



## Improving financial performance through financial literacy, good financial practice and fintech adoption

*Rey Anthony P. Vecina*: Graduate School Student, Divine word College of Vigan, Vigan City, Ilocos Sur, Philippines

*Marie Joy G. Encarnacion*: Faculty of the Graduate School, Divine Word College of Vigan, Vigan City, Ilocos Sur, Philippines

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### ABSTRACT

This study examines the impact of financial literacy, financial management practices, and fintech adoption on the financial performance of MSMEs in Vigan City, Philippines. Using a descriptive-correlational research design, data were gathered from 90 MSME owners and managers through a structured survey. The findings show that while MSMEs demonstrate high levels of financial literacy, management practices, and fintech adoption, there are gaps in the practical application of financial knowledge and long-term planning. Statistical analysis revealed significant positive correlations between these factors and financial performance. The study highlights the need for improved financial education, proactive planning, and enhanced fintech use to boost MSME sustainability and profitability. The results offer actionable insights for policymakers, financial institutions, and MSME owners to foster financial resilience and growth.

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## Introduction

Micro, Small, and Medium Enterprises (MSMEs) are vital engines of urban economic growth, significantly contributing to both employment generation and gross domestic product (GDP). Yet, their financial performance is often shaped by a complex interplay of factors—chief among them being financial literacy, sound financial management practices, and the adoption of financial technology (fintech). Understanding how these elements work together is key to crafting strategies that foster MSME stability and sustainable growth.

\* Corresponding author. ORCID ID: 0000-0001-6884-3504

Financial literacy, the foundation for informed and effective financial decision-making, has emerged as a crucial determinant of MSME success. Numerous studies underscore its importance. For instance, Bancoro (2023) found that MSME owners in San Jose, Negros Oriental, Philippines, with higher financial literacy tended to achieve better financial outcomes. In a similar vein, Kartini and Wijaya (2023) reported that financial literacy strongly influences financial management practices among MSMEs in Subang Regency, Indonesia. Gunawan et al. (2023) further reinforced this point, noting that financial literacy not only enhances decision-making but also significantly boosts overall business performance.

Equally critical are financial management practices, such as budgeting, financial control, and strategic resource allocation. These practices are the bedrock of MSME sustainability and growth. For example, during the COVID-19 pandemic, Andaningsih and Setyowati (2022) highlighted the importance of financial control behaviors in helping small businesses in Bekasi City, West Java, weather economic shocks. Similarly, Anos et al. (2020) emphasized that robust financial management practices contribute to improved financial performance among MSMEs in Cebu, Philippines. As Ramzi et al. (2023) observed, efficient financial management ensures optimal resource use, cost control, and profitability—all essential for long-term success.

The rise of financial technology (fintech) has introduced transformative tools that simplify financial operations, enhance access to capital, and streamline payment processes for MSMEs. Candraningrat et al. (2021) showcased fintech's vital role in MSME development, noting its ability to deliver financial services to previously underserved sectors. Hamidah et al. (2020) echoed these findings, reporting positive impacts of fintech adoption on MSMEs in Depok City, West Java. Fintech not only boosts operational efficiency and financial inclusion but also opens doors to new opportunities for business expansion (Hapsari & Puspitasari, 2024).

While each of these factors—financial literacy, management practices, and fintech adoption—has been studied individually, research examining their combined impact on MSME financial performance remains limited, especially within specific local contexts like Vigan City. For example, Gunawan et al. (2023) explored the influence of financial literacy and fintech on MSMEs but did not investigate how these intersect with financial management practices in Vigan. Similarly, Doszhan et al. (2020) addressed challenges in financial management linked to fintech but overlooked its interaction with financial literacy.

The need for integrated research is echoed in studies such as those by Puspitasari and Astrini (2022) in Bogor City, and Mukarromah et al. (2020) in Lebak Regency, both of which call for a more holistic examination of these variables. Research by Rahadjeng et al. (2023) adds to this conversation, showing that a combination of financial literacy, self-efficacy, and financial

attitudes can significantly enhance MSME performance—yet fintech remains underexplored in this framework.

To address this gap, the present study aims to explore the interconnected roles of financial literacy, financial management practices, and fintech adoption in shaping the financial performance of MSMEs in Vigan City. By examining these dynamics collectively, this research seeks to offer a more comprehensive understanding of the drivers behind MSME success. The findings aim to inform MSME owners, managers, and financial institutions, equipping them with actionable insights to design targeted support mechanisms and interventions.

