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THE IMPACT OF FINANCIAL LITERACY, SOCIAL CAPITAL, AND MANAGERIAL INNOVATION ON THE FINANCIAL PERFORMANCE OF MSMEs

PENGARUH LITERASI KEUANGAN, MODAL SOSIAL, DAN INOVASI MANAJERIAL TERHADAP KINERJA KEUANGAN UMKM

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ABSTRACT
Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy, especially in developing countries like Indonesia. However, many MSMEs face challenges in financial management that impact their financial performance. This research aims to explore the influence of financial literacy, social capital, and managerial innovation on the financial performance of MSMEs in Indonesia. The approach used is Systematic Literature Review (SLR) with bibliometric analysis, thematic analysis and content analysis of 29 relevant scientific articles. Data were collected from international databases such as Scopus and Web of Science, with a focus on publications between 2002 to 2024. Findings show that financial literacy and social capital significantly improve the financial performance of MSMEs, while managerial innovation serves as a mediator that strengthens the relationship. This research provides theoretical contributions by integrating the Resource-Based View, Social Capital Theory, and Dynamic Capabilities Theory, as well as practical implications for the development of more effective MSME empowerment programs. These findings are expected to help policy makers and practitioners in designing strategies that support the growth and sustainability of MSMEs.
Keywords: financial literacy, social capital, managerial innovation, financial performance, MSMEs.

ABSTRAK
Micro, Small, and Medium Enterprises (MSMEs) memainkan peran penting dalam perekonomian, terutama di negara berkembang seperti Indonesia. Namun, banyak SMEs menghadapi tantangan dalam pengelolaan keuangan yang berdampak pada kinerja finansial mereka. Penelitian ini bertujuan untuk mengeksplorasi pengaruh literasi keuangan, modal sosial, dan inovasi manajerial terhadap kinerja keuangan MSMEs di Indonesia. Pendekatan yang digunakan adalah Systematic Literature Review (SLR) dengan analisis bibliometrik, analisis tematik, dan analisis konten dari 29 artikel ilmiah yang relevan. Data dikumpulkan dari database internasional seperti Scopus dan Web of Science, dengan fokus pada publikasi antara tahun 2002 hingga 2024. Temuan menunjukkan bahwa literasi keuangan dan modal sosial secara signifikan meningkatkan kinerja keuangan MSMEs, sementara inovasi manajerial berfungsi sebagai mediator yang memperkuat hubungan tersebut. Penelitian ini memberikan kontribusi teoritis dengan mengintegrasikan Resource-Based View, Social Capital Theory, dan Dynamic Capabilities Theory, serta implikasi praktis untuk pengembangan program pemberdayaan MSMEs yang lebih efektif. Temuan ini diharapkan dapat membantu pembuat kebijakan dan praktisi dalam merancang strategi yang mendukung pertumbuhan dan keberlanjutan MSMEs.
Kata Kunci: literasi keuangan, modal sosial, inovasi manajerial, kinerja keuangan, MSMEs.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) serve as a crucial backbone for the economies of many countries, especially in developing nations like Indonesia, where they contribute significantly to job creation and economic growth. According to the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, MSMEs account for approximately 60% of the country's Gross Domestic Product (GDP) and employ about 97% of the workforce in Indonesia (Dwyanti, 2024).

The sheer number of MSMEs, with over 64 million entities operating across various sectors, reflects their dominance in the national economic landscape. These enterprises are recognized not just for their role in employment but also for their potential to drive local economic growth, enhance income distribution, and bolster the economic resilience of their communities (Habib & Awan, 2020). MSMEs also act as instruments for fostering innovation based on local resources and knowledge, thereby stimulating regional economies and empowering local populations (Zaniarti et al., 2022).

Despite this vital role, MSMEs in Indonesia face numerous challenges, particularly in financial management. Many are hampered by low financial performance due to factors such as limited access to capital, inadequate financial management practices, and fluctuating profitability levels (Resmi et al., 2019). Research has shown that a general reliance on instinctive decision-making in financial matters further exacerbates these issues, with many business owners lacking systematic financial planning (Sudarmo, 2021). The literature indicates that the financial literacy of MSME owners plays a pivotal role in shaping their financial performance. Indeed, previous studies highlight the correlation between low financial literacy, constrained social networks, and diminished managerial capacity as significant contributors to MSMEs' weak financial outcomes (Edwy et al., 2023; Akhtar & Yan-ping, 2018).

