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# Analyzing the Impact of Islamic Literacy, Technology, and Experience on MSME Performance: The Role of Spirituality as a Moderating Variable

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## Abstract

**Research Aims:** This study aims to explore the influence of Islamic financial literacy, Islamic fintech, and financial experience on the performance of Micro, Small, and Medium Enterprises (MSMEs), considering spirituality as a potential moderating variable.

**Design/Methodology/Approach:** Employing a sample of 126 MSME owners in Semarang, this research utilizes Hair's model of calculations. The analytical method applied is multiple regression analysis using the third version of the SmartPLS software.

**Research Findings:** The findings indicate that Islamic financial literacy, Islamic financial technology, and financial experience have a positive and significant impact on MSME performance. However, spirituality did not significantly moderate the relationship between Islamic financial literacy, Islamic fintech, and financial experience on MSME performance.

**Theoretical Contribution/Originality:** This study contributes to the resource-based view theory by examining how a firm's capabilities and internal resources, conceptualized as a bundle of resources and capabilities, interact with external spiritual values to influence MSME performance. It also addresses the role of internal resources in fostering competition within firms to achieve their goals.

**Keywords:** Islamic Financial Literacy; Islamic Financial Technology; Financial Experience; Spirituality; MSME Performance.

## Introduction

The landscape of contemporary business is profoundly shaped by the Fourth Industrial Revolution. This revolution has significantly altered consumer behaviors and trade relationship, as well as the dynamics of employee relationships, knowledge management within organizations, and internal business operations. In response, companies must continuously strive to enhance their performance to secure their survival in an intensely competitive market environment. This challenge is particularly pronounced for Micro, Small, and Medium Enterprises (MSMEs) across various countries, as maintaining robust performance is essential for their sustainability (Arokodare & Asikhia, 2020). Therefore, sustaining high performance is a

paramount challenge for businesses, especially MSMEs. A company's strategy for achieving its objectives is commonly known as its business performance strategy. This involves utilizing all relevant data to devise more effective approaches. Historically, humans have developed efficient methods to accomplish tasks, with the advent of business performance management aimed at streamlining this monitoring process to achieve organizational goals more efficiently. Furthermore, a direct correlation exists between financial literacy and effective company performance. A lack of financial literacy can lead to poor investment decisions, suboptimal business performance, and even bankruptcy. Therefore, it is essential to research the factors influencing business performance, which in this study include Islamic financial literacy, Islamic financial technology, and financial experience.

Within Indonesia's halal ecosystem, which the government is actively promoting, Sharia banking represents a segment of halal finance. Since the early 2000s, the Indonesian Islamic banking sector has seen significant growth in terms of assets, financing provided, and funds raised from third parties. As of September 2020, Islamic banking assets, financing, and third-party funds had reached IDR 575.8 trillion, IDR 384.7 trillion, and IDR 460.5 trillion, respectively (OJK, 2020). Despite these figures, the market share in Indonesian Sharia banks has struggled to keep pace with their growth. As of September 2020, Sharia institutions accounted for only 6.24% of Indonesia's banking system.

The Financial Services Authority (2023) noted that, as of June 2022, the Islamic financial market's share had increased to 10.41% from the previous year's 10%. Although this represents growth, concerns persist regarding the significant gap between the market shares of Islamic and traditional financial markets. Islamic finance continues to attract limited public attention, as reflected by its modest market share. This observation aligns with the 2022 National Financial Literacy and Inclusion Survey (SNLIK), which revealed that the Islamic financial inclusion index lagged substantially behind the mainstream financial index at only 12.12%, compared to 85.10%. This discrepancy raises significant questions about the low market share and inclusion index of Sharia finance in Indonesia. Notably, with a population of 237.56 million people, representing 86.7% of the global Muslim population, Indonesia is home to the largest Muslim population, according to data from the Royal Islamic Strategic Studies Center. However, as the first factor, Islamic financial literacy was reported at only 9.14% in 2022, underscoring the low public interest in Islamic financial products and services.

The expansion of Sharia banks in Indonesia aims to offer a range of financial options to Muslims in the country who reject the usury inherent in traditional forms of finance (Trianto et al., 2021). Consequently, it is essential for Muslims to possess Islamic financial literacy (IFL); they must have sufficient financial knowledge within an Islamic framework to behave ethically and idealistically for the benefit of humanity (Dinc et al., 2021). However, the low level of relevance indicates that MSMEs have not fully comprehended or leveraged Islamic financial literacy (Menne et al., 2023). Alharbi et al. (2022) noted that due to the Islamic environment and business location, MSME managers only need a basic understanding of finance to develop their businesses effectively.

