

FROM SURVIVAL TO SUSTAINABILITY: FINANCIAL PERFORMANCE AND LITERACY EFFECTS IN INDONESIAN SMALL AND MEDIUM-SIZED ENTERPRISES

Retno Fuji Oktaviani

Rachmat Arief

Hakam Ali Niazi

Retno.fujioktaviani@budiluhur.ac.id

Universitas Budi Luhur

ABSTRAK

Pasar Tanah Abang merupakan pusat mode terbesar di Asia Tenggara, menghadapi tantangan dalam menjaga keberlanjutan bisnis, terutama bagi Usaha Mikro, Kecil, dan Menengah (UMKM) yang mengalami penurunan pendapatan yang signifikan di era pascapandemi. Penelitian ini bertujuan untuk mengkaji pengaruh orientasi kewirausahaan dan pengambilan risiko terhadap keberlanjutan bisnis, dengan kinerja keuangan sebagai variabel mediasi dan literasi keuangan sebagai variabel moderasi. Pendekatan kuantitatif digunakan menggunakan data survei yang dikumpulkan dari 217 pedagang fashion. Data diperoleh menggunakan kuesioner skala Likert (1–5) dan dianalisis dengan Structural Equation Modeling–Partial Least Squares (SEM-PLS). Temuan penelitian menunjukkan bahwa orientasi kewirausahaan dan pengambilan risiko memiliki pengaruh positif yang signifikan terhadap kinerja keuangan, sementara orientasi kewirausahaan tidak secara langsung memengaruhi keberlanjutan bisnis. Sebaliknya, pengambilan risiko memiliki dampak langsung terhadap keberlanjutan bisnis. Lebih lanjut, kinerja keuangan memainkan peran mediasi yang krusial dalam kedua hubungan tersebut, dan literasi keuangan secara signifikan memperkuat pengaruh kinerja keuangan terhadap keberlanjutan bisnis. Kebaruan utama dari studi ini terletak pada temuan bahwa pedagang Tanah Abang cenderung menekankan strategi bertahan hidup daripada strategi keberlanjutan jangka panjang. Hal ini menyoroti bahwa kewirausahaan berbasis kelangsungan hidup dapat menjadi fondasi strategis bagi UMKM untuk bertahan di pasar yang sangat kompetitif dan beradaptasi dengan tekanan transformasi digital.

Kata kunci: orientasi kewirausahaan, pengambilan risiko, kinerja keuangan, literasi keuangan, keberlanjutan bisnis

ABSTRACT

Tanah Abang Market is the largest fashion hub in Southeast Asia. It faces significant challenges in maintaining business sustainability, particularly for Small and Medium-Sized Enterprises (SMEs) that have experienced severe revenue declines in the post-pandemic era. This study aims to examine the influence of entrepreneurial orientation and risk-taking on business sustainability in Indonesia, with financial performance as a mediating variable and financial literacy as a moderating variable. Therefore, a quantitative approach was employed, using survey data collected from 217 fashion traders, determined using Cochran's formula. Its data were obtained using a Likert-scale questionnaire (1–5) and analyzed with Structural Equation Modeling–Partial Least Squares (SEM-PLS). Furthermore, the findings reveal that entrepreneurial orientation and risk-taking have a significant positive effect on financial performance. Then, the entrepreneurial orientation does not directly affect business sustainability. In contrast, risk-taking directly affects business sustainability. While financial performance plays a crucial mediating role in both relationships, financial literacy significantly strengthens the effect of financial performance on business sustainability. A key novelty of this study is the finding that Tanah Abang traders tend to emphasize survival rather than long-term sustainability strategies.

Key words: entrepreneurial orientation, risk taking, financial performance, financial literacy, business sustainability

INTRODUCTION

Tanah Abang Market, Southeast Asia's largest fashion center, spans Block A with about 160,000 m² and nearly 8,000 stalls, serving up to 80,000 shoppers daily on peak days and averaging IDR 500 billion in daily transactions (BPS, 2024). Yet fashion SMEs here face serious challenges, especially due to declining turnover during the pandemic. Data from Jakarta PPKUKM shows that roughly 13,336 fashion SME traders in Tanah Abang were severely affected: 63.9% saw turnover drop by more than 30%, while just 3.8% reported increases. This reveals most traders' weak financial resilience, highlighting the relevance of research on financial performance and sustainability. In the digital era, fashion SMEs contend with e-commerce transformation and the need for improved technological skills, innovation, and digital and financial literacy (BPK RI, 2022). Weak business planning, seen in about 76% of failed fashion SMEs, usually stems from the lack of a long-term strategy and low financial literacy.

The decline in financial performance shows that entrepreneurial competencies such as creativity, financial planning, and the ability to manage risk are crucial for improving financial performance, which supports the creation of sustainable business (Act, 2019; Crespo et al., 2025). Previous research has shown that entrepreneurial skills and competencies positively influence SMEs performance. Further research is needed to examine the role of financial literacy as a moderator between financial performance and business sustainability. Entrepreneurial orientation is a key determinant of SMEs performance (Hooi et al., 2016). This entrepreneurial orientation encompasses innovation, creativity, business management, and the ability to anticipate market dynamics. Research on SMEs shows that traders with higher managerial and

marketing competencies tend to be able to maintain turnover despite market fluctuations (Shah et al., 2024). Besides competence, the courage to take risks is another factor that determines business resilience. Traders in Tanah Abang often face high risks, ranging from fluctuating raw material prices and changing fashion trends to competition from e-commerce. Masdupi et al. (2024) emphasized that risk-taking is a key dimension of entrepreneurial orientation that influences business growth. However, poorly managed risk levels can worsen the financial condition of SMEs (Oktaviani, 2024).

