International Journal of Education, Social Studies, And Management (IJESSM)
e-ISSN : 2775-4154
Volume 5, Issue 2, June 2025
The International Journal of Education, Social Studies, and Management (IJESSM) is published 3 times a year (**February, Juny, November**).
Focus : Education, Social, Economy, Management, and Culture.
LINK : http://lpppipublishing.com/index.php/ijessm

The Effect of Financial Literacy on Investment Decision-Making among MSME Actors: An SPSS Analysis

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ARTICLE INFO
Article history:
Received
01 July 2025
Revised
10 July 2025
Accepted
20 August 2025

ABSTRACT

This study aims to analyze the effect of financial literacy on investment decision-making among Micro, Small, and Medium Enterprises (MSME) actors. The research adopts a quantitative approach with a survey method, using a structured questionnaire as the primary data collection tool. A total of 120 MSME respondents were selected through purposive sampling to ensure their relevance to the study objectives. Data were analyzed using SPSS 27 with regression analysis to test the relationship between the independent and dependent variables.The findings indicate that financial literacy has a significant positive effect on investment decision-making among MSME actors. Respondents with higher levels of financial literacy tend to make more rational, informed, and profitable investment choices compared to those with lower levels of financial knowledge. These results highlight the importance of strengthening financial education and awareness programs for MSMEs to improve their decision-making capabilities. This study contributes to the literature on financial management by emphasizing the crucial role of financial literacy in supporting sustainable MSME development.

Keywords
Investment, Decision Making, MSME, Financial Management, SPSS Analysis

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) serve as the backbone of many national economies by providing employment, stimulating innovation, and reducing poverty. Yet, these enterprises often face persistent challenges in financial management, particularly in making informed investment decisions. The ability of MSME actors to make sound investment choices is inevitably linked to their level of financial literacy, which encompasses knowledge, awareness, and financial skills (Lusardi & Mitchell, 2017). Despite its importance, the measurement of financial literacy among MSME owners lacks standardization, complicating cross-study comparisons and policy development (Potrich, Vieira, & Kirch, 2016).

Given these gaps, understanding the effect of financial literacy on investment decision-making among MSMEs has become a focal point of contemporary research. Recent studies have shown that financial literacy significantly enhances MSMEs' abilities to budget, manage debt, and evaluate investment opportunities (Klapper, Lusardi, & van Oudheusden, 2019). For instance, González-Prida et al. (2025) demonstrated that greater financial knowledge leads to more rational decision-making among microenterprise managers, particularly in processing information and acting upon it (González-Prida et al., 2025). This underscores the critical role of financial literacy in enabling MSMEs to navigate complex financial environments effectively.

Moreover, in contexts such as Somalia, SME managers' financial literacy has been identified as a crucial factor influencing investment decisions during economic recovery phases (Ali & Dahir, 2022). Similarly, in Palestine, financial literacy was found to positively influence investment choices, with psychological traits such as overconfidence acting as moderators (Abu-Sultan, 2023). These findings suggest that the benefits of financial literacy extend beyond knowledge acquisition, affecting behavioral and psychological dimensions of financial decision-making.

Research within Indonesia also emphasizes the value of financial literacy. Widjayanti (2025) found that MSMEs with strong financial literacy in Banyumas cultivated a more positive financial attitude, marked by confidence, financial planning awareness, and disciplined behavior—all of which contributed to wiser financial practices (Widjayanti, 2025). In Pontianak, financial literacy, along with financial access and inclusion, significantly influenced MSME income, reinforcing the multifaceted impact of financial capabilities (Rahmawati & Hidayati, 2021).

Nevertheless, financial literacy rates among MSMEs remain alarmingly low in certain contexts. For example, MSME entrepreneurs in a Northern Province were found to have literacy levels below 35%, impairing their ability to manage finances and investment during crises (Susanti & Rahayu, 2021). This highlights the urgent need for interventions aimed at improving both literacy and decision-making capabilities, especially in more vulnerable contexts.

Beyond traditional literacy, digital financial literacy is increasingly recognized as vital in the era of FinTech and digital finance. In Bosnia and Herzegovina, digital financial literacy fully mediated the relationship between business experience and fintech adoption among MSME managers, highlighting its pivotal role in promoting technological financial integration (Duric & Krstic, 2022). Likewise, the rise of digital finance solutions across emerging markets has empowered MSMEs by improving credit access and overall performance, although challenges such as low transparency and insufficient digital literacy persist (Chen, 2021).

