

THE MEDIATING ROLE OF MSME CHARACTER IN THE INFLUENCE OF MSME LITERACY ON BUSINESS PERFORMANCE IN KARAWANG

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh literasi UMKM terhadap karakter dan kinerja UMKM di Kabupaten Karawang. Literasi UMKM mencakup pengetahuan tentang keuangan, bisnis, hukum, dan teknologi yang diyakini membentuk karakter wirausaha dan meningkatkan performa usaha. Penelitian menggunakan pendekatan kuantitatif dengan metode survei terhadap 100 pelaku UMKM. Data dianalisis menggunakan regresi berganda dan uji mediasi. Hasil penelitian menunjukkan bahwa literasi UMKM berpengaruh positif dan signifikan terhadap karakter dan kinerja UMKM. Selain itu, karakter UMKM terbukti memediasi secara parsial hubungan antara literasi dan kinerja. Implikasi penelitian ini mendorong perlunya program peningkatan literasi UMKM yang terintegrasi dengan pembinaan karakter wirausaha.

Keywords:

MSME Literacy,
Character,
Performance, MS
ME, Karawang

Abstract

This study aims to analyze the effect of MSME literacy on the Character and performance of MSMEs in Karawang Regency. MSME literacy encompasses knowledge of finance, business, law, and technology, which is believed to shape entrepreneurial Character and enhance business performance. The study employed a quantitative approach, utilizing a survey method with 100 MSME players. Data were analyzed using multiple regression and mediation tests. The results showed that MSME literacy has a positive and significant effect on the Character and performance of MSMEs. In addition, the Character of MSMEs is proven to partially mediate the relationship between Literacy and performance. The implications of this study encourage the need for an MSME literacy improvement program that is integrated with entrepreneurial character development.

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INTRODUCTION

In Indonesia, MSMEs contribute more than 60% of the country's GDP and employ around 97% of the national workforce (BPS, 2023). However, most MSMEs are still classified as informal, unbankable, and have limited access to training, mentoring, and legal and financial information (Bank, 2021). This phenomenon is also reflected locally in Karawang Regency, one of the largest



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industrial areas in Southeast Asia and the center of economic growth in West Java and Indonesia. Although Karawang is known for its industrial areas, the MSME sector in this region is still lagging in terms of managerial management and business literacy. Many MSME players in the industrial area face gaps in access to information, training, and business coaching, resulting in the underutilization of local economic potential. Therefore, it is essential to conduct research in Karawang to identify the extent to which Literacy affects the Character and performance of MSMEs as a basis for strengthening microenterprise development policies based on local data and needs. Research on MSME literacy indicates that enhancing business owners' understanding of financial, legal, digital, and managerial aspects has a significant impact on the effectiveness of decision-making. Xu, Wang, and Zhang (2021) in a study in China emphasized that digital Literacy increases innovation and business efficiency of MSMEs. Meanwhile, the OECD (2023) states that financial Literacy is a key foundation in risk management and business sustainability, especially in the digital economy era that demands rapid adaptation.

Entrepreneurial Character is also an important variable that is formed through learning, experience, and environment. Based on a study by McMullen and Shepherd (2022), characteristics such as tolerance for uncertainty and psychological resilience are proven to determine business success amid global market dynamics. In addition, research by Fatoki (2021) in South Africa shows that the Character of MSME actors, such as proactivity and perseverance, acts as a catalyst in optimally utilizing their Literacy. Regarding MSME performance, various studies agree that performance is not only influenced by external factors, such as market access, but also by internal factors, including Literacy and Character. Robb and Robinson (2020) found that businesses with high Literacy and strong Character are more likely to survive and grow sustainably. A study by Valerio et al. (2014) and Parton, Robb, and Robinson (2014) also shows that entrepreneurship training that integrates Literacy and character-building aspects has a positive impact on business performance in various developing countries.