Financial performance is one of the main indicators of business success from a balanced scorecard perspective (Elarabi & Khalifa, 2025). For Tanah Abang traders, financial performance indicators include revenue growth, profitability, and cash flow. The decline in revenue among the majority of traders underscores the urgency of strengthening financial management strategies to support business sustainability (Chitta & Soni, 2023). Financial literacy also plays an important role in moderating the relationship between financial performance and business sustainability (Priyantoro et al., 2023). A high level of financial literacy improves entrepreneurs' ability to manage capital, utilize banking access, and make wise investment decisions (Lestari et al., 2025). Unfortunately, various studies show that the financial literacy of Indonesian SMEs remains low, leaving them vulnerable to capital problems and financial mismanagement.

Business sustainability is the ultimate goal of this research model. According to Elkington (1997), business sustainability must be viewed from three dimensions: economic (profit), social (people), and environmental (planet) (Parmitasari & Rusnawati, 2023). The economic aspect is reflected in the ability to maintain profitability and stable cash flow

despite facing competitive pressures from digital marketing and fluctuating market trends (Oktaviani, 2025; Supramono et al., 2025). The social aspect is evident in traders' contributions to employee welfare, relationships with consumers, and involvement in the trader community. It strengthens local economic solidarity. Meanwhile, environmental concerns are increasingly important, as the fashion industry is one of the largest contributors to textile waste. Therefore, reducing single-use plastic use, managing fabric scraps, and switching to environmentally friendly materials are pressing issues (Alwakid & Dahri, 2025). Thus, this study not only emphasizes how variables such as entrepreneurial orientation, risk-taking, financial performance, and financial literacy contribute to sustainability, but also how sustainable business dimensions can be adopted by SMEs to improve their reputation and long-term competitiveness. The global challenge of sustainable business makes this research relevant not only at the local level but also internationally, as the results can provide lessons for other trading centers in developing countries facing similar issues.

Therefore, the research practically aims to identify the entrepreneurial competencies that have the most influence on increasing turnover and profitability of fashion traders in Tanah Abang Market. It also analyzes the level of courage in taking business risks to be more measurable and support healthy growth, and measures the actual condition of traders' financial performance through turnover indicators, profit margins, and cash flow to see their relationship with business sustainability (Akhtar et al., 2025; Hanaysha & Al-Shaikh, 2024; Suprayitno et al., 2025). Moreover, this study examines the role of financial literacy in strengthening the relationship between financial performance and business sustainability. So, the results can serve as a basis for empowerment programs, such as simple financial record keeping, credit access, or the use of digital financial applications (Molosiwa & Holland,

2025). Ultimately, this research is expected to produce novelty in the form of business strategies regarding how entrepreneurial orientation and risk-taking affect financial performance, and how financial literacy plays a role in strengthening the relationship to the business sustainability of fashion SME traders in Tanah Abang Market. Thus, it can be the basis for developing strategies to increase competitiveness and business sustainability amidst modern market competition.

THEORETICAL REVIEW

Entrepreneurial orientation

Entrepreneurial orientation (EO) is one of the important factors that determine the success and resilience of a business, especially on an SMES scale. Cho and Lee (2020) define EO as a strategic orientation of a company or individual entrepreneur. It reflects the mindset, process, and decision-making style that is oriented towards entrepreneurship (Jallad & Karadas, 2024). This orientation encompasses dimensions of innovation, decision making, business planning, resource management, and networking capabilities. EO is seen as a crucial factor distinguishing fast-growing and highly competitive businesses from others. The companies with strong EO tend to be more innovative in product development, proactive in capturing market opportunities, and willing to take risks to expand their business (Kadiyono & budi, 2024). Thus, EO is not just an attitude but also reflects a long-term strategy oriented towards growth, adaptation, and business sustainability, both at the scale of large corporations and SMEs.

Risk Taking

Risk taking is one of the main dimensions of entrepreneurial orientation which is often associated with business growth and success (Molla & Kaur, 2025). Risk-taking is defined as the tendency of entrepreneurs to engage in bold decisions, including committing resources under conditions of uncertainty or

entering new markets with untested opportunities. In SMEs, risk taking is crucial because limited capital and resources often require entrepreneurs to make quick decisions regarding stock purchases, technology investments, or new marketing strategies (Masdupi et al., 2024). However, uncontrolled risk taking can result in significant losses, especially if it is not supported by adequate financial literacy and managerial competence (Dvorsky et al., 2023). Therefore, risk taking is not only defined as the courage to face uncertainty, but must also be combined with measured risk management and appropriate mitigation strategies.

Financial Performance

Financial performance is the main indicator that reflects the success of an organization or business in achieving its financial goals. Financial performance can be measured through a balanced scorecard perspective, which encompasses revenue growth, profitability, cost efficiency, and asset and cash flow management (Elarabi & Khalifa, 2025). In the SMEs sector, financial performance is often measured by increased sales turnover, profit margins, and the sustainability of operational cash flow (Menne et al., 2022a). Good financial performance demonstrates that a business is able to utilize resources effectively, respond to market dynamics, and maintain long-term business sustainability. Conversely, weak financial performance is often a major cause of SMEs failure, as limited capital makes it difficult for traders to invest in innovation or expand their distribution networks (Mogale et al., 2025).

Financial Literacy

Financial literacy is an individual's ability to understand, manage, and make decisions related to finances effectively. It encompasses knowledge of basic financial concepts, such as interest, inflation, and risk, as well as the ability to manage savings, loans, and investments (Masdupi et al., 2024). Financial literacy extends beyond understanding to the skills needed to apply financial knowledge to everyday decision making. For SMEs,

financial literacy is crucial because it directly relates to capital management, financial record keeping, access to financing, and the ability to develop financial strategies that support business sustainability (Ratnawati et al., 2025). Low financial literacy is often the main cause of SMEs failure, as many business owners have difficulty managing cash flow, separating personal and business finances, and accessing banking services (Padi et al., 2025).