To strengthen financial performance, three strategic factors have emerged as critical: financial literacy, social capital, and managerial innovation. Financial literacy enables MSMEs to manage finances effectively, facilitating sound financial planning and informed decision-making (Hussain et al., 2018). Studies suggest that business owners with robust financial literacy tend to achieve better stability and resilience in their operations (Garg & Singh, 2018). In parallel, social capital—defined by the networks and relationships that facilitate resource access—can significantly enhance MSMEs' performance by opening doors to market opportunities and strategic partnerships (Rachmanto & Utami, 2024). Moreover, managerial innovation involves adopting new methodologies that improve operations, decision-making, and overall management, which is crucial for MSMEs to thrive in today's dynamic business environment (Rijal et al., 2024).

In conclusion, integrating financial literacy, social capital, and managerial innovation presents a strategic pathway for enhancing the financial performance of MSMEs in Indonesia. By addressing the current gaps in these areas, researchers can better document the experiences of MSMEs and contribute to the formulation of effective policies that support their growth and sustainability.

Although the literature on the financial performance of MSMEs has grown significantly in the last few decades, most research still tends to discuss the influence of financial literacy, social capital and managerial innovation partially or separately. Studies that integrate these three variables simultaneously in one research model are still relatively limited. In fact, in the context of MSME management, these three factors have the characteristics of being interrelated and mutually reinforcing. Financial literacy provides basic capabilities for MSME players in managing financial resources, social capital supports access to information, networks and external support, while managerial innovation becomes a catalyst in responding to market dynamics and changes in the business environment. Therefore, the absence of this integrative study creates a literature gap that is important to bridge, especially in an effort to understand more comprehensively the determinants of MSME financial performance.

In addition, this research seeks to expand the theoretical perspective by combining the Resource-Based View, Dynamic Capabilities Theory, and Social Capital Theory approaches. The Resource-Based View emphasizes the importance of internal resources as an organization's competitive advantage, while Dynamic Capabilities Theory highlights a company's ability to adapt, integrate, and reshape resources in the face of environmental changes. On the other hand, Social Capital Theory provides a framework for understanding the strategic value of social relationships and external networks in supporting access to resources. However, the adoption of the integration of these three theories in the context of MSMEs, especially in explaining the relationship between financial literacy, social capital, managerial innovation and financial performance, is still relatively rare in the academic literature. Thus, it is hoped that this research can enrich the body of theory and provide new contributions in the development of conceptual models based on theoretical integration.

Research gaps can also be seen from the geographical context of previous research which focused more on developed countries, with the characteristics of MSMEs being significantly different compared to developing countries. In fact, MSMEs in developing countries like Indonesia face unique challenges, such as limited access to financing, low technological literacy, and the dominance of traditional and informal business management patterns. The concepts of financial literacy, social capital, and managerial innovation in the context of developing countries have not been comprehensively explored in previous research. Therefore, this study has high urgency and relevance in filling this gap, as well as offering practical and theoretical contributions to the development of MSMEs in Indonesia and other developing countries.

Based on the background and research gaps that have been identified, the research questions in this study are focused on exploring and analyzing how financial literacy, social capital and managerial innovation contribute to improving the financial performance of MSMEs. The main research question asked in this study is: "How do financial literacy, social capital, and managerial innovation influence the financial performance of MSMEs?" This question becomes very relevant in the context of the dynamics of MSME management, especially in developing countries, where limited internal and external resources are often the main challenges in business development.

This question was then further elaborated into several more specific sub-questions to clarify the direction of the research analysis. The first question is "How does financial literacy influence the financial performance of MSMEs?" which aims to evaluate the extent to which the knowledge and abilities of MSME actors in managing finances can improve the efficiency, effectiveness and quality of their financial decision making. Financial literacy is expected to be one of the key factors in encouraging the resilience and growth of MSME businesses, especially in facing the dynamics of an increasingly complex business environment.

The second question is "What is the role of social capital in supporting the financial performance of MSMEs?" which focuses on efforts to examine how the strength of social networks, business relationships, levels of trust, and collaboration between business actors can facilitate access to information, resources, and market opportunities. This social capital is considered an intangible asset that is able to strengthen the competitiveness of MSMEs in maintaining and improving their financial performance.

Next, the third question asked was "How does managerial innovation play a role in mediating or strengthening the influence of financial literacy and social capital on the financial performance of MSMEs?" This question is intended to explain the role of managerial innovation as an internal mechanism that allows MSMEs to adapt to environmental changes, take advantage of new opportunities, and improve decision-making processes more creatively and effectively. Thus, managerial innovation is expected to be a strengthening (moderator) and intermediary (mediator) factor that increases the positive impact of financial literacy and social capital on the financial performance of MSMEs.