The urgency of this research lies in the importance of improving MSME literacy as a foundation for building the Character of strong, honest, innovative, and responsible business actors (Putri & Rahayu, 2021). Literacy not only impacts administrative or technical understanding but also shapes work ethic and entrepreneurial behavior, which directly contribute to improving business performance in terms of turnover growth, efficiency, and sustainability (Lusardi & Mitchell, 2014). MSMEs play a vital role in the national economy. However, many MSME players face obstacles in managing their businesses due to low literacy levels, whether in financial, legal, digital, or managerial areas. This Literacy is not only related to technical understanding, but also has an impact on the formation of business character traits such as honesty, discipline, and innovation, which ultimately affect business performance. Several previous studies have demonstrated that business literacy has a significant impact on decision-making, business ethics, and business sustainability (Lusardi & Mitchell, 2014; Utama & Yuliana, 2025). However, there is limited research that examines these relationships simultaneously in a local context, such as in the Karawang district.

From a theoretical perspective, this study is grounded in the Human Capital Theory, which posits that knowledge, skills, and Literacy represent forms of human capital that enhance productivity and business performance (Becker, 1964). In addition, the Theory of Planned Behavior (Ajzen, 1991) is employed to explain how Literacy strengthens individuals' perceived behavioral control, thereby fostering the development of positive entrepreneurial Character. Furthermore, the Resource-Based View (Barney, 1991) and the Knowledge-Based Theory of the Firm (Grant, 1998) provide a foundation for viewing Literacy and entrepreneurial Character as internal resources that are unique, difficult to imitate, and capable of generating competitive advantage for MSMEs.

Based on the background and theoretical foundations, this study aims to: (1) analyze the level of Literacy among MSME actors in Karawang Regency; (2) identify their entrepreneurial Character; (3) examine the influence of Literacy on entrepreneurial Character; (4) examine the influence of Literacy on MSME performance; (5) assess the effect of entrepreneurial Character on business performance; and (6) evaluate the mediating role of entrepreneurial Character in the relationship between Literacy and MSME performance. The findings of this study are expected to provide

strategic recommendations for local governments and relevant stakeholders to strengthen MSME capacity in Karawang by enhancing Literacy and fostering entrepreneurial character development.

Hypothesis Formulation

MSME literacy encompasses the ability of business actors to comprehend financial, technological, and fundamental management aspects, enabling them to manage businesses effectively and sustainably. In the context of MSMEs in Karawang Regency, this Literacy is believed to not only increase business capacity but also shape the Character of business actors, who are more responsible, innovative, and resilient to external challenges. Previous research shows that financial Literacy and the use of accounting information systems have a significant effect on the performance of MSMEs. For example, research by Lubis et al. (2024) in Karawang found that the use of information technology and accounting systems has a significant positive effect on MSME performance. However, financial Literacy is not directly significant. This shows that practical aspects of Literacy, such as the use of technology, are more likely to shape the Character and behavior of adaptive businesses. Another study by Kii & Sehendri (2023) revealed that financial literacy and entrepreneurial characteristics significantly increased the income of post-pandemic MSMEs. This suggests that the Literacy and Character of MSME actors are interrelated in supporting business resilience and success.

Additionally, the direct benefit aspect of financial technology has been proven to be a significant factor in increasing the financial inclusion of MSMEs in Karawang (Febriantika & Firmansyah, 2019). These findings reinforce that the Character of MSME actors who have high Literacy tends to be more proactive and ready to adapt to change. Based on this empirical evidence, it is assumed that MSME literacy makes an important contribution to the formation of a strong entrepreneurial character, so the researchers formulate the following hypothesis:

H1: MSME literacy has a positive and significant effect on the Character of MSME players in Karawang.