Business Sustainability

Business sustainability refers to the ability of an organization or business to survive in the long term while maintaining a balance between economic achievement, social contribution, and concern for the environment (Younas & Zafar, 2019). In the entrepreneurship literature, business sustainability is seen not only as an effort to maintain profitability, but also as a strategy to create shared value for stakeholders, including employees, consumers, communities, and the environment (Park & Jung, 2025). Business sustainability demands the integration of long-term oriented managerial practices with continuous innovation. The companies do not only pursue financial profits, but also pay attention to social and ecological impacts (Younas & Zafar, 2019). In SMEs, business sustainability is often associated with business resilience in the face of crises, the ability to adapt to market changes, and the implementation of environmentally friendly practices in daily business operations (Supramono et al., 2025). For fashion retailers, business sustainability is becoming increasingly important given the intense competition from digital marketing, consumer demand for environmentally friendly products, and the global issue of textile waste. Therefore, business sustainability is positioned as a dependent variable. It reflects not only the retailer's economic viability, but also social and environmental sustainability relevant to global trends.

Hypothesis Development

Entrepreneurial orientation to Financial Performance

Entrepreneurial orientation is believed to be a key factor in determining a business's financial performance, as highly competent business owners tend to be better able to capitalize on market opportunities, achieve operational efficiency, and manage risk. Previous research supports a positive relationship between entrepreneurial competence and the financial performance of SMEs. Cho and Lee (2020) found that entrepreneurial competence has a significant influence on the success of SMES businesses, especially in terms of revenue growth and profitability. Padi et al. (2025) also found that entrepreneurial competencies, such as managerial competencies, opportunities, and relationships, have a close relationship with competitive advantage which ultimately improves a company's financial performance. In Indonesia, SMEs with a high level of entrepreneurial competence tend to be more adaptive in managing finances and obtaining sustainable profits (Kadiyono & Budi, 2024).

H₁: Entrepreneurial orientation has a positive impact on financial performance

Entrepreneurial orientation to Business Sustainability

Within the framework of business sustainability, entrepreneurial orientation helps entrepreneurs to focus not only on achieving economic profits, but also on creating broader social and environmental value (Supramono et al., 2025). Business actors with high entrepreneurial competencies are generally more innovative. They can read market trends, short-term, and long-term goals which are important prerequisites for business sustainability. Several studies support the link between entrepreneurial competency and business sustainability. Alwakid and Dahri, (2025) found that entrepreneurial competence is significantly related to the success of SMEs businesses. It strengthens business resilience in facing

changes in the business environment. Furthermore, Hanaysha and Al-Shaikh (2024) show that competency dimensions such as innovation, risk management, and social competency have a positive influence on the ability of SMEs to survive and develop sustainably.

H₂: Entrepreneurial orientation has a positive impact on business sustainability

Risk Taking to Financial Performance

The courage to take risks allows business actors to invest in new products, expand into different market segments, and adopt digital channels faster than competitors, potentially increasing turnover, margins, and cash flow (Molla & Kaur, 2025). Empirical evidence shows a positive relationship between risk taking and performance (Chitta & Soni, 2023) linking entrepreneurial orientation, the risk taking with superior performance in management practices. A meta-analysis of Masdupi et al. (2024) confirms that risk taking is significantly related and tends to contribute to better financial performance.

H₃: Risk taking has a positive effect on financial performance

Risk Taking to Business Sustainability

The courage to take risks can help SMEs explore new opportunities, innovate products, and adopt environmentally friendly practices that may initially require high costs but have the potential to result in long-term sustainability (Lenssen et al., 2014). Previous research shows that risk taking is positively related to business sustainability (Act, 2019). The courage in taking risks increases the capacity to adapt to market changes, which ultimately strengthens business sustainability. Younas and Zafar (2019) also stated that measured risk-taking in German businesses has a positive impact on competitiveness and long-term resilience. Meanwhile, SMEs in Hungary shows that risk taking contributes to the adoption of innovative practices and the creation of sustainable excellence (Dvorsky et al., 2023).

H₄: Risk taking has a positive effect on business sustainability

Financial Performance to Business Sustainability

Good financial performance not only demonstrates the ability to survive in the short term, but also becomes the foundation for achieving business sustainability (Elarabi & Khalifa, 2025). Several studies have shown a positive relationship between financial performance and business sustainability. The companies with strong financial performance are better able to invest in social and environmental programs (Menne et al., 2022a) to support sustainability (Akhtar et al., 2025). SMEs with healthy financial performance are better prepared to adopt sustainable business practices. SMEs that successfully maintain profitability can maintain better operations amid economic uncertainty. Therefore, financial performance is not only a short-term goal, but also a determining factor in long-term business sustainability.

H₅: Financial performance has a positive effect on business sustainability.

Financial Performance Mediating Entrepreneurial Orientation towards Business Sustainability

A good entrepreneurial orientation will improve financial performance, because business actors can maximize sales, cost efficiency, and profitability (Wang & Zhang, 2024). Financial performance is an important foundation for achieving business sustainability. Business sustainability is not only determined by social and environmental aspects, but also depends heavily on the company's economic ability to survive and grow (Arabiun et al., 2025). The entrepreneurial competence increases competitive advantage which ultimately impacts financial performance (Wut et al., 2025). The results of this study are supported by Munawar (2025) that SMEs with high entrepreneurial competencies have better financial performance to survive sustainably. In the SMEs fashion industry, competency in

anticipating market trends, managing inventory, and designing marketing strategies is believed to improve financial performance, which then contributes to long-term business sustainability.

