Aims & Scope

Aim

Journal of Management and Entrepreneurship Research (JMER) aims to advance knowledge on how financial management, human resource management, and marketing strategies contribute to entrepreneurial development, organizational competitiveness, and sustainable business performance.

The journal positions itself at the intersection of functional management disciplines and entrepreneurship, with a particular focus on small and medium-sized enterprises (SMEs), growth-oriented firms, and organizations operating in emerging economies. JMER publishes theory-driven and empirically rigorous research that explains managerial decision-making and entrepreneurial processes at the firm and organizational levels.

Scope

JMER publishes original research that examines management and entrepreneurship issues through an integrated and performance-oriented perspective. The journal welcomes contributions in the following areas:

- Financial management and corporate finance in entrepreneurial and growth-oriented firms
- Human resource management, leadership, and talent development in entrepreneurial contexts
- Marketing management, consumer behavior, and market strategies for competitive advantage
- Entrepreneurial orientation, innovation, and strategic management
- Corporate governance and managerial accountability in SMEs and emerging firms

The journal encourages micro- and meso-level analyses, including firm-level, managerial, and organizational studies, with particular relevance to SMEs and emerging economies. Submissions must demonstrate a clear theoretical, empirical, or methodological contribution to the literature on management and entrepreneurship, rather than merely reporting business practices.

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THE USE OF DIGITAL FINANCIAL SERVICES BY MSMES: THE ROLE OF FINANCIAL LITERACY THROUGH TRUST MEDIATION

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ABSTRACT

Objective: Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic development, but many challenges are faced, so the psychological factor, namely trust, is needed to increase the confidence of MSME actors, which can ultimately increase the use of digital financial services and realize sustainable management strategies. This study seeks to investigate the impact of financial literacy on MSMEs' use of digital financial services in Bantul Regency, Special Region of Yogyakarta, with trust as a mediating factor. **Research Design & Methods:** The study included 100 MSME participants chosen through accidental sampling. Partial Least Squares Structural Equation Modeling was used to examine the data. **Findings:** According to the findings, financial literacy has a substantial influence on the usage of digital financial services. Furthermore, trust mediates the link between financial literacy and the use of digital financial services among MSMEs in Bantul Regency.. **Implications & Recommendations:** The results of this study emphasize the importance of utilizing digital financial services as a business management tool, not just a means of transaction. This strong trust will encourage MSMEs to use digital financial services more consistently for financial planning and strategic decision-making, ultimately supporting business sustainability. Future research should include a wider sample size and locations to achieve better results. **Contribution & Value Added:** The research contributes to MSME development projects by emphasizing that increased financial literacy and confidence in digital financial services can help people gain easier access to finance and improve competitiveness, allowing them to achieve sustainable management goals.

Keywords: financial literacy; MSME actors; trust; use of digital financial services.
JEL codes: G41, G53, L26, O33
Article type: research paper

INTRODUCTION

MSMEs represent a central component of Indonesia's national economic structure, with approximately 64.2 million MSMEs contributing more than 60% to the country's GDP and absorbing 97% of the national labor force (Ministry of SMEs of the Republic of Indonesia, 2025). A similar trend is observed in Bantul Regency, Special Region of Yogyakarta, where the number of MSMEs has grown to 96,360 units as of 2025 (Department of Cooperatives, SMEs, Industry and Trade of Bantul Regency, 2025). These figures highlight the strategic role of MSMEs in promoting sustainable management strategies aimed not only at ensuring business continuity but also at fostering social and environmental responsibility (Rita et al., 2022). Despite their significant contribution, MSMEs still face persistent challenges, particularly limited financial literacy and insufficient digital capabilities. These limitations hinder their ability to fully adopt and benefit from digital financial services. This is reflected in the number of MSMEs in Bantul Regency, DIY who have sold online, only 3,681 MSMEs, of which around

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30.9% have difficulty in adopting digital and 51.2% do not understand financial literacy (Economic, Development and Natural Resources Division of Bantul Regency Government, 2025). Consequently, psychological factors most notably trust become essential in enhancing MSMEs' confidence that digital financial services are secure and advantageous. Strengthening trust is expected to increase the adoption of such services and contribute to the realization of long-term oriented sustainable management strategies.