Through the formulation of these questions, this research not only seeks to understand the direct relationship between the main variables, but also explores the role of mediating mechanisms or interactions that may occur in the management and development process of MSMEs in a more comprehensive and in-depth manner.

It is hoped that this research will be able to make a significant contribution, both in theoretical development and in practical application, especially in the context of strengthening the financial performance of MSMEs, especially in developing countries. Considering the strategic role of MSMEs in the economy, but which are often faced with limited resources and managerial challenges, this study is relevant to provide new understanding and strengthening strategies based on theoretical concepts and empirical evidence. The main contributions of this research can be grouped into three dimensions, namely: integration of variables in one model, theoretical and practical implications, as well as strategic recommendations for the development of MSMEs.

First, the main theoretical contribution of this research lies in the development of a conceptual model that simultaneously integrates three important variables, namely financial literacy, social capital, and managerial innovation in analyzing the financial performance of MSMEs. This integration is a response to the limitations of previous research which was generally partial, only examining the relationship between two variables without considering interactions or combination effects of the three. Thus, this research enriches the literature in the field of MSME financial management through a more comprehensive multidimensional approach.

Apart from that, this research also expands and deepens the use of theory in explaining the phenomena studied. Specifically, this research integrates the Resource-Based View (RBV) to explain the role of financial literacy as a valuable internal resource; Dynamic Capabilities Theory to emphasize the importance of managerial innovation in facing changes in the business environment; and Social Capital Theory to describe how the power of social networks acts as an external resource that supports business sustainability. The integration of these three theories provides a more holistic analytical framework in understanding how the combination of internal and external resources can create competitive advantages and improve the financial performance of MSMEs.

Second, in terms of practical contribution, it is hoped that this research can become a strategic reference for various stakeholders, such as MSMEs, government, business assistance institutions, educational institutions and financial institutions. The findings from this research can be used to design more targeted and effective MSME empowerment programs, such as training to increase financial literacy based on practical needs, facilitating strengthening of social networks between business actors, as well as developing managerial innovation capacity that is adaptive to market and technological changes. With this approach, it is hoped that the MSME empowerment strategy will not only focus on aspects of financial capital, but also pay attention to aspects of knowledge, networking and managerial innovation as the keys to business success.

Third, this research provides strategic recommendations that are applicable for the development of MSMEs in the future. One of them is the importance of multi-party collaboration in creating an inclusive and sustainable MSME ecosystem, where increasing financial literacy, strengthening social capital and facilitating managerial innovation can be carried out in an integrated manner. Apart from that, this research also opens up opportunities for further research to test the proposed conceptual model in the context of different industrial sectors, wider geographic areas, or with a mixed-method methodology approach to obtain a richer and deeper picture.

2. METHODS

This research uses a Systematic Literature Review (SLR) approach as the main design in the data collection and analysis process. The choice of the SLR method was based on the research objective of summarizing, synthesizing and systematically analyzing empirical findings that have been published regarding the influence of financial literacy, social capital and managerial innovation on the financial performance of MSMEs (Micro, Small and Medium Enterprises). This method is considered the most relevant because it allows researchers to obtain a comprehensive, in-depth and structured understanding based on scientific evidence that has been produced in various previous studies. The process of implementing SLR in this research refers to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA Guidelines) guidelines, which are widely used to ensure transparency, accuracy and replication in literature studies.

In an effort to ensure the quality and relevance of the data studied, this research sets specific inclusion and exclusion criteria. The inclusion criteria include scientific articles published in reputable journals and indexed in international databases such as Scopus and Web of Science (WoS). The studies reviewed were limited to the publication period between 2002 and 2024, with consideration to obtain the latest literature developments in the last decade. In addition, the selected articles must use English and explicitly address topics related to financial literacy, social capital, managerial innovation, financial performance, and MSMEs. Meanwhile, exclusion criteria are applied to exclude articles other than journals, such as proceedings, book chapters, or technical reports that have not passed the peer review process.