In facing modern business challenges, MSME players in Karawang are required to possess Literacy that extends beyond financial aspects, encompassing technological capabilities and a comprehensive understanding of business law. These three aspects have been clearly proven to have a positive impact on improving MSME performance, in terms of turnover, efficiency, and business resilience. The following are the findings of previous research that confirm the real influence of MSME literacy on performance. Research by Kii & Sehendri (2023) found that financial Literacy has a significant effect on increasing MSME income. Businesses that understand finance are better equipped to manage cash flow, make informed capital decisions, and thrive in the post-pandemic era. (Lubis et al., 2024) found that financial Literacy itself is not directly significant. However, the use of accounting technology triggered by this Literacy has a significant impact on the performance of MSMEs. Research by Widiastuti et al. (2024) states that digital Literacy and technological innovation have a significant effect on MSME performance, with an R² value of 60.6%. This means that the majority of variation in MSME performance is explained by Literacy and technological innovation; furthermore, these factors are the most dominant in financial inclusion and MSME growth. A study by Febriantika & Firmansyah (2019) in Karawang found that the direct benefit of using financial technology (fintech) was the most significant factor in improving the inclusion and performance of MSMEs. While there has been little quantitative research focusing on the legal Literacy of MSMEs in Karawang, numerous qualitative studies and policy reports indicate that MSME actors with a solid understanding of legal matters are better equipped to apply for licenses, comply with taxes, and avoid legal sanctions, ultimately strengthening business sustainability and credibility. This is an important basis that legal Literacy contributes to stable and formal performance; therefore, the following hypothesis can be developed:

H2: MSME literacy has a positive and significant effect on the performance of MSMEs in Karawang.

The Character of MSME actors is an internal factor that reflects the attitudes, values, and behavior of business actors in carrying out their business activities. The Character includes aspects

such as discipline, integrity, honesty, responsibility, creativity, unyielding spirit, and the ability to take risks. In the context of MSMEs, these characteristics not only shape leadership and decision-making patterns but also have a direct impact on business performance, affecting productivity, sustainability, and achieving business targets. Along with the increasing challenges and competition in the business world, strong Character is a significant non-material capital. MSME actors with a positive Character tend to be more adaptable to market changes, able to manage conflicts, maintain good relationships with customers and business partners, and are consistent in building their business reputation. Research by Kii & Sehendri (2023) found that entrepreneurial characteristics have a positive and significant influence on MSME income, indicating that aspects such as courage, responsibility, and creativity are strongly related to business performance. Meanwhile, Talahi & Ie (2024) revealed that entrepreneurial characteristics significantly contribute to the resilience of MSMEs, which is an important component in maintaining and improving performance amid uncertainty. So that the following hypothesis can be formulated:

H3: The Character of MSMEs has a significant positive effect on the performance of MSMEs.

In the dynamic growth of the MSME sector in Karawang, business literacy, which includes financial, technological, and legal Literacy, is recognized as a key factor affecting overall business performance. However, Literacy alone does not always have a direct and maximum impact on performance. The Character of MSME actors, such as innovative, disciplined, responsible, and adaptive attitudes, plays a crucial role as a bridge in turning Literacy into concrete actions that have a positive impact on improving performance. The research model used shows that the Character of MSME actors acts as a partial mediating variable. This means that MSME literacy directly affects performance, but also indirectly through the character building of business actors. MSME literacy, primarily in the areas of technological and financial Literacy, has been proven to improve efficiency, market access, and the quality of business decision-making. High Literacy tends to shape positive character traits such as proactivity, honesty, and openness to change, which in turn strengthens the impact of Literacy on business performance; thus, there is an indirect relationship. (Kii & Sehendri, 2023) Found that financial Literacy and entrepreneurial Character both contribute significantly to increasing MSME income, proving the existence of an indirect path through Character (Kii & Sehendri, 2023). (Widiastuti et al., 2024) It has been mentioned that digital innovation and financial Literacy increase competitiveness, but this works more optimally when MSME actors possess innovative characteristics and are open to technology (Widiastuti et al., 2024). In the context of Karawang, Lubis et al. (2024) also stated that the biggest obstacle is not only access to information, but also how MSME actors actively respond to this information, which reflects their business character (Lubis et al., 2024). From this description, the following hypothesis can be formulated:

H3: MSME character partially mediates the relationship between MSME literacy and MSME performance in Karawang.

