





**DIGITAL AND FINANCIAL LITERACY DRIVING MICRO FINANCE ACCESS:
RELIGIOSITY AS CATALYST FOR SME DEVELOPMENT**Ahmad Darda^{1,*} , Rama Yuli¹ , Lela Nurlaela Wati¹ , Ainur Abdrazakova² ¹ Universitas Teknologi Muhammadiyah Jakarta, Indonesia² SDU University, KazakhstanCorresponding author email: ahmad.darda@utmj.ac.id**Article Info**

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Abstract

Microfinancing has contributed to the development of micro, small, and medium enterprises (MSMEs), market expansion, and reduced economic inequality in developing countries. Microfinancing enhances MSMEs' resilience to economic and environmental changes by facilitating the adoption of sustainable technology. Gaps in financial literacy, particularly in financial management, impede MSMEs access to credit. Limited digital literacy and poor Internet access hinder MSMEs engagement in the digital economy. This study analyzes how financial literacy and digital platform usage influence microfinancing and MSMEs development, with religiosity as a moderating factor. Using a quantitative methodology with structural equation modeling and moderating regression analysis, the research sampled 200 MSMEs that obtained loans from formal microfinance institutions, specifically conventional People's Economic Banks (BPR) and Sharia People's Economic Banks (BPRS) in Western Indonesia. The results demonstrate that financial literacy and digital platforms facilitate access to microfinance and MSMEs growth, aligning with the theories of Diffusion of Innovation, Technology Acceptance Model, and Resource-Based View. The ineffectiveness of microfinance as a mediating variable reveals a disparity between financing access and productive fund utilization. The negative moderation of religiosity on the effect of financial literacy on microfinancing shows the influence of religious values on MSMEs' financial perceptions. These results indicate the need to integrate financial literacy, digital mentoring, and religious-value-based strategies into MSME empowerment programs. Financing institutions must modify their interventions to ensure that financing promotes inclusive MSME growth. This study uniquely examines religiosity moderation and microfinancing's ineffectiveness as mediating factors in MSME digitalization in developing countries.

Keywords: Digital Platform, Financial Literacy, Formal Micro Financing, Indonesia, SME Development.



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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) serve as crucial catalysts for economic growth in developing nations and play a significant role in advancing the Sustainable Development Goals (SDGs) by fostering job creation, alleviating poverty, and enhancing living standards (Endris & Kassegn, 2022). MSMEs are essential to the economies of developing nations. They play a pivotal role in academic research, policy development, and economic advancement by promoting growth and generating employment opportunities, particularly in Indonesia (Yadewani et al., 2024). MSMEs contributed over 64% to GDP and accounted for approximately 97% of the workforce in 2024 (Kemenko Perekonomian Press Release, 2025). Despite the increasing number of MSMEs, their sustainability is perceived to be low, particularly in terms of growth, innovation, and market expansion. Numerous MSMEs experience stagnation and failure in development due to insufficient innovation, inadequate financial management, restricted marketing efforts, and limited access to technology, which continue to pose significant challenges.

Microfinancing plays a vital role in fostering the growth and development of MSMEs, facilitating market expansion, and mitigating economic inequality in developing countries (Moscalu et al., 2020; Jalil, 2021; Mittal & Raman, 2021b; Alharbi et al., 2022). Microfinancing enhances MSMEs resilience to economic and environmental fluctuations by facilitating the adoption of sustainable technology (Onyekwelu et al., 2023). However, considerable obstacles continue to impede MSMEs' access to formal financing. The International Finance Corporation (IFCO) identifies an annual funding gap of USD 5.2 trillion for MSMEs globally, with 40 percent of this gap situated in developing nations. A significant barrier is the absence of collateral, which hinders many MSMEs' access to bank credit. Currently, 30.76 million MSMEs are unbanked and lack connections to banks (Kementrian Komunikasi dan Digital RI, 2024). This phenomenon is attributed to the low loan approval rate, as numerous MSMEs do not have clear financial records. Their restricted capacity to formulate business proposals and present financial information hinders their access to microfinance. The National Survey of Financial Literacy and Inclusion indicates an increase in financial literacy in Indonesia, with a recorded financial literacy index of 66.46% and a financial inclusion index of 80.51% in 2025 (Otoritas Jasa Keuangan, 2025). This increase reflects an enhancement in the public's comprehension and utilization of financial products and services. Despite advancements in financial literacy and inclusion, MSMEs frequently encounter restricted access to financing, especially during the growth phase, particularly from formal financial institutions such as banks. Deficiencies in financial literacy, especially regarding financial management and reporting, obstruct MSMEs' access to credit. MSMEs frequently depend on basic calculations and face challenges in generating accurate financial reports.

Challenges in digital literacy, including the restricted adoption of digital technologies and limited Internet access, impede MSMEs engagement in the digital economy and their overall growth (Rizki & Hendarman, 2024). The current situation is evidenced by the persistently low number of MSMEs that utilize digital platforms for marketing and digital finance optimization. Of the 64 million MSMEs in Indonesia, only 26 percent have adopted digital platforms. This presents a significant potential for enhancing the national economy. The digitalization of MSMEs is essential for enhancing their role in the national economy (Kemkominfo Press Release, 2024). Digitalization and information technology significantly enhance the growth and development of MSMEs, facilitating their resilience during crises (Ntwoku et al., 2017; Widyastuti & Hermanto, 2022; Affandi et al., 2024; Jin & Liu, 2025; Mady et al., 2025; Satpathy et al., 2025). The rapid digitalization following the COVID-19 pandemic has prompted numerous MSMEs to adopt diverse digital platforms for marketing and finance, including social media, e-commerce, and marketplaces for promotional and sales activities to reach their customers. Digital financial services, including mobile banking, digital wallets, and QRIS payment systems have experienced significant growth. Utilizing digital platforms enhances the quality of financial records, broadens market reach, and establishes a reliable transaction history, consequently fostering greater trust among financial institutions in providing microfinancing.

Indonesia has one of the largest Muslim populations worldwide. Religiosity significantly influences the preferences of financial institutions. Business owners, especially in areas with significant religiosity, often select Islamic banks because they adhere to Islamic principles and values. This preference influences both the selection of financing sources and the effectiveness of financing on MSMEs' performance. The Indonesian National Sharia Financial Services Agency reports that while overall financial literacy is increasing, literacy in Islamic financial services remains comparatively low

when assessed against conventional services (Otoritas Jasa Keuangan, 2025). Numerous MSMEs stakeholders consider religious factors when selecting financial products. Despite a preference for Sharia principles, Sharia financial services have been adopted only to a limited extent. Moreover, the penetration of Sharia products in the micro-sector is not uniform, causing many MSMEs to be reluctant to adopt Sharia banking products because of the perceived inferiority of these financial offerings compared with those of conventional banks. Nik Azman et al. (2025) provides empirical evidence indicating that Islamic financial literacy can enhance the financial sustainability of MSMEs in relation to religiosity. MSME entrepreneurs acknowledge that understanding the fundamental principles of Islamic finance can facilitate the attainment of long-term financial sustainability. The integration of financial literacy with digitalization enhances access to suitable and effective financing, thereby bolstering competitiveness in the digital economy.

