaniarti et al., 2022).

Financial literacy, encompassing financial knowledge, behavior, and attitude, is widely recognized as a core competency that enables MSME owners to make sound financial decisions, manage risks, and sustain growth (Resmi et al., 2019; Ye & Kulathunga, 2019; Marissa & Fitriyah, 2023). In resource-constrained settings, this skill helps navigate informal financial systems and

fosters access to financing (Ferli, 2023; Musthafa et al., 2023). Empirical studies consistently associate financial literacy with enhanced business performance (Rijaldi et al., 2023).

Alongside financial literacy, the adoption of accounting technologies—such as cloud-based systems, automated reporting tools, and mobile financial apps—has significantly improved MSMEs' operational efficiency, accuracy, and financial transparency (Gunawan et al., 2023; Wibowo & Widayat, 2023). These tools support better decision-making and compliance, especially when integrated with financial management practices (Permoni & Oki, 2023). Research has shown that the combined application of digital tools and financial literacy results in more strategic planning and competitive advantage (Komariyah, 2024).

Entrepreneurial orientation (EO), characterized by innovativeness, risk-taking, and proactiveness, is also a strong predictor of MSME success. EO supports adaptability and responsiveness in dynamic markets, and is positively correlated with profitability and long-term business performance (Okreglicka & Filipowicz, 2023; Santos et al., 2020; Anggraini et al., 2022). Scholars assert that EO functions as a valuable resource under the Resource-Based View and Dynamic Capabilities frameworks, especially when integrated with financial and technological competencies (Galbreath et al., 2020; Phong & Tam, 2024).

Despite the individual benefits of these capabilities, many MSMEs underperform due to a lack of integration and effective application. A critical mediating factor is managerial decision-making—the process by which managers analyze, evaluate, and act on strategic options. Effective decision-making transforms knowledge and tools into performance outcomes and aligns internal capabilities with external demands (Liu & Ali, 2024; Mtshali & Chinyamurindi, 2021). It has been found to mediate the relationship between EO and performance, and enhance the effectiveness of financial literacy and technology adoption (Kiyabo & Isaga, 2020; Kurniawan et al., 2020).

Integrated models in MSME studies increasingly highlight the importance of combining cognitive, technological, and strategic dimensions to explain performance outcomes. Studies by Li & Qian (2019), Susbiyani et al. (2021), and Rofiqoh (2023) suggest that a holistic approach yields the most comprehensive understanding of MSME viability and competitiveness. This study builds on that perspective by proposing a unified framework where managerial decision-making mediates the effects of financial literacy, accounting technology, and EO on financial performance, particularly in the resource-limited context of developing economies.

METHODOLOGY

Research Design

This study employs a quantitative, explanatory, and cross-sectional research design to examine the causal relationships between financial literacy, accounting technology utilization, entrepreneurial orientation, managerial decision-making, and the financial performance of MSMEs (Kaban & Safitry, 2020; Alvarez-Torres et al., 2019). The population includes registered MSMEs in Makassar City across retail, service, and manufacturing sectors. Using purposive sampling, data are collected from owners or managers responsible for financial decisions and familiar with accounting technologies. A minimum sample size of 222 MSMEs is targeted, aligning with SEM requirements for models involving multiple latent variables (Karami & Tang, 2019).

Measurement of Variables

Each construct in the model is operationalized using validated instruments derived from previous studies.

Table 1. Measurement of Research Variables

Variables	Indicators	Sources	Scale
Financial Literacy	- Financial Knowledge - Financial Behavior - Financial Attitude	Musthafa et al. (2023); Li & Qian (2019); OECD (2020); Yustisi (2024)	5-point Likert (1 = strongly disagree to 5 = strongly agree)
Accounting Technology Utilization	- Frequency of accounting system use - Types of tools (software, mobile apps) - Impact on efficiency and financial control	Gunawan et al. (2023); Surya et al. (2022); Wibowo & Widayat (2023)	5-point Likert
Entrepreneurial Orientation	- Innovativeness - Risk-taking - Proactiveness	Alvarez-Torres et al. (2019); Apriyani et al. (2019)	5-point Likert
Managerial Decision-Making	- Accuracy and speed of decision-making - Use of financial/technological data - Strategic alignment	Kiyabo & Isaga (2020); Nuryakin (2021)	5-point Likert
Financial Performance	- Revenue growth - Profitability - Cost efficiency - Market competitiveness	Imran et al. (2019); self-reported MSME indicators	5-point Likert