H₆: Financial performance mediates the influence of entrepreneurial orientation towards business sustainability

Financial Performance Mediating Risk Taking on Business Sustainability

Taking risks can increase the chances of success, but the results will only be realized if they are managed well in the form of achieving healthy financial performance. According to Anton et al. (2025), financial performance indicators such as revenue growth, profitability, and cash flow indicate the extent to which risky strategies taken yield profitable results (Games & Rendi, 2019). The small companies with high levels of risk taking tend to have better financial performance in a dynamic business environment. The finding is in line with Agyapong (2021) that the courage to take risks has a significant impact on improving the performance of small and medium-sized enterprises. In the next stage, companies with strong financial performance have greater resources to invest in long-term strategies that support sustainability, both economically, socially, and environmentally.

H₇: Financial performance mediates the influence of risk taking on business sustainability

Financial Literacy moderate Financial Performance on Business Sustainability

Adequate financial literacy enables business actors not only to maintain profits, but also to allocate funds appropriately for long-term investments. Environmental management, and social welfare that are important dimensions of business sustainability (Molosiwa & Holland, 2025). Previous research shows that financial literacy strengthens the relationship between financial performance and sustainability. Masdupi et al. (2024) found that financial literacy affects the survival of new businesses because entrepreneurs are able to

manage finances more efficiently. Okello et al., (2025), added that financial literacy increases the effectiveness of capital use, so that companies are more flexible in facing uncertainty and able to invest in sustainable strategies.

H₈: Financial literacy moderates the influence of financial performance on business sustainability.

Figure 1 shows a research model that illustrates the relationships among entrepreneurial orientation, risk taking, financial performance, financial literacy, and business

sustainability. Entrepreneurial orientation and risk taking are positioned as key antecedent variables that directly influence financial performance, while also having potential direct effects on business sustainability. Financial performance functions as a mediating variable that channels the effects of entrepreneurial orientation and risk taking toward business sustainability. In addition, financial literacy is incorporated as a moderating variable that strengthens the relationship between financial performance and business sustainability.

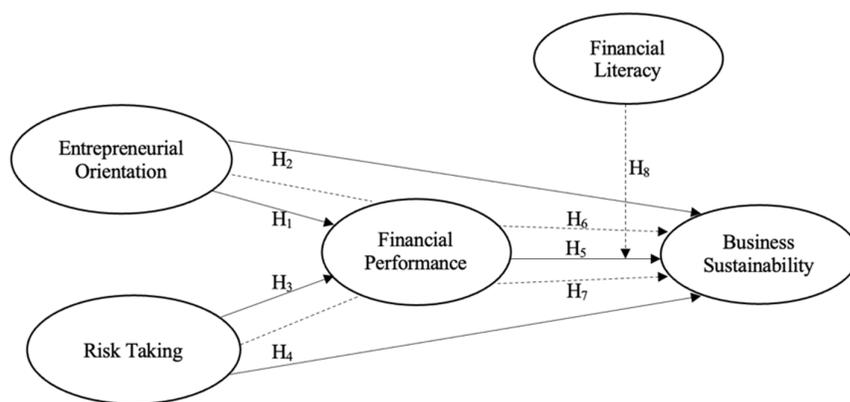


Figure 1
Research Model

Source: Developed by Author, 2025

RESEARCH METHOD

This study uses a quantitative approach with a survey method to test the influence of entrepreneurial orientation and risk taking on business sustainability through financial performance as a mediating variable, and financial literacy as a moderating variable. The research population was fashion traders in Tanah Abang Market whose exact number was unknown due to the very large market scale. The fashion sector included traders of clothes, bags, shoes, headscarves, and other accessories. So, the research population was considered heterogeneous because the population size was unknown. The sample determination was carried out using the Cochran formula (Cochran, 1977). The provisions of $Z = 1.96$ (5% significance level),

$p = 0.5$ (proportion of respondents), $q = 1 - p$, and an error rate of 0.07. From this calculation, a minimum sample size of 217 respondents was obtained. It is considered to adequately represent the characteristics of the population.

Data were collected via an online questionnaire using a Likert scale from 1 to 5. The questions were distributed directly to traders and accompanied during completion to ensure respondents understood the questions. Data analysis was performed using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with SmartPLS. The SEM-PLS method was chosen because it is suitable for analyzing complex research models involving mediating and moderating variables and can handle data with non-

normal distributions commonly found in SME research.

Table 1 presents the operational definitions and measurement models used in this study, detailing the constructs, measurement items, and their respective loading factors. Entrepreneurial orientation is measured through indicators related to innovation, market responsiveness, inventory management, and relationship-building with suppliers and consumers. All show strong factor loadings. Risk taking reflects the willingness of SMEs owners to make decisions under uncertainty, experiment with new products and marketing methods, and accept potential losses as part of business growth. Financial performance is captured through indicators of sales growth, cost

control, cash flow stability, and the ability to meet financial obligations, all of which indicate robust business outcomes. Financial literacy is operationalized through understanding loan concepts, prudent capital management, financial record-keeping, and the separation of personal and business finances. Business sustainability is measured through long-term planning, employee welfare, product quality, customer service, contribution to local economic development, and environmentally responsible practices. Overall, the high loading factors across all constructs indicate that the measurement items are valid and reliably represent their respective latent variables in the context of Indonesian fashion SMEs.