Empirical research indicates that financial and digital financial literacy significantly influence financial inclusion in small batik enterprises (Al-shami et al., 2024). Moreover, social media use has been shown to influence this link, enhancing the effect of financial and digital literacy on financial inclusion. Frimpong et al. (2022) shown that SMEs utilize Mobile Money more extensively than alternative digital platforms, influencing SME success. Financial literacy enhances access to digital finance and improves performance. Affandi et al. (2024) indicate that digital platforms can enhance SME performance. Digital platforms can facilitate collaboration between small and medium-sized enterprises and larger organizations (Satpathy et al., 2025). Alharbi et al. (2022) demonstrated that access to finance positively influences SME performance, this study discovered that access to capital amplifies the beneficial correlation between financial literacy and SME success. Onyekwelu et al. (2023) indicated that entrepreneurial institutions affect entrepreneurs' access to microfinance and business sustainability in developing nations. Religiosity positively impacts capital access, thus enhancing SME success. A study by Babajide et al. (2023) conducted in Nigeria revealed that environmental sustainability, financial sustainability, and social responsibility are critical factors influencing MSMEs sustainability. Nonetheless, little research has thoroughly examined the interrelationship between financial literacy and digital platforms in microfinance and their effects on MSME sustainability. Even fewer studies have examined the moderating influence of religiosity on preferences for financial institutions, which is a crucial aspect of the contemporary economy.

Deficiencies in financial literacy, especially in financial management and reporting, obstruct MSME's access to financing. A significant number of MSMEs continue to depend on rudimentary calculations and face challenges in generating precise financial reports. The restricted uptake of digital technology and disparate Internet access may impede MSME engagement in the digital economy. Moreover, there is dissonance between MSME financing preferences and their values, beliefs, and requirements. Consequently, it is imperative to conduct research on religiosity-based microfinance (Islamic and conventional banks), underpinned by financial literacy and digital platforms, to enhance the sustainability of MSMEs and advance the Sustainable Development Goals (SDGs). Therefore, this study aims to provide solutions to the challenges faced by MSMEs, particularly by developing a model for MSME sustainability. This study explores three objectives to identify gaps in the literature and existing issues. First, it examines whether financial literacy and digital platforms contribute to microfinance and the sustainability of MSMEs, addressing low financial literacy and suboptimal utilization of digital platforms that can hinder MSMEs' access to microfinance and their business sustainability. Second, whether the role of capital access can mediate the impact of financial literacy and digital platforms on MSME sustainability, addressing the limited access to capital, which is a structural barrier for MSMEs. Even if they have a higher level of financial literacy or have utilized digital platforms, they still have difficulty obtaining financing due to a lack of collateral, complex procedures, or low credibility in the eyes of the financial institutions. Third, whether religiosity can strengthen the impact of financial literacy on microfinance and the sustainability of MSMEs by including religiosity in terms of preference for Islamic or conventional banks, this study seeks to address the problem of a mismatch between religious values and MSME financial decisions.

The three objectives of this study are to build theoretical insights using the Human Capital Theory, which emphasizes that financial knowledge and skills improve the ability of MSMEs to access and manage microfinance effectively, and the Technology Acceptance Model (TAM), which explains how perceptions of usefulness and ease of use influence the use of digital platforms in financial activities. Digital Financial Inclusion and Resource-Based View (RBV) theory bolster these two theories by regarding financial literacy and technology adoption as strategic assets that promote MSME

sustainability. The moderating function of religiosity pertains to the Theory of Planned Behavior (TPB), which posits that values and beliefs affect financial conduct. The conclusions of this study are anticipated to offer practical and policy insights for the government and the Financial Services Authority (OJK), serving as a basis for the creation of financial literacy initiatives and the digitization of MSMEs that incorporate access to funding. The findings of this study are anticipated to offer strategic insights for banks and microfinance institutions in formulating diverse approaches to MSMEs based on religious attributes.

LITERATURE REVIEW

This study employs the Resource-Based View (RBV) theory, Human Capital Theory, and Technology Acceptance Model (TAM) to evaluate the influence of financial literacy and digital platforms on microfinancing and its effects on MSME sustainability, incorporating religiosity as a moderating variable.

Microfinancing is a strategic initiative to sustain micro and small enterprises by providing accessible financial support (Onyekwelu et al., 2023). Microfinance programs provide three primary financial services: microcredit, micro-savings, and microinsurance. These services are critical for the growth and development of businesses. Microcredit is the most recognized service offered by microfinance programs (Archer et al., 2020). Microfinance offers financial and non-financial resources to small and medium-sized enterprises. Non-financial facilities include financial literacy, entrepreneurship training, and mentoring services that enhance entrepreneurial skills (Onyekwelu et al., 2023). Financial literacy refers to an individual's capacity to understand and effectively apply financial skills, including personal financial management, budgeting, and investing (Lusardi & Mitchell, 2014). Business owners with strong financial literacy can make informed financial decisions, including selecting suitable financing sources. Financial literacy is essential for accessing and utilizing microfinance services. Business owners with financial literacy can evaluate microfinancing options, assess interest rates and risks, plan loan repayments, avoid over-indebtedness, and enhance their trust in lending institutions by understanding their financial obligations. Rizki and Hendarman (2024) indicate deficiencies in financial literacy, especially in financial management and reporting, which impede MSMEs' access to credit and growth potential. Entrepreneurs often rely on basic calculations and struggle to produce accurate financial reports. Kurniasari et al. (2023) demonstrate that financial literacy positively influences the financial accessibility of MSMEs. Research indicates that financial literacy is a crucial determinant of MSMEs' access to microfinancing (Frimpong et al., 2022; Widyastuti & Hermanto, 2022; Al-shami et al., 2024; Charfeddine et al., 2024). This description leads to the following hypothesis:

H1: Financial literacy has a positive effect on microfinancing

Challenges in digital literacy, including the restricted adoption of digital technologies and limited Internet access, impede participation in the digital economy (Susanti et al., 2023). The primary challenges are the difficulty in altering financial habits, insufficient mentoring, and constrained budgets to sustain the program. Digital platforms have catalyzed the transformation of MSMEs by facilitating access to financial information, expanding market reach, and establishing a digital presence that enhances microfinance providers' business viability. Digital marketing and finance enable MSMEs to establish a digital presence and enhance their credibility with lenders. Charfeddine et al. (2024) identified significant evidence indicating that financial literacy, ICT utilization, and digitalization are critical factors influencing access to financing for Qatari MSMEs. Frimpong et al. (2022), Widyastuti and Hermanto (2022), and Al-shami et al. (2024), documented empirical evidence regarding the impact of digital platforms on access to microfinance. The following hypothesis was formulated based on this description.