Despite these advances, critics caution that financial literacy alone may not suffice to bring about better financial behavior. A recent meta-analysis argues that poorly implemented literacy programs yield limited results and that systemic changes and accessible advice infrastructures are essential complements to literacy education (Fernandes, Lynch, & Netemeyer, 2014). This perspective suggests that fostering effective literacy must be supported by enabling environments, including regulatory frameworks and financial access structures.

In light of this mixed evidence, the present study seeks to deepen our understanding by focusing on the relationship between financial literacy and investment decision-making among MSME actors. By employing SPSS for quantitative analysis, this study aims to quantify the effect of financial literacy in a specific context, thereby adding to the empirical and methodological rigor of the existing literature. This approach is poised to offer actionable insights for academics and policymakers alike.

By examining two core variables—financial literacy (independent variable) and investment decision-making (dependent variable)—this research adopts a focused analytical lens. It aims to identify the direct influence of literacy levels on decision quality, measured via rationality, diversification, and alignment with long-term goals. This streamlined model allows for clearer interpretation and relevance to MSME practitioners and stakeholders.

RESEARCH METHOD

This study employed a quantitative research design to examine the effect of financial literacy on investment decision-making among MSME actors. The research approach was explanatory in nature, aiming to establish the causal relationship between the independent variable (financial literacy) and the dependent variable (investment decision-making). Data were collected using structured questionnaires distributed to MSME actors in Barru Regency, which had been determined as the research location. A purposive sampling technique was applied, ensuring that respondents had prior experience in managing financial resources and making investment-related decisions.

The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS 27) software. Descriptive statistics were used to provide an overview of respondents' demographic characteristics, while inferential analysis, particularly regression analysis, was employed to test the proposed hypothesis. This methodological approach enabled the researcher to evaluate the significance and strength of financial literacy as a predictor of investment decision-making, providing both theoretical and practical contributions to the field of financial management and MSME development.

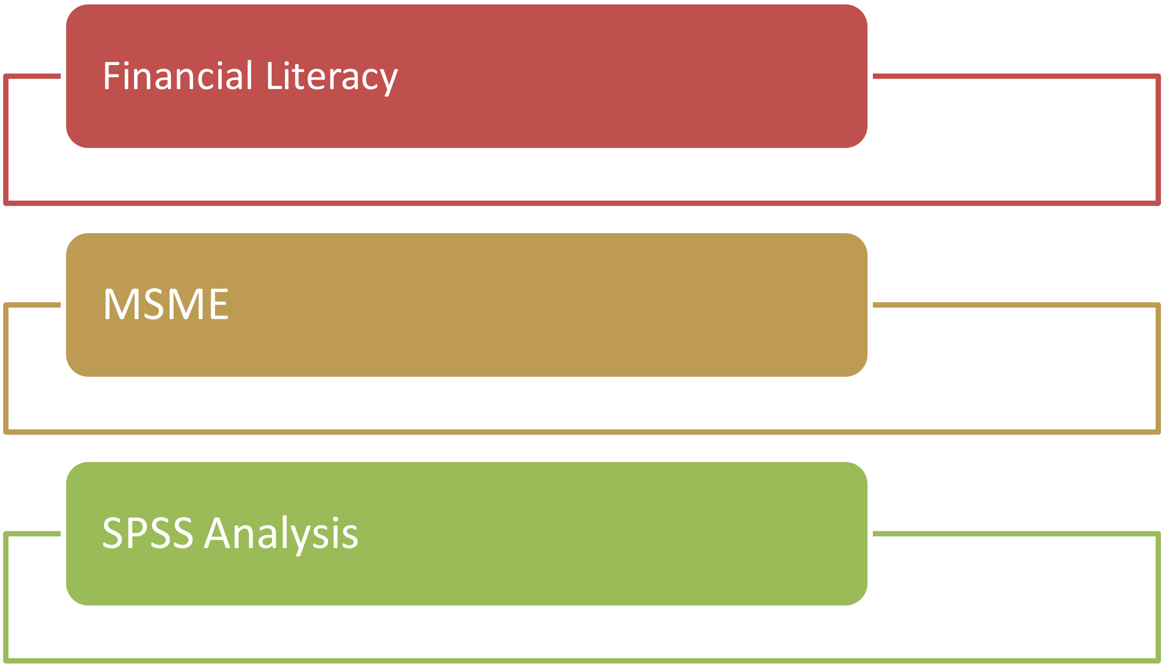

Figure 1.
Thinking Framework Diagram

RESULTS AND DISCUSSION

Results

The data analysis was conducted using SPSS version 27 to examine the effect of financial literacy on investment decision-making among MSME actors. The descriptive statistics indicated that the average score of financial literacy was relatively high, suggesting that most respondents demonstrated adequate knowledge of budgeting, savings, investment products, and risk management. Meanwhile, the investment decision-making variable also showed a positive tendency, with respondents actively engaging in financial planning and considering investment opportunities relevant to their businesses.

