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The Moderating Role of Islamic Financing Access in the Impact of Islamic Financial Knowledge and Financial Confidence on Financial Well-being among MSME Owners

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Abstract

Research aims: This study aims to explore the relationship between Islamic financial knowledge, financial confidence, and financial well-being, with access to Islamic financing as a moderating variable, specifically targeting MSME owners in Lampung Province, Indonesia.

Design/Methodology/Approach: Data was collected from MSME owners through surveys in Lampung Province, Indonesia. The study employed Jeffrey's Amazing Statistics Program (JASP) for data analysis, examining correlations between variables and assessing moderation effects.

Research findings: The findings reveal positive correlations between Islamic financial knowledge, financial confidence, and financial well-being among MSME owners in Lampung Province, Indonesia. Additionally, access to Islamic financing was found to positively moderate the relationship between Islamic financial knowledge, financial confidence, and financial well-being.

Theoretical Contribution/Originality: This research contributes to the existing literature by filling a gap and offering fresh insights into the factors influencing financial well-being among MSME owners, particularly within the context of Islamic finance. By uncovering the mechanisms underlying financial well-being in this demographic, it advances knowledge in the field.

Practitioners/Policy Implications: Practitioners can develop targeted financial literacy programs and innovative financing products for MSME owners. Policymakers can streamline regulations and incentivize financial institutions to expand Islamic financing options, promoting financial inclusion and sustainable MSME growth in Lampung Province and beyond.

Research Limitations/Implications: Despite its contributions, this study has limitations that should be acknowledged. The findings are based on data collected from MSME owners in Lampung Province, Indonesia, which may limit the generalizability of the results. Future research could expand the sample size and geographical scope to enhance the external validity of the findings.

Keywords: Islamic financial knowledge; Financial well-being; MSME owners; Islamic financing; Lampung Province



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Introduction

Amidst the dynamic landscape of micro, small, and medium enterprises (MSMEs), ensuring the financial health and stability of business owners is paramount for sustainable growth and development. Although SMEs make a significant contribution to the national economy, many SME owners still face challenges in achieving optimal welfare levels. Approximately 61% of Indonesia's Gross Domestic Product (GDP) are contributed by SMEs, providing jobs for millions of people (Tim Blog Amarta, 2024). However, challenges in accessing capital, markets, and technology remain significant hurdles which limit their growth (Junaidi, 2023).

The financial well-being of MSME owners holds substantial social significance, especially in rural and remote communities, complementing its economic benefits (Nurmalasari & Effendi, 2021). While efforts has been made by the government to boost support through policies aimed at the expansion of financial access and to foster digital transformation, achieving equitable welfare for these business owners remain an obstacle (Limanseto, 2022). MSME owners' financial well-being are critical in various life aspects, as it enables better financial management, provides stability, and mitigates uncertainty (Leung et al., 2020). Furthermore, financial well-being contributes to greater personal autonomy and individual freedom (Leung et al., 2020). Thus, its social impacts—particularly in rural and remote areas—have great significance which extends beyond economical aspects in (Nurmalasari & Effendi, 2021).

Enhancing MSME owners' financial well-being significantly contributes to the efforts on alleviating of poverty and to social development (Mohamed et al., 2023). In order to obtain this result, it is required that a holistic approach is implemented to address the financial well-being, involving the government, financial institutions, and other supporting organizations (Badriyah & Seti, 2024; Hayati & Fatarib, 2022). Therefore, the key to attain MSMEs sustainable growth and resilience lies in creating appropriate policy measures, providing financial support mechanisms, and disseminate capacity-building initiatives (Badoc-gonzales et al., 2021).

One of many influential variables having a significant impact on financial well-being is Islamic financial knowledge (Ali & Talha, 2022; Rohmania & Sholihah, 2023). Knowledge in Islamic concepts, *exempli gratia*, Sharia-compliant investments, *zakat*, *riba* (interest), and other Islamic financial instruments, provides individuals with the skills to make informed decisions on financial management within an Islamic framework. Knowledge of these elements empowers individuals to navigate through the challenges of financial management, eventually leading to the betterment financial outcomes, stability, and security.