## ***Literature review***

This review delves into the intricate relationship between financial literacy, financial management practices, financial technology (fintech) adoption and the financial performance of MSMEs in Vigan City.

### ***Financial literacy***

Financial literacy emerges as a critical factor influencing MSME performance across various contexts. Studies by Maris et al. (2022) and Sofia et al. (2021) highlight the significance of financial literacy training programs in improving MSMEs' financial management skills and decision-making capabilities. Moreover, Kartini and Wijaya (2023) examine the impact of financial literacy on MSMEs in the Pantura area of Subang Regency, offering insights into regional variations in financial literacy levels and their implications for business outcomes. Tomaneng et al. (2023) showed that respondents exhibited low financial knowledge and skills and a high financial attitude and behavior, resulting in an average financial literacy.

### ***Financial management practices***

Expanding on the discussion of financial management practices, studies by Masamah (2022) and Mukarromah et al. (2020) delve into the role of financial governance training and behavior analysis in enhancing MSME resilience and performance. Additionally, Suhendah et al. (2022) explore strategic management approaches, such as the application of IFE-EFE matrices, to optimize MSME business operations and drive sustainable growth.

### ***Fintech adoption***

Further exploration of fintech adoption in MSMEs reveals its multifaceted impact on business operations and financial inclusion. Candraningrat et al. (2021) investigate the role of financial technology in MSME development, emphasizing its potential to drive innovation and facilitate access to financial services. Moreover, Sari et al. (2023) examine the relationship between financial knowledge, digital financial capabilities, and financial inclusion in MSMEs, shedding light on the transformative power of fintech solutions in fostering financial resilience and inclusion.

### ***Financial performance of MSMEs***

Studies on the financial performance of MSMEs provide valuable insights into the outcomes of various interventions and strategies. Pagaddut (2021) explores the financial factors influencing MSME performance in the Philippines, offering a comprehensive analysis of the challenges and opportunities facing small businesses. Furthermore, Rohmatin et al. (2021) analyze MSME financial management practices in the COVID-19 pandemic era, highlighting the importance of adaptive strategies in navigating economic uncertainty and ensuring business continuity.

By incorporating these additional studies, the review of related literature offers a comprehensive overview of the factors shaping MSME financial performance, including financial literacy, management practices, fintech adoption, and the broader economic context. These insights contribute to a deeper understanding of the challenges and opportunities facing MSMEs in Vigan City and inform targeted interventions to support their growth and sustainability.

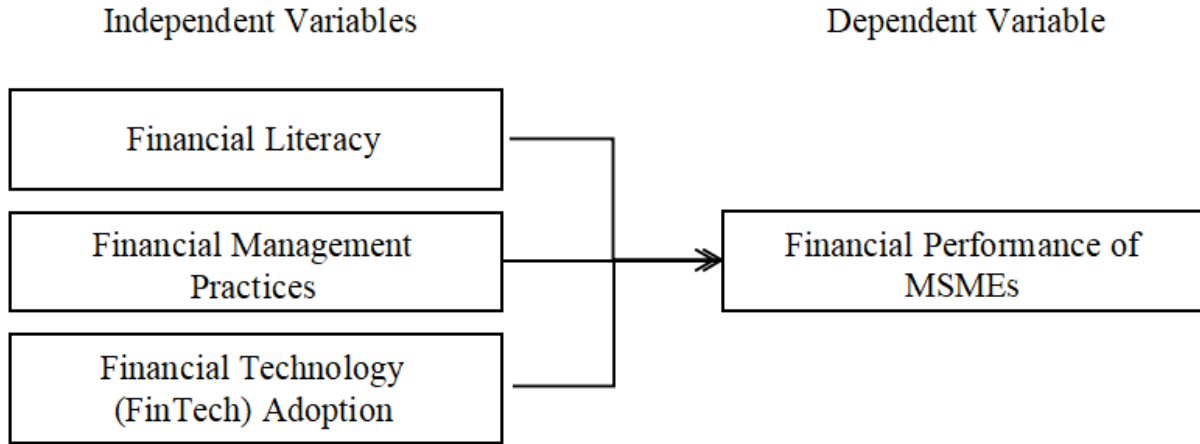
Based on the reviewed related studies, several key factors were found to have an influence on the financial management behavior and performance of micro, small, and medium enterprises (MSMEs) across different regions and industries. The most common factor affecting the financial management behavior and performance of MSMEs is determined to be financial literacy. Studies have emphasized its significance in helping MSME owners and managers make informed decisions regarding budgeting, investment, and financial planning. Improved financial literacy can lead to better financial management and business sustainability. However, some studies noted that financial literacy alone may not significantly affect business sustainability without proper managerial capabilities and risk mitigation.

