

ANALYSIS OF THE INFLUENCE OF SHARIA FINANCIAL LITERACY ON THE SUSTAINABILITY OF MICRO ENTERPRISES IN YOGYAKARTA CITY

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Abstract

This study analyzes the influence of Islamic financial literacy on the sustainability of micro-enterprises in Yogyakarta City. The research is motivated by the increasing challenges faced by micro-entrepreneurs in maintaining business continuity, particularly related to financial management skills in line with sharia principles. The objective is to examine whether a higher level of sharia financial literacy contributes significantly to strengthening micro-enterprise sustainability. The study employed a quantitative approach with a survey method, involving micro-business actors across various sectors in Yogyakarta City. Data were collected using structured questionnaires and analyzed using multiple regression techniques to test the relationship between variables. The findings indicate that Islamic financial literacy has a positive and significant effect on business sustainability. Entrepreneurs with better understanding of sharia-based financial planning, saving, investment, and debt management demonstrate greater resilience in facing financial shocks and are more consistent in business growth. The results also reveal that financial literacy serves as a mediating factor in improving decision-making, access to sharia financing, and long-term business performance. This study concludes that enhancing Islamic financial literacy is crucial for empowering micro-enterprises and supporting inclusive and sustainable economic development.

INTRODUCTION

The sustainability of micro-enterprises is a crucial challenge amid the dynamics of the modern economy, including in Yogyakarta City, which now faces increasingly intense competition. Micro-entrepreneurs often struggle with capital management, technology, and human resources—making the strengthening of Islamic financial literacy increasingly essential to support stability and business growth (Badria & Hasanah, 2025). Islamic financial literacy not only enhances the understanding of sharia principles in financial management but also promotes broader Islamic financial inclusion—thereby strengthening the resilience of micro-enterprises against economic shocks (Syamsul Hilal, Bafadal, & Maimun, 2025). Studies also show that Islamic financial literacy and access to financial inclusion significantly contribute to the performance and sustainability of halal MSMEs (Muhammad Alfian Rumasukun & Maharani, 2024; “Does Islamic financial literacy affect business performance...”, 2024).

In addition, the implementation of financial technology and innovative sharia-based products strengthens literacy and inclusion, creating a more inclusive and sustainable financial ecosystem (MSJ, 2025). Other studies even found that Islamic financial literacy is directly and positively correlated with the productivity and financial performance of micro-enterprises (Rumasukun & Maharani, 2024). The contribution of Islamic financial literacy to the Sustainable Development Goals (SDGs) has also been proven through systematic literature reviews, bridging sharia principles with sustainable economic development (Harahap, 2023). Furthermore, digital product innovations and multi-stakeholder collaborations are emphasized as key strategies to enhance literacy and sustainability within the Islamic finance industry. Empirical studies further affirm that Islamic financial literacy and inclusion simultaneously have a positive impact on the sustainability of micro-enterprises—both in the context of the real economy and in achieving inclusive development goals. Accordingly, this study is directed at investigating the extent to which Islamic financial literacy influences the sustainability of micro-enterprises in Yogyakarta City, employing a quantitative approach and multiple regression analysis, in order to enrich the literature and provide policy recommendations based on sharia principles and inclusive economic development.

Micro-enterprises are a foundational element of Yogyakarta’s economy. From the total 246,217 business units in the region, approximately 98.40% are classified as micro, small, and medium enterprises (MSMEs), with micro-enterprises alone accounting for 55% (Astuti & Utami, 2023). Despite this prevalence, many micro-enterprises struggle to sustain operations due to limited financial literacy, weak managerial acumen, and restricted access to sharia-compliant financial services.