Sustainable management strategies for MSMEs refer to a business management approach that focuses not only on short-term financial performance but also on long-term business sustainability, resource efficiency, resilience to risks, and adaptation to changes in the business environment and technology (Hidayat-ur-Rehman, 2025). In the MSME context, this strategy is reflected in disciplined financial planning practices, transparent cash flow management, the use of digital technology, and rational, information-based decision-making (Kurniasari et al., 2025). Digital transformation is a key element in MSMEs' sustainable management strategies, particularly through the use of digital financial services such as mobile banking, digital wallets, QR payments, digital lending platforms, and financial recording applications. These services enable MSMEs to increase operational efficiency, expand access to financing, improve the accuracy of financial records, and accelerate transaction processes (Kurniasari et al., 2025). Therefore, the use of digital financial services acts as an enabler of sustainable management strategies (Lontchi et al., 2022).

The use of digital financial services refers to MSMEs' behavioral adoption of digital technologies for conducting transactions, managing financial activities, and accessing various banking and non-banking services. Examples include QRIS digital payments and e-wallet platforms such as GoPay, OVO, Dana, and ShopeePay, which support operational efficiency (Mahdzan et al., 2023; Mu & Lee, 2021). Utilization of digital financial services is a key enabler of sustainability-driven management strategies, promoting efficiency, inclusivity, and adaptability while strengthening MSMEs' contribution to the national digital economy (Melnyk, 2024). The Organization for Economic Co-operation and Development (OECD) (2024) also highlights the importance of integrating sustainability principles into MSME strategies to enhance resilience, innovation, and long-term profitability through expanded access to financial services. However, the relatively low adoption rate of digital financial services in Indonesia only 31.26% indicates gaps in financial understanding and digital proficiency among users (Financial Services Authority, 2024). Therefore, improving financial literacy is vital for enabling MSMEs to leverage digital financial technologies to support business sustainability.

Financial literacy encompasses the knowledge, skills, attitudes, and behaviors required to grasp and effectively use digital financial products and services, allowing MSME actors to make informed decisions and improve their financial well-being (Kusumawati & Effendi, 2024; Ouachani et al., 2021). It plays an important role in determining the adoption of digital financial services. MSMEs with higher Financial literacy are better able to understand the benefits and hazards of digital financial technologies, making them more likely to use these services effectively to build long-term management strategies (Gedvilaitė et al., 2022; Zaimovic et al., 2025). According to behavioral finance theory, individuals with higher financial literacy are better prepared to overcome cognitive biases such as fear of financial loss, which may prevent the adoption of digital financial technologies (Mitra & De, 2025). According to the Resource-Based View (RBV), financial literacy is an essential internal skill that promotes competitive advantage by enabling the strategic deployment of digital financial services (Huda et al., 2020). However, empirical evidence on the link between financial literacy and digital financial service usage is inconsistent. While some research indicate beneficial benefits (Lyons & Kass-Hanna, 2021; Showkat et al., 2025), others reveal no substantial impact (Mahdzan et al., 2023). This discrepancy highlights the significance of including psychological variables such as trust as possible mediators.

Trust in digital financial services indicates MSMEs' faith in the security, dependability, and expertise of digital financial providers, affecting their decisions to accept or reject such services (Sholevar & Bachmann, 2025). Trust is a technique for lowering psychological obstacles to digital adoption. MSMEs that recognize the benefits and hazards of digital financial services are more inclined to build trust, increasing their use of these services for transactions and finance, which promotes the adoption of sustainable management strategies (Szumski, 2020). According to the Theory of Planned Behavior

(TPB), confidence plays an important role in developing good attitudes and improving perceived behavioral control, which leads to the adoption of digital financial services (Musa et al., 2024; Tian et al., 2023). According to the Behavioral Finance viewpoint, trust may help to reduce cognitive biases linked with risk perceptions that may discourage MSMEs from using digital financial products (Mitra & De, 2025). Research by Palanisamy et al. (2025) demonstrated a relationship between financial literacy and Central Bank Digital Currency (CBDC) adoption intentions, with trust acting as a mediator. However, their focus was on CBDCs in general and not on the MSME population. Research by Loke et al. (2025) included trust in their digital service adoption model but did not specifically examine financial literacy or the MSME context. Meanwhile, research by Okello Candiya Bongomin & Ntayi (2020) examined the role of trust in the relationship between mobile money adoption and MSME financial inclusion but did not evaluate financial literacy as a direct predictor of digital service adoption. Therefore, further investigation into the potential mediating influence of trust on digital financial services could provide additional insight into the dynamics influencing financial literacy and digital financial service adoption among MSMEs.

