

The Role of Financial Literacy In Moderating The Effect of Profitability, Business Growth, and Financial Access on Msme Funding Decisions In The Food And Beverage Sector In Sambas Regency

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Abstract : This study aims to analyse the effects of profitability, business growth, financial access, and financial literacy on funding decisions among small-scale food and beverage MSMEs in Sambas Regency, while examining the moderating role of financial literacy. A quantitative associative approach was employed involving 100 MSMEs selected through proportional stratified random sampling. Data were collected using questionnaires and analysed using Partial Least Squares–Structural Equation Modelling (PLS-SEM). The results indicate that profitability and financial literacy have positive and significant effects on funding decisions, whereas financial access has a negative and significant effect. Business growth does not significantly influence funding decisions. Furthermore, financial literacy does not significantly moderate the relationships between profitability, business growth, financial access, and funding decisions. The structural model explains 66.8% of the variance in funding decisions ($R^2 = 0.668$). These findings demonstrate that funding decisions among MSMEs are primarily influenced by direct factors, particularly profitability, financial access, and financial literacy. Strengthening financial literacy and improving access to suitable financial services are important to support more informed and effective funding decisions among MSMEs.

Keywords : Business Growth, Financial Access, Financial Literacy, Funding Decisions, Profitability.

Abstrak : Penelitian ini bertujuan menganalisis pengaruh profitabilitas, pertumbuhan usaha, akses keuangan, dan literasi keuangan terhadap keputusan pendanaan pada UMKM makanan dan minuman skala kecil di Kabupaten Sambas, serta menguji peran moderasi literasi keuangan. Penelitian ini menggunakan pendekatan kuantitatif asosiatif dengan melibatkan 100 UMKM yang dipilih melalui teknik *proportional stratified random sampling*. Data dikumpulkan menggunakan kuesioner dan dianalisis menggunakan *Partial Least Squares–Structural Equation Modelling (PLS-SEM)*. Hasil penelitian menunjukkan bahwa profitabilitas dan literasi keuangan berpengaruh positif dan signifikan terhadap keputusan pendanaan, sedangkan akses keuangan berpengaruh negatif dan signifikan. Pertumbuhan usaha tidak berpengaruh signifikan terhadap keputusan pendanaan. Selain itu, literasi keuangan tidak secara signifikan memoderasi hubungan antara profitabilitas, pertumbuhan usaha, akses keuangan, dan keputusan

pendanaan. Model struktural menjelaskan 66,8% variasi keputusan pendanaan ($R^2 = 0,668$). Temuan ini menunjukkan bahwa keputusan pendanaan UMKM lebih banyak dipengaruhi oleh faktor langsung, terutama profitabilitas, akses keuangan, dan literasi keuangan. Penguatan literasi keuangan serta peningkatan akses terhadap layanan keuangan yang sesuai menjadi faktor penting untuk mendukung keputusan pendanaan UMKM yang lebih tepat dan efektif.

Kata kunci : *Pertumbuhan Usaha, Akses Keuangan, Literasi Keuangan, Keputusan Pendanaan, Profitabilitas.*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are productive businesses owned by individuals or business entities and classified based on net worth and annual sales revenue (Law of the Republic of Indonesia Number 20 of 2008). MSMEs contribute approximately 60% to the national Gross Domestic Product and absorb nearly 97% of the workforce in Indonesia (Kementerian Koordinator Bidang Perekonomian RI, 2025). In West Kalimantan, the number of MSMEs was recorded at 196.656 units, consisting of 168.623 micro enterprises, 26.328 small enterprises, and 1.705 medium enterprises (Kanwil DJPb Provinsi Kalimantan Barat, n.d.). Sambas Regency has 35.134 MSMEs, comprising 34.731 micro enterprises, 365 small enterprises, and 38 medium enterprises (Antara Kalbar, 2025). The development in the number of MSMEs in 2024 showed a decline of 12,18% in micro enterprises, 92,44% in small enterprises, and 94,23% in medium enterprises compared with the previous year.

The food and beverage service sector is part of the MSME economic activities that continue to develop in Sambas Regency, but the sustainability of these businesses is related to the ability of business owners to manage finances and determine funding sources (Badan Pusat Statistik Kabupaten Sambas, 2025). Sambas Regency accounts for 21,95% of all accommodation and food and beverage service businesses in West Kalimantan, higher than Kubu Raya at 13,23%, Singkawang at 10,17%, and Sanggau at 9,96% (Diskopukm Provinsi Kalimantan Barat, n.d.). The number of small enterprises in Sambas Regency reaches 365 units and is the highest among the regencies or cities listed in the West Kalimantan SIDT PL-UMKM data (Antara Kalbar, 2025). Financial access describes the ability of business owners to obtain and use formal financial services to support their business activities (Sarma, 2015). This access includes ease of obtaining credit, ownership of bank accounts, affordability of costs and interest rates, and relationships with financial institutions (OJK, 2022).