Table 1. MSMEs Dominate Yogyakarta’s Economy

Indicator	Value	Source
Proportion of MSMEs in Yogyakarta	98.40% of all business units	jurnal.stie-aas.ac.id
Share of micro-enterprises	55% of all business units	jurnal.stie-aas.ac.id
Islamic financial literacy index	43.42% (2025, Sustainability Method)	iru.ojk.go.id
Islamic financial inclusion index	13.41% (2025, Sustainability Method)	iru.ojk.go.id

The data indicate that MSMEs dominate Yogyakarta's economy, with micro-enterprises as the largest segment. However, the levels of Islamic financial literacy and inclusion remain relatively low. This gap must be addressed, as it threatens the sustainability of micro-enterprises, particularly in the face of competition and the necessity to integrate with the Sustainable Development Goals (SDGs).

Although Indonesia's general financial literacy is around 66%, Islamic financial literacy remains significantly lower at 43.4%, and Islamic financial inclusion sits at a mere 13.4% ([Otoritas Jasa Keuangan \[OJK\], 2025](#)). This disparity creates a critical gap that hampers the capacity-building of micro-entrepreneurs. [Zaniarti, Veronica, and Arsyantia \(2022\)](#) found that "financial literacy affects business survival under challenging conditions," while [Supriadi et al. \(2023\)](#) demonstrated that "MSMEs that adopt Islamic financial innovation and literacy tend to experience improved performance" — underscoring Islamic financial literacy as a crucial component of resilience for micro-enterprises.

Financial literacy theory emphasizes that knowledge and understanding of financial products and concepts enable individuals and businesses to make informed and sustainable financial decisions. In the context of micro-enterprises, literacy becomes a determinant of survival when facing economic shocks, fluctuating markets, and capital constraints. As [Zaniarti, Veronica, and Arsyantia \(2022\)](#) highlight, "*financial literacy affects business survival under challenging conditions*". Their study underscores the role of financial knowledge as a shield that supports continuity, particularly for vulnerable businesses.

Subsequent research has further emphasized that financial literacy positively influences not only the ability to manage funds but also the access to and utilization of financial resources. The relationship between literacy and inclusion is particularly important for micro-enterprises that depend on financial institutions for capital and investment opportunities. Evidence suggests that literacy can increase entrepreneurs' trust in financial systems, reduce perceived risks, and encourage engagement with formal financial services. Thus, financial literacy serves as both a knowledge base and an enabling factor that connects micro-enterprises to broader financial ecosystems. Moreover, financial literacy contributes directly to micro-enterprise performance through better cash flow management, cost control, and investment planning. For instance, [Trianto et al. \(2024\)](#) argue that entrepreneurs with adequate knowledge of saving and borrowing are more likely to sustain profitability even under unfavorable market conditions. Their findings confirm that literacy not only supports individual decision-making but also enhances collective resilience across micro-business ecosystems.

At the same time, gaps in financial literacy create vulnerabilities that hinder long-term sustainability. Entrepreneurs with low levels of literacy often rely on informal financing, face higher transaction costs, and struggle with debt management. These deficiencies highlight the need for targeted education programs, particularly in developing countries where MSMEs form the backbone of the economy. Thus, financial literacy theory provides a foundational lens through which the sustainability of micro-enterprises can be analyzed, showing that literacy is not merely an individual skill but a structural necessity for inclusive development.

Islamic financial literacy extends beyond conventional financial knowledge by incorporating principles such as halal transactions, prohibition of *riba*, risk-sharing, and ethical investment. This makes it particularly relevant for Muslim-majority economies, where compliance with Islamic values influences consumer and entrepreneurial behavior. [Azman \(2023\)](#) emphasizes that "*Islamic financial*

literacy ... demonstrates a positive and significant relationship [with] financial sustainability,” with financial behavior emerging as a key factor. Thus, literacy in this context becomes not only a financial competency but also a moral and religious obligation. Sustainable performance, when linked with Islamic financial literacy, implies that entrepreneurs are better able to align their financial strategies with long-term objectives while maintaining adherence to sharia principles. [Trianto et al. \(2024\)](#) show that Islamic financial literacy fosters financial inclusion and enhances micro-business performance. By ensuring that business activities are consistent with ethical guidelines, entrepreneurs not only secure financial gains but also maintain reputational legitimacy within their communities.