Moreover, studies also emphasized the adoption of financial technologies to enhance MSME performance and sustainability. It can improve financial management practices, increase access to funding, and facilitate financial transactions. Studies also suggested that a lack of awareness and understanding of fintech among MSMEs limits its positive impact on financial management.

Therefore, this study determined the relationship between and among financial literacy, financial management behavior, and financial technology use and the financial performance of MSMEs in Vigan City. By considering these three key factors as to their influence on the financial performance of MSMEs, knowledge on management practices, financial challenges, and opportunities could be broadened for a more sustainable and successful business in a competitive market such as Vigan City, which is considered a heritage city.

## Conceptual framework

The theoretical basis, related literature and studies, and the research gaps, the research paradigm below were formulated.



*Adapted from Barney (1991), Davis (1989), and Brigham & Houston (2014).*

### Figure 1. Research Paradigm

The research paradigm illustrated in the presentation shows the relationship between financial literacy, financial management practices, and financial technology (fintech) adoption to the financial performance of MSMEs. The independent variables include financial literacy, financial management practices, and fintech adoption. On the other hand, financial performance of MSMEs will serve as the dependent variable of the study.

## Statement of the problem

This study generally aimed to explore the relationship between financial literacy, financial management practices, and fintech adoption on the financial performance of MSMEs, particularly in Vigan City.

Specifically, this study sought to answer the following questions:

1. What is the level of financial literacy of MSMEs in Vigan City?
2. What is the level of financial management practices of MSMEs in Vigan City?
3. What is the level of financial technology adoption of MSMEs in Vigan City?
4. What is the level of financial performance of MSMEs in Vigan City?
5. Is there a significant relationship between financial literacy, financial management practices, fintech adoption and financial performance of MSMEs in Vigan City?

### Hypothesis

- H1: *The level of financial literacy positively influences financial performance of MSMEs in Vigan City.*

H2: *The level of financial management practices positively influences financial performance of MSMEs in Vigan City.*

H3: *The level of financial technology adoption positively influences financial performance of MSMEs in Vigan City.*

### ***Scope and limitations of the study***

This study was focused on exploring the relationship between the financial literacy, financial management practices, and fintech adoption to the financial performance of MSMEs in Vigan City, Ilocos Sur. Descriptive-correlational research design was employed and MSMEs from Vigan City were the respondents of the study. A researcher-made questionnaire was used to gather the data, validated by experts. Mean and simple correlational analysis were used to analyze the gathered data.

## ***Research methodology***

### ***Research design***

In this study, a descriptive-correlational research design was used to explore the relationship between financial literacy, financial management practices, fintech adoption, and the financial performance of MSMEs in Vigan City. The descriptive research design provided a detailed and accurate snapshot of the current levels of these variables among MSMEs by collecting data through surveys and questionnaires, allowing for a clear understanding of the situation (Creswell, 2014). The correlational research design examined the relationships between these variables (Fraenkel, Hyun, & Wallen, 2011). This approach helped understand how financial literacy, management practices, and fintech adoption influence MSME financial performance, providing insights for targeted interventions to improve MSME success.

### ***Research locale***

This study was conducted in Vigan City, the capital of Ilocos Sur, Philippines—a UNESCO World Heritage Site renowned for its preserved Spanish colonial and Asian architecture. As a major cultural and tourist hub, Vigan’s economy is driven by MSMEs in sectors such as tourism, food services, crafts, and retail. These enterprises operate within a unique environment shaped by heritage conservation policies and a tourism-focused market. This context offers a distinctive lens to explore how financial literacy, financial management, and fintech adoption influence MSME financial performance. The findings provide valuable insights for enhancing MSME sustainability in similarly heritage-rich, tourism-dependent areas.

### ***Respondents of the study***

The respondents of the study were composed of 90 MSMEs. The study included owners, managers, or key decision-makers of micro, small, and medium enterprises (MSMEs) in Vigan City, Philippines. These individuals were selected based on their involvement in financial management and decision-making. The respondents covered various industries such as hotels and souvenir shops. Total enumeration was considered in the study.