Based on these considerations, this study investigates the role of trust in mediating the relationship between financial literacy and the use of digital financial services among MSMEs in Bantul Regency. The novelty of this research lies in its use of trust in digital financial services as a mediating variable, integrating the capabilities of MSMEs through a rational perspective (financial literacy) with the psychological perspective of MSMEs in Bantul Regency, Yogyakarta Special Region, to optimally increase the use of digital financial services. This research is urgent due to the role of MSMEs as the backbone of the national economy and the strengthening of the MSME ecosystem. Therefore, having good financial literacy will better understand the benefits, risks, and workings of digital financial services and increase trust through transparency and security, ultimately increasing the use of digital financial services and realizing sustainable management strategies.

LITERATURE REVIEW

Behavioral Finance Theory

Behavioral Finance Theory describes how psychological variables, cognitive biases, and emotional propensities impact financial decision-making (Berlinger et al., 2025). MSMEs' financial decisions are influenced not only by rational evaluation, but also by risk perceptions, confidence, and behavioral patterns when interpreting financial data (Abdallah et al., 2025). Higher financial literacy allows MSME actors to offset biases such as loss aversion, overconfidence, and distrust of digital platforms, allowing for a more accurate assessment of digital financial services (Cupák et al., 2021; Mitra & De, 2025). Thus, Behavioral Finance gives a conceptual basis for understanding why MSMEs with higher financial literacy are more likely to embrace digital financial technology.

Resource-Based View (RBV) Theory

According to the Resource-Based View, businesses gain sustainable competitive advantage when they have valuable, rare, inimitable, and non-substitutable resources (Chen et al., 2024; Hossain et al., 2023). In the context of MSMEs, financial literacy serves as an internal strategic resource made up of financial knowledge, skills, and attitudes that improve decision-making and operational effectiveness. MSMEs with stronger financial literacy are better prepared to use digital financial technology, resulting in efficiency, improved financial management, and increased competitiveness (Hidayat-ur-Rehman, 2025; Sreenu, 2025). As a result, RBV explains how financial literacy strengthens internal capabilities that support technology adoption and sustainable management practices.

Theory of Planned Behavior (TPB)

According to the TPB (Ajzen), behavioral intention is influenced by three factors: (1) views toward the behavior, (2) subjective norms, and (3) perceived behavioral control (Sobaih & Elshaer, 2023; Usman et al., 2025). In the realm of digital financial services, trust is essential for influencing attitudes and increasing perceived behavioral control (Tan et al., 2025; Zhu et al., 2024). When MSME players believe that digital financial services are safe, dependable, and helpful, their willingness to use them rises (Musa et al., 2024; Tian et al., 2023). According to the TPB, trust acts as a psychological mechanism that amplifies the impact of financial literacy on the usage of digital financial services.

Hypothesis Development

Figure 1 presents the conceptual framework of the research regarding explanations related to the literature review, relationships between variables, and previous research results.

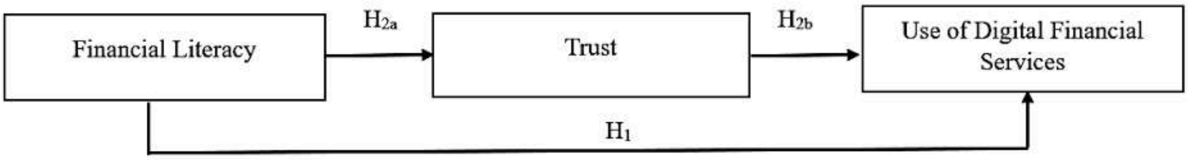

Figure 1. Conceptual Framework of the Research
Source: Author (2025)