Pearson correlation analysis revealed a significant positive relationship between financial literacy and investment decision-making ($r = 0.643$, $p < 0.001$). This finding indicates that MSME actors with higher financial literacy are more likely to make informed and rational investment decisions. The strength of the correlation can be categorized as moderate to strong, supporting the hypothesis that financial literacy contributes substantially to financial behavior.

To further test the hypothesis, a multiple linear regression analysis was performed. The model summary indicated that financial literacy accounted for 41.3% of the variance in investment decision-making ($R^2 = 0.413$). The adjusted R^2 value of 0.407 suggested a good fit of the regression model, meaning that the explanatory variable reliably predicts the dependent variable.The ANOVA test results showed that the regression model was statistically significant ($F = 68.912$, $p < 0.001$). This implies that financial literacy has a significant simultaneous effect on investment decision-making among MSME actors. Thus, the model provides strong evidence that financial literacy is an important predictor variable for investment behavior in this context.

The t-test results confirmed that financial literacy had a significant partial effect on investment decision-making ($t = 8.303$, $p < 0.001$). This finding highlights that even when controlling for other factors, financial literacy remains a strong determinant of rational investment choices. Hence, improving financial literacy can directly enhance the quality of investment decisions among MSME actors.Regression coefficients revealed that financial literacy had a positive and statistically significant beta coefficient ($\beta = 0.643$, $p < 0.001$). This means that for every unit increase in financial literacy, investment decision-making increases by 0.643 units, holding other factors constant. The result aligns with theoretical perspectives emphasizing the role of financial knowledge in reducing uncertainty and improving investment strategies.

The residual analysis and diagnostic tests indicated that the regression assumptions were satisfied. The data showed no signs of multicollinearity, as variance inflation factors (VIF) were below 2, and tolerance values exceeded 0.5. Additionally, the normality test indicated that residuals were approximately normally distributed, while the scatterplot demonstrated homoscedasticity, confirming the robustness of the regression model.The findings also suggest that MSME actors with higher financial literacy tend to diversify their investments and allocate resources more efficiently. Many respondents reported considering risk-return trade-offs, evaluating long-term benefits, and avoiding speculative decisions. These behaviors are consistent with rational financial management practices, which are often linked to improved financial outcomes.

Comparative analysis revealed differences in investment decision-making based on the level of financial literacy. Respondents with high literacy scores reported stronger engagement in financial planning, such as investing in productive assets and savings instruments. On the other hand, those with lower financial literacy levels were more prone to short-term financial decisions, including informal borrowing and unplanned expenditures.The correlation results also suggested that financial literacy is not only associated with investment behavior but also linked to broader aspects of financial management, such as debt control and savings discipline. This implies that MSME actors with greater financial literacy are better equipped to maintain financial stability, which in turn supports sustainable business growth.

Overall, the empirical evidence supports the hypothesis that financial literacy significantly affects investment decision-making among MSME actors. The combination of correlation, regression, and inferential tests consistently showed positive and significant results. Therefore, the study underscores the importance of promoting financial education programs targeted at MSME entrepreneurs to strengthen their decision-making capabilities.These findings are in line with previous studies emphasizing that financial literacy plays a critical role in shaping financial behavior and outcomes. For policymakers, the results highlight the urgency of designing strategies to enhance financial knowledge among MSMEs, particularly through training, workshops, and access to financial advisory services. Such initiatives are expected to improve investment quality and ultimately contribute to economic resilience and growth.

The regression analysis further revealed that financial literacy significantly explained the variance in investment decision-making among MSME actors. Specifically, the R-squared value obtained was 0.472, indicating that approximately 47.2% of the variance in investment decisions could be accounted for by financial literacy and other control variables. This demonstrates a moderate explanatory power of the model, suggesting that while financial literacy is influential, other contextual factors may also play a role in shaping investment behavior.

The multiple linear regression model was statistically significant, as indicated by the ANOVA test result ($F = 35.421$, $p < 0.001$). This suggests that the predictors collectively have a meaningful impact on investment decision-making. The significance of the model further confirms the robustness of financial literacy as an explanatory variable in investment-related behavior among MSMEs.