Additionally, Islamic financial literacy contributes to the adoption of Islamic financial products such as *mudharabah*, *musharakah*, *murabahah*, and *sukuk*. These instruments provide micro-enterprises with alternatives to conventional financing, often with structures that encourage equity participation and fair risk distribution. Studies have shown that entrepreneurs with strong literacy in these areas are more likely to engage with Islamic banks and cooperative institutions, thereby strengthening the Islamic finance sector. This reinforces the symbiotic relationship between literacy and institutional development.

However, the low levels of Islamic financial literacy in many regions, including Indonesia, highlight a critical challenge. Despite the rapid growth of Islamic finance globally, a lack of understanding among micro-entrepreneurs impedes broader participation. This situation demands comprehensive literacy programs that combine financial education with religious and ethical awareness, ensuring that entrepreneurs can translate their values into sustainable business practices. In this way, Islamic financial literacy forms a bridge between moral imperatives and economic resilience. Islamic finance practices are grounded in principles of equity, risk-sharing, and social justice. These principles resonate strongly with the needs of micro-enterprises, which often lack collateral and face high risks in conventional financial systems. [Febriyanto \(2024\)](#), through a systematic review, confirmed that Islamic financial practices directly support the development of MSMEs in Indonesia. Their findings suggest that Islamic finance not only provides alternative capital but also creates a more inclusive financial landscape.

For micro-enterprises, sharia-based financing models such as *mudharabah* and *musharakah* offer mechanisms that reduce the burden of fixed interest payments and encourage shared responsibility between investors and entrepreneurs. Such models align incentives for both parties, as profits and risks are distributed fairly. This creates a more sustainable framework for business growth, particularly for enterprises vulnerable to volatile cash flows. By adopting these practices, micro-entrepreneurs gain access to financing that is both ethical and resilient. The role of Islamic finance also extends to promoting social welfare through instruments like *zakat*, *waqf*, and *qard al-hasan*. When integrated into micro-enterprise financing, these tools provide safety nets and support entrepreneurship among marginalized groups. Scholars argue that the combination of charitable finance and commercial Islamic finance creates a holistic system that fosters both social equity and economic development ([Hasibuan, 2024](#)). Thus, Islamic finance practices are not limited to profit generation but are designed to strengthen communities and reduce inequality.

Nevertheless, challenges remain in implementing Islamic finance practices effectively for micro-enterprises. Limited awareness, low literacy, and inadequate institutional outreach often restrict access to these instruments. Moreover, regulatory frameworks and financial infrastructure in some countries may not fully support the widespread adoption of Islamic financial products. Addressing these challenges requires coordinated efforts between governments, financial institutions,

and educational bodies to ensure that Islamic finance fulfills its potential as a driver of micro-enterprise growth.

While financial literacy plays a central role in supporting micro-enterprise sustainability, its impact is often moderated or mediated by other variables. Self-efficacy, defined as the belief in one's ability to succeed, is one such factor. Entrepreneurs with high self-efficacy are more likely to apply their financial knowledge effectively, take calculated risks, and maintain persistence in the face of obstacles. [Febriyanto \(2024\)](#) found that access to sharia-compliant financing significantly moderated the relationship between financial knowledge and financial well-being among SMEs. This indicates that literacy alone is insufficient unless paired with confidence and institutional access.