### ***Data gathering procedure***

To collect data, the researcher secured an endorsement from the Graduate School program head to distribute a validated survey questionnaire. A pilot test was conducted to ensure its reliability. The questionnaire, attached to a formal request letter, was personally distributed to respondents, who provided informed consent before participation. Once completed, the surveys were retrieved, and the data was recorded for analysis and interpretation.

### ***Data gathering instrument***

The primary data for this study were collected through a researcher-made survey questionnaire covering financial literacy, financial management practices, fintech adoption, and financial performance. The instrument was validated by experts, achieving a high validity rating (mean = 4.25) and excellent reliability (Cronbach's alpha = 0.973).

### ***Statistical treatment of data***

The collected data underwent thorough statistical analysis to ensure accuracy in interpretation. Quantitative responses were analyzed using both descriptive and inferential methods, primarily through mean calculations and simple correlational analysis.

The following were used to analyze the mean ratings.

<b>Norms</b>	<b>Statistical Range</b>	<b>Descriptive Rating</b>	<b>Overall DR</b>
4	3.26 – 4.00	Strongly Agree (SA)	Very High (VH)
3	2.51 – 3.25	Agree (A)	High (H)
2	1.76 – 2.50	Disagree (D)	Low (L)
1	1.00 – 1.75	Strongly Disagree (SD)	Very Low (VL)

### ***Ethical considerations***

This study adhered to the highest ethical standards to ensure research integrity and protect participants' rights. Informed consent was central to the process. Participants received a detailed consent form explaining the study's purpose, procedures, voluntary nature, confidentiality measures, and their right to withdraw at any time without penalty. Participation proceeded only after signed consent was obtained.

Confidentiality and anonymity were strictly maintained. Personal identifiers were removed, and responses were coded to protect identities. Data were securely stored—digital files encrypted on password-protected devices and physical records kept in locked storage. Access was limited to the researcher, and data were retained only as long as required by institutional guidelines before being securely destroyed.

Participants were informed that involvement was voluntary, with no direct personal benefits or foreseeable risks. Although some minor inconvenience was possible, every effort was made to

minimize discomfort. Participants were encouraged to ask questions and received clear, timely answers throughout the study.

Cultural and social sensitivities specific to Vigan City were respected. The research was conducted in a manner that honored local norms and values. Findings were shared with the community and relevant stakeholders to recognize their contributions and provide meaningful insights.

### ***Data presentation and analysis***

The data are presented according to the problems of the study.

#### ***Problem 1: What is the level of financial literacy of MSMEs in Vigan City?***

**Table 1**

*The level of financial literacy of MSMEs in Vigan City*

<b>Indicators</b>	<b>Mean</b>	<b>DR</b>
1. I have a strong understanding of how interest rates affect my savings and loan repayments.	3.33	SA
2. I am familiar with different financial products like savings account, credit cards, insurance policies, stocks and bonds.	3.31	SA
3. I understand basic financial concepts, such as interest rates, inflation, and profit margins.	3.27	SA
4. I understand investment diversification.	3.14	A
5. I follow a budget for personal and business expenses.	3.31	SA
6. I carefully evaluate loan terms and repayment obligations before borrowing funds.	3.38	SA
7. I regularly invest a portion of my income to different investment products.	2.94	A
8. I set clear financial goals (short-term and long-term) and develop strategies to achieve them.	3.19	A
9. I am willing to take financial risks for high returns.	2.99	A
10. It is important for me to have a long-term financial plan for retirement or future investments.	3.32	SA
<b>Composite Mean</b>	<b>3.22</b>	<b>H</b>

*(Source: SPSS IBM)*

Table 1 shows that the respondents' financial literacy yielded a composite mean of 3.22, indicating a generally high level of financial knowledge and capability among MSME owners in Vigan. They demonstrate sound financial decision-making skills and an ability to manage their finances effectively.

The highest-rated item, “I carefully evaluate loan terms and payment obligations before borrowing funds,” received a strongly agree rating, reflecting a cautious and informed approach to borrowing. Other highly rated indicators included understanding interest rates, recognizing the importance of financial planning, budgeting, and familiarity with various financial products.

The lowest-rated item, “I regularly invest a portion of my income in different investment products,” still received an agree rating, suggesting a more cautious stance toward investment diversification. Overall, indicators related to investment behavior and risk tolerance were slightly lower, pointing to moderate confidence in these areas.