METHOD

This study employs a quantitative research design using a survey method. The quantitative approach is considered appropriate because the purpose of this research is to empirically examine the relationships and causal effects among MSME literacy, entrepreneurial Character, and MSME performance (Creswell & Ishtiaq, 2019). Data were collected using a structured questionnaire distributed to respondents who met predetermined eligibility criteria. The survey method was selected because it enables broad coverage of MSME actors in an efficient timeframe and allows for systematic and standardized measurement of research variables (Neuman, 2014). The population of this study consists of all actively operating MSME actors in Karawang Regency. This region was selected because, although Karawang is a central industrial hub, the MSME sector remains characterized by relatively low literacy levels compared to its economic potential. From this population, a total of 100 respondents were selected for the study. The sample size was determined by considering accessibility, homogeneity of MSME characteristics, and adequacy for multiple regression and mediation analyses (Hair et al., 2019). A purposive sampling technique was used, whereby respondents were selected based on specific characteristics relevant to the research

objectives (Etikan, Musa, & Alkassim, 2016). Purposive sampling was considered suitable because not all MSME actors possess the attributes required for measuring the constructs in this study. The inclusion criteria were: (1) MSMEs operating actively in Karawang Regency, (2) businesses established for at least one year, (3) owners or managers directly involved in decision-making processes, (4) willingness to participate, and (5) ability to understand and complete the questionnaire accurately.

The research instrument consisted of a Likert-scale questionnaire (1–5), ranging from “strongly disagree” to “strongly agree,” which is commonly used to measure attitudes and perceptions in quantitative research (Joshi et al., 2015). The independent variable MSME literacy included dimensions of financial, digital, legal, and managerial Literacy. The mediating variable, entrepreneurial Character, captured indicators such as proactiveness, perseverance, honesty, innovativeness, and resilience, following established constructs in entrepreneurship research. (Lumpkin & Dess, 1996) The dependent variable, MSME performance, was measured based on revenue growth, operational efficiency, service quality, and business sustainability (Venkatraman & Ramanujam, 1986). Prior to deployment, the instrument underwent validity and reliability testing, with results confirming that all items were valid and reliable (Hair et al., 2019). Data analysis consisted of several stages. Preliminary tests included validity and reliability testing to ensure accuracy and consistency of the instrument. Classical assumption tests normality, multicollinearity, and heteroscedasticity were conducted to verify the suitability of the data for regression analysis (Gujarati & Porter, 2009). Multiple linear regression was employed to examine the effects of MSME literacy on entrepreneurial Character and MSME performance. Mediation analysis followed the Baron and Kenny (1986) procedure to determine whether entrepreneurial Character mediates the relationship between Literacy and MSME performance. When required, the Sobel test was applied to confirm the significance of the mediation effect (Sobel, 1982). Through this methodological approach, this study seeks to provide a rigorous and comprehensive understanding of how MSME literacy and entrepreneurial Character contribute to MSME performance in Karawang Regency.

Statistical Tools Used: This regression analysis was conducted using SPSS software version 25. The method used is multiple regression, along with Baron & Kenny's mediation test, to examine the direct and indirect effects.

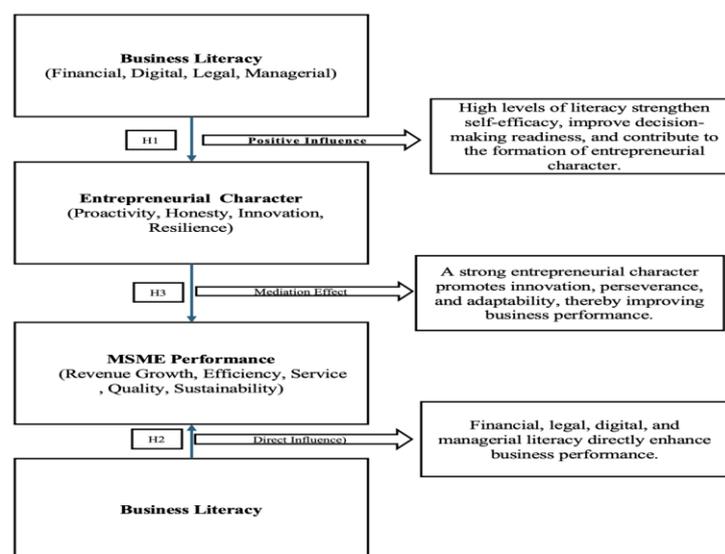


Figure 1. Conceptual Framework Diagram

RESULT AND DISCUSSION

Result

Characteristics of Respondents

The following is a table of respondent characteristics based on data collected from 100 MSME players in Karawang:

Table 1. Characteristics of Respondents

Characteristics	Category	Number (people)	Percentage (%)
Length of business	< 2 years	18	18%
	2–5 years	40	40%
	> 5 years	42	42%
Business Sector	Culinary	40	40%
	Fashion	25	25%
	Services	20	20%
	Crafts	15	15%

The results of the descriptive analysis provide an overview of the characteristics of MSME actors who participated in this study. Based on the length of business operations, the majority of respondents have been running their businesses for more than five years, totaling 42 respondents (42%). This indicates that a substantial portion of MSME actors in Karawang have relatively established business experience. Meanwhile, 40 respondents (40%) have operated for 2–5 years, suggesting a considerable group of developing MSMEs that are still in the growth phase. Only 18 respondents (18%) have been in business for less than two years, reflecting a smaller proportion of newly established enterprises. In terms of business sectors, the data show that the culinary sector dominates, with 40 respondents (40%) engaged in food and beverage-related activities. This finding aligns with national trends, where culinary businesses represent one of the most popular and rapidly growing MSME sectors. The fashion sector accounts for 25 respondents (25%), indicating a moderate presence of apparel and accessories businesses. The services sector represents 20 respondents (20%), covering various forms of service-based economic activities. Lastly, the crafts sector contributes 15 respondents (15%), reflecting the presence of creative and artisanal MSMEs, although in a smaller proportion compared to other sectors. Overall, the descriptive results illustrate that the respondents come from diverse business backgrounds, with varying lengths of business experience. This diversity supports the representativeness of the sample in capturing a wide range of MSME conditions in Karawang Regency.

Table 2. Validity Test Result

Variable	Item	Pearson Correlation	Sig. (2-tailed)
Financial Literacy	FL1	0.721	0.000
Financial Literacy	FL2	0.683	0.000
Financial Literacy	FL3	0.705	0.000
Financial Character	FC1	0.692	0.000
Financial Character	FC2	0.658	0.000
Financial Character	FC3	0.741	0.000
SME Performance	SP1	0.765	0.000
SME Performance	SP2	0.732	0.000
SME Performance	SP3	0.754	0.000

The validity test was conducted using the Pearson product-moment correlation technique by comparing each item's correlation value with its total score. The results in Table 1 indicate that all items across the variables financial literacy, financial Character, and SME performance have significance values below 0.05 and correlation coefficients greater than 0.30. These findings confirm that all indicators meet the required validity criteria. Therefore, all items in the instrument are considered valid and capable of accurately measuring the intended constructs.

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Threshold	Conclusion
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Financial Literacy	0.812	> 0.70	Reliable
Financial Character	0.798	> 0.70	Reliable
SME Performance	0.831	> 0.70	Reliable

The reliability of the measurement instrument was tested using Cronbach's Alpha. As shown in Table 2, all variables have alpha values above 0.70, confirming strong internal consistency. Therefore, the instrument is considered reliable for further analysis.

Table 4. Classic Assumption Test

Test Type	Method	Results	Description
Normality	Kolmogorov-Smirnov	Sig. = 0.200	Data is normally distributed
Multicollinearity	VIF & Tolerance	Literacy (VIF=1.322), Character (VIF=1.284); Tolerance > 0.1	No multicollinearity
Heteroscedasticity	Glejser test	Sig. > 0.05	No heteroscedasticity
Autocorrelation	Durbin-Watson	DW = 1.891	No autocorrelation

All tests indicate that the regression model meets the classical assumptions, making it suitable for further analysis.