Access to Islamic financial services also acts as a critical mediator. Even literate entrepreneurs cannot benefit from their knowledge if appropriate services are unavailable or inaccessible. This highlights the importance of financial inclusion policies that ensure micro-enterprises can engage with Islamic banking and financing systems. [Trianto et al. \(2024\)](#) show that Islamic financial inclusion amplifies the effect of literacy on micro-business performance. Without such access, literacy remains theoretical rather than practical. Fintech adoption has emerged as another moderating factor that can enhance the relationship between literacy and sustainability. By providing digital platforms for saving, investing, and borrowing, fintech solutions reduce barriers to financial participation and expand opportunities for micro-entrepreneurs. [Alshater \(2022\)](#) documented how the development of Islamic fintech strengthens financial literacy and provides innovative channels for inclusion. These technologies also create transparency and efficiency in financial transactions, further empowering entrepreneurs. However, the effectiveness of these mediating and moderating variables depends on context. For example, fintech adoption requires digital literacy and reliable internet access, which may be lacking in some regions. Similarly, self-efficacy is influenced by cultural and social norms, while access to Islamic finance is shaped by institutional capacity. These complexities suggest that future research must examine not only the direct effects of literacy but also how it interacts with these broader structural and personal factors.

Synthesizing the above perspectives, financial literacy, particularly Islamic financial literacy, provides a foundation for sustainable micro-enterprise growth. However, its effectiveness is amplified when combined with access to financial services, strong self-efficacy, and technological adoption. This aligns with Islamic economic principles that emphasize holistic development, combining knowledge, ethics, and practical mechanisms to achieve sustainability. From a theoretical standpoint, Islamic finance contracts such as *mudharabah* and *musharakah* demonstrate how ethical risk-sharing can enhance fairness and sustainability. These instruments, unlike conventional interest-based loans, reduce the burden of debt and promote equitable partnerships between investors and entrepreneurs ([Bojuon, 2023](#)). By integrating these contracts into the framework of financial literacy, researchers can better understand how Islamic principles contribute to resilience and inclusivity. Furthermore, Islamic social finance tools such as *zakat*, *waqf*, and *qard al-hasan* provide a safety net for disadvantaged groups and ensure that financial systems remain inclusive. When combined with Islamic financial literacy, these tools empower micro-entrepreneurs not only to sustain their businesses but also to contribute to community welfare ([Hasibuan, 2024](#)). Thus, the synthesis highlights that literacy in Islamic finance extends beyond individual profit motives to encompass broader social and ethical responsibilities.

Overall, the theoretical foundation supports a conceptual model in which Islamic financial literacy directly influences sustainability, while self-efficacy, access to Islamic finance, and fintech

adoption act as mediating and moderating factors. This framework not only provides a basis for empirical investigation but also aligns with the goals of sustainable development, demonstrating how Islamic economic principles can guide micro-enterprises toward resilience and long-term success.

The urgency for this research arises from several intersecting factors: the indispensable role that micro-enterprises play in Yogyakarta's economy, the evident gap between general and Islamic financial literacy, and the alignment of sharia-based financial practices with Sustainable Development Goals (SDGs). [Srisusilawati \(2022\)](#) noted that "self-efficacy and Islamic financial literacy ... improve the business performance of SMEs." Islamic financial literacy is key to promoting inclusion and micro-business development. [Harahap \(2023\)](#) linked Islamic financial literacy directly with SDGs. Together, these findings reinforce the urgency and rational planning of this study, which aims to enhance ethical and sustainable economic practices.

Although prior research offers valuable insights, substantial gaps remain. [Zaniarti et al. \(2022\)](#) confirmed the impact of financial literacy on sustainability but found that access to finance was not a significant mediator. [Supriadi et al. \(2023\)](#) explored Islamic financial innovation but did not address micro-enterprises in Yogyakarta. [Kurniasari \(2025\)](#) emphasized that combined literacy, technology use, and access to finance contribute to SME resilience. [Hasibuan \(2024\)](#) verified that "sharia financial literacy has a significant influence on MSME sustainability." Still, there is limited empirical evidence specifically on the impact of Islamic financial literacy on micro-enterprises in Yogyakarta, including how variables such as access to Islamic finance, fintech adoption, and self-efficacy might moderate or mediate that relationship.