Financial confidence acts as another influential aspect in achieving financial well-being (Setiyani & Solichatun, 2019), to which individuals who exhibit high levels of financial confidence are more likely to make informed financial decisions, set future objectives with thorough planning, and navigate through financial challenges with resilience. Additionally, there exists a gap in research findings which shows that there is zero relationship between financial beliefs and financial well-being (Nam, 2023). These findings contradict the assumption that higher financial beliefs correlate directly with better financial well-being. To address this gap, access to Islamic financing is proposed as a moderating variable.

Access to Shariah-compliant financing for MSME in Indonesia, supported by Bank Syariah Indonesia with over 1,200 branches and assets reaching Rp 240 trillion in 2023, as well as the

overall growth of Shariah banking assets surpassing Rp 700 trillion by the end of 2022, signifies a significant improvement in enhancing the welfare of SME owners (BSI, 2023; OJK, 2022). Through the distribution of Shariah-compliant financing by Bank Syariah Indonesia and BMTs, which has disbursed more than Rp 20 trillion to over 4 million SMEs (Ministry of Cooperatives and SMEs, 2022), SMEs gain better access to expand their businesses and improve financial stability. SMEs' substantial contribution to GDP, accounting for over 60%, and their employment of 97% of the national workforce (Ministry of Cooperatives and SMEs, 2022), underscores the importance of Shariah-compliant financing access in strengthening SMEs' economy and supporting national economic growth. These findings will provide valuable insights into the mechanisms through which Islamic finance may contribute to MSME owners' resilience and prosperity. This research contributes to the academic literature on Islamic finance and offers practical implications for policymakers, financial institutions, and MSME stakeholder by analyzing these previously found dynamics.

Literature Review and Hypotheses Development

Islamic Financial Knowledge and Financial Security.

Knowledge related to Islamic economic principles, Islamic Sharia law financial practices, and financial instruments developed within the Sharia framework are referred to as Islamic Financial Knowledge (Osman et al., 2023). The definition of Islamic Financial Knowledge encompasses an understanding of Islamic economics' basic principles, *inter alia*, *riba* (interest) prohibition, the promotion of fairness in exchanges (just and balanced), prohibition of speculative or *gharar* (uncertain) transactions, all while emphasizing on social responsibility and ethics in investing and business activities (M. M. Ali et al., 2020; Cwynar, 2020; Nazir et al., 2020).

According to Brüggen et al., (2017), financial well-being is an individual's perception towards their own capability to maintain both current and anticipated desired living standards, along with achieving financial freedom in their life. This definition emphasizes the subjective aspect of financial well-being as it is primarily focused on the individual's satisfaction towards the financial situation of themselves (Shim et al., 2009). Financial well-being consists of the ability of an individual to fulfill their financial obligations, achieve financial security, and make decisions which is aimed to improve their enjoyment of life (Vieira et al., 2021). It also encompasses financial management efficacy, financial freedom, and the ability to plan as well as set future objectives (Lynch et al., 2017). The methods used to achieve financial well-being requires the implementation of budgeting, saving, investing, and managing debt to support an individual's desired comfortable lifestyle (Clark et al., 2021).

Individuals who possess knowledge or are familiar with Islamic financial principles will be more likely to make conscious and carefully-planned decisions on their expenses, therefore ensuring the use of their financial resources responsibly while abiding to available moral and ethical norms (Doloh & Redzuan, 2023). Recent studies indicate the positive association between Islamic financial literacy with financial well-being. This is demonstrated in the research conducted by (Oktrivina et al., 2023) whose findings' show that Islamic financial knowledge and financial well-being are correlated, in which other research reveals Islamic financial literacy's role in enhancing financial behaviors and the well-being of SMEs (Rohmania & Sholihah, 2023). (Nadia et al., 2020) in her studies complements the previous research,

providing findings that knowledge of financial planning and management—which includes budgeting, savings, and investment planning—is a fundamental factor to achieve financial well-being for individuals. Individuals who are equipped with the knowledge of these principles will be better prepared to conduct financial managerial planning more effectively, subsequently leading to an improved state of financial stability and security (Cwynar, 2020). The discoveries of the previous researches lead to the conclusion that Islamic financial knowledge is essential in shaping the financial behaviors and decision-making of individuals who adhere to Islamic principles. Hence, understanding and applying these principles will provide individuals with a method to follow their religious beliefs and values in their efforts to achieve financial well-being. With these considerations in mind, it can be hypothesized that:

H₁: Islamic Financial Knowledge significantly influences financial well-being.