The next factor to consider is financial technology, or fintech. Fintech represents an innovation in financial services that eliminates the need for physical currency (Hiyanti et al., 2020). For MSME owners seeking the convenience of electronic financial bookkeeping, which is both practical and effective, Indonesia offers various fintech solutions characterized by simplicity and affordability. By integrating financial technology into their business, companies can encourage consumer participation (Adiandari, 2022). The Indonesian government has also

begun to focus on the implementation of Islamic fintech following the issuance of the Fatwa on Sharia Fintech by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), number 117/DSN-MUI/II/2018, which pertains to Sharia-based financing services utilizing information technology.

Unfortunately, conventional fintech, which precedes the Islamic fintech, has garnered a negative reputation due to the widespread media coverage and social stigma associated with its use. Society has witnessed numerous protests and even cases of suicide related to fintech, primarily due to online loans that exploit the lower middle class. Nevertheless, the initial objective of fintech—to facilitate economic activities and transactions based on Sharia principles—is projected to improve significantly with the advent of Sharia fintech. Given the rapid expansion of Islamic fintech in Indonesia, it is crucial to investigate the potential opportunities and challenges it faces.

Additionally, experience plays a pivotal role in influencing business performance. For MSME owners, possessing sound financial experience is essential to effectively assess and manage their company's finances. Diana and Lutfi (2021) define financial experience as the capacity developed through experiential learning, enabling more thoughtful and responsible financial management decisions. According to Ameliawati and Setiyani (2018), financial experience refers to an individual's learning behavior in managing personal finances, suggesting that individuals with substantial financial experience are likely to manage their finances more adeptly than their counterparts.

Therefore, to manage their finances effectively, MSME owners need to understand financial behavior comprehensively. Common challenges include the inability to separate personal from business finances and difficulties in accessing financial institutions. With adequate access to financial institutions and sound financial management practices, MSME owners can grow their business and make prudent financial decisions. Understanding financial behavior is also beneficial for managers in guiding employees to enhance their performance.

Moreover, the majority of Indonesia's population is Muslim. Despite being home to over 207 million Muslims, there is still a shortage of HR (human resources) professionals skilled in handling transaction contracts based on Sharia principles. This study identifies the utilization of Islamic financial products as a notable phenomenon. Additionally, there is a scarcity of research on financial literacy, financial technology, and experience from an Islamic perspective, highlighting an urgent need for further investigation. Therefore, the researchers aim to explore the factors affecting MSME performance, with spirituality serving as a moderating variable. In this context, spirituality is seen as a factor contributing to workplace success. Spirituality relates to an individual's spiritual outlook, emphasizing inner moral vibrations that remain unseen by others, including a foundational trust in every individual (Sanjaya, 2020). Consequently, the proposed title for this study is *"Analyzing the Impact of Islamic Literacy, Technology, and Experience on MSME Performance: The Role of Spirituality as a Moderating Variable."*

## Literature Review and Hypotheses Development

### Resource-Based View

The resource-based view (RBV) was originally developed by Wernerfelt (1984). According to this theory, a company's resources and competencies are crucial assets that enhance its success. To improve business performance and gain a competitive advantage, this theory emphasizes resources that are difficult for competitors to replicate. This approach provides a more complex examination and interpretation of company resources (Alvarez & Busenitz, 2001). The RBV theory elucidates the connection between internal resources and company capacities by viewing the company as a collection of resources and capabilities. Additionally, it addresses issues of intra-firm competition and the role of internal resources in achieving intra-firm goals. In this research, the resource-based view serves as a basis to explain that financial inclusion and literacy can support the management of a company in achieving a competitive edge and enhanced performance because financial literacy and technology are considered internal resources of the company.

### MSME Performance

Company performance refers to the evaluation of the outcomes of a company's operational activities in monetary terms, including profits, sales, growth, and market share (Tuffour et al., 2020). MSME performance is the result or achievement a company has made to survive in today's competitive business climate. If a company cannot measure its performance, it is deemed incapable of running a business. In today's digital era, businesses must also utilize management and measurement tools to compete and grow. MSME performance is further defined as a measure of the company's success in terms of quality and quantity compared to its target achievement. In this research, performance measurement is based on the Kaplan and Norton Balanced Scorecard (BSC), focusing on financial performance with indicators such as profitability, customer satisfaction, and employee satisfaction.