H2: Digital platforms have a positive impact on microfinancing

In financial contexts, individuals exhibiting high religiosity are inclined to select financial services that adhere to Sharia law, avoiding *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation), while aligning themselves with the principles of justice, transparency, and mutual assistance (*Ta'awun*). Sharia financing has proven effective in supporting MSMEs, as evidenced by the programs executed by Sharia banks and microfinance institutions (Hartanto & Suparyanto, 2023). *Mudharabah*-based financing offers MSMEs access to interest-free working capital, thereby promoting sustainable and productive

business development. Sharoh et al. (2025) indicate that the preference for Islamic financing is shaped by understanding, trust in Islamic principles, procedural simplicity, and risk perception. The Islamic financial system presents an alternative that adheres to Islamic principles while offering equitable and mutually advantageous financing solutions. Majid and Nugraha (2022) demonstrate that subjective norms, perceived behavioral control, and attitudes toward behavior significantly influence the intensity of capital acquisition for business development. Furthermore, Islamic financial literacy has been experimentally shown to enhance the willingness of MSME actors to expand their business capacity. The impact of financial literacy on microfinancing may differ based on the degree of religiosity, as evidenced by the preference for Islamic banking. Individuals with high financial literacy who favor Islamic financial principles tend to prefer Islamic microfinancing to conventional financing options. The following hypothesis was formulated based on this description:

H3: Religiosity moderates the effect of financial literacy on microfinancing

Financial literacy is a crucial competency that underpins the success and development of MSMEs in Indonesia (Efendi et al., 2023). Entrepreneurs with elevated financial literacy exhibit greater proficiency in resource management, strategic business growth planning and risk mitigation. Siddik et al., (2023) demonstrated that financial literacy and the adoption of digital finance are important factors influencing corporate sustainability performance. A study by Masdupi et al. (2024) demonstrated that financial literacy, attitudes toward financial risk, and organizational risk tolerance are significant predictors of MSMEs sustainability. Financial literacy practices and capabilities significantly enhance MSME sustainability. Financial literacy, accessibility, and knowledge of the SDGs can improve the impact of financial technology on the sustainability performance of MSMEs in Nigeria (Babajide et al., 2023). The findings indicate that financial literacy knowledge and practices in small business operations can promote MSME growth and development. The following hypothesis was formulated based on this description:

H4: Financial literacy has a positive effect on the MSMEs development

Digital platforms, as pivotal catalysts of digital transformation, enhance company development potential, especially for MSMEs, by facilitating value-generating activities using digital resources (Liu et al., 2025). Digital platforms significantly contribute to the development of MSMEs in Indonesia, impacting both marketing and financial dimensions. Digital marketing enhances market access and consumer engagement, and digital financial platforms bolster capital accessibility and operational efficiencies. Digital financial services, including mobile banking, digital wallets, and QRIS payment systems have experienced significant growth. However, the penetration of MSMEs in non-urban areas remains suboptimal. Digital platforms are becoming increasingly essential in the entrepreneurial landscape. A significant amount of literature on digital entrepreneurship has defined the role of digital platforms in facilitating entrepreneurial activities (Susanti et al., 2023; Affandi et al., 2024; Satpathy et al., 2025). Despite this conceptual foundation, empirical evidence regarding the role of digital platforms in enhancing entrepreneurial development is limited, as prior studies have predominantly focused on MSME performance. Mady et al. (2025) posited that digital platforms can enhance performance in the digital entrepreneurship ecosystem. The adoption of mobile banking applications and digital payment platforms has increased financial access, especially in historically underserved regions (Jin & Liu, 2025). Satpathy et al. (2025) showed that resilience and sustainability are significantly enhanced through the adoption of technology, increased credit availability, and the implementation of circular economy principles. Affandi et al. (2024) indicated that digital platforms enhance MSME performance and development. Digital platforms facilitate collaboration between MSMEs and larger organizations (Satpathy et al., 2025). The following hypothesis was formulated based on this description:

H5: Digital platforms positively influence MSME development.

Access to formal credit and banking services remains a significant challenge for small and medium enterprises (Archer et al., 2020). Alharbi et al. (2022) demonstrated that access to finance positively influences MSMEs performance, enhances the relationship between financial literacy and MSMEs performance, and contributes to improved corporate sustainability performance. These findings are corroborated by Siddik et al. (2023), who indicated that microfinance plays a vital role in MSME development and alleviating poverty. Nonetheless, despite access to microfinance services, microenterprises face several challenges. Mittal and Raman (2021a) investigated the perceived impact of

financial constraints on business growth, focusing on sales, profitability, and asset growth in North India. The research findings demonstrate that financing and cash flow issues adversely affect firm growth. Bakashaba et al. (2024) indicated that microfinance significantly enhances rural micro-enterprise development in Uganda. Moscalu et al. (2020) and Jalil (2021) indicates that microfinance significantly and positively impacts the growth of micro and small enterprises.

H6: Microfinancing has a positive effect on the MSMEs development

Microfinancing can promote MSME development; however, its effectiveness varies based on the religiosity of the business actors. Business owners favoring Islamic banks show greater comfort in accessing Islamic financing, which is perceived as ethical and Sharia-compliant. Those favoring conventional banks may engage in rational, profit-driven financial decisions that are independent of Sharia law considerations. A study in Nigeria (Babajide et al., 2023) showed that religiosity moderates the impact of financial literacy, accessibility, and SDG knowledge on the effectiveness of fintech in improving sustainability performance. Agustin and Ibrahim (2024) indicated that religiosity moderates the relationship between financial literacy, accessibility, competitiveness, green innovation, FinTech, and MSME sustainability in Indonesia. Additionally, Sharia financing for working capital positively influences job creation (Hartanto & Suparyanto, 2023). A study by Nik Azman et al. (2025) identified financial behavior as the key factor influencing Islamic financial literacy, followed by financial knowledge and attitudes. Micro-entrepreneurs recognized that understanding Islamic finance contributes to financial sustainability in the long run. Alharbi et al. (2022) examined financial access and literacy's influence on MSME performance within an Islamic framework. Religiosity positively influences financial access, enhancing MSMEs performance in Saudi Arabia. Religiosity, indicated by Islamic bank preference, may enhance or diminish the impact of microfinance on MSME development. Religious entrepreneurs exhibit greater responsibility in fund management, which influences their business success. Based on this description, the following hypothesis was formulated:

H7: Religiosity moderates the influence of microfinancing on the MSMEs development

From the RBV perspective, financial literacy constitutes an internal resource, whereas digital platforms and microfinance serve as external resources that, when effectively accessed and managed, can generate competitive advantages and enhance MSME development. Microfinancing bridges the gap between internal and external advantages. Financial intermediation theory posits that formal and microfinance institutions serve as intermediaries that connect business actors with their funding requirements and funding sources. Financial literacy enhances MSMEs' comprehension and confidence in financial institutions, consequently expanding their access to microfinance. The utilization of digital platforms enhances business efficiency and visibility, facilitating access to financing for MSMEs through microfinance institutions. Financial literacy and digital platforms are critical factors that support MSME growth and development. Without access to microfinance, this potential does not consistently translate into growth. The study conducted by (Siddik et al., 2023) demonstrated that access to finance significantly mediates the relationship between financial literacy and the adoption of digital finance, impacting the sustainability performance of MSMEs. The findings demonstrate that access to finance positively influences corporate sustainability. According to Meressa (2023), access to formal credit financing mediates the relationship between entrepreneurial financial literacy and small business sustainability. Archer et al. (2020) demonstrated that access to digital finance mediates the relationship between financial literacy and MSMEs performance. Alharbi et al. (2022) indicate that access to finance enhances the positive correlation between financial literacy and MSME performance. Additionally, Efendi et al. (2023) indicated that financial literacy and digital platforms affect MSMEs' access to capital and development. Financial access may mediate the impact of digital platforms on MSME growth in Indonesia. The authors formulated the following hypothesis based on this description.