Financial Confidence and Financial well-being

Some individuals possess the confidence in their ability to effectively do financial management and to make good decisions in monetary-wise, otherwise known as a state of financial confidence (Morris et al., 2022). As delivered in a previous research (Kramer, 2016), financial confidence is the self-belief of an individual's ability to overcome financial challenges, controlling their financial situation, all while keeping a proactive approach in financial decision-making; it reflects an individual's faith in their own capability to follow through financial matters and ultimately in making monetary decisions (Morris et al., 2022). The financial confidence of an individual contributes to effective financial management and to control various financial situations (Lu & Micu, 2019), preparing them to overcome financial challenges that may occur (Safitri et al., 2023).

Financial confidence significantly influence individuals' financial well-being as evidenced by previous researches (Porto et al., 2022; Respati et al., 2023; Setiyani & Solichatun, 2019), especially when financial confidence is supported with financial literacy and behavior (Rahman et al., 2021). Financial well-being, including individuals' notion on their financial situation and its impacts, is closely related to financial confidence (Netemeyer et al., 2018). Research indicates that individuals with higher financial confidence exhibit stronger financial behaviors, such as proactive financial management practices and better decision-making in savings and investments (Lone & Bhat, 2022). Additionally, financial confidence correlates with self-efficacy in financial management, contributing substantially to financial well-being (Lone & Bhat, 2022). It is necessary to fully understand financial confidence's importance as a crucial element to enhance long-term financial health as confident individuals are more likely to set and achieve financial goals, ultimately leading to financial security (Apriansah et al., 2022; Hashmi et al., 2021). In sum, cultivating financial confidence will improve financial well-being by empowering individuals to make sound financial decisions, effectively manage finances, and achieve long-term financial goals. Based on these considerations, it is hypothesized:

H₂: Financial confidence significantly influences financial well-being.

Access to Islamic Financing as a moderating variable

The availability and ability of individuals, businesses, and organizations to obtain financial services and products that comply with the principles and laws of Islam (Shariah) will be

addressed as individuals' Access to Islamic Financing (Mahmoud et al., 2023). Islamic finance operates under Shariah law which prohibits certain financial elements, such as interest (*riba*), uncertainty (*gharar*), and gambling (*maysir*) (Fitriyanti et al., 2023; Iman & Mihajat, 2016; Syazwani et al., 2018). This corresponds to Islamic finance's ideals which promotes ethical and responsible financial transactions based on the principles of risk-sharing, asset delivery, as well as profit and loss-sharing (Franzoni & Allali, 2018).

Prior research has extensively discussed Islamic Financial Knowledge and Financial Well-being's relationship with various moderating variables. One study (Rohmania et al., 2023) analyzed the connection between Islamic Financial Knowledge and Financial Well-being with E-Payment Usage as a moderating variable, while another study (Iramania & Lutfi, 2022) identified demographic factors as moderators. Furthermore, Knowledge Sharing by the facilitation of access to relevant financial information enhances the financial well-being of individuals (Thomas & Gupta, 2021). This study introduces a new perspective by proposing access to Islamic financing as a critical moderator in this relationship. Access to Islamic financing which connects Sharia financial knowledge and financial well-being which enables individuals and communities to keep their financial management and religious values in line, avoid prohibited practices in Shariah law such as *riba* (Mahmoud et al., 2023), and make decisions which suit their final financial goals (Klementova et al., 2018; Shaikh, 2021). Last but not least, Access to Islamic Financing helps individuals to assess and manage financial risk while balancing living needs and spiritual (religious) obligations (Zainuldin et al., 2018), contributing to better financial well-being guided by Islamic principles and Shariah law. Based on existing references, it is hypothesized:

H₃: Access to islamic financing strengthens the relationship between islamic financial knowledge and financial well-being.