### Islamic Financial Literacy

Financial literacy is crucial for managing funds effectively, thereby achieving business prosperity through knowledge, skills, and confidence in using banking services. Usama et al. (2020) define financial literacy as the degree to which entrepreneurs possess the knowledge and confidence to manage their budgets using sound, non-temporary assessments and long-term financial planning. In this context, Muslims must attain Islamic financial literacy (IFL), which entails the level of financial understanding necessary to adopt the best practices for serving humanity (Dinc et al., 2021). According to various research-based metrics for measuring financial literacy, Menne et al. (2023) identified several indicators: knowledge of Islamic financial products, the ability to use financial products, the capability to prepare financial reports, and the ability to read financial reports.

### Islamic Financial Technology

Muzdalifa et al. (2018) define "fintech" as the use of technology to enhance the efficiency of the financial system and the provision of financial services. This can be seen in companies utilizing the benefits and services offered by technology, particularly online data such as financial accounting platforms (Adiandari, 2022). Specifically, Sharia fintech integrates

information technology innovations with existing financial and technological products and services to streamline business operations, including transactions, investments, and the distribution of funds, in compliance with Sharia principles (Yarli, 2018). The financial technology variable is generally measured by crowdfunding and peer-to-peer (P2P) lending, market aggregators, risk and investment management, payment, settlement, and clearing (BI, 2016) as noted by (Safrianti et al., 2022).

### **Experience**

Diana and Lutfi (2021) define financial experience as a capacity developed through experiential events to think more carefully and responsibly about financial management choices. Ameliawati and Setiyani (2018) describe financial experience as an individual's learning behavior in managing personal finances, suggesting that those with substantial financial experience are more adept at managing finances compared to others. Purwidiati and Tubastuvi (2019) further elaborate that financial experience encompasses community interactions with conventional loans, alternative loans, and investment activities. Individuals can leverage their financial experience as a learning tool to manage their finances and make informed future decisions. Based on research (Purwidiati & Tubastuvi, 2019), the indicators used to measure financial experience include respondents' backgrounds in Islamic banking, capital markets, pension fund products, insurance products, mortgage products, and other financial institution products.

### **Spirituality**

Individuals who are religiously and spiritually healthy are more prone to generate meaningful experiences that enhance their motivation to learn and adopt technological advancements to stay competitive. Islam promotes the pursuit of knowledge, especially in developing financial skills. It is anticipated that increasing knowledge and understanding will strengthen the relationship between technology utilization, Islamic financial literacy, financial technology experience, and business performance. This study uses indicators as defined by Sanjaya (2020), which include belief in God Almighty, perseverance in worship, concern for fellow humans and the environment, and a spirit of mutual assistance in business operations. Furthermore, the spiritual work ethic is characterized as the moral values and attitudes individuals or organizations hold towards their work that embodies spirituality.

## **HYPOTHESES DEVELOPMENT**

### **Islamic Financial Literacy and MSME Performance**

Financial literacy is the ability to manage personal and corporate finances effectively (Desiyanti & Kassim, 2020). Being financially literate is crucial for both personal and professional life. According to the resource-based view theory, financial literacy can be leveraged to manage a company's resources (tangible and intangible) to secure a competitive edge through enhanced performance (Alharbi et al., 2022). Research by Alharbi et al. (2022) suggests that certain internal resources (such as Islamic branding and Islamic religiosity) can influence other corporate resources (like financial literacy) to improve MSME performance. It is inferred that MSME owners with a deep understanding of Islamic financial literacy will achieve better financial and non-financial outcomes, as their knowledge and understanding of financial matters are instrumental in boosting their financial performance.

*H<sub>1</sub>: Islamic financial literacy significantly and positively affects MSME performance.*

### **Islamic Financial Technology and MSME Performance**

The term "financial technology," or fintech, has recently seen a surge in popularity. Fintech is often associated with the ease and speed of completing financial transactions, including payments, loans, and transfers (Kusuma, 2019). Financial technology has demonstrated its capacity to enhance convenience and efficiency in the financial sector, potentially aiding micro, small, and medium-sized enterprises (MSMEs) in improving their performance (Safrianti et al., 2022). In particular, Islamic financial technology merges information technology innovations with current financial and technological products and services to facilitate and expedite business operations, including transactions, investments, and the distribution of funds in accordance with Sharia principles. Consequently, MSME owners who grasp Islamic financial technology can enhance their financial performance.