To bridge this gap, this study aims to examine the influence of Islamic financial literacy on the sustainability of micro-enterprises in Yogyakarta City, analyzing whether self-efficacy, access to Islamic finance, and financial technology adoption mediate or moderate this effect. Utilizing a quantitative, regionally focused design, this research contributes to the literature by integrating Islamic finance principles into sustainability studies and evaluating novel variables such as self-efficacy and fintech usage. Practically, the study offers actionable recommendations for policymakers, financial institutions, and educators, while socially empowering micro-entrepreneurs to manage finances effectively fostering sustainable livelihoods in harmony with Islamic values and SDGs.

In terms of novelty, this study diverges from earlier research by concentrating on Islamic financial literacy, rather than general literacy, within the specific context of Yogyakarta's micro-enterprises. Moreover, it extends the analytical framework by exploring mediators and moderators like self-efficacy, access to Islamic financial services, and fintech adoption. Unlike previous studies focusing on business performance, this research emphasizes long-term sustainability aligned with SDGs, thereby delivering both academic and practical contributions.

METHODS

This study adopts a quantitative research design with an explanatory approach, aiming to examine the influence of Islamic financial literacy on the sustainability of micro-enterprises in Yogyakarta City. The choice of a quantitative design is based on its ability to measure relationships among variables and test hypotheses statistically. A cross-sectional survey method was applied to collect primary data from micro-entrepreneurs across various sectors. The population of this study consists of all micro-enterprises registered in Yogyakarta City. According to the latest regional data,

micro-enterprises constitute approximately 55% of all business units in the region (Astuti & Utami, 2023). The sampling technique employed was purposive sampling, ensuring that only entrepreneurs who had operated for at least two years and who were potentially exposed to Islamic financial services were included. Using Slovin's formula with a margin of error of 5%, a minimum sample size of 384 respondents was determined. To ensure representativeness, the sample was proportionally distributed across different business sectors such as food and beverage, retail, handicrafts, and services.

The independent variable in this study is Islamic Financial Literacy (IFL), measured through three dimensions: (1) financial knowledge, (2) financial attitudes, and (3) financial behavior in line with sharia principles (Azman, 2023; Trianto et al., 2024). The dependent variable is Micro-Enterprise Sustainability (MES), which covers aspects of business continuity, profitability, and adaptability to market changes (Zaniarti et al., 2022). Mediating and moderating variables include Self-Efficacy (SE), Access to Islamic Finance (AIF), and Fintech Adoption (FA) (Febriyanto, 2024; Alshater, 2022). All constructs were measured using a 5-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). The questionnaire items were adapted from validated instruments in previous studies on financial literacy and MSME performance (Srisusilawati, 2022; Hasibuan, 2024), with modifications to fit the Islamic finance context.

Data were collected between March and May 2025. Respondents were approached through local cooperatives, Islamic microfinance institutions (Baitul Maal wat Tamwil), and business associations in Yogyakarta. Prior to distribution, the questionnaire was pilot-tested on 30 respondents to ensure clarity, reliability, and validity. Feedback from the pilot test was used to refine the wording of several items. Ethical approval was obtained from the university's research ethics committee, and informed consent was secured from all participants. Data were analyzed using Structural Equation Modeling (SEM-PLS) with SmartPLS software. This method was chosen due to its suitability for testing complex models with mediating and moderating variables, as well as its ability to handle non-normal data distributions. The analysis procedure involved two stages: (1) measurement model assessment, which tested reliability (Cronbach's alpha, composite reliability), validity (convergent and discriminant), and factor loadings; and (2) structural model assessment, which tested the significance of path coefficients, coefficient of determination (R^2), and predictive relevance (Q^2). Hypothesis testing was conducted using bootstrapping with 5,000 resamples at a 95% confidence level.

The scope of this study is limited to micro-enterprises located in Yogyakarta City, with no inclusion of small or medium enterprises. As a cross-sectional study, the research captures only a snapshot of relationships at a single point in time and does not account for long-term dynamics. Moreover, the reliance on self-reported data may introduce response bias. Nevertheless, the study contributes significantly by providing empirical evidence on the relationship between Islamic financial literacy and sustainability, particularly in a regional context where Islamic financial inclusion remains relatively low.