In moderating and strengthening the relationship between financial confidence and financial well-being, Access to Islamic Financing contributes an essential role. This is done by giving individuals access to financial products and services that adhere to Islamic principles, such as interest-free financing as well as profit-and-loss sharing and developing their financial confidence by aligning them with Islamic religious values and principles (Ghani, 2020)—providing greater security and self-assurance in managing finances according to Islamic teachings (S. Bashir et al., 2021). The principles of Islamic financing will also help mitigate financial concerns by sharing risks between financiers and clients (Zaaba & Hassan, 2019). Similarly, prior research has explored this relationship with various intermediary variables—such as higher levels of education or income (Nam, 2023) and responsible financial behaviors (Respati et al., 2023; Sehwat et al., 2021)—with Access to Islamic Financing as a key factor. Through this mechanism, access to Islamic financing strengthens the relationship between financial confidence and financial well-being by creating a supportive environment and offering financial solutions which align with their values and beliefs. Based on the existing justification, it can be hypothesized:

H₄: Access to islamic financing strengthens the the relationship between financial confidence and financial well-being.

Access to islamic financing and financial well-being

An individual’s financial well-being is significantly affected by the accessibility of Islamic Financing, to which researches shows that obtaining financing which are in line with Islamic principles helps individuals' to achieve financial stability that follow their religious values and beliefs (Adelekan, 2021). Individuals can avoid practices which are incompatible with their religious principles, such as *riba* (interest) in conventional systems, by accessing Islamic financing (Lutfi & Prihatiningrum, 2023). Knowledge on Islamic financing enables individuals to use instruments (i.e. *mudharabah* and *murabahah*) which optimize financial management (Saifurrahman & Kassim, 2021). The implementation of Islamic-based financing shapes financial perspectives as well as behaviors, and contributes substantially to general financial well-being. Several studies affirm this relationship; for instance, Hamida et al. (2023) found that access to financial services positively affects household financial well-being, while Rohmania (2024) discovers that access to and understanding of Islamic financial products enhances financial well-being of individuals. Islamic social finance as a part of Islamic financing impacts financial well-being (Ar-Raniry, 2022) as it plays a crucial role in achieving sustainable development goals (SDGs) (Hamida et al., 2023). Hence, Access to Islamic financing influences financial aspects and individuals' financial perspectives and behaviors, ultimately contributing to their financial well-being. It can be hypothesized that:

H₅: Access to Islamic financing significantly influences to financial well-being.

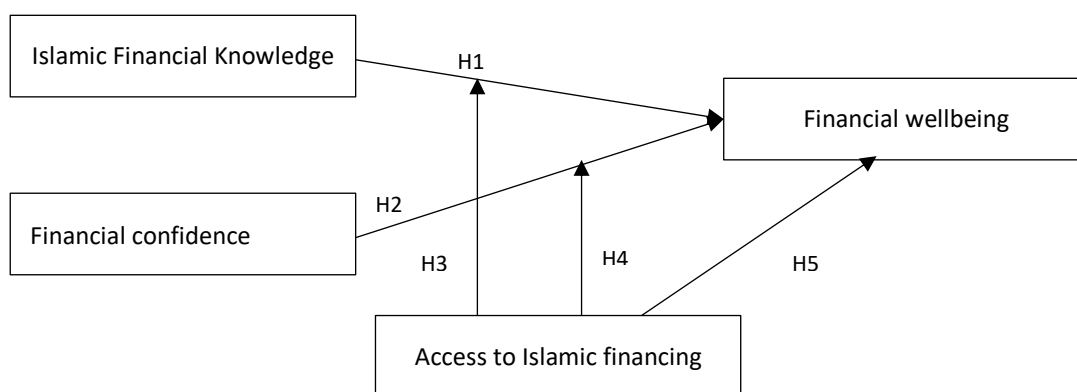


Figure 1 Research Framework

Research Method

The research respondents were MSMEs owners accessing financing from Islamic financial institutions scattered across Lampung, Indonesia. Lampung was chosen for the research because it has a large number of MSMEs and several Islamic financial institutions. This makes it a good place to study how Islamic financing affects MSME owners. The region's unique economic conditions and available data also make it a practical choice for the research. For research purposes, a total of 387 questionnaires were distributed both online and offline, but only 319 were returned, with 310 questionnaires deemed analyzable. The questionnaire was divided into two parts. The first part included questions about the main variables, namely Islamic financial knowledge, financial confidence, Access to Islamic financing, and Financial

well-being. The second part contained questions about education, occupation, age, and business tenure. Additionally, in the questionnaire cover letter, we clearly stated that the survey was conducted solely for research purposes and that the information provided would not be published. We utilized both online and offline approaches to achieve the desired response rate.