*H<sub>2</sub>: Islamic financial technology has a significant positive impact on MSME performance.*

### **Financial Experience and MSME Performance**

Financial experience is crucial not only for future survival but also as an opportunity to learn how to manage daily finances and make smarter financial decisions. According to Purwidiati and Tubastuvi (2019), personal experiences, social and environmental influences, and attitudes toward saving all contribute to an individual's financial experiences. This knowledge can aid in making better investment choices and managing personal finances (Brilianti & Lutfi, 2020). Amalia and Hamdani (2022) assert that individuals with strong financial expertise are more likely to borrow within their financial means and make timely bill payments. Conversely, those lacking good financial management skills may struggle to control their expenses and finances. In such situations, individuals can leverage their financial experiences to learn how to manage their finances more effectively in the future (Brilianti & Lutfi, 2020).

*H<sub>3</sub>: Financial experience had a significant positive effect on MSME performance.*

### **Spirituality in Moderating the Influence of Islamic Financial Literacy on MSME Performance**

MSME owners exhibit various financial attitudes in relation to halal-based financing. Consequently, the level of monetary perspective in Islamic personalized financing impacts Islamic branding, spirituality obligations, and MSME performance. The level of financial literacy is also pivotal for enhancing Sharia-compliant products and spirituality within MSMEs in Islamic countries (Alharbi et al., 2022). Desiyanti and Kassim (2020) noted that the moderating effect of spiritual values on the relationship between MSME financial literacy and performance not only strengthens this relationship but also highlights a significant positive correlation between spirituality and MSME performance. This, in turn, reinforces the connection between financial literacy and business performance. In other words, MSME owners with high levels of spirituality are more inclined to continue learning, thereby increasing their literacy regarding Islamic finance, which ultimately improves their performance.

*H<sub>4</sub>: Spirituality enhances the influence of Islamic financial literacy on MSME performance.*

### Spirituality's Role in Enhancing the Impact of Islamic Financial Technology on MSME Performance

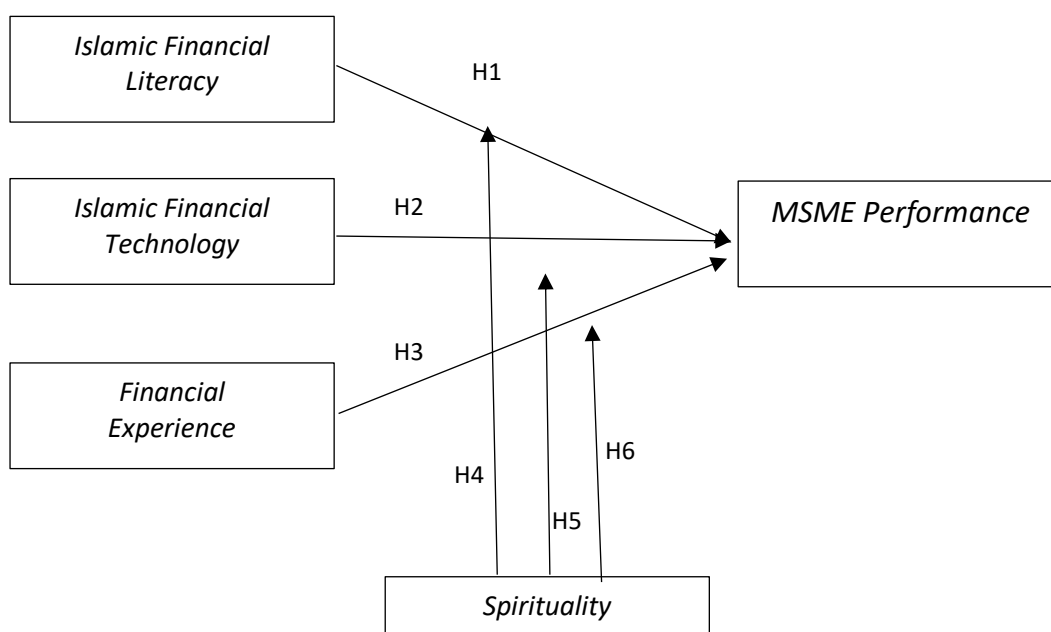
MSMEs play a pivotal role in both national and international economic development, underscoring the importance of business success to MSME management. Over a specific period, a business's performance acts as an indicator of its goal attainment (Desiyanti & Kassim, 2020). In this context, spirituality emerges as a key driver of professional success. Defined as an individual's attitude towards religion, spirituality underscore the importance of inner qualities, such as faith in oneself and the resonance of one's conscience, which remain unseen by others (Sanjaya, 2020). Moreover, businesses that are adept at embracing digitalization demonstrate their competitiveness and quality in the fiercely competitive business landscape.