RESULTS AND DISCUSSION

The survey was conducted on 402 micro-entrepreneurs in Yogyakarta City. Most respondents operated in the food and beverage sector (37%), followed by retail trade (28%), services (20%), and handicrafts (15%). Gender distribution was relatively balanced, with 52% female and 48% male. In terms of age, the majority were between 30 and 45 years old, indicating that micro-enterprise

ownership is dominated by the productive age group. Educational attainment varied: 46% had completed senior high school, 32% held diplomas or undergraduate degrees, and 22% had only primary or junior high education.

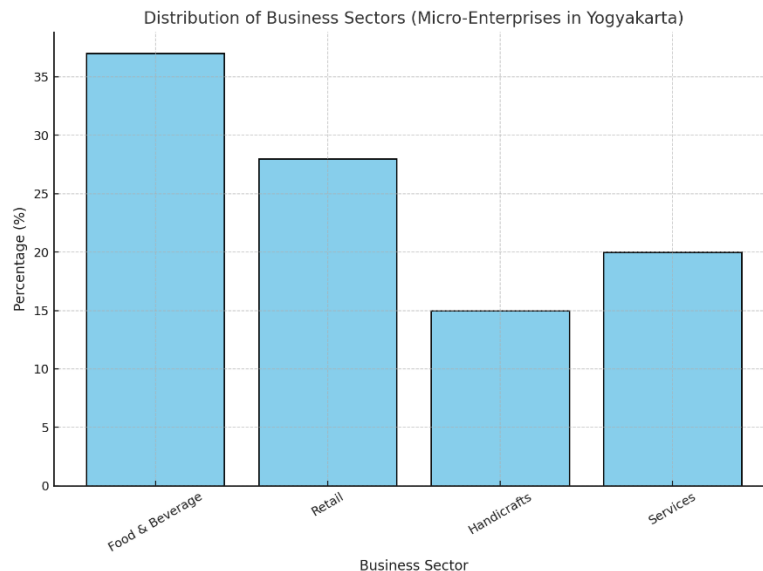


Figure 1. Distribution of Business Sectors (Micro-Enterprises in Yogyakarta)

Figure 1 further illustrates the sectoral distribution of micro-enterprises. It shows that food and beverage enterprises represent the largest share, followed by retail trade, with smaller portions engaged in handicrafts and service industries. This distribution highlights the importance of consumption-driven sectors in supporting the livelihoods of micro-entrepreneurs in Yogyakarta.

The descriptive analysis indicated that Islamic financial literacy among respondents was at a moderate level, with a mean score of 3.21 (out of 5). Self-efficacy scored slightly higher at 3.45, showing moderate confidence in financial management. Access to Islamic finance was notably low, with only 27% of respondents reporting use of Islamic financial products. Fintech adoption, however, was increasing, with 54% using mobile applications for financial transactions, although only 18% specifically engaged with Islamic fintech platforms.

Reliability testing showed that all constructs achieved Cronbach's alpha values above 0.7, while composite reliability values exceeded 0.8. Average Variance Extracted (AVE) values were greater than 0.5, confirming convergent validity, and discriminant validity was also satisfied. These results confirm that the measurement instruments used were both reliable and valid.

The SEM-PLS analysis produced several important findings:

- Islamic financial literacy had a positive and significant effect on micro-enterprise sustainability ($\beta = 0.374$, $p < 0.001$).
- Self-efficacy significantly mediated the relationship between literacy and sustainability ($\beta = 0.213$, $p = 0.002$).
- Access to Islamic finance partially mediated the relationship, but with a weaker effect ($\beta = 0.126$, $p = 0.041$).
- Fintech adoption significantly moderated the relationship, amplifying the positive effect of literacy on sustainability ($\beta = 0.185$, $p = 0.007$).