Measures

To test the research hypothesis, the questionnaire used was adopted from several common studies documented in the available literature. The overall questionnaire is presented in Table 1.

Table 1 Questionnaire Items and Sources for Variables

Variable	Questionnaire	Source
Islamic Financial Knowledge	1. "For me, investing in a business where the contract terms are unclear is unacceptable".	(Dinc et al., 2021)
	2. "For me, investing in a business that harms people and the environment is unacceptable".	
	3. "There are alternative institutions and instruments for savings investment without interest".	
	4. "I can save until I reach the targeted amount of funds".	
	5. "I can manage my funds without engaging in interest".	
	6. "Interest disrupts income distribution".	
	7. "For me, interest has a negative and undesirable impact on the economy".	
Financial Confidence	1. "How do you assess your overall financial knowledge?".	(Xiao & Meng, 2023)
	2. "I am good at handling everyday financial matters, such as checking accounts, credit and debit cards, and tracking expenses".	
	3. "If you were to set financial goals for yourself today, how confident are you in your ability to achieve them?".	
Financial well-being	1. I often worry about my ability to meet my business's routine monthly expenses.	(Ashta et al., 2020)
	2. I often feel like I am only able to survive financially and manage expenses with difficulty".	
	3. I feel that the financial pressure on my business is currently quite high.	
	4. I often want to go out to eat, watch a movie, or engage in other activities, but I don't do so due to financial considerations related to the operation or development of my business.	
	5. "I am confident that I can find the money to pay for my business's financial emergencies".	
	6. "I am satisfied with my business's current financial situation".	
	7. "I feel good about my business's current financial situation".	
Access to Islamic financing	1. "Financial services are easily available when needed/wanted".	(Wasiuzzama, 2020)
	2. "Financial services are easily accessible".	
	3. "The amount of loans available is sufficient to meet the company's needs".	
	4. "The total cost of accessing financial services is low".	
	5. "A wide range of financial services is available".	
	6. "The quality of financial services offered is excellent".	
	7. "Our business can access financing repeatedly".	
	8. "The financial products available/offered are tailored to the company's needs".	

Data Analysis

The present study employs various methods for data analysis, including descriptive statistics, correlation modeling, and Jeffreys's Amazing Statistics Program (JASP). The investigation into the correlation between survey results and hidden variables is conducted through a measurement model, as outlined by (Said et al., 2023). To explore the linear relationship, a covariance approach is utilized. Covariance-based methods assess how two random variables change simultaneously, revealing their directional relationship, while the variance-based approach focuses on how a dataset is distributed around its average value (Anser et al., 2022).

Result and Discussion

Sample description

The profiles of the participants demonstrate a diverse and inclusive range in terms of gender, age, educational background, and Length of business. This diversity is crucial for gaining thorough insights into the viewpoints and actions of the surveyed group, thus enhancing our understanding of the study's goals in a more detailed manner.

Table 2 Description of Respondents

Demographics	Category	Total	%
Gender	Male	150	48.38
	Female	160	51.62
Age	18-25years	71	22.91
	26-35years	113	36.45
	36-45years	82	26.45
	>45years	44	14.19
	Level of education	Elementary-JuniorHigh School	15
	SMA/SMK	142	45.81
	Diploma	3	0.97
	Bachelor/SI	114	36.77
	Magister S2	35	11.29
	P.hD	1	0.32
Length of business	< 5years	150	48.38
	5-10years	82	26.45
	11-15years	27	8.71
	>15years	51	16.45

Table 1 presents a summary of the age range of SME owners, which predominantly falls within the 26-45 age range, contributing approximately 63.1% of the total respondents, indicating strong participation from the productive age group. However, the younger age group (18-25 years) also significantly contributes, accounting for 22.91% of the total, demonstrating solid interest from the younger generation in the surveyed subject. In terms of gender, there is no significant difference between the number of male and female respondents, but females slightly dominate with 51.62% of the total respondents. Regarding education, the majority of SME owners have at least a secondary education or higher, with nearly 83% holding at least a Bachelor's degree, indicating that SME owners are generally highly educated. Meanwhile, the majority of respondents (74.83%) have been in business for less than 10 years, indicating that this survey may be more appealing to new or growing business owners.