The Influence of Financial Literacy on the Use of Digital Financial Services

Financial literacy refers to a business owner's ability to understand financial concepts, manage financial operations, and make informed financial decisions, allowing them to completely use of digital financial services (Purwoto et al., 2025). MSMEs with good financial literacy are better able to analyze the benefits and hazards associated with digital financial services and understand their operational mechanisms. As a result, they are more likely to utilize digital financial tools not only for transactional or consumption reasons, but also strategically to support sustainable management practices (Zaimovic et al., 2025). This perspective is consistent with Behavioral Finance theory, which states that people with greater financial literacy are better prepared to use financial technology and mitigate cognitive biases such as excessive loss aversion, which frequently restricts the use of digital financial services (Mitra & De, 2025). The RBV supports this relationship by considering financial literacy as a valuable internal resource that promotes competitive advantage through more effective use of digital financial innovations. Empirical data supports this theoretical association. According to Lyons & Kass-Hanna (2021), financial literacy plays a critical role in influencing financial behavior and improving decision-making quality. Similarly, studies by Showkat et al. (2025) indicate that financial literacy has a beneficial impact on women's economic empowerment, particularly through increased proficiency and use of digital financial services. Based on this theoretical and empirical framework, the following hypothesis is proposed:

H1: Financial literacy influences the use of digital financial services by MSMEs in Bantul Regency, Special Region of Yogyakarta.

The Influence of Financial Literacy on the Use of Digital Financial Services Mediation of Trust

Psychological variables, particularly confidence in digital financial services, play a critical role in boosting business users' willingness to adopt digital financial tools. Trust reduces psychological resistance and the perceived risks associated with digital transactions (Purbowo & Trinugroho, 2025). When MSMEs have a clear understanding of the benefits and drawbacks of digital financial services, their trust in such systems grows, leading them to use digital platforms for transactions, payments, and financing more frequently, ultimately supporting long-term sustainability initiatives (Szumski, 2020). This mechanism is consistent with the TPB, which posits that trust promotes positive attitudes and increases perceived behavioral control, hence increasing the likelihood of adopting digital financial services (Musa et al., 2024; Tian et al., 2023). From a Behavioral Finance standpoint, trust also reduces risk-related cognitive biases that frequently impede digital financial usage (Mitra & De, 2025). Research by Loke et al. (2025) shows that trust in digital financial services mediates social influence and adoption among Malaysians. Research by Palanisamy et al. (2025) shows that trust mediates the influence of financial literacy on the use of central bank digital currencies among Indians. Research by Okello Candiya Bongomin & Ntayi (2020) shows that trust mediates the influence of mobile money usage on the level of financial inclusion of MSMEs in developing countries. Based on this theoretical and empirical evidence, the following hypothesis is proposed:

H2a-b: Financial literacy influences the use of digital financial services by MSMEs in Bantul Regency, Yogyakarta Special Region, mediated by trust.

METHODS

Research Design

This study used a positivist research methodology, including a cross-sectional survey design to examine the associations between financial literacy, confidence, and the usage of digital financial services. The research population included 96,360 MSMEs operating in Bantul Regency, in the Special Region of Yogyakarta (Department of Cooperatives, SMEs, Industry and Trade of Bantul Regency, 2025). The sample size of this study uses the "10 times rule" by Hair et al. (2022) which states that the sample size must be equal to or greater than (1) 10 times the number of indicators used to measure a construct, or (2) 10 times the number of paths contained in the model construction. This rule states that the minimum sample size must be 10 times the maximum number of arrows pointing to the latent variables contained in the PLS path model. The conceptual framework of this study has 3 arrows pointing to the variables, meaning the minimum sample of this study is 30 samples. Therefore, to meet the needs of this study, the researcher set the number of samples for this study as 100 MSME actors in Bantul Regency, DIY. A total of 100 MSMEs were sampled using accidental sampling, in which respondents were chosen based on unplanned encounters and willingness to participate (Hair et al., 2022). Primary data was obtained through offline surveys conducted directly among MSME stakeholders throughout Bantul Regency. This strategy provided firsthand reactions and enabled researchers to obtain thorough data on financial literacy, trust, and use of digital financial services.

Measurement of Variables

The study examined financial literacy as the independent variable, the use of digital financial services as the dependent variable, and trust as the mediating variable. All factors were assessed using a structured questionnaire with closed-ended questions scored on a five-point Likert scale ranging from strongly disagree to strongly agree. This measuring technique guaranteed consistency and enabled quantitative comparison across all variables in the study.