*H<sub>5</sub>: Spirituality amplifies the impact of Islamic financial technology on MSME performance.*

### The Modulatory Effect of Spirituality on the Relationship Between Financial Experience and MSME Performance

For MSME owners, possessing robust financial experience is crucial for effectively evaluating and managing business finances. This competency facilitates expense control, saving, and informed decision-making, leading to positive financial behaviors (Meida & Kartini, 2023) and, consequently, enhanced financial performance. A business thrives when its management possesses the knowledge to foster development and improve performance. Sanjaya's (2020) research suggests that a focus on learning orientation, religious beliefs, and the non-financial performance of a business can collectively bolster financial success. Therefore, owners with a heightened sense of spirituality are better positioned to leverage their financial experience towards performance enhancement.

*H<sub>6</sub>: Spirituality strengthens the influence of financial experience on MSME performance.*



**Figure 1 Theoretical Framework**

## Research Methods

This study utilized a quantitative approach to test hypotheses with the assistance of the SmartPLS application. Questionnaires were distributed to collect research data via Google Forms, targeting MSMEs in Semarang. The researchers contacted participants directly through WhatsApp, social media, and in-person visits to their places of business. The population and sample comprised MSME owners/managers in Semarang. Given that the population size was unknown, purposive random sampling was employed, allowing for random selection within the targeted group.

Following the guidelines of Hair et al. (2014), with 18 indicators involved, the minimum required sample size was calculated as 7 times the number of indicators, resulting in 126 respondents. Consequently, 126 responses were collected and analyzed.

Table 1, Operational Definition of Variables. This study involves independent and dependent variables, including the following:

**Table 1 Operational Definition of Variables**

No	Variable	Measurement	Source
1	MSME performance	<ol style="list-style-type: none"> <li>1. Profitability</li> <li>2. Customer satisfaction</li> <li>3. Employee satisfaction</li> </ol>	Kaplan and Norton Balanced Scorecard (BSC)
2	Islamic financial literacy	<ol style="list-style-type: none"> <li>1. Understanding Islamic financial products</li> <li>2. Learning how to use financial products</li> <li>3. Capability to create financial statements</li> </ol>	Menne et al. (2023)
3	Islamic financial technology	<ol style="list-style-type: none"> <li>1. Crowdfunding and peer-to-peer (P2P) lending</li> <li>2. Market aggregator</li> <li>3. Risk and investment management</li> <li>4. Payment</li> <li>5. Settlement</li> <li>6. Clearing</li> </ol>	(Bank Indonesia, 2016) in (Safrianti et al., 2022).
4	Financial Experience	Respondents' financial experience includes Islamic banking, capital markets, pension funds, insurance, pawning, and other financial products	Purwidiandi and Tubastuvi (2019)
5	Spirituality	<ol style="list-style-type: none"> <li>1. Belief in the True Source</li> <li>2. Diligence in worship</li> <li>3. Prioritizing the well-being of fellow humans and the environment</li> <li>4. Strong desire to assist in business management</li> </ol>	Sanjaya (2020)

Source: Journal- Research Journal, 2023



## Results and Discussion

The identities of the 126 respondents were categorized by gender, age, and education level. The gender distribution showed that 45 respondents (36%) were male, and 81 respondents (64%) were female. The results indicate that female respondents were more effective in enhancing the performance of MSMEs compared to their male counterparts.

Regarding the age of the respondents, the distribution was as follows: 35 respondents (28%) were aged 18-32 years, 59 respondents (47%) were aged 26-35 years, 20 respondents (16%) were aged 36-50 years, and 12 respondents (10%) were over 50 years old. The results suggest that the highest number of respondents were in the 26-35 age group, indicating that this is a productive age range where individuals are likely to engage in business activities and contribute to the improvement of MSME performance.