The next stage in maintaining the integrity of the research findings involves stringent steps to assess the validity and reliability of the instruments used in the study. Here are the results of the validity and reliability of the research instruments:

Table 3 Validity and reliability test

Variable	Indicator	Standardized loading	AVE	CR
Islamic Financial Knowledge	IFK1	0.774	0.800	0.965
	IFK2	0.724		
	IFK3	0.903		
	IFK4	0.917		
	IFK5	0.888		
	IFK6	0.801		
	IFK7	0.789		
Financial Confidence	FC1	0.855	0.861	0.948
	FC2	0.862		
	FC3	0.910		
Financial wellbeing	FW1	0.680	0.743	0.958
	FW2	0.704		
	FW3	0.822		
	FW4	0.817		
	FW5	0.934		
	FW6	0.737		
	FW7	0.727		
	FW8	0.857		
Access to Islamic financing	AIF1	0.860	0.888	0.984
	AIF2	0.871		
	AIF3	0.927		
	AIF4	0.893		
	AIF5	0.908		
	AIF6	0.919		
	AIF7	0.899		
	AIF8	0.909		

Table 3 demonstrates that the mean loading factor and variance extracted (AVE) values for each indicator surpass 0.50, aligning with the benchmarks set (Hair et al., 2011)). Similarly, the Cronbach's alpha coefficient exceeds 0.70 (Hair et al., 2011). These notably high figures for the loading factor, Cronbach's alpha, and AVE indicate strong internal consistency among the indicators utilized in the research, thereby validating the accuracy of the findings. This substantial agreement in measurements bolsters the study's conclusions, affirming its validity and reliability. Consequently, it can be inferred that all items in the questionnaire are both valid and reliable. Next step Hypothesis testing:

Table 4 Hypothesis testing

Hypothesis	Path coefficient	P value	Conclusion
H1	0.108	0.001**	Supported
H2	0.247	0.001**	Supported
H3	0.021	0.010**	Supported
H4	0.047	0.014*	Supported
H5	0.102	0.000***	Supported

The analysis of the findings from this study provides strong support for all the proposed hypotheses. Firstly (H1), Islamic Financial Knowledge was found to have a significant positive

relationship with financial well-being, with a path coefficient of 0.108 (p -value=0.001). This suggests that the higher one's Islamic financial knowledge, the higher their level of financial well-being. Furthermore, Financial Confidence was shown to play a crucial role in financial well-being (H2), with a path coefficient of 0.247 (p -value=0.001), indicating that higher levels of financial confidence correspond to higher levels of financial well-being. The findings also indicate that Access to Islamic Financing moderates the relationship between Islamic Financial Knowledge and financial well-being (H3) (path coefficient=0.021, p -value=0.010), as well as moderates the relationship between Financial Confidence and financial well-being (H4) (path coefficient=0.084, p -value=0.050). This implies that better access to Islamic financing enhances positive impact of Islamic financial knowledge and financial confidence towards financial well-being. Ultimately, access to Islamic Financing has a significant positive relationship with financial well-being (H5), with a path coefficient of 0.102 (p -value=0.000), confirming its correlation with higher levels of financial well-being. This study will further demonstrate the crucial roles of Islamic financial knowledge, financial confidence, and access to Islamic financing in enhancing individuals' financial well-being.