The financial literacy (FL) variable indicator has 6 statement items adapted from previous research by Ouachani et al. (2021) including: (a) financial knowledge, with statement items "I understand the concept of interest in loans and savings" and "I can distinguish between productive and consumptive loans"; (b) financial skills, with statement items "I am able to prepare a financial budget for my business" and "I can calculate and compare the costs of digital financial services such as transfer and administration fees"; and (c) financial attitudes, with statement items "I feel confident in making financial decisions for my business" and "I believe my financial knowledge helps in managing the business".

The indicator of the variable of use digital financial services (UDFS) has 6 statement items adapted from previous research by Mahdzan et al. (2023) including: (a) frequency of use, with statement items "I regularly use digital financial services for my needs" and "I often conduct business transactions through digital financial services"; (b) type of service, with statement items "I use various types of digital financial services such as mobile banking and e-wallet" and "I prefer digital financial services over conventional financial services"; and (c) integration in business, with statement items "digital financial services make it easier for me to manage business finances" and "I feel that using digital financial services increases the efficiency of my business".

The indicator of the trust (T) variable towards use of digital financial services has 6 statement items adapted from previous research by Sholevar & Bachmann (2025) including: (a) security and privacy, with the statement items "I believe digital financial services can maintain the confidentiality of my data" and "I believe digital financial transactions are protected from the risk of fraud"; (b) reliability, with the statement items "I believe digital financial services can be accessed at any time without significant disruption" and "I believe digital financial service providers always fulfill their service promises"; and (c) reputation or transparency, with the statement items "I believe digital financial service providers have a good reputation" and "I believe fees or deductions for digital financial service transactions are explained transparently".

Research Instrument Testing Techniques

Instrument validation included assessing both the measurement model (outer model) and the structural model (inner model). Furthermore, descriptive analysis of respondent characteristics and hypothesis testing using SEM-PLS with SmartPLS 4 software. Hypothesis 1 was assessed using p-values, with significance indicated by values less than 0. 05 (Hair et al., 2022). Mediation analysis for Hypothesis 2 followed Hair et al. (2022) mediation categorization rules, which provide three possibilities: (a) No mediation occurs when the independent variable influences the dependent variable directly while the mediator effect is negligible; (b) partial mediation occurs when both the direct and indirect effects are significant; and (c) complete mediation occurs when the independent variable becomes non-significant in the presence of a significant mediator effect.

Table 1. Respondent Characteristics

Category	Amount	Percentage (%)
Business field		
Creative Products	27	27.00
Fashion	17	17.00
Culinary	38	38.00
Tourist	9	9.00
Other	9	9.00
Length of business venture		
<3 years	19	19.00
3 – 5 years	29	29.00
>5 – 10 years	41	41.00
>10 years	11	41.00
Age		
≤25 years	18	18.00
26 – 40 years	48	48.00
41 – 55 years	26	26.00
>10 years	8	8.00
Education		
Not finished elementary school or equivalent	0	0.00
Elementary school or equivalent	7	7.00
Middle school or equivalent	15	15.00
High school or equivalent	50	50.00
Diploma or equivalent	16	16.00
Bachelor's degree or equivalent	12	12.00
Digital Financial Services		
QRIS	32	32.00
OVO	10	10.00
GoPay	24	24.00
ShoopePay	12	12.00
DANA	11	11.00
LinkAja	2	2.00
Mobile Banking	6	6.00
Debit Card	3	3.00
Credit Card	0	0.00
Total	100	100

Source: Author's calculation based on primary data (2025)

FINDINGS

This study employed an offline questionnaire administered directly to 100 MSME actors in Bantul Regency, Special Region of Yogyakarta. Respondents completed the instrument, which collected information on their business sector, years in operation, age, educational background, and the types of digital financial services they utilized. Table 1 presents the respondent characteristics. In terms of business sector distribution, the largest proportion operated in the culinary sector (38%). Regarding business tenure, most enterprises had been running for more than 5 to 10 years (41%). The dominant age group comprised respondents aged 26 to 40 years (48%). Half of the respondents held a senior high school diploma or its equivalent (50%). Furthermore, the most commonly used digital financial service among respondents was QRIS (32%).