H8: Microfinancing mediates the influence of financial literacy on the MSMEs development

H9: Microfinancing mediates the influence of digital platforms on the MSMEs development

Based on previous theories and research, the author created a framework of thought as a problem-solving approach, as follows:

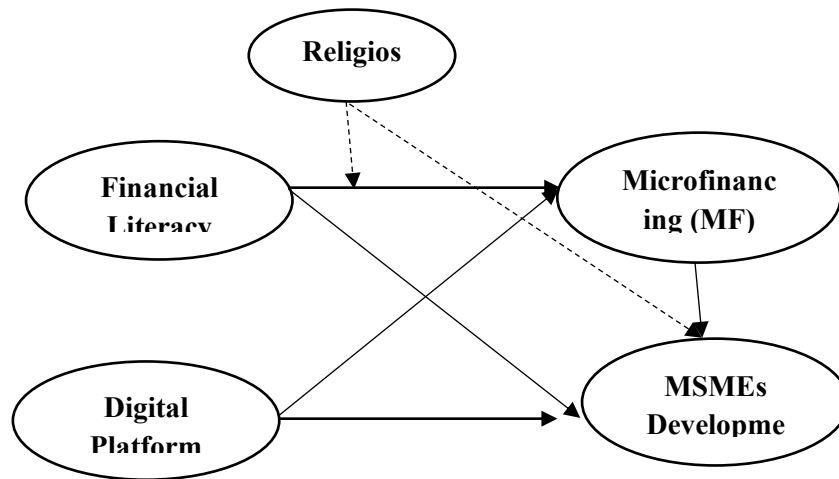


Figure 1. Conceptual Framework

Figure 1 illustrates the relationship among research variables, specifically the direct and indirect impacts of financial literacy and digital platforms on microfinancing and MSMEs development. It also depicts the effect of microfinancing on MSMEs development and the moderating role of religiosity in the relationship between financial literacy, access to microfinancing, and MSMEs development.

RESEARCH METHOD

This study employs a quantitative methodology utilizing a causality approach to examine the influence of financial literacy and digital platforms on microfinancing and MSMEs development, with a moderating effect of religiosity.

The population of this study comprised MSMEs owners in Jakarta who utilized microfinance. The sampling method employed the calculation formula by Hair et al., which involves multiplying the number of indicators by a factor of five to ten (Wati & Momon, 2021). The total number of indicators comprised 36 question indicators, necessitating a minimum sample size of 180 participants. The sample approach employs purposive sampling, with the criterion that MSMEs obtain loans from both conventional and sharia banks. This study comprises 200 MSMEs located in Western Indonesia, specifically in Jakarta, Bogor, Depok, Tangerang, Bekasi, and Java, which obtained loans from conventional People’s Economic Banks (BPR) and Sharia People’s Economic Banks (BPRS). The sample size of 200 respondents met and slightly exceeded the minimum requirement, being approximately 11% larger, thus deemed adequate for Structural Equation Modeling (SEM) analysis with moderate model complexity. This sample size offered adequate statistical power to identify both direct and indirect effects among the variables.

A survey was conducted to obtain research data, utilizing a questionnaire with a Likert scale ranging from strongly disagree to strongly agree, measured on a scale of 1 to 5.

The variables and indicators used in this study are listed in Table 1.

Table 1. Description of Research Variables

Research Variables	Indicator	References
Independent: Financial Literacy (FL)	1. Financial knowledge	(Widyastuti & Hermanto, 2022; Siddik et al., 2023;) Masdupi et al., 2024; Nik Azman et al., 2025;
	2. Financial management	
	3. Time value of money calculation	
	4. Bank interest calculation	
	5. Financial reporting	
	6. Be careful when making transactions	
Digital Platform (DF)	1. Public knowledge regarding digital platforms	(Wati et al., 2020; Yu et al., 2021; Frimpong et al., 2022; Hakim et al., 2022; Al-shami et al., 2024; Hidayati et al., 2024; Helmi et al., 2025)
	2. Internet usage	
	3. Digital marketing applications	
	4. Customer service through the platform	
	5. Digital financial applications	

Research Variables	Indicator	References
	6. The communication intermediary application used	
	7. Cost efficiency	
	8. Benefits and uses	
Moderation: Religiosity (RG)	Dummy 1: Sharia Bank Loan Dummy 0: Conventional Bank Loans	(Alharbi et al., 2022; Nik Azman et al., 2025)
Microfinancing (Intervening)	1. Type of financing borrowed 2. Type of bank selected 3. Benefits of providing financing received by business actors 4. Financing process 5. Amount of financing provided 6. Use of financing 7. Credit Term 8. Financing preferences	(Alharbi et al., 2022; Onyekwelu et al., 2023; Jun & Ran, 2024; Apsary et al., 2025; Ispriyahadi et al., 2025)
They depend on: MSMEs Development (DV)	1. MSMEs Income 2. Increased sales 3. Profit using capital 4. Increased product innovation 5. Increased customer satisfaction increases 6. Increased business profits 7. Increase in the number of customers 8. Market share is getting wider 9. The business capital obtained always increases 10. Increase in the number of employees	(Maftuchach et al., 2022; Susanti et al., 2022; Siddik et al., 2023; Wati & Amalia, 2024; Ispriyahadi et al., 2025; Nik Azman et al., 2025; Satpathy et al., 2025)

A descriptive analysis was performed to identify the respondent criteria and compute the average value of each research variable concerning MSMEs religiosity, specifically regarding preferences for BPR and BPRS. Validity and reliability assessments were performed for outer mode testing, utilizing outer loading with a minimum threshold of 0.5 for validity evaluation. Cronbach's alpha and composite reliability were used to assess reliability.