**Problem 2: What is the level of financial management practices of MSMEs in Vigan City?**

**Table 2**

*The level of financial management practices of MSMEs in Vigan City*

<b>Indicators</b>	<b>Mean</b>	<b>DR</b>
1. I create a monthly budget for income and expenses.	3.23	A
2. I review and adjust my budget to reflect changes in my financial situations.	3.14	A
3. I have emergency savings fund that can cover 3-6 months of living expenses.	3.08	A
4. I regularly contribute long-term savings or investment accounts like mutual funds, retirement accounts.	3.03	A
5. I have a financial plan that includes goals for the next 1, 5, and 10 years.	2.90	A
6. I can pay for unexpected expenses like car repairs, medical bills	3.03	A
7. I regularly review my spending habits so I can identify areas where I can cut costs	3.10	A
8. I have adequate insurance coverage.	2.81	A
9. I maintain organized records of my financial transactions and documents	3.08	A
10. I pay my outstanding debts in full and in time	3.10	A
<b>Composite Mean</b>	<b>3.05</b>	<b>H</b>

*(Source: SPSS IBM)*

The financial management practices of MSMEs in Vigan City obtained a composite mean of 3.05. It is shown in the table that MSMEs in Vigan City received a “high” level of financial management practices, suggesting that respondents demonstrate consistent and responsible financial behaviors, though not at the level of strong or optimal practice.

Taken singly, each item received the rating “agree” with mean ranging from 2.81 (lowest) and 3.23 (highest). The highest indicator, “I create a monthly budget for income and expenses.” showing that most respondents engage in basic financial planning. Other highly rated financial practices include “I review and adjust my budget to reflect changes in my financial situations,” “I regularly review my spending habits so I can identify areas where I can cut costs.” and “I pay my outstanding debts in full and in time.” These indicate sound habits that contribute to financial control and stability. Respondents also agree that they have emergency funds and can handle unexpected expenses, indicating a certain level of financial resilience and readiness.

Meanwhile, the lowest “I have adequate insurance coverage.” and “ I have a financial plan that includes goals for the next 1, 5, and 10 years.” This implies that although respondents are good at managing their current finances, long-term planning and protection may not be given as much attention.

**Problem 3: What is the level of financial technology adoption of MSMEs in Vigan City**

**Table 1**

*The level of financial technology adoption of MSMEs in Vigan City*

<b>Indicators</b>	<b>Mean</b>	<b>DR</b>
1. I use mobile banking apps to manage my finances.	3.03	A
2. I use financial management apps to track expenses and investments.	2.82	A
3. I use digital payment platforms (e.g., mobile wallets, online banking) to process transactions.	3.06	A
4. I regularly use online payment solutions to accept customer payments.	3.14	A
5. I utilized financial software or applications for tasks such as bookkeeping, budgeting, and financial planning.	2.88	A
6. I am confident in the security of my financial information using online and mobile financial services	3.00	A
7. I am confident about the privacy and data security in adopting financial technologies	2.98	A
8. I use smart devices to manage or monitor my finances	3.06	A
9. I can access my financial information through multiple devices	2.90	A
10. I use financial management tools (e.g., cash flow forecasting, budgeting software) to streamline operations.	2.77	A
<b>Composite Mean</b>	<b>2.97</b>	<b>H</b>

*(Source: SPSS IBM)*

The results indicate that MSMEs in Vigan City have a high level of financial technology adoption, with a mean rating of 2.97. This suggests that while adoption is not extremely high, it is well

above moderate, reflecting general comfort and engagement with fintech tools for managing personal and business finances.

All individual indicators fall within the "agree" range, showing consistent use across various fintech platforms. The highest-rated items include: "I regularly use online payment solutions to accept customer payments," "I use digital payment platforms to process transactions," and "I use smart devices to manage or monitor finances." These responses point to active participation in digital transactions and a strong preference for convenience and real-time financial access.

Respondents also reported frequent use of mobile banking apps and expressed confidence in the security and privacy of fintech services, indicating a growing trust in digital financial systems—crucial for sustained adoption.

However, the lowest-rated item, "I use financial management tools to streamline operations," suggests limited use of more advanced fintech features such as planning and forecasting tools. Similarly, moderate ratings for using apps to track investments and accessing financial data across devices indicate room for growth in the adoption of more analytical digital finance functionalities.