This study employed a measurement model assessment for the outer model, which included construct validity testing (convergent and discriminant validity) and instrument reliability evaluation (Hair et al., 2022). Convergent validity was examined using factor loadings and the Average Variance Extracted (AVE). As indicated in Table 2, the majority of constructs met the validity criteria, with loading factor values exceeding the recommended threshold of >0.70. However, items T1 and T6 were excluded due to their lower loading values of 0.622 and 0.615, respectively, which did not meet the minimum requirement. Convergent validity was further confirmed through the AVE values presented in Table 2, all of which were above 0.50, indicating strong convergent validity for each construct. Reliability testing was conducted using Cronbach's Alpha (α) and Composite Reliability (CR), with both requiring a minimum acceptable value of >0.70 (Hair, 2022). As shown in Table 2, all indicators in this study demonstrated high internal consistency and met the reliability criteria.

Table 2. Measurement Model Testing

Latent Variable	Manifest Variable	Loading Factor	Cronbach's Alpha	Composite Reliability	AVE
Financial Literacy (FL)	FL1	0.869	0.899	0.804	0.686
	FL2	0.846			
	FL3	0.750			
	FL4	0.886			
	FL5	0.715			
	FL6	0.864			
Use of Digital Financial Services (UDFS)	UDFS1	0.804	0.851	0.828	0.662
	UDFS2	0.722			
	UDFS3	0.835			
	UDFS4	0.857			
	UDFS5	0.822			
	UDFS6	0.817			
Trust (T)	T1	0.622	0.825	0.868	0.605
	T2	0.850			
	T3	0.785			
	T4	0.786			
	T5	0.824			
	T6	0.615			

Source: Author's calculation based on primary data (2025)

Subsequent model evaluation was conducted using the interpretation of the R Square (R^2) value. As presented in Table 3, the R^2 value indicates that the investment decision variable is explained by financial literacy and trust by 67.90%, while the remaining 32.10% is attributed to other factors not included in this research model.

Table 3. Structural Model Test Results

	Use of Digital Financial Services
Coefficient of determination, R^2	0.679

Source: Author's calculation based on primary data (2025)

Figure 2 presents the path coefficients of the research model generated using SmartPLS 4. The relationships among variables are assessed through the β coefficients and their corresponding path estimation results (p-values). The decision criterion applied is that a hypothesis is accepted when the p-value is less than 0.05. As shown in Table 4, Hypothesis 1 is accepted because its p-value falls below the 0.05 threshold. Accordingly, the findings for Hypothesis 1 demonstrate that financial literacy has a significant effect on the use of digital financial services among MSMEs in Bantul Regency, Special Region of Yogyakarta.

This research intends to investigate the function of trust as an intervening variable in the link between financial literacy and the use of digital financial services. According to the mediation test results shown in Table 5, Hypothesis 2 is accepted, implying that financial knowledge affects the usage of digital financial services through the mediating effect of trust, with a coefficient of $\beta = 0.252$ and a p-value of 0. 000, which is less than the 0. 05 significance level. Furthermore, Table 5 illustrates that the mediation judgment follows the standards provided by Hair et al. (2022). Specifically, if the direct link between the financial literacy variable and the use of digital financial services variable is significant, the relationship between the financial literacy variable and the trust is significant, and the trust has a substantial impact on the use of digital financial services variable, the mediation effect is classified as partial. As a result, the results show that trust partially mediates the link between financial literacy and the use of digital financial services among MSMEs in Bantul Regency, Yogyakarta Special Region.

Table 4. Hypothesis Testing Results Through Path Coefficient

Hypothesis	Path Hypothesis	(β)	STD	t-Value	p-Value	Status
H_1	FL → UDFS	0.319	0.054	5.869	0.000	Accepted
	FL → T	0.434	0.028	6.476	0.000	Accepted
	T → UDFS	0.219	0.062	2.833	0.000	Accepted
H_2	FL → T → UDFS	0.252	0.073	2.743	0.000	Accepted

Source: Author's calculation based on primary data (2025)