This study utilized Smart Partial Least Squares (Smart PLS) software (version 4.1.1.4) for data analysis. The evaluation of the framework model (inner model) and the measurement model (outer model) constitutes the assessment of models in Partial Least Squares analysis. The research hypothesis tester utilizes an inner model approach, beginning with a model test before conducting hypothesis testing through goodness of fit model with R-squared and SRMR (Hair et al., 2019). Data analysis employed Structural Equation Modeling (SEM) and Moderating Regression Analysis (MRA) utilizing Smart PLS version 4.1.1.4. The hypothesis-testing model is outlined as follows:

Model 1 is used to test hypotheses 1-3

$$MF = \beta_1 FL + \beta_2 DF + \beta_3 RG * FL + \varepsilon_1 \dots (1. \text{Micro Finance Model}) \dots (1)$$

Model 2 is used to test hypotheses 4-9

$$DV = \beta_4 FL + \beta_5 DF + \beta_6 MF + \beta_7 RG * MF + \beta_8 FL_{MF} + \beta_9 DF_{MF} + \varepsilon_2 \dots (2. \text{MSMEs Development Model}) \dots (2)$$

Description:

- MF = Microfinancing
- FL = Financial literacy
- DF = Digital platform
- RG*FL = Moderation of religiosity on financial literacy
- DV = MSMEs development
- RG*MF = Moderation of religiosity in microfinancing

FL_MF = Microfinancing mediation on financial literacy
 DF_MF = Microfinancing mediation on digital platforms
 b = Regression coefficient
 e = error

To test the hypothesis, this study uses three measurements of significance, namely significance at the 1%, 5%, and 10% levels.

RESULTS AND DISCUSSION

Analysis of Respondent Description

The data presented in Table 2 indicate that the business location category with the highest number of respondents is Jakarta, comprising 82 respondents, or 41% of the total 200 respondents. The category with the fewest respondents was business locations outside Jabodetabek, comprising four respondents (2% of the total respondents). Most respondents (133 individuals or 66% of the overall sample) employed fewer than five employees. A small proportion of employees, specifically eight respondents, representing 4% of the total, had more than 25 employees in their establishments.

Table 2. Respondent Characteristics

Characteristics	Amount	Percentage	Characteristics	Amount	Percentage
Business Location			Number of employees		
Jakarta	82	41%	There isn't any	25	13%
Bogor	62	31%	<5 employees	133	67%
Depok	12	6%	6-10 employees	15	8%
Tangerang	11	6%	11-25 employees	19	10%
Bekasi	29	15%	26-50 employees	4	2%
Outside Jabodetabek	4	2%	>50 employees	4	2%
Last education			Age		
Elementary School	4	2%	17-25 years	79	40%
Junior High School	5	3%	26-35 years old	82	41%
High School/Vocational School	96	48%	36-45 years	27	14%
Bachelor/Undergraduate	88	44%	>46 years	12	6%
Master/Doctoral	7	4%	Gender		
Digital Marketing Platform			Man	95	48%
Facebook	45	23%	Women	105	52%
Instagram	52	26%	Type of Business		
Marketplace	81	41%	Agribusiness	11	6%
Twitter	13	7%	Culinary	76	38%
Website	9	5%	Fashion	54	27%
Digital Financial Platform			Souvenir	17	9%
Shopee	6	3%	Automotive	31	16%
Dana	5	2.5%	Basic necessities	2	1%
Gopay	3	1.5%	Other	9	5%
QRIS	3	1.5%	Total Income		
OVO	3	1.5%	>IDR 10 million	124	62%
Mobile banking	180	90%	IDR 10-30 million	56	28%
Bank Preferences			IDR 30-50 million	12	6%
Conventional Banks	138	69%	>IDR 50 million	8	4%
Sharia Bank	62	31%			
Total	200	100%			

The data presented in Table 2 indicate that 53% of the 200 respondents were women and men comprised the remaining 47%. The predominant age group of respondents was 26-35 years. The age

group with the lowest number of respondents was > 46 years. Most respondents possessed a high school or vocational high school education, totaling 96 individuals (48% of the sample). In contrast, the educational level with the lowest number of respondents was elementary school. A total of 124 respondents (62%) reported an income of less than IDR 10 million. Eight respondents, representing 4% of the total sample, reported an income exceeding IDR 50 million. The predominant business type among respondents was the culinary sector, accounting for 76 individuals (38%), whereas the grocery business was represented by the fewest number of respondents. The predominant use of the marketplace among respondents was as a digital marketing platform, while the website platform was utilized the least. Most respondents used digital financial platforms, primarily mobile banking, along with other platforms such as Shopee Pay, Dana, Gopay, QRIS, and OVO. Religiosity was assessed through a preference for microfinance institutions, which were classified into two categories: conventional and Islamic banks. There were 25 MSMEs utilized Islamic banks for financing, whereas 175 opted for conventional banks.

Evaluation of Measurement Model (Outer Model)

The outer model was assessed through validity and reliability tests. Validity testing was performed using a minimum outer-loading threshold of 0.5. This pertains to Hair et al. (2019), who indicated that outer loading values ranging from 0.50 to 0.60 are deemed acceptable, provided that the reliability assumptions are satisfied. The subsequent figure illustrates the outer loading values of the research model.

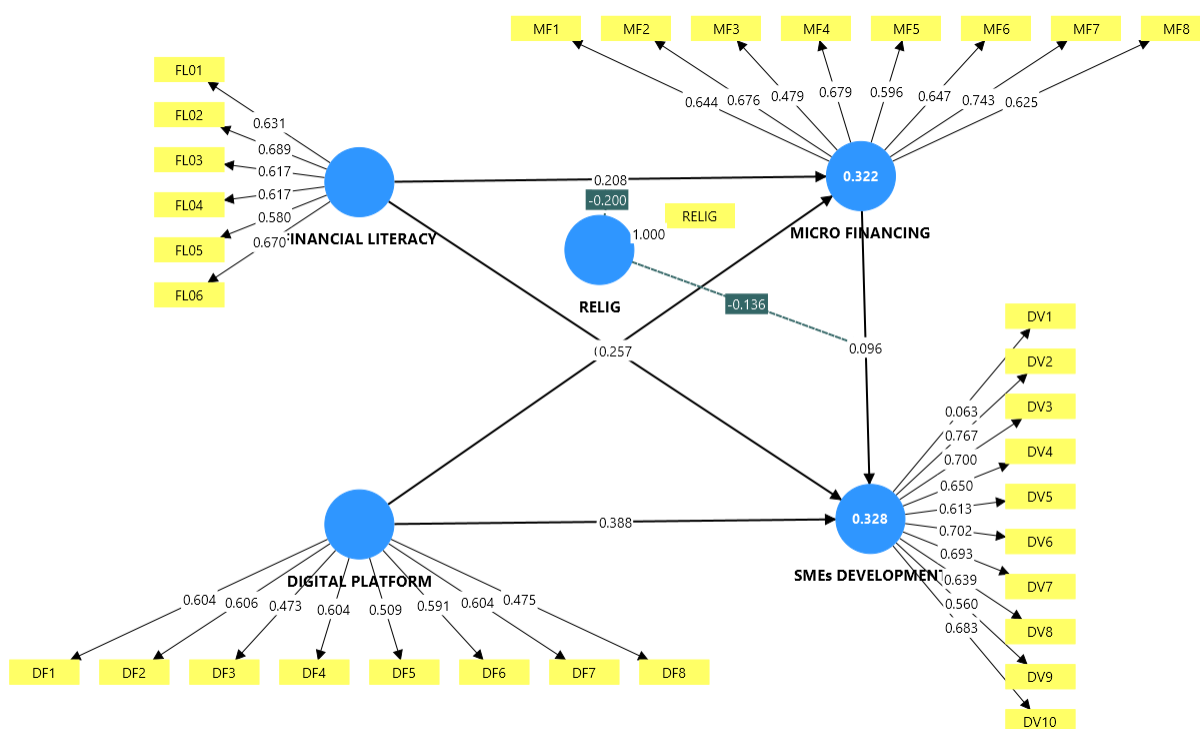


Figure 2. Visualization of Smart PLS Outer Model Measurements

Figure 2 presents the outer loading results for each research indicator. Validity testing was performed using a minimum outer loading measurement of 0.5. According to the validity test results, four indicators exhibited outer loading values below 0.5: DF3, DF8, MF3, and DV1. Consequently, these four indicators were excluded from our model. The reliability of the variables was assessed using Cronbach's alpha and composite reliability measures. Table 3 presents the findings of the validity and reliability assessment.