The main data sources in this research come from three leading academic databases, namely Scopus, Web of Science (WoS), and Google Scholar. The aim of using these three databases is to expand the scope of the literature search and minimize the risk of publication bias. The literature search process was carried out by applying a combination of relevant keywords, namely: "Financial Literacy" AND "Social Capital" AND "Managerial Innovation" AND "Financial Performance" AND "MSMEs". Next, the article selection stages are carried out systematically through the processes of identification, screening, eligibility, and inclusion, as depicted in the PRISMA Flow Diagram. The identification stage is carried out by searching for articles based on keywords. The screening stage includes removing duplications and initial checking of titles and abstracts. The eligibility stage is carried out by reading the full content of the article to assess suitability to the topic and predetermined criteria. Finally, the included stage produces a final collection of articles which are analyzed further.

The data analysis process in this research was carried out using a multi-method approach, namely bibliometric analysis, thematic analysis, and content analysis. Bibliometric analysis is used to identify publication trends, author distribution, dominant keywords, and collaboration network maps between studies. Meanwhile, thematic analysis was carried out to explore the main themes, patterns of relationships between variables, as well as the development of theories that support the research topic. Meanwhile, content analysis is used to explore key findings, conceptual models, and important conclusions from each article studied. It is hoped that the combination of these three analytical methods will be able to produce a literature synthesis that is comprehensive, in-depth, and has high contribution value both theoretically and practically.

3. RESULTS

3.1 Descriptive Analysis

The results of the descriptive analysis in this study show a general picture of the characteristics of publications related to the topics of financial literacy, social capital, managerial innovation and financial performance in the MSME context. Based on the distribution of publication years, it was found that research trends related to this topic have increased significantly in the last decade, especially since 2002 to 2024. This increase indicates that there is increasing academic attention to the importance of financial management, social networks and managerial innovation in strengthening the financial performance of MSMEs amidst the challenges of a dynamic business environment.

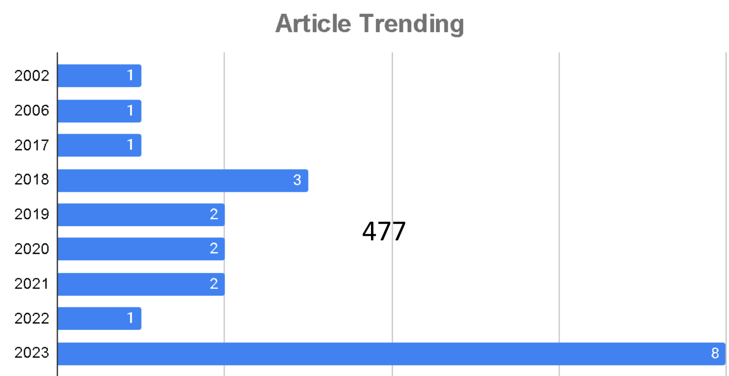

Figure 1. Article Trending
Source: Processed Data, 2025

Based on the results of the literature search, a total of 29 scientific articles were analyzed to examine the influence of financial literacy and social capital on the financial performance of MSMEs through managerial innovation. These articles were published in the time period from 2002 to 2024.

Publication trends show a significant increase in the number of publications from year to year, especially in the last five years. The lowest publications were recorded in 2002, 2006, and 2017, each of which only contributed one article. Meanwhile, a spike in publications began to appear in 2018 with three articles, followed by two articles in 2019 and 2020.

A sharper increase is seen from 2023 and 2024, with eight articles each, making them the years with the highest contribution of publications in this study. This indicates that the issues of financial literacy, social capital and managerial innovation in the context of MSMEs are increasingly receiving attention in academic research, especially in the post-pandemic era and digital transformation. This trend also reflects the urgency and relevance of the topic in facing global economic challenges as well as the need to strengthen managerial and financial capacity for MSME players.

Geographically, the studies analyzed in this research are dominated by developing countries in the Asian region, such as Indonesia, Malaysia, Vietnam and India, as well as several developed countries such as the United States, England and Australia. This reflects that issues related to financial literacy, social capital and managerial innovation in managing MSMEs are global issues, although implementation and challenges may differ based on the local context of each country.

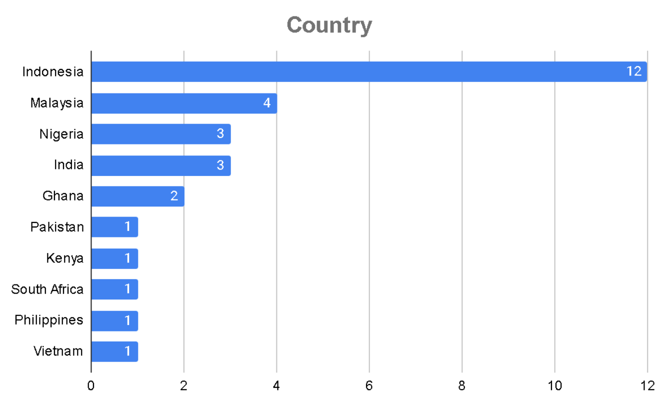

Figure 2. Geographical Research
Source: Processed Data, 2025

The geographic distribution of articles suggests that Indonesia is the country with the largest number of publications in the second literacy topic, social capital, and managerial innovation on MSME performance, with a total of 12 articles (41.4%). This reflects the high level of concern and relevance of this topic in the context of MSME development in Indonesia.