Table 1
Operational Definition and Measurement Models

Variables	Items	Loading Factor
Entrepreneurial orientation (Hanaysha & Al-Shaikh, 2024; Hooi et al., 2016)	Able to create new fashion product ideas that are different from competitors.	0.783
	Trying to develop product variations to suit market trends.	0.848
	Able to manage merchandise inventory well.	0.894
	Having relationships with suppliers that support my business.	0.884
	Actively build relationships with consumers to expand the market.	0.845
	Able to recognize fashion trends that have the potential to increase sales.	0.846
Risk Taking (Agyapong, 2021; Lenssen et al., 2014)	Be sensitive to changing consumer needs.	0.872
	Dare to make business decisions even when facing uncertainty.	0.842
	Willing to try selling new products that don't have much competition.	0.933
	Want to experiment with online marketing methods.	0.943
	Be prepared to face the possibility of loss in every business decision.	0.907
Financial Performance (Chitta & Soni, 2023; Mogale et al., 2025)	View risk as part of the opportunity to grow.	0.865
	Willing to take risks to expand the business.	0.793
	Business turnover has tended to increase in recent years.	0.941
	Sales of fashion products show a positive growth trend.	0.933
	Able to control operational costs so as not to burden the business.	0.934
	Always looking for ways to reduce costs without compromising quality.	0.881
Financial Literacy	Business cash flow is relatively stable.	0.941
	Not experiencing difficulties in fulfilling business payment obligations.	0.935
	Understanding the concept of loan interest on business.	0.769
	Be wise in using loans for business capital.	0.846

Variables	Items	Loading Factor
Business Sustainability (Molosiwa & Holland, 2025; Padi et al., 2025) (Alwakid & Dahri, 2025; Menne et al., 2022b; Parmitasari & Rusnawati, 2023)	Keep regular records of business finances.	0.906
	Separating business and personal financial records.	0.941
	Able to choose the appropriate form of investment for my business.	0.894
	Separate personal finances from business in a disciplined manner.	0.841
	Have a business plan to maintain long-term economic growth.	0.867
	Pay attention to employee welfare in the business.	0.895
	Maintain product quality to ensure consumer satisfaction.	0.884
	Provide good service to retain customers.	0.941
	Businesses contribute to local economic development.	0.941
	Trying to reduce waste from business activities.	0.939
Reducing the use of single-use plastic in business.	0.911	

Source: Data Processing SMARTPLS, 2025

The results of the loading factor analysis indicate that all indicators across the studied variables meet the recommended threshold of 0.70, confirming strong convergent validity. Entrepreneurial Orientation indicators show high loadings, reflecting innovation capability, market responsiveness, and relationship management as key dimensions. Risk-taking demonstrates very strong indicator loadings, particularly in experimenting with new products and online marketing, highlighting risk acceptance as a core entrepreneurial behavior. Financial performance indicators consistently exhibit high loadings. So that sales growth, cost control, and cash flow stability are reliable measures of business performance. Financial literacy is well represented by indicators related to financial record-keeping, separation of personal and business finances, and investment decision-making. Finally, Business Sustainability shows robust loadings across economic, social, and environmental dimensions. It confirms that long-term planning, service quality, and environmental responsibility strongly reflect sustainable business practices.

RESULT

This research distributed questionnaires with assistance to fashion traders in the Tanah Abang shopping center. Its data were obtained 217 in completing the questionnaires. Based on the table, the respondents were dominated by women at 65%, while men numbered 35%. The majority of fashion entrepreneurs in Tanah Abang Market are women. As the length of trading, there were 39% of respondents have been trading for more than 3 to 5 years, and 35% of traders having more than 5 years of experience. Meanwhile, 12%, traders have been running their business for less than 1 year, and 14% of traders within 1-3 years. The majority of respondents have been considerably experienced in trading fashion. By business type, the categories include other accessories at 41%, clothes at 32%, headscarf traders at 15%, bag traders at 7%, and shoe traders at 6% (Table 2). This shows that accessories are also a dominant segment among Tanah Abang fashion traders.

Table 2
Respondent Identity

	Amount	Percentage
Gender		
Woman	142	65%

	Amount	Percentage
Man	75	35%
Trading Period		
<= 1 Year	27	12%
> 1 Year - 3 Years	31	14%
> 3 Years - 5 Years	84	39%
> 5 years	75	35%
Type of business		
Clothes	69	32%
Bag	15	7%
Shoe	13	6%
Headscarf	32	15%
Other accessories	88	41%

Source: Author Data Processing, 2025

Inner Model: AVE and Composite Reliability

The results of the outer model test indicate that all constructs in this study have met the criteria for reliability and convergent validity. The Composite Reliability (CR) values for each variable, namely Business Sustainability (0.972), Entrepreneurial orientation (0.950), Financial Literacy (0.948), Financial Performance (0.974), and Risk Taking (0.954). All of which are above the threshold value of 0.70. It can be concluded that each construct has excellent internal consistency in measuring its respective indicators. In addition, the Average Variance Extracted (AVE) value also shows adequate results. All variables have values above 0.50, which ranges from 0.729 to 0.861. This means that more than 50% of the indicator variance can be explained by the measured constructs. So, the research indicators have met the criteria for convergent validity. With these results, the research instrument is able to represent latent variables accurately and is worthy of continuing to the inner model testing stage.