Tabel 3. Outer Loading

Construct	Outer Loading	Result
Financial Literacy (FL). CA = 0.706, CR (rho_a) = 0.705, CR (rho_c) = 0.802		
Financial knowledge (FL1)	0.631	Valid
Financial management (FL2)	0.689	Valid
Time value of money calculation (FL3)	0.617	Valid
Bank interest calculation (FL4)	0.617	Valid
Financial reporting (FL5)	0.58	Valid
Attitude towards transactions (FL6)	0.67	Valid
Digital Platform (DF). CA = 0.7, CR (rho_a) = 0.7, CR (rho_c) = 0.776		
Knowledge of using digital platforms (DF1)	0.604	Valid
Internet usage (DF2)	0.606	Valid
Ability to use digital marketing (DF3)	0.473	Eliminated
Customer service through the platform (DF4)	0.604	Valid
Ability to use digital finance (DF5)	0.509	Valid
The communication intermediary application used (DF6)	0.591	Valid
Cost efficiency of digital usage (DF7)	0.604	Valid
Use of customer data (DF8)	0.475	Eliminated
Microfinancing (MF), CA = 0.792, CR (rho_a) = 0.798, CR (rho_c) = 0.849		
Type of financing borrowed (MF1)	0.644	Valid
Financing preferences (MF2)	0.676	Valid
Use of financing for production (MF3)	0.479	Eliminated
Financing process (MF4)	0.679	Valid
Amount of financing (MF5)	0.596	Valid
Use of financing for innovation (MF6)	0.647	Valid
Financing period (MF7)	0.743	Valid
Ease of access (MF8)	0.625	Valid
MSMEs Development (DV), CA = 0.845, CR (rho_a) = 0.849, CR (rho_c) = 0.879		
MSME Income (DV1)	0.063	Eliminated
Increased sales (DV2)	0.767	Valid
Profit using capital (DV3)	0.7	Valid
Increased product innovation (DV4)	0.65	Valid
Increased customer satisfaction (DV5)	0.613	Valid
Increased business profits (DV6)	0.702	Valid
Increase in the number of customers (DV7)	0.693	Valid
Market share is getting wider (DV8)	0.639	Valid
The business capital obtained increases (DV9)	0.56	Valid
Increase in the number of employees (DV10)	0.683	Valid

Reliability testing was assessed using composite reliability and Cronbach's alpha. The reliability value reached the minimum threshold of 0.7, indicating that the research variables were reliable (see Table 3). A construct is considered valid if the square root of the Average Variance Extracted (AVE) exceeds the correlation between the latent variables. The Heterotrait-Monotrait Ratio (HTMT) values for all research variables are presented above the Fornell-Larcker values (in italics). The Heterotrait-Monotrait ratio (HTMT) values for all research variables were below 0.90, indicating that the assessment of discriminant validity using HTMT was satisfied. The Fornell-Larcker criterion assesses discriminant validity by comparing the square root of the AVE for each construct with the correlations among the other constructs in the model (Table 5). The square root of the AVE for all latent constructs must exceed the correlations among the other constructs (Hair et al., 2022).

Table 4. HTMT and Fornell-Larcker Criterion

Variable	Digital Platform	Financial Literacy	Micro Financing	Religiosity	SMEs Development
Digital Platform	0.605	0.577	0.665	0.37	0.671
Financial Literacy	0.404	0.635	0.418	0.246	0.546
Microfinancing	0.408	0.311	0.668	0.49	0.33
Religiosity	-0.294	-0.215	-0.438	1	0.212
MSMEs Development	0.511	0.438	0.273	-0.202	0.67

Table 4 presents the square root of the AVE values in bold, with the off-diagonal elements representing the intercorrelations among the constructs. The square root of the AVE on the diagonal is consistently greater than the inter-construct correlations in all instances. This indicates that the model satisfies the discriminant validity criteria.

Evaluation of Structural Model (Inner Model)

The inner model test assesses the relationships among the constructs within a research framework. Before testing the hypotheses, it is essential to employ evaluation techniques to assess the goodness of fit of the model. The SRMR value was 0.11, indicating that the suggested model aligned closely with the empirical data, confirming that the MSME development model satisfied the goodness of fit criteria. The research model test yielded an R-squared value of 0.301 for microfinancing, showing a fairly good model variation. Microfinancing for MSMEs is affected by financial literacy and digital platform adoption by 30.1%, with 69.9% being due to factors outside this model. For MSMEs development, the model test showed an R-squared value of 0.328, indicating that the model accounts for 32.8% of the variation in MSMEs development, influenced by financial literacy, fintech P2P lending, and access to capital. The remaining 67.2% was attributed to external factors such as the low R-squared value stemming from numerous external factors affecting microfinancing and MSMEs development that are not included in the model.

This study used three significance levels to test the hypothesis: 1%, 5%, and 10%. The outcomes of the hypothesis testing through the inner model are as follows:

Model 1 is used to test hypotheses 1-3

$$MF = 0.206 FL + 0.268 DF - 0.202 RG * FL + \epsilon_1 \dots (Model 1)$$

Model 2 is used to test hypotheses 5-9 and indirect hypotheses (4-9)

$$DV = 0.263FL + 0.388DF + 0.073MF - 0.088 RG * MF + 0.02FL_MF + 0.015DF_MF + \epsilon_2 \dots (Model 2)$$

Table 5. Hypothesis Testing

Hypothesis	Coeff	T-stat	P value	f-square	Result
Microfinancing Model					
H1 Financial literacy (FL)	0.206	2.15	0.016**	0.035	Supported
H2 Digital Platform (DF)	0.268	3.471	0.000***	0.08	Supported
H3 Religiosity (RG)*FL	-0.202	1.369	0.086*	0.013	Supported
R ²			0.301 (30.1%)		
Adjusted R ²			0.287 (28.7%)		
MSMEs Development Model					
H4 Financial literacy (FL)	0.263	3.486	0.000***	0.08	Supported
H5 Digital Platform (DF)	0.388	4.242	0.000***	0.165	Supported
H6 Microfinancing (MF)	0.073	0.609	0.271	0.003	Unsupported
H7 Religiosity (RG)*MF	-0.088	0.593	0.276	0.002	Unsupported
H8 FL → MF (Indirect effect)	0.02	0.543	0.294		Unsupported
H9 DF → MF (Indirect effect)	0.015	0.576	0.282		Unsupported
R ²			0.328 (32.8%)		
Adjusted R ²			0.311 (31.1%)		
SRMR			0.11		