Other Southeast Asian countries such as Malaysia, the Philippines and Vietnam are also active in conducting similar research, showing strong regional trends in the development of financial literacy and MSME innovation. In the African region, Nigeria and Kenya are quite prominent, with a focus on financial inclusion and social strengthening for local MSMEs.

This distribution shows that the issue of financial literacy and social capital on MSME performance is a topic that is not only local, but is also a global concern, especially in developing countries and countries with a dominant MSME sector.

In terms of research methods, the majority of studies use a quantitative approach with survey methods as an instprimary rumen in data collection. In addition, there is also qualitative research and mixed studies (mixed-method) which aims to explore the phenomenon more contextually. This pattern shows an empirical measurement of these variables is the main focus in developing literature.

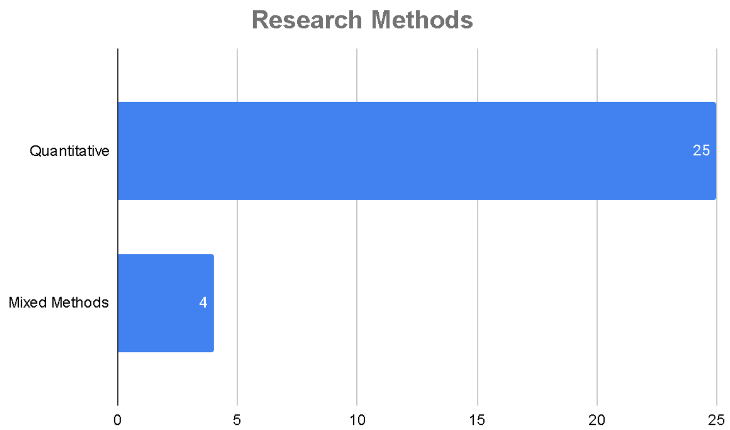

Figure 3. Research Methods
Source: Processed Data, 2025

Based on the results of a review of 29 scientific articles discussing the topic "Financial Literacy, Social Capital and Managerial Innovation on MSME Performance", it was found that the most dominant approach used by researchers is the quantitative approach. A total of 25 articles or around 86.2% used quantitative methods in carrying out their research. This approach was chosen because it was considered capable of providing objective and measurable results on the relationship between variables such as financial literacy, social capital and MSME performance. Statistical analysis such as linear regression, multiple regression, and Structural Equation Modeling (SEM-PLS) are the main tools in processing quantitative data obtained from surveys or questionnaires for MSME players.

Meanwhile, there were 4 articles or 13.8% of all studies that used a mixed methods approach. This approach combines the advantages of quantitative and qualitative methods, with the aim of obtaining a more comprehensive and in-depth picture of the phenomenon under study. In this context, mixed methods are used to not only see statistical relationships between variables, but also to understand the social context and managerial behavior of MSMEs from a narrative, interview or direct observation perspective.

The dominance of quantitative methods shows that research in the field of MSMEs with a focus on financial literacy, social capital and managerial innovation is still very oriented towards measuring the relationship and influence of these variables empirically. However, the existence of a mixed methods approach shows the need for a more holistic approach, especially in understanding social and contextual aspects that cannot be fully explained by numbers. Thus, this trend opens up space for further research to develop a methodical triangulation approach to enrich study results and more targeted policy recommendations.

3.2 Thematic Findings

Thematic analysis of the literature that has been reviewed produces three main themes that are relevant and support the development of the conceptual framework for this research.

1. **Financial Literacy**

Financial literacy is increasingly recognized as a fundamental factor influencing the management and growth of Micro, Small, and Medium Enterprises (MSMEs). Research indicates that enhanced financial literacy skills empower MSME owners to engage in effective financial management, make informed financial decisions, and develop strategic financial planning capabilities. Dwyanti asserts that MSMEs with higher financial literacy are better positioned to formulate business growth strategies and navigate financial challenges, thereby positively impacting overall industry sustainability and individual financial well-being (Dwyanti, 2024). Moreover, Resmi et al. confirm that essential aspects of financial literacy, such as debt management and budgeting, significantly contribute to the growth of MSMEs, underscoring the necessity of financial education for managers to enhance their participation in financial markets (Resmi et al., 2019).