**Problem 4: What is the level of financial performance of MSMEs in Vigan Cit**

**Table 4**

*The level of financial performance of MSMEs in Vigan City*

<b>Indicators</b>	<b>Mean</b>	<b>DR</b>
1. My revenue growth has been steady for the past 12 months.	<b>2.89</b>	<b>A</b>
2. I never experience cash flow shortages.	<b>2.69</b>	<b>A</b>
3. I have an increasing net profit margin every year.	<b>2.87</b>	<b>A</b>
4. I have a healthy rate of return on investment for my business activities.	<b>3.06</b>	<b>A</b>
5. I have effectively controlled my business costs over the past year.	<b>3.01</b>	<b>A</b>
6. I have successfully managed my business's debt over the past year.	<b>3.09</b>	<b>A</b>
7. I would rate my business's sales growth over the past year as strong.	<b>2.97</b>	<b>A</b>
8. My market share has increased over the past year.	<b>2.85</b>	<b>A</b>
9. My business's capital structure is well-suited to its needs.	<b>2.96</b>	<b>A</b>
10. My risk management strategies are highly effective in protecting against future losses.	<b>3.00</b>	<b>A</b>
<b>Overall Mean</b>	<b>2.94</b>	<b>H</b>

*(Source: SPSS IBM)*

MSMEs in Vigan City reported a high level of financial performance, with an overall mean of 2.94. This indicates that while their financial performance is not exceptionally high, it is above average, suggesting that respondents perceive their businesses to be performing well across key areas such as revenue, profitability, debt management, and investment returns.

All indicators fell within the high/agree range, with scores ranging from 2.85 to 3.09. The highest-rated item, “I have successfully managed my business's debt over the past year,” reflects strong confidence in debt management. “I have a healthy rate of return on investment for my business activities,” followed by “I have effectively controlled my business costs over the past year,” indicate solid financial discipline, capital management, and return optimization—key for business sustainability.

However, some areas were rated lower. “I never experience cash flow shortages” received the lowest score, indicating challenges in cash flow management, which can impact operational efficiency and investment opportunities. Other indicators, such as market share growth and net profit margin improvement, suggest that while businesses are performing adequately, there is room to enhance profitability and competitiveness.

***Problem 5: Is there a relationship between financial literacy, financial management practices, fintech adoption and financial performance of MSMEs in Vigan City***

**Table 5**

*Correlation of Financial Literacy, Financial Management Practices, Fintech Adoption and Financial Performance of MSMEs in Vigan City*

<i>Financial Performance</i>	Pearson’s r	p-value	Decision
<i>Financial Literacy</i>	0.511**	.001	Support Ha
<i>Financial Management Practices</i>	0.684**	.001	Support Ha
<i>Financial Technology Adoption</i>	0.533**	.001	Support Ha
<i>Overall</i>	0.680**	.001	Support Ha

\*\* . Correlation is significant at the 0.01 level (2-tailed).

(Source: SPSS IBM)

Table 5 presents the correlation coefficients between financial literacy, financial management practices, fintech adoption, and the financial performance of MSMEs in Vigan City.

The findings reveal a significant positive relationship between financial literacy and financial performance ( $r = 0.511$ ,  $p < .001$ ), supporting the alternative hypothesis. This suggests that MSME owners with a strong understanding of financial concepts tend to make better decisions that improve business performance.

Financial management practices showed the strongest correlation with financial performance ( $r = 0.684$ ,  $p < .001$ ), indicating that effective budgeting, debt management, and financial planning are strongly linked to better MSME performance.

Similarly, there was a significant positive relationship between fintech adoption and financial performance ( $r = 0.533$ ,  $p < .001$ ), suggesting that MSMEs using mobile banking, financial apps, and digital payments experience better financial outcomes.

Overall, the results show that financial literacy, financial management practices, and fintech adoption are all positively correlated ( $r = 0.680$ ,  $p < .001$ ) with financial performance, confirming that a combination of these factors contributes significantly to the financial success of MSMEs in Vigan City.

## ***Discussion***

The level of financial literacy among MSMEs in Vigan City indicates that respondents possess a strong foundation in financial knowledge, particularly in areas such as loan management, understanding financial products, and setting financial goals. This suggests that MSME owners carefully assess loan terms before borrowing, reflecting a high degree of financial responsibility and prudence. These findings align with the study of Ratnawati et al. (2023), which emphasized that financial literacy significantly influences debt management behavior, enabling MSMEs to make informed borrowing decisions while minimizing financial risk.