Notes: ***Significant @1%, **Significant @5%, *Significant @10%

The hypothesis testing results presented in Table 5 indicate that five hypotheses exhibited significant effects, whereas four hypotheses did not demonstrate significant effects. The impact of financial literacy and digital platforms on microfinancing and MSMEs development is notably positive. Religiosity, as indicated by a preference for Islamic versus conventional banks, significantly moderated the adverse impact of financial literacy on financing decisions. Religiosity did not serve as a moderating factor in the relationship between microfinancing and MSMEs development. Microfinancing has an insignificant impact on the development of MSMEs and does not mediate the effects of financial literacy and digital platforms on MSMEs development in Indonesia. Digital platforms have the greatest influence on MSMEs development. The effect size (f^2) quantifies the degree to which the explanatory variables influence the R^2 of the dependent variable. The f^2 value for the direct effect employs (Hair et al., 2021), with 0.35 denoting a large influence, 0.15 indicating a moderate effect, and 0.02 representing a small effect size. The digital platform exerts a moderate effect and has the greatest influence on the MSME development model.

The findings indicate that financial literacy and digital platforms significantly enhance microfinancing for MSMEs in Indonesia. The findings corroborate Human Capital Theory, which posits that individual knowledge and skills, particularly financial competencies, are critical assets for enhancing productivity and economic opportunities. Financial literacy is a crucial tool for mitigating information asymmetry between MSMEs and financial institutions, which is a significant barrier to financing, especially in the informal sector (Lusardi & Mitchell, 2011). The findings underscore the significance of financial literacy in enhancing MSMEs' capacity to comprehend, manage, and access microfinance. The findings of this study corroborate the TAM theory, indicating that perceptions of ease of use and perceived usefulness of technology significantly affect user adoption behavior. In this context, MSMEs that derive direct benefits from digital marketing and digital financial services are likely to exhibit increased motivation to utilize them consistently in their business operations. Digital platforms enhance the quality of financial records, broaden market reach, and establish a credible transaction history, consequently fostering trust among financial institutions in the distribution of microfinancing services. Financial literacy and the adoption of digital platforms are essential for enhancing the microfinance framework within the MSMEs sector. The research findings corroborate the conclusions of Widyastuti & Hermanto (2022), Frimpong et al. (2022), Kurniasari et al. (2023), Al-shami et al. (2024), and Charfeddine et al. (2024) regarding the enhancement of financial literacy and the utilization of digital platforms to improve access to microfinancing for MSMEs in both formal and informal institutions. The increased adoption of digital technology by MSMEs correlates positively with enhanced opportunities for securing microfinancing from financial institutions such as BPR and BPRS.

Religiosity, measured by a preference for Islamic banks over conventional banks, negatively moderates the effect of financial literacy on microfinancing in MSMEs. This indicates that financial literacy can generally improve MSMEs' ability to access microfinance, but the positive effect on the preference for Islamic banks is smaller than that of conventional banks. This indicates that the current financing system and approach in BPRS are not fully capable of optimizing the potential of MSMEs' financial literacy in accessing financing compared to BPR banks. This gap occurs because the majority of MSMEs respondents use BPR as a financing solution (175 MSMEs), while 25 MSMEs use BPRS. Limited product availability, bureaucracy, or a lack of human resource capacity in Islamic banks to intensively assist business actors, especially in microfinancing based on non-conventional contracts such as *mudharabah* or *musyarakah*, could be among the reasons MSMEs choose conventional banks (Ascarya, 2021). The results of this study align with those of Kakembo et al. (2021), who showed that the adoption of Islamic microfinancing has not yet optimized its fundamental role in enhancing the sustainability of microfinance institutions (MFIs) and meeting the challenges of financing MSMEs. This empirical evidence serves as a warning to the Islamic banking industry to improve the effectiveness of microfinance products, not only in terms of compliance with Sharia principles but also in terms of ease of access, clarity of information, and support for MSMEs with adequate financial literacy levels.

Financial literacy and digital platforms significantly influence MSMEs development. The findings of this study corroborate the Human Capital Theory, indicating that financial literacy equips MSMEs to manage cash flows effectively, make informed investment choices, and avoid detrimental debt practices. The use of financial information directly influences financial stability and growth. Financial understanding enables MSMEs to formulate plans, manage risks, and leverage financing opportunities (Lusardi & Mitchell, 2011). The results support Rogers Everett's (Miller, 2015) Diffusion of Innovation Theory (DOI), as well as TAM and RBV theory. Digital platforms represent technological adaptation and

innovation diffusion, facilitating structural change and growth. Perceptions of ease of use and benefits impact the intention to adopt digital technology. Digital platforms are strategic resources capable of generating competitive advantages when effectively employed by MSMEs. These results corroborate the findings of Babajide et al. (2023), Efendi et al. (2023), Siddik et al. (2023), Masdupi et al. (2024), Satpathy et al. (2025) and showed that enhanced financial literacy and improved digital platform utilization contribute positively to business growth. Digital marketing enhances market reach geographically and demographically with minimal investment. Digital finance tools, including e-wallets, mobile banking, and FinTech lending, improve access to working capital and streamline the transaction processes. This combination fosters growth in small-scale enterprises by promoting efficiency, improving financial management, and expanding markets. Financial literacy is a crucial intervention for MSMEs in Indonesia.

The hypothesis testing results demonstrate that microfinancing does not significantly impact MSMEs development. This indicates that access to microfinance via formal institutions such as conventional people's economic banks (BPR) and Sharia people's economic banks (BPRS) does not inherently promote the growth of small and medium enterprises. This finding challenges the classical theory of capital access, which posits that enhanced financial access invariably improves business performance and development. The findings suggest that factors such as financial literacy, managerial skills, market orientation, and MSME digital readiness may exert a more significant influence than the mere availability of funds. These findings are inconsistent with those of previous studies (Moscalu et al., 2020; Mittal & Raman, 2021a; Alharbi et al., 2022; Siddik et al., 2023; Bakashaba et al., 2024). This is likely due to their inability to effectively utilize microfinancing to enhance productivity. This empirical evidence highlights the necessity for microfinance institutions and policymakers to ensure that financing interventions are paired with enhanced business capacity, managerial mentoring, and entrepreneurship education. Such measures are essential to ensure that disbursed funds are utilized not only for short-term consumption but also as catalysts for productivity enhancement.