The large number of small enterprises has not been fully accompanied by ease of obtaining formal financing sources. The low uptake of MSME financing in Indonesia is associated with the limited access of business owners to formal financial institutions (Soedarwati & Arifiani, 2024). Credit requirements, collateral requirements, and lengthy administrative processes also limit the ability of some MSMEs to obtain external funding (Taufik Saleh et al., 2025). Access to financial services and the level of financial literacy are related to the decisions of micro-enterprise owners to use credit as a source of capital (Hambali & Rizqi, 2025). Adequate financial understanding helps MSME owners consider costs, risks, and repayment capacity before determining funding sources (Hadi A.D., 2025). Ease of obtaining financial services is also related to the growth and sustainability of MSME activities (Prameswari et al., 2024). More open access to financing can improve the ability of business owners to evaluate funding options rationally (Yazid M.H., 2025).

The behavior of selecting funding sources in this study is explained through Pecking Order Theory, which states that firms prioritize internal funding before using debt or other external sources (Myers & Majluf, 1984). Businesses with high levels of profitability tend to use available profits to finance operational activities and business development (Kaigama et al., 2016). Increased profitability can enhance the ability of MSMEs to support business activities through internal funding sources (Suwono, 2024). In this context, higher profitability provides MSMEs with greater internally generated funds that can be retained and reinvested in the business. These retained

earnings can therefore become the first financing option before owners consider debt or other external sources, consistent with the financing hierarchy proposed by Pecking Order Theory. The rates of return on assets and capital also reflect the flexibility of business owners in determining their funding structure (Rahadi & Herijanto, 2023). The ability to generate profits is related to the capacity of MSMEs to finance expansion without excessively increasing debt risk (Fatoki, 2021). At the same time, greater access to formal financial services does not necessarily lead MSME owners to choose debt financing. Although broader financial access increases the availability of external financing alternatives, owners may still prefer internal funding when it is sufficient to meet business needs. Reluctance to use formal debt may also arise because external financing involves repayment obligations, collateral requirements, credit requirements, and administrative procedures that can increase the perceived burden of borrowing, as reflected in the financing constraints faced by MSMEs (Taufik Saleh *et al.*, 2025). Preferences for maintaining business control may further encourage owners to rely on internal capital rather than debt when possible (Kelen Lusianus Heronimus Sinyo, 2022). Thus, improved financial access expands financing options but does not automatically eliminate MSMEs' preference for internal funding. Business growth can encourage the need for external financing to support increased operational activities and business expansion (Al-Smadi, 2019). Increases in sales, assets, and labor also increase the need for additional capital in business activities (Nurohmah & Triyono, 2023). Funding decisions are related to determining the composition of internal and external funds, which affects the cost of capital and the financial risk of the business (Brigham & Houston, 2019).

In addition to financial conditions and business development, the level of financial literacy is also related to the quality of funding management. Financial literacy can strengthen financing management in supporting the sustainability of micro enterprises (Hapsoro, 2019). Mastery of financial knowledge helps MSME owners in the food and beverage sector assess risks and determine appropriate funding alternatives (Herlina Rasjid, Selvi & Al Ramdan Hadju, 2024). Financial literacy also affects capital structure decisions made by MSME owners (Susilawati & Puryandani, 2020). Owners' preferences for maintaining business control and socioemotional wealth can influence the choice between internal capital and the use of debt (Kelen Lusianus Heronimus Sinyo, 2022). The education level, experience, and financial capability of business owners are also related to the quality of MSME funding decisions (Rokhayati *et al.*, 2024).

A number of previous studies have shown differences in research objects, variables, and the direction of testing. Research in Pontianak City examined the effect of financial literacy and ease of QRIS use on MSME income, rather than funding decisions (Balqis *et al.*, 2024). Another study showed that profitability has a positive effect on MSME financial performance, but did not examine its role in funding decisions with a moderating variable (Suwono, 2024). Business growth has also been reported to affect the use of debt in small and medium-sized enterprises in Jordan (Al-Smadi, 2019). Financial access was found to be related to the ability of MSME owners to consider business financing sources (Yazid M.H., 2025). Financial literacy has been shown to affect capital structure decisions, but it has not been analyzed simultaneously as a direct effect and as a moderating variable in the food and beverage sector in Sambas Regency (Susilawati & Puryandani, 2020). These differences indicate that the effects of profitability, business growth, and financial access on funding decisions, with financial literacy as a moderator, have not been examined in an integrated manner among small-scale MSMEs in the food and beverage sector in Sambas Regency.