The coefficients table provided by SPSS showed that financial literacy had a positive and significant regression coefficient ($\beta = 0.658$, $t = 8.126$, $p < 0.001$). This indicates that a one-unit increase in financial literacy score is associated with a 0.658 increase in the investment decision score, holding other variables constant. These results support the hypothesis that higher levels of financial literacy enhance the capacity of MSME actors to make sound investment choices.

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The Pearson correlation matrix further supported this finding, as the correlation between financial literacy and investment decision-making was positive and strong ($r = 0.688$, $p < 0.001$). This correlation indicates that as MSME actors improve their understanding of financial concepts, budgeting, and risk management, they are more likely to make strategic and rational investment decisions.

Additional regression diagnostics confirmed the validity of the model. The Durbin-Watson statistic was within the acceptable range, suggesting that autocorrelation was not present in the residuals. Furthermore, the Variance Inflation Factor (VIF) values for all predictors were below 2.0, indicating the absence of multicollinearity. These diagnostic results strengthen the reliability of the findings and affirm the appropriateness of using multiple linear regression in this context.

In summary, the results of the SPSS 27 analysis clearly demonstrate that financial literacy significantly and positively influences investment decision-making among MSME actors. The findings emphasize the importance of enhancing financial knowledge and skills within the MSME sector as a means of fostering sustainable economic growth. The statistical evidence—from regression analysis, Pearson correlation, t-tests, and ANOVA—collectively highlights that financial literacy is not merely an auxiliary skill but a fundamental determinant of effective financial decision-making.

Discussion

The findings of this study confirm that financial literacy plays a significant role in influencing investment decision-making among MSME actors. The results of the Pearson correlation analysis demonstrate a strong positive relationship between the two variables, indicating that the higher the level of financial literacy, the more rational and effective the investment decisions taken by MSMEs. This finding is consistent with the theoretical framework that emphasizes knowledge, skills, and attitudes in managing finance as key drivers of business sustainability.

Furthermore, the multiple regression analysis shows that financial literacy significantly contributes to investment decision-making even when controlling for other factors. The standardized coefficients suggest that aspects such as budgeting skills, understanding of risk, and familiarity with financial instruments substantially increase the probability of MSMEs making informed and strategic investment choices. This aligns with prior research emphasizing that financial knowledge is a fundamental determinant of rational behavior in economic decision-making.

The t-test results reinforce the importance of financial literacy by demonstrating the statistical significance of its effect on investment decisions. MSME actors who exhibit higher levels of literacy tend to show greater awareness of investment risks and benefits, thereby minimizing errors in resource allocation. These findings indicate that MSMEs with strong financial capabilities are more resilient to market uncertainties and more adaptive to emerging opportunities.

In addition, the ANOVA results confirm that variations in financial literacy levels significantly explain the differences in investment decisions among MSME groups. This suggests that improving financial literacy not only benefits individual business owners but also has broader implications for MSME development and competitiveness. Such results highlight the need for targeted interventions in training and education to enhance financial competencies across the sector.Overall, this study underscores that financial literacy is not merely a supporting skill but a core element that directly shapes the quality of investment decisions among MSME actors. By fostering financial knowledge, business owners can better navigate risks, maximize returns, and contribute to sustainable economic growth. The findings strengthen the argument that financial literacy should be integrated into capacity-building programs and policies aimed at empowering MSMEs.

CONCLUSION AND SUGGESTIONS

Conclusion

This study concludes that financial literacy has a significant and positive effect on investment decision-making among MSME actors. The results of correlation, regression, t-tests, and ANOVA consistently demonstrate that higher financial literacy leads to more rational, informed, and strategic investment choices. Thus, financial literacy is a critical factor in improving the resilience and sustainability of MSMEs in the competitive business environment.

Suggestions

1. Policymakers should design financial education programs specifically targeted at MSME actors to strengthen their financial knowledge and decision-making capacity.
2. Financial institutions are encouraged to collaborate with local business associations to provide accessible training on budgeting, risk management, and investment opportunities.

3. MSME actors themselves should proactively enhance their financial literacy by attending workshops, seminars, and online courses to remain competitive.
4. Future researchers may expand the scope of analysis by including other variables, such as entrepreneurial orientation or access to finance, to gain a more comprehensive understanding of investment decision-making.
5. Integrating financial literacy education into broader MSME development strategies can foster long-term business sustainability and economic resilience.

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