In terms of education level, the data revealed that 30 respondents (24%) had a high school education or equivalent, 22 respondents (17%) held a diploma, 61 respondents (48%) had completed a bachelor's degree, and 13 respondents (10%) possessed a master's degree. These findings suggest that the majority of business actors had at least a bachelor's degree, implying that their knowledge and experience could support the enhanced performance of MSMEs.

A classical assumption test was conducted prior to hypothesis testing to assess the quality of the research data and minimize errors in the regression model. The internal consistency and reliability of constructs with reflective indicators were evaluated using Cronbach's alpha and composite reliability values. A variable is considered reliable if its composite reliability value exceeds 0.7 and its Cronbach's alpha value is above 0.7.

Convergent validity was assessed using the Average Variance Extracted (AVE) and outer loading parameters. The research model is considered fit if both the loading factor and AVE values exceed 0.5. Consequently, the research findings were considered appropriate based on these criteria.

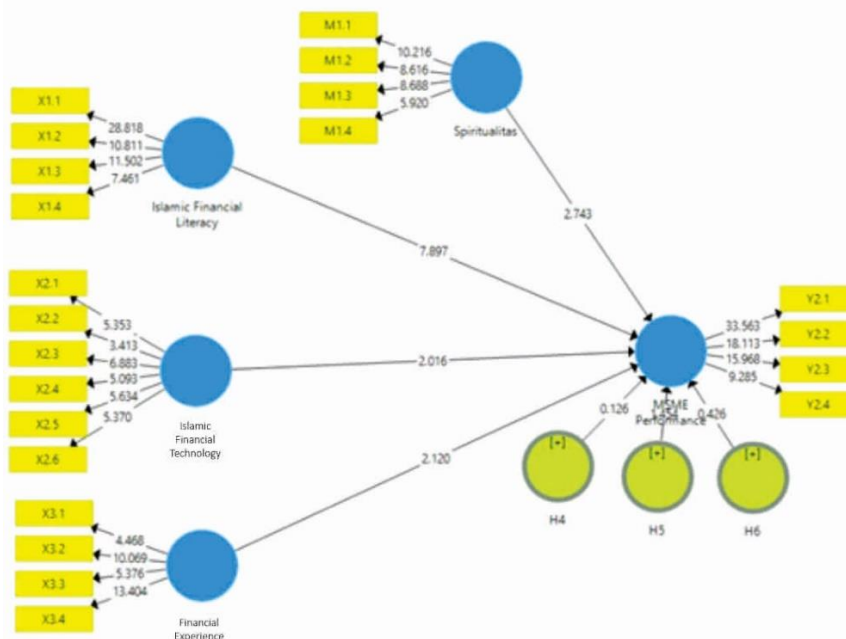


Figure 2 Model evaluation

The results of the Algorithm Execution 1 test indicate that each indicator's outer loading value in the study exceeded 0.50, and the HTMT value was less than 1. Thus, all indicators in the study's variables were valid.

**Table 2 R-Square Test Results**

	R Square	R Square Adjusted
<b>MSME Performance</b>	0.651	0.631

Source: Processed data, 2023

Table 2 presents the R-Square Test Results. The coefficients of determination exhibited an R-square value of 0.651 for the MSME performance variable, indicating a moderate potential to forecast the model. This suggests that the influence of Islamic financial literacy, Islamic financial technology, and financial experience on MSME performance accounts for 65.1% of the variance, with the remaining variance explained by other variables not included in the study.

**Table 3 F-Square Test Results**

	MSME Performance
Experience	0.079
Islamic financial technology	0.035
Islamic financial literacy	0.940
Spirituality	0.057
MSME performance	

Source: Processed data, 2023

Table 3 presents the F-Square Test Results. Based on the table, the independent variable of experience had a low effect (0.079) on MSME performance; Islamic financial technology also had a low effect (0.035); Islamic financial literacy had a strong effect (0.940); and spirituality had a low effect (0.057) on MSME performance.