Based on the description above, this study positions profitability, business growth, and financial access as variables expected to be related to funding decisions, while financial literacy is analyzed as a variable that has a direct effect and also plays a role in moderating these relationships. The study was conducted on 100 small-scale MSMEs in the food and beverage sector in Sambas Regency. This study aims to examine the effects of profitability, business growth, financial access, and financial literacy on funding decisions and to analyze the role of financial literacy in moderating the effects of profitability, business growth, and financial access on funding decisions.

RESEARCH METHOD

This study uses a quantitative approach with an associative research design to analyze the effects of Profitability, Business Growth, and Financial Access on the Funding Decisions of MSMEs in the food and beverage sector in Sambas Regency, with Financial Literacy examined both as a direct predictor of Funding Decisions and as a moderating variable. The research variables consist of Profitability (X1), Business Growth (X2), and Financial Access (X3) as independent variables; Funding Decisions (Y) as the dependent variable; and Financial Literacy (Z) as a variable that is examined both for its direct effect on Funding Decisions and for its moderating role in the relationships between the independent variables and Funding Decisions. Associative research is used to determine the relationship between two or more variables (Sugiyono, 2021).

The research data consist of primary and secondary data. Primary data were obtained through the distribution of structured questionnaires to MSME owners (Sugiyono, 2018). The questionnaire was developed based on indicators of Profitability, Business Growth, Financial Access, Financial Literacy, and Funding Decisions. Secondary data were obtained from the literature, previous studies, and various sources relevant to the research (Zainuddin Iba & Wardhana A, 2023). The study population consisted of 365 small-scale MSMEs operating in the food and beverage service sector in Sambas Regency. Sampling was carried out using proportional stratified random sampling. Based on the Slovin formula with a 10% margin of error, a minimum sample size of 79 MSMEs was obtained, while this study used 100 MSMEs as respondents. The sample was determined based on the criteria of being a small-scale business, operating in the food and beverage sector, being located in Sambas Regency, and still actively operating when the study was conducted. Each indicator was measured using a five-point Likert scale, ranging from strongly disagree to strongly agree (Sugiyono, 2019).

Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (PLS-SEM) with the assistance of SmartPLS 3 software. PLS-SEM was used to analyze relationships among variables simultaneously and can be applied to studies with relatively limited sample sizes without requiring multivariate normality (Ghozali & Latan, 2020). Outer model testing included convergent validity, construct reliability, and discriminant validity. Convergent validity was assessed based on an outer loading value > 0.70 and an Average Variance Extracted (AVE) value > 0.50 (Hair et al., 2021). Construct reliability was assessed using Cronbach's Alpha and Composite Reliability, with values > 0.70 as the acceptance criteria (Hair et al., 2024). Discriminant validity was assessed using the Fornell–Larcker criterion, in which the square root of the AVE of each construct should be higher than its correlations with other constructs in the model. Inner model testing was conducted using the R^2 value to assess the ability of exogenous variables to explain endogenous variables and the effect size (f^2) to examine the magnitude of the contribution of each variable to Funding Decisions. Model fit was also evaluated using the Standardized Root Mean Square Residual (SRMR). Significance testing was conducted using a bootstrapping procedure with 5,000 resamples at a 5% significance level.

Hypothesis testing focused on the direct effects of Profitability (X1), Business Growth (X2), Financial Access (X3), and Financial Literacy (Z) on Funding Decisions (Y). A hypothesis was declared accepted if the p -value < 0.05 and the t -statistic > 1.96 . Subsequent testing examined the moderating role of Financial Literacy in the effects of Profitability, Business Growth, and Financial Access on Funding Decisions through the interaction terms Profitability $\times$ Financial Literacy ($X1 \times Z$), Business Growth $\times$ Financial Literacy ($X2 \times Z$), and Financial Access $\times$ Financial Literacy ($X3 \times Z$). All tests were conducted to obtain an empirical description of the relationships among the variables formulated in the research model.

RESULTS AND DISCUSSION

Outer Model Measurement

Convergent Validity Test

Convergent validity indicates the degree to which indicators of a construct share a high proportion of variance. In this study, an outer loading value > 0.70 was used as the criterion for

convergent validity. The convergent validity test results for each research variable are presented in Table 1.