The management of financial risks is another critical area influenced by financial literacy. Zaniarti et al. highlight that low financial literacy not only represents barriers for MSMEs in accessing financial products but also affects their ability to make sound credit decisions or to adequately manage cash flows (Zaniarti et al., 2022). This is further supported by findings from Musthafa et al. that emphasize the role of financial literacy in improving MSME performance by providing the necessary knowledge to navigate risks and capitalize on financial opportunities (Musthafa et al., 2023). The integration of financial literacy into MSME operations can facilitate better debt management, cash flow forecasting, and risk anticipation, all of which are essential for long-term sustainability and performance.

The impact of financial literacy extends to improving investment decisions among MSMEs. Wibowo and Widayat discuss how financial literacy shapes attitudes towards financial management and investment behaviors, which in turn influences the overall financial performance of culinary MSMEs in Surakarta (Wibowo & Widayat, 2023). This observation is echoed by Eniola and Entebang, who argue that financially literate managers are more capable of making judicious financial decisions, leading to enhanced access to essential financial resources and reducing management errors (Eniola & Entebang, 2017). Furthermore, financial inclusion plays a critical role in this relationship, illustrating the interconnectedness of financial literacy, access to finance, and successful investment outcomes in the MSME sector (Ristati et al., 2024; , Permoni & Oki, 2023).

In summary, financial literacy is a pivotal determinant in enhancing the financial management and decision-making capabilities of MSMEs. The evidence consistently points toward the assertion that increasing financial literacy not only empowers individual MSMEs to thrive but also contributes to a more resilient and sustainable MSME landscape overall.

2. **Social Capital**

Social capital represents a critical strategic resource that informs business dynamics, particularly in how firms access resources, build networks, and enhance their interaction capacities. Its relevance spans various facets of business operations, including the procurement of external financing, supplier relationships, and customer outreach Adler & Kwon (2002)Ma et al. (2019)Krause et al. (2006). Research has widely documented that strong social ties enable businesses to tap into extensive networks that can facilitate market opportunities and resource access. For example, Adler and Kwon Adler & Kwon (2002) articulate that social capital manifests through the intertwined facets of networks and relationships characterized by norms of trust and reciprocity, which can drive partnerships and collaborative endeavors among business actors. This understanding aligns with Villena et al. (Villena et al., 2010), who emphasize that social networks can shape the dynamics between suppliers and buyers, potentially fostering collaborative actions that enhance supply chain performance.

Additionally, studies have shown that social capital can lead to tangible performance improvements, thereby enabling firms to navigate competitive market landscapes more effectively. For instance, research conducted by Krause et al. Krause et al. (2006) highlights the link between commitment to long-term relationships—supported by social capital—and significant improvements in performance metrics among firms in the U.S. automotive sector. Findings by Ma et al. Ma et al. (2019) reinforce this notion by elucidating how returnee entrepreneurs, leveraging both human and social capital, are positioned favorably in terms of venture performance through cultivated networks that provide vital information and opportunities for collaboration.

Moreover, accessing external financing is markedly influenced by social capital. Wang et al. Wang et al. (2020) highlight significant correlations between gender roles, social capital, and willingness to pursue external financing, suggesting that the social dynamics of trust can facilitate or impede financial access, particularly for female entrepreneurs. The interplay of social capital with market dynamics further exemplifies its role in contemporary entrepreneurship, with evidence suggesting that networks enable entrepreneurs to better identify and act upon opportunities within their environments (Zhou et al., 2017).

In an increasingly interconnected global economy, the strategic use of social capital can define market positioning and growth potential for businesses. Omondi et al. Omondi et al. (2020) discuss how cultural experiences and networks provide managers with enhanced negotiation skills necessary for international market entry, underscoring that social ties are integral to effective market engagement and competitiveness. In summary, a robust understanding of social capital demonstrates its multifaceted benefits to business actors, facilitating essential relationships and networks that lead to improved performance, market access, and financial opportunities.