**Table 4 Q-Square Test Results**

Variable	CV Communality	CV Redundancy
Islamic financial literacy	0.253	
Islamic financial technology	0.260	
Experience	0.087	
Spirituality	0.310	
MSME performance	0.325	0.332

Source: Processed data, 2023

Table 4 presents the Q-Square Test Results. As every variable had a Q-square value greater than zero, the model was predictively significant. Additionally, all variables in the study showed positive redundancy in cross-validation and cross-validation communal values, exceeding zero, indicating adequate validity of the prediction model.

**Table 5 Hypothesis Test Results**

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P-Values
Islamic financial literacy -> MSME performance	0.920	0.901	0.118	7.809	0.000
Islamic financial technology -> MSME performance	0.120	0.126	0.058	2.059	0.040
Experience -> MSME performance	-0.277	-0.252	0.129	2.144	0.033
Spirituality*Islamic financial literacy -> MSME performance	0.015	0.035	0.129	0.117	0.907
Spirituality*Islamic financial technology -> MSME performance	0.078	0.081	0.050	1.558	0.120
Spirituality*Experience -> MSME performance	-0.048	-0.059	0.112	0.430	0.668

Source: Processed data, 2023

Table 5 presents the Hypothesis Test Results. The data processing findings suggest the following:

### Hypothesis 1 Test Result

The analysis of Hypothesis 1 reveals that the variable of Islamic financial literacy significantly and positively impacts MSME performance. The statistical evidence, with t-values at 7.809 exceeding the threshold of 1.979 and p-values at 0.000, falling below the significance level of 0.05, leads to the rejection of the null hypothesis (H0) in favor of the alternative hypothesis (H1). This suggests a strong and significant relationship between Islamic financial literacy and MSME performance. Consequently, the study confirms that Islamic financial literacy notably enhances MSME performance, corroborating the first hypothesis. These findings are in line with the research conducted by Alharbi et al. (2022), which indicates that certain internal resources, such as Islamic branding and religiosity, can influence other corporate resources, including financial literacy, to boost MSME performance. Financial literacy is understood as the knowledge and skills required for managing personal and business finances effectively (Desiyanti & Kassim, 2020). The ability to manage finances intelligently is crucial in life. Furthermore, the resource-based view theory supports the idea that financial literacy can be leveraged to manage an organization's tangible and intangible resources, thereby securing a competitive advantage and enhancing performance (Alharbi et al., 2022).

### Hypothesis 2 Test Result

The examination of Hypothesis 2 demonstrates that the Islamic financial technology variable has a meaningful and positive effect on MSME performance. The analysis yielded t-values of 2.059, surpassing the critical value of 1.979, and p-values of 0.040, below the 0.05 significance level, leading to the rejection of H0 in favor of H2. This indicates that Islamic financial technology's impact on MSME performance is both statistically significant and positive. Hence, the study accepts the second hypothesis, asserting that Islamic financial technology plays a crucial role in enhancing MSME performance. This assertion is supported by Safrianti et al.,

(2022), who found that financial technology considerably aids in providing efficiency and convenience within the financial sector. This innovation is anticipated to assist micro, small, and medium enterprise operators in improving their performance. Moreover, the term "financial technology," or fintech, has become synonymous with the ease and speed of completing financial transactions, including payments, loans, and transfers (Kusuma, 2019). The findings endorse the resource-based view theory, suggesting that acquiring key resources can endow a firm with a performance edge and a sustainable competitive advantage.

### **Hypothesis 3 Test Result**

The analysis of Hypothesis 3 demonstrates that the experience variable significantly and positively influences MSME performance. The rejection of the null hypothesis (H0) and the acceptance of Hypothesis 3 (H3) are confirmed by t-values of 2.144, which exceed the critical value of 1.979, and p-values of 0.033, below the threshold of 0.05. This establishes a significant and positive correlation between experience and MSME performance, thereby validating the third hypothesis, which posits that experience has a significant and positive impact on MSME performance. This finding corroborates the research by Amalia and Hamdani (2022), which suggests that individuals with considerable financial expertise tend to borrow within their financial means and manage bill payments punctually. Conversely, lack of financial management skills may lead to difficulties in controlling expenses. However, individuals can leverage their financial experience to enhance future financial management (Brilianti & Lutfi, 2020). Financial experience empowers them to regulate spending, save effectively, and make informed decisions, thereby fostering positive financial behavior (Meida & Kartini, 2023), which in turn, can enhance financial performance.