Table 5. Multiple Regression Test

Model	Independent Variable	Koefisien Beta	count	Sig.	Description
1	Literacy to Character	0.58	6.897	0.000	Description
2	Literacy to Performance	0.493	5.342	0.000	Significant
3	Character to Performance	0.368	4.215	0.000	Significant
4	Literacy to Character to Performance	0.313 (Lit), 0.356 (Kar)	3.295, 4.067	0.001, 0.000	Significant

Discussion

The Effect of Literacy on MSME Character

These results indicate that MSME literacy significantly shapes the Character of business actors. Human Capital Theory (Becker, 1993) explains that knowledge gained from Literacy, whether financial, legal, digital, or managerial, is a form of intellectual investment that shapes individual values and behavior. In the context of MSMEs, Literacy becomes cognitive capital that allows business actors to assess risk, be honest, and form a work ethic and moral responsibility. (Putri & Rahayu, 2021) found that literacy-based training can strengthen the Character of integrity and business independence. In addition, the OECD/INFE (2018) approach states that Literacy designed based on values has a high correlation with leadership and entrepreneurial character building, making it an important element in the development of resilient and competitive MSMEs. This shows that improving Literacy not only improves technical skills but also strengthens the attitudes, values, and responsibilities of business actors. In the context of human capital theory (Becker, 1993), Literacy is a cognitive investment that encourages Character building, such as

integrity, discipline, and an innovative spirit. This shows that improving Literacy not only improves technical skills but also strengthens the attitudes, values, and responsibilities of business actors. In the context of human capital theory (Becker, 1993), Literacy is a cognitive investment that encourages Character building, such as integrity, discipline, and an innovative spirit. Research by Robb & Robinson (2014) and Fatoki (2014) corroborates this finding that the literacy level of micro businesses is closely related to their ability to manage risk and build customer trust through good business ethics. In fact, the OECD (2020) states that value-based literacy education plays an important role in creating an inclusive and responsive business culture.

Effect of Literacy on MSME Performance

These results confirm that business literacy has a significant impact on the performance of MSMEs. Businesses that understand the finance, technology, and legal aspects tend to make better business decisions, which have a positive impact on revenue growth, efficiency, and business resilience. The Theory of Planned Behavior (Ajzen, 1991) corroborates that Literacy influences intentions, which in turn influence business actions and outcomes. (Lusardi & Mitchell, 2014) found that MSMEs with high literacy levels are better able to access financing and expand markets. (Kusuma & Hapsari, 2020) Research also shows that digital Literacy supports business strategy adaptation and performance improvement during the pandemic. This means that Literacy is not just information capital, but the primary driver of resilient business performance. Literacy and MSME character simultaneously have a positive and significant effect on business performance. This indicates that they complement each other in shaping sustainable business performance. Within the framework of the Theory of Planned Behavior (Ajzen, 1991), Literacy influences the intention and behaviour of business actors through the internalization of values and norms that shape entrepreneurial Character. Research shows that improving business literacy has a real impact on revenue growth and competitiveness of MSMEs, especially when accompanied by entrepreneurial character training. An international study by Xu et al. (2021) also confirms that MSMEs with digital literacy competencies and proactive Character show higher performance in facing market changes.

Effect of Character on MSME Performance

Entrepreneurial Character plays an important role in driving business success. Values such as honesty, hard work, innovation, and responsibility are proven to support business resilience and growth. (Bandura, 1986) states that Character as part of self-efficacy determines behavior and performance. (Utama & Yuliana, 2025) found that Character is a differentiator between stagnant and fast-growing MSMEs. Research shows that training that touches on aspects of entrepreneurial Character is more effective in the long run. Therefore, MSME development strategies need to incorporate character-building elements into technical and managerial training.

Character mediates the effect of Literacy on MSME performance.