Table 1. Convergent Validity Test Results

Variable	Indicator	Loading Factor	Description
Profitability (X1)	X1.1	0.810	Valid
	X1.2	0.786	
	X1.3	0.817	
	X1.4	0.875	
	X1.5	0.865	
	X1.6	0.866	
	X1.7	0.811	
	X1.8	0.818	
Business Growth (X2)	X2.1	0.760	Valid
	X2.2	0.848	
	X2.3	0.761	
	X2.4	0.805	
	X2.5	0.888	
	X2.6	0.798	
	X2.7	0.843	
	X2.8	0.782	
	X2.9	0.762	
	X2.10	0.881	
	X2.11	0.819	
	X2.12	0.852	
Financial Access (X3)	X3.1	0.774	Valid
	X3.2	0.789	
	X3.3	0.834	
	X3.4	0.844	
	X3.5	0.782	
	X3.6	0.762	
	X3.7	0.779	
	X3.8	0.769	
	X3.9	0.865	
	X3.10	0.855	
	X3.11	0.813	
	X3.12	0.708	
Funding Decisions (Y)	Y.1	0.848	Valid
	Y.2	0.839	
	Y.3	0.800	
	Y.4	0.807	
	Y.5	0.840	
	Y.6	0.788	
	Y.7	0.761	
	Y.8	0.713	
Financial Literacy (Z)	Z.1	0.745	Valid
	Z.2	0.776	
	Z.3	0.839	
	Z.4	0.736	
	Z.5	0.792	
	Z.6	0.744	
	Z.7	0.799	

Z.8	0.865
Z.9	0.814
Z.10	0.804
Z.11	0.770
Z.12	0.734

Source: Processed Data, 2026

Based on Table 1, all indicators of the Profitability, Business Growth, Financial Access, Financial Literacy, and Funding Decisions variables have loading factor values > 0.70 . These results indicate that all indicators have met the convergent validity criteria and are therefore declared valid and suitable for use in measuring the research constructs.

Discriminant Validity

The discriminant validity test was conducted using the Fornell-Larcker criterion to ensure the ability of each construct to distinguish itself from other constructs. A construct is considered to have good discriminant validity when the value for that construct is higher than its correlations with other constructs in the model. The discriminant validity test results of this study are presented in Table 2.

Table 2. Discriminant Validity Test Results

Variable	Financial Access	Funding Decisions	Financial Literacy	Business Growth	Profitability
Financial Access	0.799				
Funding Decisions	-0.191	0.801			
Financial Literacy	-0.138	0.754	0.786		
Business Growth	-0.120	0.740	0.712	0.818	
Profitability	0.011	0.472	0.433	0.475	0.832

Source: Processed Data, 2026

Based on the discriminant validity test in Table 2, the Fornell-Larcker value of each construct is higher than its correlations with other constructs. This indicates that each construct has a square root of AVE that is higher than its correlations with other constructs. Thus, all constructs have met the discriminant validity criteria and can be adequately distinguished within the research model.

Average Variance Extracted (AVE)

Convergent validity can also be evaluated through the Average Variance Extracted (AVE) value. A construct is considered to meet the validity criterion when it has an AVE value > 0.5 . The AVE test results in this study are presented in Table 3.

Table 3. AVE Test Results

Variable	AVE
Profitability (X1)	0.692
Business Growth (X2)	0.668
Financial Access (X3)	0.638
Financial Literacy (Z)	0.618
Funding Decisions (Y)	0.641

Source: Processed Data, 2026

Based on the AVE test results in Table 3, all variables have AVE values above 0.5. These results indicate that all constructs have met the convergent validity criteria. Thus, the indicators used are declared valid and capable of adequately representing the research constructs.

Reliability Test

The reliability test aims to measure the consistency and reliability of the research instrument. Testing was conducted using Composite Reliability and Cronbach's Alpha, with a minimum value of 0.7 as the reliability criterion. Composite Reliability indicates the internal consistency of the

construct, while Cronbach's Alpha is used as supporting evidence in assessing the reliability of the instrument. The reliability test results of this study are presented in Table 4.

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Profitability (X1)	0.936	0.947
Business Growth (X2)	0.955	0.960
Financial Access (X3)	0.951	0.955
Financial Literacy (Z)	0.943	0.951
Funding Decisions (Y)	0.920	0.934

Source: Processed Data, 2026

Based on the reliability test results in Table 4, all variables have Composite Reliability and Cronbach's Alpha values above 0,7. These results indicate that all constructs have met the reliability criteria, and therefore the research instrument is declared consistent and suitable for further analysis.