Data Analysis Techniques

The data analysis employs Structural Equation Modeling (SEM) using SmartPLS, which enables the simultaneous examination of complex relationships among latent and observed variables, including direct and indirect effects. The analysis involves three main stages: preliminary analysis (descriptive statistics, reliability testing via Cronbach's Alpha, and Exploratory Factor Analysis), measurement model assessment (Confirmatory Factor Analysis to test convergent and discriminant validity, along with model fit indices such as RMSEA, CFI, TLI, and Chi-square), and structural model testing (evaluation of direct and mediating effects using bootstrapping with 5,000 resamples). All statistical tests are conducted at a 95% confidence level. To ensure the reliability and validity of the instrument, Cronbach's Alpha and Composite Reliability (CR) values above 0.70 are used, and validity is assessed through the Fornell-Larcker criterion and cross-loadings. Ethical standards are strictly upheld, including informed consent, voluntary participation, and guaranteed confidentiality and anonymity for all respondents.

RESULTS

Sample Profile

A total of 222 MSME actors participated in this study. The distribution of respondents based on gender shows that the majority were female (57.2%), while male respondents accounted for 42.8%. This suggests that female entrepreneurs play a prominent role in MSME operations within the study area. Regarding the education level, respondents were predominantly graduates of Senior High School (33.3%), followed by those with a Bachelor's Degree (28.4%), and Diploma holders

(21.2%). A smaller proportion held Postgraduate degrees (9.0%), while 8.1% had completed only Junior High School. These figures reflect a relatively well-educated sample, with more than half of the respondents holding at least a diploma-level qualification.

In terms of business type, the most common sector was retail (32.4%), followed by food and beverage enterprises (24.8%), and service-based businesses (18.9%). Additionally, 12.6% of respondents operated in the crafts and fashion sector, and 11.3% were engaged in agribusiness. This distribution is consistent with the broader MSME composition in urban and semi-urban Indonesian settings. With respect to years in business, 45.5% of respondents had operated their businesses for 6–10 years, indicating a significant number of established enterprises. Meanwhile, 34.7% had been in operation for 2–5 years, and 17.1% had been running their businesses for less than two years, reflecting newer entrants to the market. Only 2.7% had managed their businesses for more than 10 years, suggesting that while some respondents had long-term experience, most were still in early or mid-stage development.

Overall, the demographic and operational characteristics of respondents provide a rich foundation for analyzing the influence of financial literacy, accounting technology utilization, and entrepreneurial orientation on MSME financial performance, particularly through the lens of managerial decision-making.

Measurement Model Evaluation (Outer Model)

This is assessed through two key criteria: factor loadings and Average Variance Extracted (AVE). Factor loadings indicate the strength of the relationship between each observed item and its latent variable, with values above 0.70 considered acceptable. Meanwhile, AVE measures the average amount of variance captured by a construct relative to the variance due to measurement error, with a threshold of 0.50 or higher indicating adequate convergent validity.

Table 1. Outer Loadings

Items	Financial Literasi	Accounting Technology	Entrepreneurial Orientation	Managerial Decision Making	Financial Performance
X1.1	0,789				
X1.2	0,809				
X1.3	0,904				
X1.4	0,893				
X1.5	0,880				
X2.1		0,742			
X2.2		0,882			
X2.3		0,910			
X2.4		0,921			
X2.5		0,919			
X3.1			0,911		
X3.2			0,840		
X3.3			0,956		
X3.4			0,914		
X3.5			0,913		
Y1.1				0,896	
Y1.2				0,892	
Y1.3				0,929	
Y1.4				0,929	
Y1.5				0,900	
Y1.6				0,893	
Y2.1					0,883
Y2.2					0,918
Y2.3					0,935
Y2.4					0,931
Y2.5					0,929
Y2.6					0,920

Source: SmartPLS 4.0

The assessment of convergent validity based on outer loading values demonstrates that all indicators across the five constructs exceed the recommended threshold of 0.70, confirming their validity in measuring the respective latent variables. For Financial Literacy, outer loadings range from 0.789 to 0.904; for Accounting Technology Utilization, values range from 0.742 to 0.921; for Entrepreneurial Orientation, indicators show strong loadings between 0.840 and 0.956; for Managerial Decision-Making, loadings range from 0.892 to 0.929; and for Financial Performance, values fall between 0.883 and 0.935. These results affirm that all items exhibit strong correlations with their associated constructs, thus establishing satisfactory convergent validity for the measurement model.