Outer Models: R² and F²

The results of the inner model test show that the R-square value of Business Sustainability is 0.853. It means that 85.3% of the variation in business sustainability can be explained by the variables of Entrepreneurial

Orientation, Risk Taking, Financial Performance, and Financial Literacy. While the rest is explained by other factors outside the model. Meanwhile, the R-square value of Financial Performance is 0.746 indicating that 74.6% of the variation in financial performance can be explained by Entrepreneurial orientation and Risk Taking. The R-square value is considered high so that this research model has strong explanatory power. In terms of path coefficient, the Financial Literacy variable has the largest influence on Business Sustainability with a value of 0.498. It indicates that financial literacy is a dominant factor in maintaining the sustainability of fashion traders' businesses in Tanah Abang Market. Financial Performance also has a positive influence on Business Sustainability (0.165). So, the better the financial performance, the higher the business sustainability. Meanwhile, Entrepreneurial orientation (0.029) and Risk Taking (0.042) have a relatively small direct influence on Business Sustainability. But they provide a greater contribution through increasing Financial Performance, each with a coefficient of 0.222. The interaction effect of Financial Literacy in moderating the relationship between Financial Performance and Business Sustainability is only 0.018, so the moderating role is very weak. It can be concluded that financial literacy plays a more dominant role as a direct predictor of business sustainability than as a moderating variable.

Table 3
Hypothesis Testing

Variables	Standard deviation	T statistics	P values	Result
Entrepreneurial orientation-> Financial Performance	0.071	7,205	0,000	H1 confirmed
Entrepreneurial orientation-> Business Sustainability	0.095	1,836	0.066	H2 not confirmed
Risk Taking -> Financial Performance	0.071	5,372	0,000	H3 confirmed
Risk Taking -> Business Sustainability	0.078	2,356	0.019	H4 confirmed
Financial Performance -> Business Sustainability	0.123	2,683	0.007	H5 confirmed
Entrepreneurial orientation-> Financial Performance -> Business Sustainability	0.064	2,620	0.009	H6 confirmed
Risk Taking -> Financial Performance -> Business Sustainability	0.056	2,234	0.026	H7 confirmed
Financial Literacy x Financial Performance -> Business Sustainability	0.019	2,239	0.025	H8 confirmed

Source: Data Processing SMARTPLS, 2025

The results of the hypothesis testing (Table 3) show that of the eight hypotheses proposed, seven were accepted and one was rejected. Entrepreneurial Variable *orientation* has a significant effect on Financial Performance (H_1 is accepted, $p = 0.000$), but does not have a direct effect on Business Sustainability (H_2 is rejected, $p = 0.066$). The Risk Taking is proven to have a significant effect on Financial Performance (H_3 is accepted, $p = 0.000$) and also on Business Sustainability (H_4 is accepted, $p = 0.019$). Financial Performance has a significant effect on Business Sustainability (H_5 is accepted, $p = 0.007$), and its role is also proven to mediate the influence of Entrepreneurial *orientation* on Business Sustainability (H_6 accepted, $p = 0.009$) and the influence of Risk Taking on Business Sustainability (H_7 accepted, $p = 0.026$). In addition, Financial Literacy was proven to moderate the influence of Financial Performance on Business Sustainability (H_8 accepted, $p = 0.025$). It can be concluded that Financial Performance has a central role in bridging the

influence of entrepreneurial competence and risk taking on business sustainability. While Financial Literacy strengthens the relationship between financial performance and the sustainability of fashion traders' businesses in Tanah Abang Market.

Figure 2 presents the study's structural model, depicting the relationships among entrepreneurial orientation, risk-taking, financial literacy, financial performance, and business sustainability. The results indicate that entrepreneurial orientation and risk-taking significantly influence financial performance, which has a strong effect on business sustainability. Financial literacy is positioned as an important explanatory variable, directly contributing to financial performance and strengthening the pathway toward sustainability. The model's coefficient values suggest that financial performance plays a central mediating role in transforming entrepreneurial and risk-related capabilities into sustainable business outcomes among Indonesian fashion SMEs.

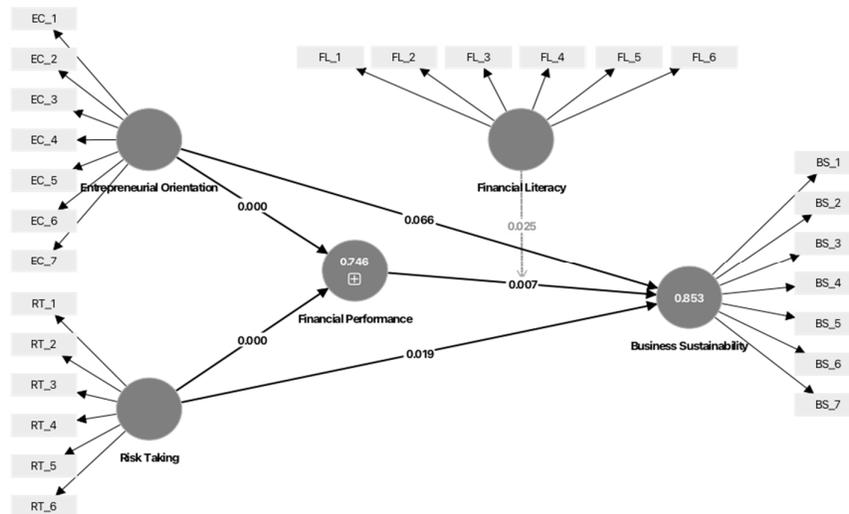


Figure 2

Research Result Model

Source: Data Processing SMARTPLS, 2025

ANALYSIS AND DISCUSSION

Entrepreneurial Orientation to Financial Performance

The results of the study show that hypothesis 1 is accepted. The entrepreneurial orientation significantly influences the financial performance of SME traders at Tanah Abang Market. This finding reinforces the view that entrepreneurial orientation is a key determinant of a business's financial performance. Business actors with a high level of entrepreneurial orientation are more likely to be high-performing entrepreneurs who can capitalize on market opportunities, innovate products and marketing strategies, achieve operational efficiency, and manage risks more effectively. In fashion SMEs facing intense competition and rapidly changing trends, the ability to think innovatively, proactively, and take risks has been shown to have a significant impact on revenue growth, profitability, and cash flow stability. These results align with previous research that found a positive relationship between entrepreneurial orientation and financial performance. Cho and Lee (2020) found that entrepreneurial competence significantly influences the success of SMEs, particularly in terms of revenue growth and profitability. Padi et al. (2025) also confirmed that dimensions of entrepreneurial competence, such as managerial skills, opportunity management,