Discussion

The first hypothesis (H1) is confirmed. The discoveries show the significant impact provided by an advanced Islamic Financial Knowledge on MSME actors' financial well-being, demonstrating this research's consistency with previous studies on similar topics (Oktrivina et al., 2023; Rohmania & Sholihah, 2023; Selvia et al., 2021). On the contrary, a lack of Islamic financial knowledge can prove a danger on an individual's financial well-being as they are likely unable to manage their finances in accord with Islamic financial principles. This particular knowledge is an essential foundation in financial management that adheres to Sharia principles (Dinc et al., 2021). Being knowledgeable in Islamic finance concepts—such as the forbidden use of *riba*, halal investments, and risk management based on Sharia principles (Harahap & Risfandy, 2022)—can help SME owners build a sustainable financial basis. Sufficient Islamic financial knowledge enables SME owners to make wise and ethical investment decisions (Hussein Kakembo et al., 2021) as they are able to choose financial instruments which are in line with Sharia principles, namely *mudharabah* (profit-sharing), *musyarakah* (partnership), or *murabahah* (cost-plus sale) (Fitri, 2023; Srijani, 2023). This helps them minimize risks associated with violations of Sharia principles likely to harm their businesses (Sugianto & Malasyi, 2023). Islamic financial knowledge also assists SME owners in managing debts and financial obligations on an ethical ground (Mahmoud et al., 2023). They can seek Sharia-compliant financing alternatives, including *mudharabah* or *ijara* (leasing), to help avoid debt traps which would burden their businesses in the long run. Additionally, Islamic financial knowledge reinforces the social and environmental responsibilities of SME owners (Santoso, 2020) to which they are taught to consider fairness aspects in business relationships, pay fair wages to employees, and manage their businesses while simultaneously considering their societal and environmental impact.

The second hypothesis (H2) of this study is also confirmed, meaning that an increase in Financial Confidence are paralleled with Financial well-being, consistent with (Porto et al., 2022; Respati et al., 2023; Setiyani & Solichatun, 2019) data to which financial confidence becomes a crucial element in enhancing financial well-being (Selvia et al., 2021). It can be concluded that individuals who are assertive in their financial abilities are likely to make better financial decisions. Contrarily, financial confidence deficiency may hinder an individual's ability to reach effective financial management which will potentially result in lower financial well-being. The uncertainty and challenges in doing business require confidence in managing

financial aspects as a foundation (Sharma et al., 2020) as it enables SME owners to make effective decisions, anticipate risks, and plan strategically (Sulistiyowati et al., 2022). Financial confidence equips SME owners with the ability to adapt to market changes and volatile financial situations with composure (Hampson et al., 2020), and help in building better relationships with stakeholders (investors, banks, and business partners), which, in turn, lead to new opportunities and greater financial support for these entrepreneurs (Mudzingiri et al., 2018). Correspondingly, financial confidence serving as a base for sustainable stability in running SME businesses (Agyei et al., 2020). However, individuals who are overly confident may make detrimental financial decisions, such as overtrading or disregarding financial advice (Porto et al., 2022).

The third hypothesis (H3) is confirmed. It is now established that better access to Islamic financing does, in fact, provide a positive impact on the relationship between Islamic financial knowledge and financial well-being as individuals can effectively utilize their knowledge to make wise financial decisions. This study is in line with previous researches concerning the role of external factors in moderating the relationship between Islamic financial knowledge and financial well-being (Iramania & Lutfi, 2022; Rohmania et al., 2023; Thomas & Gupta, 2021). When there are limitations to access Islamic financing, individuals may struggle to apply Islamic financial knowledge without adequate resources or opportunities. This is why Access to Islamic financing holds a crucial role in moderating the relationship between Islamic/Sharia financial knowledge and the financial well-being of SMEs. By providing access to financing adhering to Sharia principles, SME owners are given the opportunity to integrate Islamic values into their economic activities (Sono et al., 2023). Moreover, Sharia financing supports SME owners by facilitating the growth and expansion of their businesses (Wachyu & Winarto, 2020) through funds obtained in accordance with Islamic principles. With this method, SME owners can sustainably develop their businesses while upholding standards set forth by Shariah law (Aliyu et al., 2016), promoting economic inclusivity and community welfare in addition to enhancing their financial well-being (Hassan et al., 2020). In conclusion, access to Sharia financing acts as a facilitator, leveraging Sharia financial knowledge to enhance financial well-being through increased access, behavior, and decision-making abilities.