Inner Model Measurement

Coefficient of Determination (R-Square Test)

The R-Square coefficient of determination is used to measure the ability of the independent variables to explain variation in the dependent variable, namely Funding Decisions. The magnitude of the R-Square value indicates the strength of the model in explaining the dependent variable. The R-Square calculation results are presented in Table 5.

Table 5. R-Square Test Results

Endogenous Variable	R-Square	Adjusted R Square
Funding Decisions (Y)	0.668	0.654
Financial Literacy (Z)	0.523	0.508

Source: Processed Data, 2026

Based on the R-Square test results presented in Table 5, the Funding Decision variable (Y) obtained an R-Square value of 0.668. This value indicates that Profitability (X1), Business Growth (X2), Financial Access (X3), and Financial Literacy (Z) have a moderate level of explanatory power in predicting Funding Decisions (Y). The Adjusted R-Square value of 0.654 shows that these four variables simultaneously explain 65.4% of the variation in Funding Decisions, while the remaining 34.6% is explained by other factors outside the proposed research model. Furthermore, the Financial Literacy variable (Z) obtained an R-Square value of 0.523, indicating that Profitability (X1), Business Growth (X2), and Financial Access (X3) provide a moderate explanation of variations in Financial Literacy (Z). The Adjusted R-Square value of 0.508 indicates that these three variables collectively explain 50.8% of the variation in Financial Literacy, whereas the remaining 49.2% is influenced by other variables not included in this research model. These findings demonstrate that the proposed model has adequate predictive capability in explaining the relationships among the examined variables.

F-Square Test

In SEM-PLS analysis, F-Square is used to measure the magnitude of the effect of exogenous variables on endogenous variables in the structural model. The calculated F-Square values are presented in Table 6.

Table 6. F-Square Test Results

Model	F-Square
Profitability (X1) → Funding Decisions (Y)	0.028
Business Growth (X2) → Funding Decisions (Y)	0.187
Financial Access (X3) → Funding Decisions (Y)	0.023
Financial Literacy (Z) → Funding Decisions (Y)	0.267

Source: Processed Data, 2026

Based on the F-Square test results presented in Table 6, the effect size of each independent variable on Funding Decisions (Y) can be interpreted. Profitability (X1) obtained an F-Square value of 0.028, indicating a small effect on Funding Decisions. Business Growth (X2) showed an F-Square value of 0.187, which indicates a moderate effect on Funding Decisions. Financial Access (X3) produced an F-Square value of 0.023, demonstrating a small effect on Funding Decisions. Meanwhile, Financial Literacy (Z) obtained the highest F-Square value of 0.267, indicating a moderate effect on Funding Decisions. These results suggest that among the examined variables, Financial Literacy provides the strongest contribution to explaining variations in MSME funding decisions, followed by Business Growth, while Profitability and Financial Access have relatively smaller effect sizes within the proposed model.

Goodness of Fit (GoF)

The Goodness of Fit (GoF) test in SEM-PLS is used to evaluate the overall level of model fit, both in the measurement model and the structural model. The assessment can use the SRMR (Standardized Root Mean Square Residual) value, where a lower value indicates a better level of model fit. The Goodness of Fit test results are presented in Table 7.

Table 7. Goodness of Fit Test Results

SRMR	Estimated Model
	0.075

Source: Processed Data, 2026

Based on the test results in Table 7, an SRMR value of 0,075 was obtained, which is below the threshold of 0,08. These results indicate that the model has a good level of fit with the research data.

Direct Effect

This test was conducted to analyze the direct effects of Profitability, Business Growth, Financial Access, and Financial Literacy on the Funding Decisions of MSMEs in the food and beverage sector. A hypothesis was declared accepted if the p -value $< 0,05$ and the t -statistic $> 1,96$. The direct effect test results in this study are presented in Table 8.

Table 8. Result of Direct Effect

Hypothesis	Relationship Between Variables	Original Sample Estimate	T Statistic	P Value	Description
H1	Profitability (X1) – Funding Decisions (Y)	0.137	2.108	0.036	Accepted
H2	Business Growth (X2) – Funding Decisions (Y)	0.352	1.783	0.075	Rejected
H3	Financial Access (X3) – Funding Decisions (Y)	-0.107	2.033	0.043	Accepted
H4	Financial Literacy (Z) – Funding Decisions (Y)	0.042	2.568	0.011	Accepted