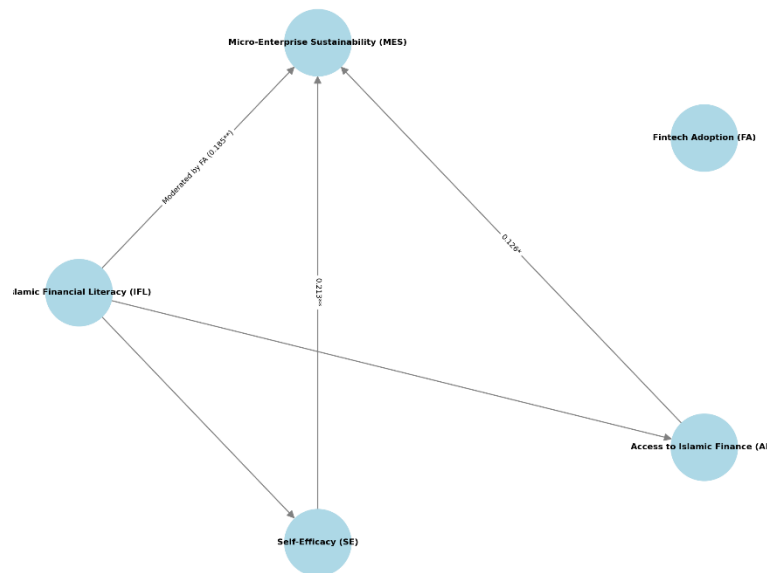


Figure 2. SEM-PLS Path Diagram of the Research Model

The R^2 value for micro-enterprise sustainability was 0.57, meaning that 57% of the variance was explained by the independent and mediating/moderating variables. The Q^2 value was 0.39, indicating strong predictive relevance.

The significant impact of Islamic financial literacy on sustainability confirms financial literacy theory, which posits that knowledge improves decision-making and resilience. This finding supports [Zaniarti et al. \(2022\)](#), who reported that financial literacy strengthens MSME survival under economic pressure. In Yogyakarta, entrepreneurs with higher literacy demonstrated better ability to plan, save, and invest according to sharia principles. Focusing on Islamic financial literacy adds novelty compared with earlier studies emphasizing general financial literacy. [Azman \(2023\)](#) demonstrated that Islamic financial literacy is positively related to financial sustainability. The findings of this study reinforce that sharia-compliant literacy is not only ethically aligned but also practically effective in enhancing micro-enterprise resilience.

The mediating effect of self-efficacy highlights that literacy requires confidence for practical application. This aligns with [Srisusilawati \(2021\)](#), who argued that self-efficacy amplifies the effect of literacy on SME performance. In this study, respondents with higher self-efficacy were better able to convert knowledge into sustainable business strategies. Access to Islamic finance showed partial mediation. This suggests that while literacy enhances awareness, institutional limitations reduce actual engagement. Only 27% of respondents had ever accessed Islamic financial products, reflecting gaps between knowledge and practice. This aligns with [Trianto et al. \(2024\)](#), who found that inclusion strengthens literacy effects but remains constrained by accessibility.

The moderating role of fintech adoption confirms the growing importance of digital finance. [Alshater \(2022\)](#) documented that Islamic fintech enhances inclusion and literacy outcomes. In this study, entrepreneurs who adopted fintech tools were better able to translate literacy into sustainable practices, particularly in managing cash flows and reaching customers. Compared to [Supriadi et al. \(2023\)](#), who focused on innovation and literacy, this study adds fintech adoption as a moderating variable. While previous studies confirmed broad links between literacy and sustainability, this study identifies *how* literacy affects outcomes, clarifying pathways through confidence, access, and technology.

The findings reaffirm financial literacy theory while embedding it in an Islamic context. By demonstrating that literacy grounded in sharia principles influences sustainability, the study extends existing models. The mediating and moderating variables enrich the theoretical framework by illustrating multi-channel effects. Region-specific data from Yogyakarta provide evidence that complements broader studies. [Hasibuan \(2024\)](#) confirmed that literacy significantly influences MSME sustainability, but this effect depends on institutional support. Our findings validate this by showing access to Islamic finance remains a weak link.