However, the study also suggests a gap between financial knowledge and its application. While respondents may understand key financial principles, they often hesitate to act—particularly when it involves financial risk. Putri et al. (2023) similarly noted that financial literacy does not always translate into proactive investment behavior, as many MSME owners remain risk-averse despite possessing a solid financial foundation.

In terms of financial management practices, MSMEs in Vigan City generally exhibit responsible financial habits. Many respondents are proactive in managing their finances through budgeting—a fundamental aspect of financial stability. Nevertheless, certain elements of financial security and long-term planning remain underdeveloped. For instance, there is limited awareness of the types and benefits of insurance products, such as life, health, property, and disability insurance. Moreover, insurance is often not seen as a priority, being perceived as unnecessary. This observation is consistent with Maris et al. (2022), who found that financial literacy training and bookkeeping education significantly enhance financial management behavior. Their study supports the notion that structured financial planning—including budgeting and expense tracking—improves financial discipline. Lubis and Irawati (2022) also found that while MSMEs

often demonstrate sound day-to-day financial management, they frequently lack long-term strategies such as risk mitigation through insurance.

Additionally, digital financial practices are becoming increasingly relevant. Jenita et al. (2023) emphasized the importance of digital-based payment knowledge for MSMEs, especially as businesses increasingly rely on cashless transactions for improved efficiency. Zaini (2022) similarly found that MSMEs widely adopt e-wallets and mobile payment systems. These findings support the observation that MSMEs in Vigan City have integrated digital transactions into their operations. Respondents actively engage in mobile banking, online payments, and the use of digital wallets, likely for convenience and business efficiency. However, in line with Nurwulandari (2023), the study reveals that while MSMEs use fintech solutions for transactions, they often underutilize other financial planning technologies due to limited awareness or technical expertise. This suggests that traditional financial management practices still dominate, even amidst growing fintech adoption.

The financial performance of MSMEs in Vigan City reflects effective and stable business operations, indicating a solid foundation for sustained success. Respondents demonstrate sound financial and operational management, including the strategic use of debt to support growth without overleveraging. These findings are consistent with studies by Hasanudin (2023), Ramzi et al. (2023), and Serrano-Torres et al. (2022), all of whom emphasized the role of effective debt management in enhancing MSME financial performance and maintaining profitability.

However, challenges related to cash flow persist. This is consistent with the findings of Mazur et al. (2023) and Utami et al. (2021), which noted that many MSMEs face liquidity issues despite being profitable. The study suggests that cash flow shortages may occasionally affect MSMEs in Vigan City, potentially limiting their ability to meet short-term obligations or invest in growth. This can lead to a reliance on external financing, which may, in turn, impact their overall financial health.

The results of this study reveal a significant direct relationship between financial literacy and financial performance, supporting the findings of Cammayo and Cammayo (2020), who concluded that financial literacy is a key determinant of MSME success.

Furthermore, the relationship between financial management practices and financial performance was found to be the most significant. This is supported by Haykal et al. (2023), who demonstrated that financial management training markedly improves MSME performance by equipping entrepreneurs with essential skills in budgeting, cash flow management, and investment decision-making. Their study underscores the importance of structured financial management in driving growth and ensuring business sustainability.

Lastly, the study found a significant direct relationship between financial technology adoption and financial performance. This corroborates the findings of Jenita et al. (2022), who highlighted how digital-based payment knowledge contributes to operational efficiency. Their research suggests that MSMEs leveraging fintech tools such as e-wallets and online payments experience notable improvements in financial performance, reinforcing the positive impact of fintech adoption on business outcomes.

## ***Conclusion***

The financial literacy level of MSMEs in Vigan City indicates a strong foundation, particularly in managing loans, understanding financial products, and setting financial goals. Respondents show a high level of financial responsibility, especially when it comes to carefully assessing loan terms before borrowing. This aligns with Ratnawati et al. (2023), who found that financial literacy enhances debt management behaviors, helping MSME owners make informed borrowing decisions and minimize risks.

However, there appears to be a gap between financial knowledge and application. While respondents possess strong financial knowledge, they may be hesitant to act, especially in areas involving risk. Similarly, Putri et al. (2023) highlighted that financial literacy alone does not always lead to proactive investment decisions, as many MSME owners remain risk-averse despite their financial understanding.

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