The measurement model's evaluation of reliability and validity shows excellent results across all constructs, confirming the adequacy of the instrument used in this study.

First, in terms of internal consistency reliability, the values of Cronbach's Alpha for all constructs range from 0.908 (Financial Literacy) to 0.963 (Financial Performance), which are well above the commonly accepted threshold of 0.70, indicating high reliability and consistency among the measurement items. Complementing this, both measures of composite reliability—rho_A and rho_C (also known as CR)—also exhibit high values, with all constructs showing scores above 0.91, further confirming the strong internal reliability of the constructs.

Second, regarding convergent validity, the Average Variance Extracted (AVE) values for all constructs exceed the recommended threshold of 0.50, indicating that the constructs explain more than half of the variance of their respective indicators. Specifically, AVE values range from 0.733 (Financial Literacy) to 0.846 (Financial Performance), suggesting that the indicators have a high degree of shared variance with their corresponding latent variables.

Overall, these results collectively demonstrate that the constructs used in the model are both reliable and valid, satisfying the criteria for internal consistency and convergent validity, and thus are suitable for further analysis in the structural model.

Table 2. Validity and Reliability

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Literasi	0,908	0,914	0,932	0,733
Accounting Technology	0,923	0,927	0,943	0,770
Entrepreneurial Orientation	0,946	0,947	0,959	0,823
Managerial Decision Making	0,957	0,958	0,965	0,823
Financial Performance	0,963	0,964	0,970	0,846

Source: SmartPLS 4.0

Discriminant Validity

The assessment of discriminant validity aims to ensure that each construct in the model is truly distinct from the others, both conceptually and statistically. In PLS-SEM, discriminant validity is typically evaluated using three main approaches: the Fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT). Each of these methods provides complementary evidence to confirm that a construct shares more variance with its own indicators than with those of other constructs. The following section presents the results of these tests to establish the discriminant validity of the measurement model.

The HTMT (Heterotrait-Monotrait Ratio) values indicate that discriminant validity is generally well established among the constructs in the model, as all values fall below the threshold of 0.90. The highest HTMT value is observed between Accounting Technology and Financial Literacy (0.856), which, while slightly above the more conservative cutoff of 0.85, remains within the acceptable range under the standard 0.90 criterion. Other construct pairs, such as Entrepreneurial

Orientation and Financial Literacy (0.709), Financial Literacy and Financial Performance (0.699), and Managerial Decision-Making with other variables (ranging from 0.557 to 0.677), demonstrate sufficiently low HTMT values. These results confirm that each construct is empirically distinct, thereby supporting the discriminant validity of the measurement model.

Table 3. The Heterotrait-Monotrait ratio (HTMT)

	Accounting Technology	Entrepreneurial Orientation	Financial Literasi	Financial Performanc e	Managerial Decision Making
Accounting Technology					
Entrepreneurial Orientation	0,838				
Financial Literasi	0,856	0,709			
Financial Performance	0,793	0,778	0,699		
Managerial Decision Making	0,605	0,557	0,677	0,658	

Source: SmartPLS 4.0

Based on the Fornell-Larcker criterion, discriminant validity is supported if the square root of the Average Variance Extracted (AVE) for each construct (shown on the diagonal) is greater than its correlations with other constructs (off-diagonal values). In the table, all diagonal values—Accounting Technology (0.877), Entrepreneurial Orientation (0.907), Financial Literacy (0.856), Financial Performance (0.920), and Managerial Decision-Making (0.907)—exceed the corresponding inter-construct correlations. For example, the square root of AVE for Financial Literacy (0.856) is higher than its correlation with Accounting Technology (0.783), Entrepreneurial Orientation (0.664), Financial Performance (0.660), and Managerial Decision-Making (0.631). Similarly, the value for Managerial Decision-Making (0.907) is higher than its correlations with all other constructs. These results confirm that each construct shares more variance with its indicators than with other constructs in the model, thereby satisfying the Fornell-Larcker criterion and supporting discriminant validity.