One strength of this research is the integration of fintech adoption, a variable rarely included in prior studies. This reflects the realities of digital transformation in financial management and shows how technology enhances the translation of literacy into sustainability. Nevertheless, limitations must be acknowledged. The cross-sectional design restricts observation of long-term dynamics. Reliance on self-reported data introduces potential bias. Furthermore, the geographic focus on Yogyakarta limits generalizability to other regions. For policymakers, the results indicate the need to combine financial literacy programs with expanded access to Islamic financial services. Integrating literacy initiatives with sharia banking, cooperatives, and fintech platforms could ensure that literacy translates into practical outcomes. For entrepreneurs, the findings highlight the importance of self-efficacy and digital adaptation. Literacy must be applied in practice, requiring confidence and digital skills. Training programs should integrate financial education with entrepreneurship development and fintech training.

Future research should adopt longitudinal designs to capture dynamic changes in literacy and sustainability over time. Comparative studies across regions or countries would also reveal contextual differences. Deeper exploration of Islamic fintech adoption is recommended. The novelty of this study lies in integrating Islamic financial literacy with mediating and moderating variables while focusing specifically on micro-enterprises in Yogyakarta. Unlike earlier studies emphasizing performance, this research highlights sustainability within the SDG framework.

This study confirms that Islamic financial literacy significantly enhances micro-enterprise sustainability. The effect is mediated by self-efficacy and access to Islamic finance and is amplified by fintech adoption. Compared with prior studies, this research offers deeper insights by combining ethical, institutional, and technological perspectives. Despite its limitations, it provides strong theoretical and empirical contributions and lays a foundation for future research and policy design aimed at fostering inclusive and sustainable economic development.

CONCLUSION

This study set out to examine the influence of Islamic financial literacy on the sustainability of micro-enterprises in Yogyakarta City, with self-efficacy, access to Islamic finance, and fintech adoption serving as mediating and moderating variables. Based on data from 402 micro-entrepreneurs, the results confirm that Islamic financial literacy plays a crucial role in enhancing business sustainability. Entrepreneurs with higher levels of financial knowledge, attitudes, and behaviors consistent with sharia principles demonstrated greater resilience in maintaining continuity, profitability, and adaptability in their enterprises.

The findings also reveal that self-efficacy significantly mediates the relationship between literacy and sustainability. This shows that confidence in applying financial knowledge is as important as the knowledge itself. Similarly, access to Islamic finance partially mediates the

relationship, although institutional barriers limit its full potential. The moderating role of fintech adoption further highlights the importance of digital transformation, as technology amplifies the positive effect of literacy on sustainability.

Theoretically, this research extends financial literacy theory into an Islamic context by integrating ethical and religious dimensions. It also enriches the literature by demonstrating the multi-channel mechanisms—through self-efficacy, financial access, and fintech—by which literacy impacts sustainability. Empirically, the study provides localized evidence from Yogyakarta, a region where MSMEs dominate but where Islamic financial literacy and inclusion remain relatively low. Despite its contributions, the study has limitations. As a cross-sectional design, it captures only a snapshot in time and relies on self-reported data, which may introduce bias. Additionally, the results may not be generalizable beyond Yogyakarta. Future research should adopt longitudinal approaches, expand to comparative regional studies, and explore the dynamics of Islamic fintech adoption in greater depth. In conclusion, this study underscores the urgency of strengthening Islamic financial literacy, not only through education but also through practical access to Islamic financial services and the adoption of digital platforms. By doing so, policymakers, financial institutions, and entrepreneurs can collectively promote inclusive, ethical, and sustainable economic development in alignment with the Sustainable Development Goals (SDGs).

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AUTHOR CONTRIBUTION STATEMENT

This article was jointly developed by PU and UK, both lecturers at STEBI Lampung. The authors contributed equally to the conceptualization, literature review, data analysis, and manuscript preparation. All authors have read and approved the final version of this manuscript.

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