Religiosity does not moderate the impact of microfinancing on MSMEs development in Indonesia. This suggests that religious value preference, evidenced by the selection of financial institutions (Islamic versus conventional banks), is insufficient to enhance microfinancing effectiveness on business growth. The results indicate that while MSMEs exhibit religious preferences, these do not inherently enhance financing effectiveness for business growth. These findings advance the literature on microfinance and value-based entrepreneurship. Previous studies have indicated that religious preferences may enhance financial decisions and affect business outcomes (Kakembo et al., 2021; Alharbi et al., 2022; Babajide et al., 2023; Agustin & Ibrahim, 2024; Nik Azman et al., 2025). This study's findings suggest that within MSMEs development in Indonesia, religious preferences alone do not enhance the relationship between microfinance access and business growth. This may result from the disparity between religious values and effective financial practices, alongside the inadequate innovation of Islamic microfinance products to address MSMEs needs. This study corroborates the findings of Kakembo et al. (2021), who examined Islamic microfinance's role in improving MFIs sustainability and addressing MSMEs financing challenges in Uganda. The results indicate that current MFIs have not succeeded in delivering financial services to the poor and MSMEs while maintaining their sustainability. This evidence indicates that financial institutions, both Sharia and conventional, should prioritize enhancing MSMEs capacity over relying on a religion-based approach. Microfinance effectiveness in promoting MSMEs development depends more on structural factors, including financial education, business training, and mentoring, rather than religious affiliation. Consequently, strategies to enhance microfinance effectiveness should incorporate a value-based approach and address the practical needs and technical capabilities of the target group.

Microfinancing does not effectively mediate the impact of financial literacy and digital platforms on MSMEs development. This finding demonstrates that while financial literacy and digital platforms directly impact business development, the efficacy of microfinancing as an intervention channel cannot be guaranteed. This study challenges the theory of financial inclusion and the resource-based view, which posits that enhancing the internal capabilities of business actors, particularly financial literacy and digital skills, facilitates access to financing and promotes business growth. These results contradict those of previous studies (Alharbi et al., 2022; Archer et al., 2020; Efendi et al., 2023; Meressa, 2023; Siddik et al., 2023). The ineffectiveness of microfinancing mediation highlights the limitations of financial intermediation theory, especially regarding microfinance institutions that face structural constraints in addressing MSME needs. Enhanced financial literacy and digital skills do not necessarily lead to effective

financing utilization, as factors such as stringent regulations, bureaucratic processes, collateral requirements, or misalignment between financial products and MSME needs may impede this process. This evidence shows that interventions such as financial literacy and digital training lack effectiveness unless they are paired with structural reforms in Indonesia's microfinance system.

These findings underscore the necessity of enhancing financial literacy and digitalization as a fundamental strategy for increasing MSME performance, alongside the reconfiguration of microfinance products to render them more pertinent and effective for business development. Islamic microfinance institutions, particularly BPRS, must transform their services by focusing on efficiency, customer education, and transparency in the financing process, in addition to Sharia compliance. Sharia-based financial literacy programs also need to be improved to ensure that MSMEs' financial understanding aligns with the characteristics of financing offered by Islamic banks. Microfinance providers, including Islamic and conventional financial institutions, must reassess their funding distribution models, pre-financing training programs, and post-financing monitoring practices. Programs that exclusively provide funding without enhancing capacity are generally ineffective in fostering sustainable business. The government and Sharia financial institutions must revise their financing strategies to ensure that they are Sharia-compliant and conducive to MSME growth. Financial training programs by government entities, financial institutions, and NGOs must align with MSME requirements, from basic recordkeeping to implementing financial technology. Community-based interventions, including counseling by cooperatives or microfinance institutions, are essential for reaching MSMEs in remote regions with limited access to formal financial information. This underscores the need for a national MSME digitization strategy through inclusive technological infrastructure, digital skills training, and incentives. The government, via the Ministry of Cooperatives and MSMEs and the Indonesia Financial Services Authority (OJK), has initiated digitalization programs for MSMEs. However, business actors need enhanced capacity to incorporate digital marketing and finance. Microfinance institutions and fintech lenders can use digital data, including transaction history, online sales activity, and integrated application-based financial reports, to evaluate MSME creditworthiness as an alternative to collateral. The government and the Financial Services Authority must reassess the efficacy of microfinance institutions in facilitating MSME financing. Solutions include enhancing fintech integration and broadening alternative financing models, including peer-to-peer lending, digital cooperatives, and community-based sharia platforms, which are better suited to small businesses in Indonesia. MSMEs need support to establish credible digital financial history to access funding. Financial and digital literacy training must include mentoring to enhance institutional capacity and business management to finance their preparedness.

The findings of this study can be generalized, particularly regarding MSMEs in developing nations with characteristics similar to Indonesia, such as diverse levels of financial literacy, swift adoption of digital platforms, and the presence of religious preferences that impact financial choices. This study's novelty lies in the incorporation of religiosity as a socio-religious variable that diminishes the correlation between financial literacy and microfinance utilization, thus offering novel insight into the financing behavior of MSMEs in religious communities. The limitations of this study include its focus on urban areas, general religiosity measurement, and survey approach, which restricts the understanding of social and cultural contexts. The mediating variables were limited to microfinancing, overlooking factors such as managerial competence and business networks. The low R-squared value indicates that other factors affect microfinancing and MSMEs development. Further research should expand national coverage to rural and 3T areas, develop specific religiosity measurements, use mixed-methods research, and include variables such as entrepreneurial capacity and business networks.

CONCLUSION

The results show that financial literacy and digital platforms significantly enhance microfinancing and MSMEs development. Microfinance does not effectively mediate the impact of financial literacy and digital platforms on MSME development. Religiosity negatively influences the relationship between financial literacy and microfinancing but does not affect the impact of microfinancing on MSMEs development in Indonesia. The results enhance DOI and TAM theory by showing that financial literacy and digital platforms are essential for improving access to microfinancing and MSMEs development. The finding that microfinancing does not mediate this relationship highlights the disconnect between access to finance and its effective use in growing businesses. The negative moderation of religiosity on the effect

of financial literacy on microfinancing suggests that religious values influence risk perception and financial behavior among MSMEs actors.

This study provides insights into incorporating socio-religious factors into financial adoption models. This evidence suggests that MSMEs development requires more than access to financial literacy and digital platforms. Thus, appropriate financing strategies and education on fund utilization are necessary. The Financial Services Authority (OJK) and financial institutions must develop mentoring programs to enhance financial capabilities while considering the impact of religious values on financial decision making. Promoting effective microfinancing through business management training and monitoring is vital for sustainable sectoral growth. The government, along with financial institutions and e-commerce platforms, must create an ecosystem for MSMEs' digital transformation, particularly in 3T (remote, frontier, and outermost) areas, to prevent digital inequalities. Digital literacy programs and community mentoring are essential for the meaningful adoption of digital platforms.

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AUTHOR CONTRIBUTIONS

Ahmad Darda: Writing-original draft, conceptualization, methodology, research instruments, data curation, and managing the article publication process. Rama Yuli: Gathering data, software, analyzing data, discussing research findings. Lela Nurlaela Wati: Writing-review & editing, supervision. Ainur Abdrazakova: Review and proofreading.

CONFLICTS OF INTEREST

The author(s) declare no conflict of interest.

USE OF ARTIFICIAL INTELLIGENCE (AI)-ASSISTED TECHNOLOGY

The authors declare that no artificial intelligence (AI) tools were used in the generation, analysis, or writing of this manuscript. All aspects of the research, including data collection, interpretation, and manuscript preparation, were carried out entirely by the authors without the assistance of AI-based technologies.

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