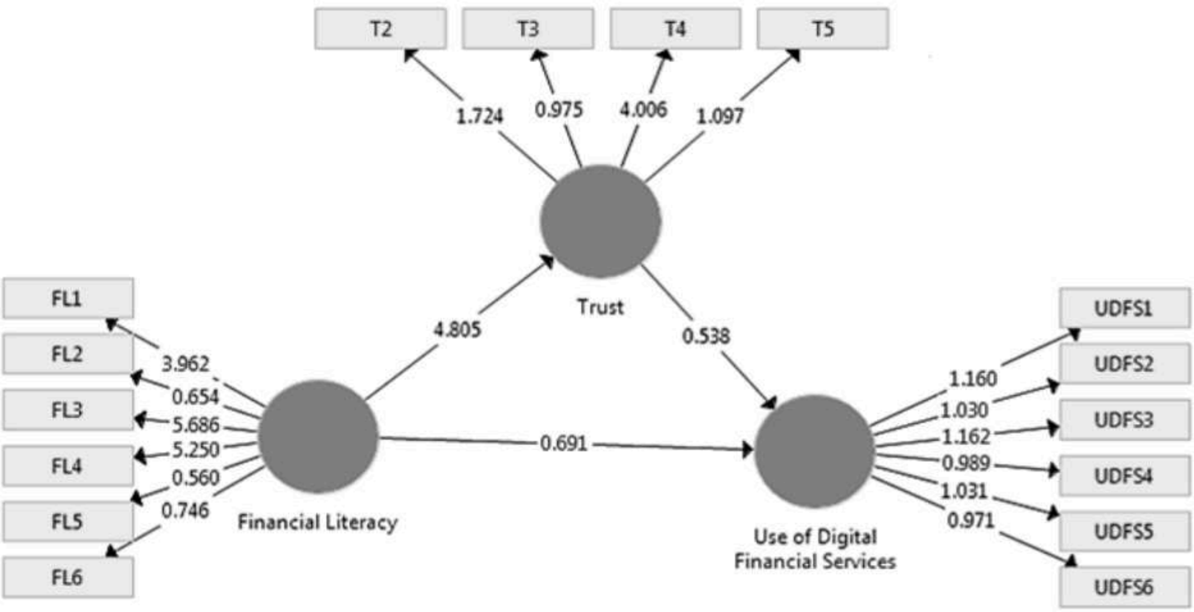

Figure 2. Path Coefficient Research Model
Source: Author's calculation based on primary data (2025)

Table 5. Results of Mediation Effect Testing

Variable	Direct Effect (DE)	Indirect Effect (IE)	Total Effect (TE)	Mediation Effect
	FL → UDFS	FL → T → UDFS	(DE + IE)	(TE – DE)
(1)	(2)	(3)	(4)	(5)
FL	0.319 (0.000)	0.252 (0.000)	0.571 (0.000)	(0.571 – 0.319) = 0.252

Source: Author's calculation based on primary data (2025)

DISCUSSION

The Influence of Financial Literacy on the Use of Digital Financial Services

The results of this research show that Hypothesis 1 is accepted, implying that financial literacy has a substantial impact on MSME usage of digital financial services in Bantul Regency, Yogyakarta Special Region. MSMEs with good financial literacy will be better able to understand the benefits, risks, and workings of digital financial services and will use them not only for consumption but also productively to achieve sustainable management strategies (Zaimovic et al., 2025). MSMEs with good financial literacy will be better able to understand the benefits, risks, and workings of digital financial services and will use them not only for consumption but also productively to achieve sustainable management strategies (Zaimovic et al., 2025). Sustainable management requires business actors to manage risks adaptively. Financial literacy plays a crucial role in helping MSMEs understand the risks inherent in digital financial services, such as data security risks, digital loan interest rates, and potential dependence on short-term financing. Good risk management makes the use of digital financial services a supporting factor for sustainability, rather than a source of new vulnerabilities for businesses. This aligns with Behavioral Finance theory, which states that MSMEs with better financial literacy are better able to utilize digital financial products and services and reduce cognitive biases such as the risk of losing money in digital financial services (Mitra & De, 2025). Furthermore, it also aligns with RBV theory, where financial literacy is viewed as an internal resource that supports the achievement of competitive advantage through the use of digital financial services. Research by Lyons & Kass-Hanna (2021) shows that financial literacy positively influences financial behavior and decision-making. Research by Showkat et al. (2025) shows that financial literacy positively influences women's economic empowerment, particularly through the use of digital financial literacy. Therefore, MSMEs with a good understanding of the benefits, risks, and workings of digital financial services will better utilize digital financial services to support their business sustainability.