### **Hypothesis 4 Test Result**

The evaluation of Hypothesis 4 indicates that the spirituality variable does not moderate the relationship between Islamic financial literacy and MSME performance. This conclusion is drawn from the t-values of 0.117 against 1.979 and p-values of 0.907 against 0.05, leading to the acceptance of the null hypothesis (H0) and the rejection of the alternative hypothesis (H4). Consequently, there is no evidence to suggest that spirituality influences the connection between Islamic financial literacy and MSME performance. Thus, the fourth hypothesis, which proposed spirituality as a moderating factor in the relationship between Islamic financial literacy and MSME performance, is not supported. The results diverge from the findings of Desiyanti and Kassim (2020), who observed that the moderating effect of religious values not only strengthens but also positively correlates religiosity with MSME performance, thereby enhancing the relationship between financial literacy and business performance.

### **Hypothesis 5 Test Result**

The analysis of Hypothesis 5 revealed that the spirituality variable was unable to moderate the relationship between Islamic financial technology and MSME performance. The obtained t-values ( $1.558 < 1.979$ ) and p-values ( $0.120 > 0.05$ ) led to the acceptance of H0 and the rejection of H5. Therefore, it is concluded that spirituality does not moderate the relationship between Islamic financial technology and MSME performance. Consequently, the study's fifth hypothesis, which posited that spirituality moderates the connection between Islamic financial technology and MSME performance, was not supported.

Direct tests of the impact of Islamic financial technology on MSME performance yielded significant positive results; however, spirituality's moderating effect did not enhance the relationship between Islamic financial technology and MSME performance. Business performance, a critical indicator of whether a business has met its objectives within a specific timeframe, is significantly influenced by such technologies, as noted by Desiyanti and Kassim (2020b). Conversely, spirituality, which encompasses deeply personal aspects such as religious attitudes, conscience, and self-faith, plays a crucial role in an individual's success, according to Sanjaya (2020).

### **Hypothesis 6 Test Result**

The evaluation of Hypothesis 6 indicated that the spirituality variable could not moderate the relationship between experience and MSME performance. With t-values of  $0.430 < 1.979$  and p-values of  $0.668 > 0.05$ ,  $H_0$  was accepted, and  $H_6$  was rejected. Thus, it can be concluded that spirituality does not moderate the relationship between experience and MSME performance. As a result, the research's sixth hypothesis, suggesting that spirituality moderates the relationship between experience and MSME performance, was rejected. For MSME owners, possessing substantial financial experience is crucial for effectively evaluating and managing business finances, which in turn supports prudent spending, saving, and informed decision-making, contributing to positive financial behavior (Meida & Kartini, 2023), and subsequently enhancing financial performance. Despite the significant positive impact of experience on MSME performance, the moderating role of spirituality did not strengthen the relationship between experience and MSME performance.

## **Conclusion**

This study demonstrates that Islamic financial literacy has a significantly positive impact on MSME performance. Small companies with a higher level of knowledge regarding Islamic finance are more likely to utilize the services provided by banking institutions, which can support their commercial endeavors. Islamic financial technology also exerts a substantial positive impact on MSME performance; in fact, the majority of MSMEs have integrated financial technology into their business activities. Increased use of Islamic financial technology correlates with improved business performance, whereas decreased use leads to a decline in business performance. Additionally, experience has a significant positive effect on MSME performance. Individuals with high financial knowledge can enhance their business performance by making informed financial decisions and choices. However, spirituality could not moderate the relationship between Islamic financial literacy, Islamic financial technology, and experience on MSME performance.

Given that Islamic financial literacy, Islamic financial technology, and financial experience collectively account for 65.1% of the variance in MSME performance, entrepreneurs are encouraged to enhance these areas to further improve their performance. The variables of Islamic financial literacy, Islamic financial technology, and financial experience contribute 65.1% to the performance of MSMEs. Therefore, it is recommended that future research includes additional variables that may enhance MSME performance, such as the use of e-commerce, education level, and human capital. Despite the significant findings, the moderating variable in this research did not increase the influence of the independent variable on MSME performance. Thus, future research should consider other potential moderating variables, such

as locus of control and financial inclusion, to better understand their impact on MSME performance.

Furthermore, due to the heterogeneous nature of the sample used in this study, the conclusions drawn cannot be universally applied to all MSMEs, as different types of businesses may exhibit different characteristics. Consequently, future research should focus on a specific type of business to provide more generalizable results.

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