The fourth hypothesis (H4) is confirmed. Access to Islamic financing improves the relationship between financial confidence and financial well-being for SME owners as it allows financially confident SME owners to utilize their self-assurance effectively in making rational financial decisions which enhance their financial well-being. In contrast, limited access instead weakens this relationship since the lack of suitable financial resources hinder the ability of SME owners to capitalize on their financial confidence, reducing its positive impact. For SME owners, obtaining funding through Islamic channels would provide assistance to their businesses and reinforce their confidence in the financial system (Achsien & Purnamasari, 2012). Islamic institutions which extend assistance to SMEs, regardless of their scale or background, provide opportunities for Sharia-compliant financing by ensuring SMEs are able to access capital in line with their ethical beliefs (Arzaeva et al., 2020). This inclusivity empowers and gives certainty among SME owners as they face entrepreneurial challenges. Moreover, adherence to Sharia principles in financial transactions nurtures trust relationships between parties (M. Bashir et al., 2019), thereby strengthening the confidence of SME owners in their financial decisions. Consequently, when SMEs have better accessibility to Islamic financing they will have an enhanced financial well-being, sustainable growth, and prosperity within their communities (Pitchay et al., 2020). This study is in accord with previous researches that indicates the role of external factors to moderate and strengthen the relationship between financial confidence and financial well-being (Respati et al., 2023; Nam, 2023; Sehwat et al., 2021).

The final hypothesis (H5) is confirmed. Access to Islamic financing significantly impacts the financial well-being of MSME owners, as it provides them with financial resources in line with their values and beliefs. On the other hand, limited access to Islamic financing may result to the struggle on finding suitable financial support which abide by Islamic principles, potentially leading to less optimal financial decisions and outcomes for MSME owners. For those who prioritize Sharia compliance, Islamic financing provides an opportunity to manage businesses in accordance with Islamic principles, for example by avoiding interest (*riba*) and investments that contradict religious values (Adalety & Kumar Dutta, 2019). Furthermore, Islamic financing are more accessible to MSMEs compared to conventional financing, facilitating SME owners with access to working capital, investment capital, or expansion financing (Hakeem, 2019). Many Islamic financial institutions provide financing and offer business advisory programs to aid MSME owners in enhancing their financial management skills and refining business strategies through a profit-sharing model—where risks and returns are shared between owners and financiers and incentivizes MSME owners to manage their businesses diligently. This study aligns prior research by Hamida et al. (2023), Rohmania (2024), and Ar-Raniry (2022) which found that access to Islamic financing significantly influences the financial well-being of MSME owners and local communities through community empowerment initiatives.

Conclusion

Both Islamic financial knowledge and financial confidence have a significant positive impact on the financial well-being of MSME actors. Furthermore, Access to Islamic Financing acts as a facilitator that strengthens the relationship between Islamic financial knowledge and financial confidence, enabling MSME actors to make rational financial decisions. It can be concluded, therefore, that the increased access to Islamic financing significantly enhances the financial well-being of MSME owners, while limited access can weaken this positive impact, leading to less optimal financial decisions and lower financial well-being. The final conclusion of this study is that all previously proposed hypotheses are confirmed.

The theoretical implications of these findings confirm that Islamic financial knowledge, financial confidence, and access to Islamic financing are necessary factors in enhancing individual's, especially MSME owners', financial well-being. This enriches the literature by reinforcing the relationship between these factors and financial well-being in the context of Islamic finance and MSMEs. Meanwhile, practical implications indicates the influence Islamic financial literacy programs and improved access to Sharia-compliant financing have in improving the financial well-being of MSME owners. Financial institutions and governments should implement and utilize these findings as a basis for drafting policies and programs that support the development of Islamic financial knowledge and access to appropriate financing for MSMEs, enhancing their financial management skills and fostering sustainable business growth.

There exist several limitations in this study, including its correlational sample, resulting in it unable to be directly generalized. For future studies, researchers should use longitudinal approaches with better measurement instruments to analyze data and findings. It is also recommended to conduct comparative studies with other countries to gain a holistic understanding of this topic. Experimental studies are also encouraged to test the cause-and-

effect relationships among these variables. Considering these factors, we can develop a deeper understanding of the factors influencing financial well-being in the context of Islamic finance.

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