Table 4. The Fornell-Larcker criterion

Variables	Accounting Technology	Entrepreneurial Orientation	Financial Literasi	Financial Performanc e	Managerial Decision Making
Accounting Technology	0,877				
Entrepreneurial Orientation	0,784	0,907			
Financial Literasi	0,783	0,664	0,856		
Financial Performance	0,750	0,744	0,660	0,920	
Managerial Decision Making	0,569	0,535	0,631	0,632	0,907

Source: SmartPLS 4.0

Structural Model Evaluation (Inner Model)

The direct relationship between Accounting Technology and Financial Performance is found to be positive and statistically significant ($\beta = 0.320$, $p = 0.006$). This indicates that advancements or effective implementation of accounting technologies directly contribute to better financial outcomes, likely through enhanced accuracy, efficiency, and timeliness in financial reporting. However, the influence of Accounting Technology on Managerial Decision Making is not

significant ($\beta = 0.075$, $p = 0.481$), suggesting that while the technology supports data processes, it may not be adequately integrated into strategic decision-making practices. Consequently, the indirect effect of Accounting Technology on Financial Performance through Managerial Decision Making is also not significant ($\beta = 0.019$, $p = 0.502$), confirming the limited mediating role of managerial decisions in this path.

Regarding Entrepreneurial Orientation, the analysis reveals a significant direct effect on Financial Performance ($\beta = 0.344$, $p = 0.002$), implying that a proactive, innovative, and risk-taking business attitude significantly boosts financial results. Nonetheless, its direct path to Managerial Decision Making is not statistically significant ($\beta = 0.172$, $p = 0.071$), and the indirect path through Managerial Decision Making to Financial Performance remains non-significant ($\beta = 0.043$, $p = 0.118$). This indicates that while entrepreneurial orientation has a strong direct impact on performance, its influence does not substantially flow through the decision-making mechanism in this model.

Table 5. Path Coefficients

Variable Relationship Path	Original sample	Sample mean	Standard deviation	T statistics	P values
Direct Effects					
Accounting Technology -> Financial Performance	0,320	0,329	0,117	2,727	0,006
Accounting Technology -> Managerial Decision Making	0,075	0,076	0,106	0,704	0,481
Entrepreneurial Orientation -> Financial Performance	0,344	0,335	0,112	3,067	0,002
Entrepreneurial Orientation -> Managerial Decision Making	0,172	0,165	0,095	1,803	0,071
Financial Literasi -> Financial Performance	0,022	0,023	0,095	0,232	0,817
Financial Literasi -> Managerial Decision Making	0,458	0,465	0,088	5,197	0,000
Managerial Decision Making -> Financial Performance	0,252	0,249	0,086	2,940	0,003
Indirect Effects					
Accounting Technology -> Managerial Decision Making -> Financial Performance	0,019	0,018	0,028	0,671	0,502
Entrepreneurial Orientation -> Managerial Decision Making -> Financial Performance	0,043	0,040	0,028	1,564	0,118
Financial Literasi -> Managerial Decision Making -> Financial Performance	0,115	0,116	0,048	2,421	0,016

Source: SmartPLS 4.0

The findings regarding Financial Literacy are particularly noteworthy. Although Financial Literacy does not exhibit a significant direct effect on Financial Performance ($\beta = 0.022$, $p = 0.817$), it has a strong and highly significant impact on Managerial Decision Making ($\beta = 0.458$, $p = 0.000$). This demonstrates that individuals with higher financial literacy are better equipped to make informed and strategic decisions. Furthermore, Managerial Decision Making significantly influences Financial Performance ($\beta = 0.252$, $p = 0.003$), establishing it as a crucial mediating variable. As a

result, the indirect effect of Financial Literacy on Financial Performance through Managerial Decision Making is also significant ($\beta = 0.115, p = 0.016$), highlighting a clear mediating pathway. This suggests that financial knowledge empowers managers to make decisions that, in turn, drive improved financial outcomes.