Source: Processed Data, 2026

Based on the direct effect analysis presented in Table 8, the relationships among the research variables can be explained as follows. Profitability (X1) has a t -statistic value of 2.108 and a p -value of 0.036, indicating that it has a positive and significant effect on Funding Decisions (Y), as the statistical criteria are satisfied. Business Growth (X2) obtains a t -statistic value of 1.783 with a p -value of 0.075, which does not meet the significance threshold; therefore, Business Growth does not have a significant effect on Funding Decisions. Financial Access (X3) shows a t -statistic value of 2.033 and a p -value of 0.043, indicating a negative and significant effect on Funding Decisions. Meanwhile, Financial Literacy (Z) has a t -statistic value of 2.568 with a p -value of 0.011, demonstrating that Financial Literacy has a positive and significant effect on Funding Decisions. These findings indicate that profitability and financial literacy play important roles in influencing

MSME funding decisions, while the effect of business growth is not statistically supported. The negative relationship between financial access and funding decisions suggests that easier access to financial resources does not necessarily increase funding decisions within the context of the studied MSMEs.

Moderation Effect

Moderation Effect is used to test the indirect effects of Profitability, Business Growth, and Financial Access on Funding Decisions through Financial Literacy as a moderating variable. Testing is conducted based on the specific indirect effect value from the bootstrapping results. The test results can be seen in Table 9.

Table 9. Result of Moderation Effect

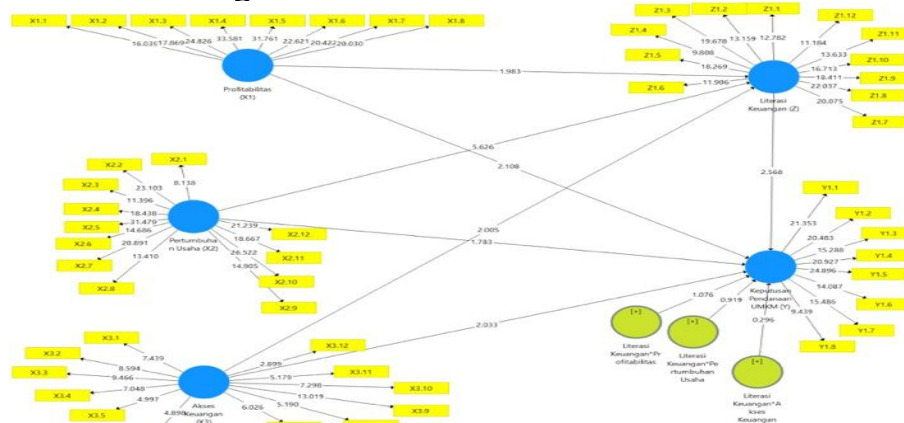
Hypothesis	Relationship Between Variables	Original Sample Estimate	T Statistic	P Value	Description
H5	Profitability*Financial Literacy -> Funding Decisions	-0.171	1.076	0.282	Rejected
H6	Business Growth*Financial Literacy-> Funding Decisions	0.110	0.919	0.358	Rejected
H7	Financial Access*Financial Literacy -> Funding Decisions	-0.019	0.296	0.767	Rejected

Source: Processed Data, 2026

Based on the moderation effect analysis presented in Table 9, the moderating role of Financial Literacy (Z) in the relationships between the independent variables and Funding Decisions (Y) can be explained as follows. The interaction between Profitability (X1) and Financial Literacy on Funding Decisions produces a t-statistic value of 1.076, a *p-value* of 0.282, and an interaction coefficient of -0.171 . These results do not meet the significance criteria, indicating that Financial Literacy does not significantly moderate the effect of Profitability on Funding Decisions. Therefore, variations in Financial Literacy levels do not significantly strengthen or weaken the relationship between Profitability and Funding Decisions.

Furthermore, the interaction between Business Growth (X2) and Financial Literacy on Funding Decisions shows a t-statistic value of 0.919, a *p-value* of 0.358, and an interaction coefficient of 0.110. Since the significance requirement is not fulfilled, Financial Literacy does not significantly moderate the effect of Business Growth on Funding Decisions. This indicates that differences in Financial Literacy levels do not significantly influence the strength of the relationship between Business Growth and Funding Decisions. Similarly, the interaction between Financial Access (X3) and Financial Literacy on Funding Decisions obtains a t-statistic value of 0.296, a *p-value* of 0.767, and an interaction coefficient of -0.019 . These findings demonstrate that Financial Literacy does not significantly moderate the effect of Financial Access on Funding Decisions. Thus, Financial Literacy does not function as a factor that significantly amplifies or reduces the relationship between Financial Access and Funding Decisions within the studied MSME context.