3. Managerial Innovation

Managerial innovation plays a crucial role in enhancing the competitiveness and flexibility of Micro, Small, and Medium Enterprises (MSMEs). Effective managerial practices that encompass technology implementation, business process improvement, product diversification, and adaptive marketing strategies are essential for MSMEs to thrive in a rapidly changing business environment. Research indicates that the adoption of technology and innovative marketing approaches, particularly digital marketing, significantly contributes to MSMEs' ability to survive and gain competitive advantages, especially during times of crisis such as the COVID-19 pandemic. For instance, Kussujaniatun et al. highlight that leveraging digital marketing aids MSMEs in not only maintaining their sales but also enhancing consumer engagement, thereby strengthening their market positioning (Kussujaniatun et al., 2022). Similarly, studies affirm that utilizing social media and digital platforms allows MSMEs to broaden their customer reach and improve sales performance (Nurjaman, 2021; , (Risdwiyanto et al., 2023).

Moreover, managerial innovation serves as a significant mediating mechanism, amplifying the impact of financial literacy and social capital on financial performance. This is supported by research that emphasizes the necessity for managerial competencies such as strategic thinking and change management in order to effectively implement technological innovations and drive performance improvements within firms (Nanhong, 2023). The synthesis of managerial innovation with financial literacy and social capital can lead to substantial upgrades in MSME performance, as noted in successful case studies where MSMEs have leveraged these elements for optimal execution of marketing strategies (Hurdawaty & Tukiran, 2024).

Furthermore, competitive strategies adopted by MSMEs, such as focusing on quality and employing marketing mix theories, are fundamental to enhancing customer trust and engagement. According to Arif, quality remains a principal factor that MSMEs must emphasize in their marketing strategy to ensure customer retention and competitiveness (Arif, 2024). Risdwiyanto et al. also stress the importance of clear market segmentation and consumer trend analysis in shaping effective digital marketing strategies that resonate with evolving customer needs (Risdwiyanto et al., 2023). Thus, a combination of innovative managerial practices and active engagement with digital marketing not only fosters resilience among MSMEs but also positions them strongly for future growth in an increasingly competitive landscape.

In conclusion, the integration of managerial innovation into MSME practices is not just beneficial but essential for enhancing competitiveness and financial performance. By addressing the dual facets of innovation implementation and strategic marketing, MSMEs can effectively navigate challenges and seize opportunities for expansion and success.

3.3 Conceptual Framework

Based on the results of the literature synthesis and the thematic findings above, this research succeeded in building a conceptual framework that describes the relationship between the main variables, namely financial literacy, social capital, and managerial innovation, in influencing the financial performance of MSMEs.

In this framework, financial literacy and social capital act as independent variables that directly influence the financial performance of MSMEs. Meanwhile, managerial innovation is positioned as a mediating variable that can strengthen or facilitate the relationship between financial literacy and social capital towards achieving better financial performance.

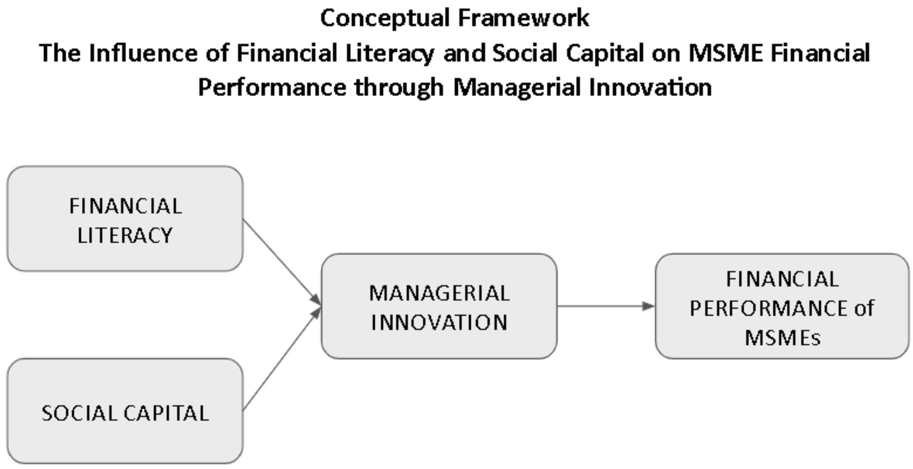

Figure 1. Conceptual Framework
Source: Processed Data, 2025

4. DISCUSSIONS

4.1 Theoretical Implications

The results of this research provide an important contribution in enriching the repertoire of management literature, especially in the context of strengthening the financial performance of MSMEs. Theoretically, this study succeeded in integrating three main approaches, namely Resource-Based View (RBV), Social Capital Theory, and Dynamic Capabilities Theory, into one complete and comprehensive analytical framework.