In conclusion, the structural model underscores the central role of Managerial Decision Making as a mediating variable. While some constructs like Entrepreneurial Orientation and Accounting Technology show strong direct effects on Financial Performance, only Financial Literacy demonstrates a meaningful indirect influence through decision-making. These insights suggest that organizations aiming to enhance financial outcomes should not only invest in technology or foster entrepreneurial traits but must also prioritize strengthening the decision-making capacity of managers through financial education and analytical skills.

Table 6. Coefficient of Determination

Endogen Variable	R-square	R-square adjusted
Financial Performance	0,669	0,663
Managerial Decision Making	0,424	0,416

Source: SmartPLS 4.0

The R-square values indicate that the structural model has strong explanatory power, particularly for Financial Performance, which has an R-square of 0.669 and an adjusted R-square of 0.663. This means that approximately 66.9% of the variance in Financial Performance can be explained by the predictors in the model—namely, Accounting Technology, Entrepreneurial Orientation, Financial Literacy, and Managerial Decision Making. Meanwhile, the Managerial Decision Making variable has a moderate R-square of 0.424 and an adjusted value of 0.416, indicating that about 42.4% of its variance is accounted for by Accounting Technology, Entrepreneurial Orientation, and Financial Literacy. These results suggest that the model is well-constructed and capable of explaining key outcomes, especially financial performance, while also acknowledging that other factors may influence managerial decision-making beyond those included in the current model.

DISCUSSION

This study offers critical insights into how cognitive, technological, and behavioral resources shape MSME financial performance, emphasizing the mediating role of managerial decision-making. The results reveal a complex set of interactions where the effectiveness of internal capabilities hinges not only on their presence but on how they are mobilized through strategic choices.

Financial literacy, although not directly influencing financial performance, exhibits a significant indirect effect via managerial decision-making. This supports the understanding that financial literacy is most impactful when translated into actionable decisions (Dewi & Candraningrat, 2022; Dwyanti, 2024; Wibowo & Widayat, 2023). Financially literate MSME owners are better equipped to interpret financial data, mitigate risks, and make informed financial judgments (Arumsari et al., 2024; Marini et al., 2024). However, in resource-constrained environments, knowledge alone is insufficient; it must be integrated into decision-making structures to yield performance improvements. This aligns with Tubastuvi et al. (2024) and Permoni & Oki (2023), who advocate for aligning financial literacy initiatives with decision-support tools and training to maximize their impact.

In contrast, accounting technology utilization shows a strong direct relationship with financial performance, independent of managerial decision-making. This indicates that digital tools contribute to operational efficiencies and financial transparency regardless of managerial input (Gunawan et al.,

2023; Fikri & Nahda, 2023; Mangawing et al., 2023). However, the absence of a mediating effect suggests that while MSMEs are adopting these tools, they may not be using them for strategic decision-making. Often, these systems function more as passive record-keeping mechanisms than active components of strategic planning. Thus, even though digitalization supports financial performance, its full potential is unrealized without parallel investments in managerial capabilities, particularly those related to data interpretation and analytics.

Entrepreneurial orientation (EO) also demonstrates a significant direct effect on financial performance, affirming previous research that links proactive, innovative, and risk-tolerant behaviors with business success (Santos et al., 2020; Gunawan et al., 2023; Arumsari et al., 2024). However, EO does not significantly influence performance through decision-making. This may suggest that many MSME owners rely on intuitive or experience-based judgments rather than structured decision processes, potentially bypassing formal mechanisms. While such intuition can foster agility, it may also limit systematic and data-informed strategies. This aligns with findings from Phong & Tam (2024) and Spio-Kwofie et al. (2023), who argue that EO should be integrated with internal processes to achieve sustained impact.

The mediating role of managerial decision-making is the central theoretical contribution of this study. Particularly in the relationship between financial literacy and performance, decision-making serves as the bridge that transforms latent capabilities into actionable outcomes. This finding supports behavioral decision theory, which posits that decision quality is shaped by cognitive ability, emotional regulation, and contextual awareness (Istianingsih et al., 2020; Zhang et al., 2023). Liu & Ali (2024) also emphasize the importance of decision-making as the conduit through which resources are converted into results, especially under uncertainty.