Figure 1. Inner Model Test Results



Source: SmartPLS Output, 2026

Discussion

Effect of Profitability on Funding Decisions

The results show that Profitability has a positive and significant effect on Funding Decisions, with a t-statistic value of 2,108, a p-value of 0,036, and a coefficient of 0,137. This finding indicates that an increase in profitability among MSMEs in the food and beverage sector in Sambas Regency is accompanied by an increase in their ability to determine funding decisions. This condition indicates that the level of profitability can be a consideration in determining the sources and use of business funds because the ability to generate profits provides an indication of the business's capacity to meet its funding needs. The results of this study are consistent with the study by Mueller & Sensini (2021), which shows that profitability is one of the most significant factors in explaining funding decisions among MSMEs. This finding reinforces the result that profitability is one of the factors related to the funding decisions of MSMEs in the food and beverage sector in Sambas Regency.

Effect of Business Growth on Funding Decisions

The results show that Business Growth does not have a significant effect on Funding Decisions, with a t-statistic value of 1,783 and a p-value of 0,075, although the obtained effect coefficient of 0,352 indicates a positive direction. This result indicates that an increase in business growth has not been significantly followed by changes in funding decisions among MSMEs in the food and beverage sector in Sambas Regency. Business growth, as reflected in the development of business activities, has not become a statistically determining factor in funding decisions in this study. This finding is consistent with the study by Rathogwa & Msimango-Galawe (2023), which shows that business growth does not have a significant effect on funding decisions. This result also indicates that MSME funding decisions are not determined solely by business development but are more closely related to other factors included in the research model.

Effect of Financial Access on Funding Decisions

The results show that Financial Access has a negative and significant effect on Funding Decisions, with a t-statistic value of 2,033, a p-value of 0,043, and a coefficient of -0,107. This finding indicates that the better the financial access available to MSMEs in the food and beverage sector in Sambas Regency, the lower the tendency of the funding decisions measured in this study. Access to financing sources provides business owners with opportunities to obtain more diverse funding alternatives, so the funding decisions made may show different directions according to the needs and characteristics of the available funding sources.

Effect of Financial Literacy on Funding Decisions

The results show that Financial Literacy has a positive and significant effect on Funding Decisions, with a t-statistic value of 2,568, a p-value of 0,011, and a coefficient of 0,042. This finding indicates that the better the financial literacy of MSME owners in the food and beverage

sector in Sambas Regency, the better the funding decisions they make. An understanding of financial management, sources of financing, and the consequences of using funds can help business owners consider their funding needs in a more measured manner. The results of this study are consistent with the study by Mutasowifin & Sutisna (2023), which shows that financial literacy has a positive effect on funding decisions. This finding indicates that financial literacy has a direct relationship with the ability of MSME owners to determine funding decisions.

Moderating Role of Financial Literacy in the Effect of Profitability on Funding Decisions

The test results show that Financial Literacy does not significantly moderate the effect of Profitability on Funding Decisions, with a t-statistic value of 1.076, a p-value of 0.282, and an interaction coefficient of -0.171. These results indicate that differences in the level of Financial Literacy among MSME owners do not significantly change the strength of the relationship between Profitability and Funding Decisions. Although Profitability is proven to have a positive and significant direct effect on Funding Decisions, its effect remains relatively independent of the level of Financial Literacy possessed by business owners.

This finding becomes particularly important when considered together with the significant direct effect of Financial Literacy on Funding Decisions. The result suggests that Financial Literacy may function more as a direct capability that supports MSME owners in evaluating financing needs, risks, and funding alternatives rather than as an interaction factor that strengthens or weakens the effect of Profitability. In other words, financially literate business owners may generally be better able to make funding decisions, but a higher level of Financial Literacy does not necessarily cause profitability to have a stronger influence on those decisions. This pattern indicates that profitability and Financial Literacy may contribute to Funding Decisions through their respective direct roles rather than through a significant interaction between the two variables.

Moderating Role of Financial Literacy in the Effect of Business Growth on Funding Decisions

The test results show that Financial Literacy does not significantly moderate the effect of Business Growth on Funding Decisions, with a t-statistic value of 0.919, a p-value of 0.358, and an interaction coefficient of 0.110. This finding indicates that the level of Financial Literacy does not significantly change the relationship between Business Growth and Funding Decisions among MSMEs in the food and beverage sector in Sambas Regency. The result is also consistent with the direct effect of Business Growth on Funding Decisions, which is not statistically significant.