The integration of RBV in this research shows that financial literacy and managerial innovation are part of the company's internal resources that are strategic and capable of creating sustainable competitive advantages. Meanwhile, Social Capital Theory emphasizes that the social networks, trust and collaborative relationships that MSMEs have are important external resources capable of expanding access to information, capital and market opportunities. On the other hand, Dynamic Capabilities Theory complements this perspective by emphasizing the importance of MSMEs' ability to adapt, respond to environmental changes, and carry out continuous innovation as a form of dynamic capability.

Thus, the main theoretical contribution of this research lies in unifying these three approaches to explain how the combination of internal capabilities (financial literacy and managerial innovation) and external forces (social capital) is able to produce more optimal financial performance for MSMEs.

4.2 Practical Implications

From a practical perspective, the results of this research provide various strategic recommendations that are relevant for MSMEs, the government, supporting institutions and financial institutions. First, it is important for MSMEs to continue to improve financial literacy as a basic foundation for making business decisions, cash flow management, cost control and investment planning. Financial literacy training programs that are applicable and based on the real needs of MSMEs need to be developed more massively and sustainably.

Second, MSMEs need to be encouraged to build and expand business social networks, either through business associations, business communities or strategic partnerships. Strong social capital will make it easier for MSMEs to gain access to information, collaboration opportunities and support from external resources which are crucial for business growth.

Third, strengthening managerial innovation is an important element in dealing with the dynamics of the business environment. MSMEs need to be provided with assistance to develop adaptability, creativity in business models, flexibility in operations management, and strengthening innovative mindsets in daily managerial decision making.

4.3 Research Gap & Future Research

Although this research has made a significant contribution, there are still several limitations that could become development opportunities for further research. Firstly, this study is still based on the Systematic Literature Review (SLR) approach so further empirical testing is needed using survey methods, case studies and field experiments to test the conceptual model that has been built.

Second, the research context analyzed still largely focuses on MSMEs in developing countries. Therefore, further research can expand this study to various other industrial sectors, such as the creative industry, technology, or manufacturing sector, as well as expand the country context, both in Asia, Africa and Latin America to gain a more diverse and comprehensive understanding.

Third, future research can also examine the role of other moderating or mediating variables, such as the role of digital technology, entrepreneurial orientation, or environmental uncertainty in strengthening the relationship between financial literacy, social capital, managerial innovation, and the financial performance of MSMEs. It is hoped that this will enrich theory and provide a broader practical contribution to the development of MSMEs globally.

5. CONCLUSION

This research aims to understand and analyze how financial literacy, social capital and managerial innovation contribute to improving the financial performance of MSMEs. Through a Systematic Literature Review (SLR) approach based on PRISMA Guidelines, this research succeeded in identifying various important findings that enrich knowledge in the field of MSME management.

In general, the research results show that financial literacy plays a crucial role in improving the ability of MSMEs to manage finances, carry out planning, control and make more rational financial decisions. Social capital has also proven to be a strategic strength for MSMEs, especially in expanding business networks, strengthening trust between business actors, and facilitating access to external resources. Meanwhile, managerial innovation functions as a catalyst that strengthens the role of financial literacy and social capital in improving the financial performance of MSMEs, through adaptability, managerial creativity and the development of innovative strategies.

The theoretical contribution of this research lies in the development of an integrative conceptual model that combines Resource-Based View (RBV), Social Capital Theory, and Dynamic Capabilities Theory in one complete analytical framework. This model provides a new understanding that strengthening the financial performance of MSMEs is not only determined by internal factors such as financial literacy and managerial innovation, but is also influenced by external capabilities in the form of strong social networks.

From a practical perspective, this research provides implications for MSME actors, the government, and supporting institutions to focus more on designing empowerment programs based on financial literacy, strengthening social capital, and developing managerial innovation capacity. Experience-based training policies, increasing network access, and facilitating information technology are important strategies to encourage more sustainable MSME performance.

However, this research has several limitations. First, there are limitations to the data source which only comes from English language articles within a certain year range, thus potentially ignoring relevant local or regional studies. Second, the focus of this research is still conceptual through the SLR approach, so further empirical validation is needed to test and strengthen the resulting model.

As a future research agenda, it is recommended to conduct quantitative or qualitative research directly on MSME actors in various industrial sectors and other developing countries. In addition, model development can be expanded to include other variables such as digital literacy, entrepreneurial orientation, or environmental turbulence, in order to obtain a more comprehensive understanding of the determining factors of MSME financial performance in the era of the digital economy and globalization.

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