The results show that both contribute significantly to the performance of MSMEs. Character reinforces the application of Literacy in business practices. This result is consistent with Baron & Kenny's (1986) mediation framework and Ajzen's (1991) theory. It is supported by Fatoki (2014) and OECD (2023), which emphasize the importance of Character in implementing knowledge into tangible performance. This demonstrates that improving Literacy not only enhances technical capabilities but also fosters stronger attitudes, values, and responsibilities among business actors. In the context of human capital theory (Becker, 1993), Literacy is a cognitive investment that encourages Character building, such as integrity, discipline, and an innovative spirit. This shows that improving Literacy not only improves technical skills but also strengthens the attitudes, values, and responsibilities of business actors. In the context of human capital theory (Becker, 1993), Literacy is a cognitive investment that encourages Character building, such as integrity, discipline, and an innovative spirit.

The mediation test results confirm that Character is an important link between Literacy and performance. Business knowledge will be more effective if business actors have a supportive character. This result is consistent with Fatoki's (2014) study, which states that entrepreneurial characters such as confidence and integrity strengthen the application of Literacy in business practices. Furthermore, OECD/INFE (2018) suggested that MSME literacy programs should be designed in an integrated manner, incorporating character building, to enhance the impact on

business performance. Research by Anggadwita et al. (2017) in Indonesia also supports this approach, where Character is a differential factor in the effectiveness of business literacy training. Thus, the approach to strengthening MSMEs cannot rely solely on providing information, but needs to target changes in behavior and mindset through character building, as suggested by Lusardi & Mitchell (2014), Valerio et al. (2014), and most recently by the OECD (2023). (2014), and most recently by (OECD, 2023). positive and significant effect on business performance. This reinforces the study results of Valerio et al. (2014), which state that business literacy training has a direct impact on the financial and operational performance of MSMEs. Entrepreneurial Character acts as an amplifier in implementing Literacy into business practices that have a real impact on increasing efficiency and profitability (Yuliana & Sari, 2022).

The Mediation Test (Baron & Kenny) shows that the Character of MSMEs partially mediates the effect of Literacy on performance, because Literacy is significant to Character (table 1), Character is significant to performance, and the beta value of Literacy decreased after Character was included as a mediator. Thus, Character becomes a partial mediating variable that bridges the effect of Literacy on performance improvement. This aligns with the findings, indicating that the effect of Literacy will be more optimal when supported by the ethical and proactive Character of business actors. These results also indicate that knowledge enhancement alone is insufficient, as it requires the development of entrepreneurial values and attitudes to achieve optimal performance. Therefore, a training approach that integrates cognitive (Literacy) and affective (Character). This study concludes that MSME literacy plays a crucial role in shaping entrepreneurial Character and enhancing MSME performance. MSME empowerment programs in Karawang should not only focus on improving technical knowledge, but also on fostering entrepreneurial Character. Local governments, training institutions, and educational institutions can collaborate to create a comprehensive learning ecosystem that supports literacy and business ethics.

CONSLUSION

Based on the findings, several strategic recommendations can be formulated to strengthen MSME development in the region. First, the local government needs to design a structured and continuous MSME literacy training program that integrates technical business competencies such as financial management, digital capability, and legal compliance with efforts to cultivate resilient, ethical, and future-oriented entrepreneurial Character. Meanwhile, MSME practitioners are encouraged to continuously enhance their capacities through participation in training, entrepreneurial communities, and independent learning resources so they can maintain long-term competitiveness. Academic institutions also play an essential role and should expand their engagement in mentoring initiatives, collaborative research, and community service programs aimed at supporting MSME empowerment through evidence-based approaches. In addition, financial institutions and the private sector are advised to strengthen their support by offering financial literacy programs, value-based financing incentives, business incubation, and broader market access, all of which can significantly improve MSMEs' financial capability, business ethics, and strategic readiness. Collectively, these recommendations are expected to contribute to the development of a more competitive and sustainable MSME ecosystem. With these measures, strengthening MSME literacy and Character can be an important foundation in building sustainable and highly competitive business performance in Karawang and other regions. This study concludes that MSME literacy plays a crucial role in shaping entrepreneurial Character and enhancing MSME performance. MSME empowerment programs in Karawang should not only focus on improving technical knowledge, but also on fostering entrepreneurial Character. Local governments, training institutions, and educational institutions can collaborate to create a comprehensive learning ecosystem that supports literacy and business ethics.

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