This condition suggests that Financial Literacy alone is not sufficient to make business growth translate into different funding decisions. Growth in business activities does not automatically require MSME owners to change their funding structure, because additional financing needs may depend on the actual operational conditions and financing requirements faced by each business. Financial Literacy may help owners understand and evaluate these conditions more carefully, but such understanding does not necessarily strengthen the influence of Business Growth on Funding Decisions. Therefore, the role of Financial Literacy in this relationship appears to be more relevant as a general financial capability in supporting decision making rather than as a factor that changes the effect of Business Growth on Funding Decisions.

Moderating Role of Financial Literacy in the Effect of Financial Access on Funding Decisions

The test results show that Financial Literacy does not significantly moderate the effect of Financial Access on Funding Decisions, with a t-statistic value of 0.296, a p-value of 0.767, and an interaction coefficient of -0.019. These results indicate that differences in Financial Literacy do not significantly strengthen or weaken the relationship between Financial Access and Funding Decisions among MSMEs in the food and beverage sector in Sambas Regency. Although Financial Access has a negative and significant direct effect on Funding Decisions, the magnitude of this relationship does not significantly depend on the level of Financial Literacy of MSME owners.

This finding suggests that having better financial knowledge does not necessarily change how the availability of formal financial services affects funding decisions. Financial Literacy may improve the ability of business owners to understand financing alternatives, costs, risks, and repayment consequences, but the final response to Financial Access may still be determined by the characteristics and conditions of the financing options available to the business. Accordingly,

Financial Literacy appears to contribute more directly to the quality of Funding Decisions than to function as an interaction buffer that alters the effect of Financial Access.

Taken together, the moderation results provide a consistent pattern. Financial Literacy has a positive and significant direct effect on Funding Decisions, but none of its interactions with Profitability, Business Growth, or Financial Access is statistically significant. This pattern indicates that Financial Literacy in this study is more appropriately understood as an independent capability that supports the quality of MSME funding decision making rather than as a contextual factor that changes the strength of the relationships between the three antecedent variables and Funding Decisions. Thus, increasing Financial Literacy may directly improve the ability of MSME owners to assess and select funding alternatives, even though it does not necessarily amplify or reduce the effects of Profitability, Business Growth, and Financial Access on their Funding Decisions.

CONCLUSIONS AND RECOMMENDATIONS

This study shows that the funding decisions of MSMEs in the food and beverage sector in Sambas Regency are influenced by Profitability, Financial Access, and Financial Literacy, with different directions of effect. Profitability has a positive and significant effect on Funding Decisions with a coefficient of 0.137 and a p-value of 0.036, while Financial Access has a negative and significant effect with a coefficient of -0.107 and a p-value of 0.043. Business Growth has not shown a significant effect on Funding Decisions, with a p-value of 0.075. Financial Literacy has a positive and significant effect on Funding Decisions with a coefficient of 0.042 and a p-value of 0.011. These results indicate that the ability to generate profits, access to financial sources, and financial understanding are related to MSME funding decisions, while business growth has not become a significant factor in determining funding decisions.

Theoretically, this study strengthens the literature on MSME funding decisions by showing that Financial Literacy has not been proven to significantly moderate the effects of Profitability, Business Growth, and Financial Access on Funding Decisions. The interaction effects of Profitability, Business Growth, and Financial Access with Financial Literacy have p-values of 0.282, 0.358, and 0.767, respectively. These findings indicate that Financial Literacy has a direct role in Funding Decisions but has not been proven to significantly strengthen or weaken the relationships between the three antecedent variables and Funding Decisions. The research model is able to explain 65.4% of the variation in Funding Decisions and 50.8% of the variation in Financial Literacy based on the Adjusted R-Square values.

Practically, the findings indicate that strengthening MSME funding decisions should not focus solely on increasing the availability or volume of credit. Regional credit institutions are encouraged to complement financing services with practical financial assistance, particularly cash-flow management training, so that MSME owners are better able to assess their financing needs, repayment capacity, and the suitability of available funding alternatives. Local governments can support this effort by integrating financial literacy and cash-flow management programs into MSME development and financial inclusion initiatives, especially for small-scale food and beverage businesses. Such programs should emphasize the ability of business owners to distinguish between business cash flows and financing needs, plan repayment obligations, evaluate financing costs, and select funding sources according to their financial capacity. In this way, financial inclusion can be directed not only toward expanding access to credit but also toward improving the quality of MSME financial decision making. Future research may consider other factors not included in the model because 34.6% of the variation in Funding Decisions and 49.2% of the variation in Financial Literacy are still explained by factors outside the model. Testing these factors is expected to broaden the understanding of the formation of MSME funding decisions.

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