In the MSME context, where leadership is often centralized, decision-making is especially crucial. Owners or managers frequently operate without formal hierarchies or advisory boards, making individual judgment a primary determinant of strategic outcomes. Improving this function can have significant implications for investment decisions, market positioning, and financial sustainability (Harjito, 2022; Sulistiyowati et al., 2023).

The strength of the model is evidenced by the R-square values, with 67% of the variance in financial performance and 42% in decision-making explained by the predictors. These are substantial and moderate values respectively, reinforcing the validity of the proposed framework. This study bridges the Resource-Based View (RBV), which focuses on valuable and unique assets, with behavioral theories emphasizing the cognitive mechanisms necessary to activate these resources (Priyaadarshini & Jena, 2024). The results affirm that competitive advantage stems not only from resource possession but also from how effectively resources are applied through human judgment.

This calls for multidimensional capacity-building strategies. MSMEs need more than access to resources; they require integrated support systems that link financial education, digital literacy, and managerial development. As highlighted by Susbiyani et al. (2021), Rofiqoh (2023), and Li & Qian (2019), combined interventions yield better performance outcomes than fragmented efforts.

However, the study is not without limitations. As noted by Sari (2022), the cross-sectional design restricts causal interpretation and introduces potential self-report bias. Although robust instruments and statistical techniques were applied, longitudinal research is necessary to capture changes over time and identify causal mechanisms. Future studies should explore how these capabilities evolve and interact in different business cycles using longitudinal or mixed methods approaches.

Additionally, the study's focus on MSMEs in Makassar may limit the generalizability of findings. Institutional settings, infrastructure, and market access vary significantly across regions. Broader geographic and sectoral replication would clarify how contextual factors moderate the identified relationships. As Vo et al. (2023) and Wu et al. (2024) suggest, firm size, age, and industry significantly influence how internal capabilities affect performance and should be included as moderating variables in future models.

From a practical perspective, these findings imply that MSME development programs should adopt an integrated approach. Capacity-building efforts should not only focus on training but also on equipping managers with tools and frameworks to apply what they learn. Digital tools, for instance, should be introduced alongside analytics training, and entrepreneurship initiatives should include modules on financial planning and decision-making.

Theoretically, this research contributes to a more holistic understanding of MSME performance by integrating RBV and behavioral models. It confirms that resources such as financial literacy and EO require activation through decision-making to impact performance meaningfully. This aligns with calls by Islam & Wahab (2021) and Ruiz et al. (2024) for nuanced, context-sensitive models in SME research.

Ultimately, the study demonstrates that financial literacy, accounting technology, and entrepreneurial orientation are valuable only when mediated by capable decision-making. Of these, financial literacy shows a particularly strong indirect influence, indicating its strategic importance. Technology, while impactful on its own, needs to be aligned with decision systems to achieve maximum effect. EO must also be grounded in structured planning to ensure sustainability. Enhancing managerial decision-making is therefore essential to transforming internal resources into sustained competitive advantage in MSMEs.

CONCLUSIONS

This study examined how financial literacy, accounting technology utilization, and entrepreneurial orientation influence the financial performance of MSMEs, with managerial decision-making as a mediating variable. Grounded in a resource-behavioral framework and tested using Structural Equation Modeling, the findings underscore that internal capabilities are critical but yield impact only when strategically applied.

A key contribution of this research lies in confirming that financial literacy significantly affects financial performance indirectly through managerial decision-making. This supports the argument that financial competence alone is insufficient; its real value emerges when integrated into strategic decisions. Thus, decision-making serves as a functional mechanism translating knowledge into actionable outcomes.

Accounting technology, on the other hand, showed a strong direct effect on financial performance but did not significantly influence it via decision-making. This suggests that while digital tools enhance operational efficiency, they are not fully embedded in the strategic processes of MSMEs.

Entrepreneurial orientation also had a direct, significant impact on performance, affirming the importance of innovation, proactiveness, and risk-taking. However, its lack of a mediated effect through decision-making suggests that these traits often operate intuitively rather than through structured judgment.

By integrating cognitive, behavioral, and technological dimensions, this study offers a comprehensive model of MSME performance. It contributes to theory by extending the Resource-Based View with behavioral decision-making mechanisms. Practically, the results call for holistic MSME development strategies that simultaneously build financial, technological, and managerial competencies to ensure strategic, data-informed business decisions.

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