The Influence of Financial Literacy on the Use of Digital Financial Services Mediation of Trust

This study shows that Hypothesis 2 is accepted, suggesting that financial literacy affects the usage of digital financial services among MSMEs in Bantul Regency, Yogyakarta Special Region, through the intermediary role of trust. MSMEs with a good understanding of the benefits and risks of digital financial services will further enhance their trust in digital financial services, thereby increasing their use of digital financial services for transactions and financing, ultimately realizing sustainable management strategies (Szumski, 2020). Financial literacy is the main foundation for rational and responsible financial decision-making. Financial literacy not only influences MSMEs' ability to understand financial products and services but also builds a level of trust in digital financial services, enabling operational efficiency, transaction transparency, and accurate, real-time data-driven financial management. Trust ensures that MSMEs adopt digital financial services not only temporarily but also as part of a long-term management strategy. This aligns with the Theory of Planned Behavior (TPB), where trust in digital financial services can shape positive attitudes and enhance perceived behavioral control, thereby increasing the use of digital financial services (Tian et al., 2023). Furthermore, it also aligns with Behavioral Finance theory, where trust in digital financial services can reduce cognitive biases related to risks that become barriers to using digital financial services (Mitra & De, 2025). Therefore, MSMEs with a good understanding of financial literacy will increase their trust in digital financial services related to data security and transaction transparency, enabling them to utilize digital financial services to support their business activities.

CONCLUSION

The results of this study indicate that financial literacy influences the use of digital financial services, meaning that a better understanding of financial literacy will increase the use of digital financial services by MSMEs in Bantul Regency, Yogyakarta Special Region, in their business activities. Furthermore, the results of this study also indicate that financial literacy influences the use of digital financial services by MSMEs in Bantul Regency, Yogyakarta Special Region, mediated by trust. This means that a better understanding of financial literacy among MSMEs in Bantul Regency, Yogyakarta Special Region, will increase confidence that digital financial services are safe and beneficial, thus fostering trust that ultimately increases the use of digital financial services and realizes sustainable management strategies oriented towards long-term profits.

The limitations of this study are that it was limited to MSMEs in Bantul Regency, Yogyakarta Special Region, and the sample size was also limited to 100 MSMEs in Bantul Regency, Yogyakarta Special Region. Therefore, future research is expected to select a wider sample size and location to obtain better results. Furthermore, further research is expected to add social influence as a moderating variable that influences the use of digital financial services to obtain better results. The results of this study confirm that increased adoption of digital financial services is not only determined by financial knowledge alone, but also by the level of trust formed in the system and digital financial service providers.

The implications of this research are expected to contribute to MSMEs, where a better understanding of financial literacy and trust in digital financial services will make it easier for MSMEs to access financing and increase competitiveness, thereby realizing sustainable management strategies. Furthermore, the findings of this study for MSMEs also imply that improving financial literacy must be accompanied by efforts to build trust in digital financial services. Financial literacy training programs that focus solely on technical aspects without instilling an understanding of security, regulations, and consumer protection are potentially less effective in encouraging the sustainable use of digital financial services. Furthermore, the findings of this study also emphasize the importance of utilizing digital financial services as a business management tool, not simply a means of transaction. With strong trust, MSMEs will more consistently use digital financial services for cash flow management, financial record keeping, financial planning, and strategic decision-making, ultimately supporting business sustainability.

CONFLICT OF INTEREST STATEMENT

The authors have no conflict of interest to declare.

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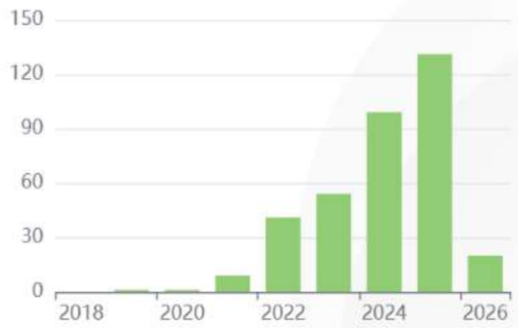

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