and relationship building, directly enhance competitive advantage, thereby impacting a company's financial performance. In line with this, Kadiyono and Budi (2024) demonstrated that SMEs in Indonesia with higher level of entrepreneurial competence are more adaptive in managing financial resources. They enable to maintain business sustainability and achieve consistent profits. The study indicate that entrepreneurial orientation not only helps business actors survive in traditional and digital market competition but also enhances their ability to generate sustainable financial performance. Thus, the higher the level of entrepreneurial competence and the greater the trader's entrepreneurial orientation, the greater the potential to improve the financial performance of their business.

Entrepreneurial orientation to Business Sustainability

The test result shows that hypothesis 2 was rejected. It is entrepreneurial orientation does not have a significant effect on business sustainability fashion SMES traders in Tanah Abang Market. This means that although entrepreneurial orientation is an important factor in increasing innovation and the ability to identify market opportunities. Its effect is not directly visible on business sustainability,

which encompasses economic, social, and environmental dimensions. Entrepreneurial orientation is expected to help business actors balance short-term goals of profitability with long-term goals such as social welfare and environmental awareness (Supramono et al., 2025). However, the findings indicate that the entrepreneurial orientation of traders is more oriented towards short-term economic aspects, such as increasing sales and adapting to trends. So, its contribution to comprehensive business sustainability is not optimal. The finding differs from several previous studies. For example, Alwakid and Dahri (2025) found that entrepreneurial competence is significantly related to the success of SMES businesses. It ultimately strengthens business resilience in facing a dynamic business environment. However, the results actually indicate a difference in context. One reason is the characteristics of fashion traders in Tanah Abang Market, emphasizing survival strategies rather than long-term sustainability strategies. With the pressures of intense market competition, fluctuating fashion trends, and the challenges of digitalization, traders' entrepreneurial orientation tends to be geared toward achieving daily or short-term profits, rather than creating social and environmental value. This finding offers a novel insight into business strategies for survival amidst intense competition.

Risk Taking to Financial Performance

The results of the study show that hypothesis 3 is accepted. The risk taking has a positive impact on financial performance fashion SMES traders in Tanah Abang Market. These entrepreneurs' courage in taking risks can drive improved financial performance, through market expansion, product diversification, and the adoption of digital technology. Risk-taking courage enables traders to invest in new products, enter different market segments, and adopt digital channels faster than competitors, resulting in increased turnover, profit margins, and cash flow stability (Molla & Kaur, 2025). These findings are supported by

previous empirical evidence. Chitta and Soni (2023) link entrepreneurial orientation, including the dimensions risk taking, with superior performance in management practices, particularly in small and medium-sized enterprises operating in competitive environments. Furthermore, a meta-analysis conducted by Masdupi et al. (2024) confirmed that risk-taking courage is significantly associated with better financial performance, particularly in SMEs that are able to balance risks and opportunities. In other words, entrepreneurs who are not only cautious but also bold in making strategic decisions tend to have higher financial performance than those who tend to be conservative.

Risk Taking to Business Sustainability

The results of the study show that hypothesis 4 is accepted. The risk taking has a positive impact on business sustainability among fashion SMES traders in Tanah Abang Market. This means that the courage to take risks not only impacts short-term financial performance but also contributes to long-term business resilience and sustainability (Dvorsky et al., 2023). Courage to take risks can help SMEs explore new opportunities, innovate products, and adopt environmentally friendly practices that may initially incur high costs but have potentiality to improve business sustainability (Lensen et al., 2014). Risks taking includes expanding consumer segments, following sustainable fashion trends, or exploring more efficient digital distribution channels. The findings are consistent with previous studies. Act (2019) found that courage to take risks increases the capacity of SMEs to adapt to market changes, ultimately strengthening business resilience and sustainability. Younas and Zafar (2019) also shows that measured risk-taking in the German business sector has a positive impact on long-term business competitiveness and resilience. These results confirm that traders who dare to try new business strategies, invest in trend-following products, and sustainable fashion, and the courage to face

market uncertainty have a greater chance of sustaining their business in the long term. Thus, risk taking become one of the important factors that strengthen business sustainability fashion traders amidst increasingly fierce market competition and consumer demands for more ethical and sustainable business practices.

Financial Performance to Business Sustainability

The results of the study show that hypothesis 5 is accepted. The financial performance has a positive impact on business sustainability among fashion SMES traders in Tanah Abang Market. The findings confirm that strong financial performance not only reflects a business's ability to survive in the short term but also serves as a crucial foundation for achieving long-term business sustainability (Elarabi & Khalifa, 2025). SMEs that can maintain turnover growth, profitability, and stable cash flow are more flexible in investing in sustainability strategies, including economic, social, and environmental aspects. Previous research supports these findings. Menne et al. (2022) found that companies with strong financial performance are better able to allocate funds to social and environmental programs that directly strengthen business sustainability. Similarly, Akhtar et al. (2025) showed that SMEs with healthy financial performance are more prepared to adopt sustainable business practices, enabling them to continue operating despite economic uncertainty. This means that maintained profitability provides business actors with the opportunity to focus not only on short-term profits but also on sustainable innovation and fulfill social and environmental responsibilities. Traders who maintain good financial records, maintain cost efficiency, and manage cash flow stably are better able to maintain their business operations amidst fierce competition and fluctuating fashion trends.

Financial Performance Mediating Effect of Entrepreneurial orientation towards Business Sustainability

The results of the study show that hypothesis 6 is accepted. The financial performance acts as a mediating variable in the relationship between entrepreneurial orientation with business sustainability. It means that the entrepreneurial orientation of new entrepreneurs will significantly impact business sustainability if accompanied by improved financial performance. A strong entrepreneurial orientation encourages entrepreneurs to be more innovative, proactive, and willing to take risks, ultimately increasing sales, cost efficiency, and profitability (Wang & Zhang, 2024). Therefore, Financial Performance becomes an important pathway that bridges the influence of entrepreneurial orientation on business sustainability. This finding aligns with the views of Munawar (2025) and Arabiun et al. (2025) that business sustainability depends not only on social and environmental aspects, but is also largely determined by the company's economic ability to survive and grow. Empirical evidence also supports the findings of this study. Wut et al. (2025) found that entrepreneurial competence contributes to increased competitive advantage, which in turn impacts improved financial performance. These results confirm that traders' ability to read market trends, manage inventory efficiently, and develop appropriate marketing strategies will improve their financial performance. In turn, healthy financial performance serves as a foundation for achieving business sustainability.

Financial Performance Mediating Effect of Risk-Taking on Business Sustainability

The results of the study show that hypothesis 7 is accepted. The financial performance mediating influence risk taking to business sustainability. It means that entrepreneurs' courage in taking new risks will significantly contribute to business sustainability if accompanied by healthy financial performance. While risk-taking can

increase the chances of success, the results are only visible when these risky decisions result in revenue growth, profitability, and positive cash flow (Anton et al., 2025). Games and Rendi (2019) and Agyapong (2021), confirms this finding. Small companies with high levels of risk can risk taking high-income SMEs tend to have better financial performance when operating in a dynamic business environment. With strong financial performance, SMEs have greater resources to invest in long-term strategies that support sustainability, both economically, socially, and environmentally. Merchants who are willing to take risks by trying online marketing strategies, expanding into new consumer segments, or adopting trend-following products will reap tangible benefits when those risks yield financial returns. The profits can be allocated to improving product quality, addressing worker welfare, and adopting environmentally friendly practices. Thus, the mediating role of SMEs is crucial. Financial performance proved crucial in bridging the relationship risk taking with business sustainability.

Financial Literacy Moderating Financial Performance on Business Sustainability

The results of the study show that hypothesis 8 is accepted. The financial literacy moderate influence financial performance to business sustainability among fashion SMES traders at Tanah Abang Market. This means that good financial performance will further strengthen business sustainability if business actors have an adequate level of financial literacy. High financial literacy enables business actors not only to maintain profits but also to allocate funds appropriately for long-term investments, environmental management, and improving social welfare, which are important dimensions in business sustainability (Molosiwa & Holland, 2025). In other words, financial literacy increases the chances of financial performance directly contributing to business sustainability. These findings are supported by previous research. Masdupi et al. (2024) found that financial literacy influences the sustainability of new

businesses because entrepreneurs are able to manage finances more efficiently, enabling them to survive the competition. Furthermore, Okello et al. (2025) emphasized that financial literacy increases the effectiveness of capital utilization, making companies more flexible in the face of uncertainty, and better able to invest in sustainable strategies. Thus, financial literacy plays a crucial role as a catalyst that strengthens the impact of financial performance on business sustainability, especially in facing the challenges of an increasingly complex business environment. The results of this study emphasize that while strong financial performance is important, business sustainability cannot be achieved solely through profit. Strong financial literacy is necessary so that profits can be strategically managed and allocated, both for business development, employee welfare, customer satisfaction, and the implementation of environmentally friendly practices.

CONCLUSION AND SUGGESTION

This study concludes that entrepreneurial orientation and risk taking significantly influence financial performance which plays a crucial role in shaping business sustainability. The findings indicate that the direct effect of entrepreneurial orientation on business sustainability is insignificant instead, its influence operates primarily through the mediation of financial performance. In contrast, risk taking demonstrates both direct and indirect effects on business sustainability, highlighting its dual role in driving immediate outcomes and supporting longer-term viability. Moreover, financial literacy strengthens the relationship between financial performance and business sustainability, emphasizing its importance in transforming financial outcomes into sustainable business practices.

An important contextual insight emerges from the characteristics of fashion traders in Tanah Abang Market, where business behavior is largely shaped by survival-oriented strategies rather than long-term sustainability considerations. Intense market

competition, rapid changes in fashion trends, and ongoing digital transformation pressures encourage entrepreneurs to prioritize short-term profitability and operational continuity over the creation of broader economic, social, and environmental value. This condition suggests that entrepreneurial orientation in this context is predominantly adaptive and reactive, serving as a mechanism for survival rather than as a strategic driver of sustainable growth. This finding contributes conceptually by highlighting that survival entrepreneurship can represent a distinct strategic orientation within highly competitive traditional markets.

Based on the findings, strengthening financial performance and financial literacy emerges as a critical pathway for enabling SMEs to transition from survival focused behavior toward more sustainable business models. Enhancing the ability of entrepreneurs to manage financial resources, evaluate risks, and make informed financial decisions are essential for translating short-term performance into long-term sustainability. By aligning entrepreneurial behavior, risk management, and financial capability, SMEs in highly competitive environments can gradually move beyond subsistence oriented strategies and develop resilience, adaptability, and sustainability in an increasingly digital and globalized market.

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