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MICROCREDIT ASSISTANCE, FINANCIAL LITERACY, & WOMEN ENTREPRENEURS' MICROBUSINESS PERFORMANCE: EMPIRICAL EVIDENCE FROM MALAYSIA

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Abstract: *For many small business owners, access to capital can be a catalyst for change, no matter how small. It allows them to expand operations, stabilize cash flow, or seize new opportunities. As a key tool in economic empowerment, microcredit has great potential to bridge the financial access gap and support Malaysia's rapidly growing SME ecosystem. Therefore, this study was conducted to identify the influence of microcredit assistance that drives the success of microcredit entrepreneurs in the Klang Valley. Second is to assess the moderating effect of financial literacy (i.e., savings, debts, investment, and insurance literacy). The study sample was selected using stratified random sampling, involving 244 micro women entrepreneurs. The instrument used was a questionnaire, and the data were analyzed using descriptive statistics and a Structural Equation Model (SEM). The study found that microcredit assistance was significantly associated with the performance of women entrepreneurs' micro businesses. Second, the findings reveal that savings and debt literacy significantly moderate the relationships between microcredit assistance and business performance. On the other hand, investment and insurance literacies do not moderate the proposed relationships. Thus, the government and relevant agencies need to improve literacy programs and workshops for entrepreneurs to enhance their existing quality and skills further.*

Keywords: *Microcredit, Financial Literacy, Microbusiness, Women Entrepreneurs*

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Introduction

Women micro-entrepreneurs in this country are part of a small entrepreneurial group, particularly in the food, clothing, and retail services sectors. Their contribution is not only the backbone of household income, but also supports the inclusive economic development agenda (Noor & Omar, 2024). However, despite this great role, they face a reality that hinders them, including the rising cost of living and capital constraints, as well as the digital skills gap (Noor et al., 2024a). The increase in the prices of basic goods directly impacts the daily operations of micro-entrepreneurs. The costs of raw materials, rent, and utilities have soared, while the community's purchasing power has weakened (Noor et al., 2024a). Ultimately, women entrepreneurs face a dilemma: either raise prices, risking customer loss, or maintain prices, which means profit margins will shrink. Although the government, financial agencies, and non-governmental organizations (NGOs) provide various financial supports, in practice, other challenges arise, namely, financial management (Noor et al., 2024c). A majority of female entrepreneurs are still not skilled in recording cash flow, distinguishing between capital and profit, or planning reinvestment (Mishra & Sahoo, 2025). This fact shows that capital alone is not enough to ensure business continuity without financial literacy.

Microcredit is a financial solution designed specifically for all entrepreneurs, including women entrepreneurs, who need start-up capital or financial support without a large debt burden (Tria et al., 2022). In Malaysia, microcredit is increasingly popular because it offers access to financing at low interest rates and flexible terms (Bank Negara Malaysia, 2021; Hashim et al., 2023). Microcredit is small loans offered to entrepreneurs or small businesses to start or expand operations. The amount is usually between Ringgit Malaysia (RM) 1,000 and RM50,000 with low interest rates, designed to help entrepreneurs who have difficulty obtaining traditional bank loans. Most microcredit requires the entrepreneurs to have a registered business (CCM), an identity card, and a recent bank statement. Some institutions, like Amanah Ikhtiar Malaysia (AIM), focus on women entrepreneurs, while Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) targets Bumiputera entrepreneurs.

Another example of microcredit is Geran Khas Prihatin (GKP). It is a one-off financial assistant introduced by the Malaysian government specifically for SMEs affected by the economic crisis, especially during the pandemic. GKP helps small entrepreneurs, including hawkers, stall owners, online traders, and other micro-entrepreneurs who have difficulty accessing traditional bank financing (Ministry of Finance Malaysia, 2021). The MADANI Micro Strengthening Program is a special initiative from SME Corp Malaysia designed to empower micro entrepreneurs through various forms of support, including matching grants, business financing, and strategic guidance (SME Corp. Malaysia, 2024).

With the rapid growth of the Malaysian economy, especially in the SME sector, microcredit has become the go-to option for many entrepreneurs. In addition, these credits help bridge the financing gap for groups underserved by traditional banks, such as women entrepreneurs, Bumiputera, and those operating in rural areas (Abdullah & Manan, 2011; Bank Negara Malaysia, 2021; Hashim et al., 2023). Small businesses often face challenges in obtaining financing from traditional financial institutions due to a lack of credit history, collateral, or complete documentation (Borrescio-Higa et al., 2025). Microcredit offer solutions with the several features such as more relaxed requirements, such as not requiring collateral or a strong credit history, small loan amount which suitable for start-up capital needs such as purchasing stock, small equipment, or marketing costs, and repayment periods can be adjusted to the business's cash flow, reducing financial stress (Ceballos Gomez et al., 2025; Lee et al., 2024).

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According to a Bank Negara Malaysia report, more than 60% of small businesses in Malaysia will rely on loans to start or expand their operations by 2024 (World Bank, 2020). This shows how important microcredit is in the Malaysian business ecosystem, especially for entrepreneurs just starting.

Microcredit helps cover daily operating costs, such as employee salaries, rent, utilities, and supplier payments, ensuring the business remains operational (Ceballos Gomez et al., 2025). It also allows for investment in marketing, new stock, or technology such as Point of Sale (POS) systems or e-commerce websites to increase efficiency and customer reach (Hashim et al., 2023; Lee et al., 2024). In addition, with consistent repayments, businesses can build a good credit history, opening up opportunities for larger loans or investments in the future (Tria et al., 2022). Microcredit is often channelled to local entrepreneurs, helping boost the economies of rural areas and small towns and creating job opportunities (Asni et al., 2025). With access to capital, entrepreneurs can implement their business ideas with more confidence, reducing the fear of financial failure (McNeill, 2026).

However, some microcredit, especially from fintech platforms, may have higher interest rates than conventional bank loans (Hashim et al., 2023). Small businesses that are just starting may struggle to make repayments, especially if their income is unstable (Block et al., 2025). Many entrepreneurs, especially in rural areas, are unaware of the microcredit schemes available (McNeill, 2026). To ensure that microcredit has the maximum impact, the entrepreneurs need to manage their finances wisely. They need to set aside loan funds for specific needs such as asset purchases, marketing, or operating costs, and avoid using funds for personal expenses to ensure that the loan is used productively (Mpaata et al., 2023). They could also use financial software to track their income and expenses. Moreover, paying instalments on time helps avoid penalties and builds a good credit history, which can make it easier to apply for future loans (Alshebami & Al Marri, 2022). Microcredit is a powerful financial tool to help entrepreneurs start and grow their small businesses. With a variety of options, including TEKUN, AIM, commercial banks, and fintech platforms, entrepreneurs in Malaysia have access to flexible, affordable financing. To maximize the benefits of microloans, they need to ensure they can choose the right institution, manage finances wisely, and leverage resources for the latest information (Abdallah et al., 2025; Meressa, 2023). Based on the above discussions, this study's objectives are as follows:

1. To examine the influence of microcredit access on women entrepreneurs' microbusiness performance.
2. To assess the moderating effect of financial literacy (i.e., savings, debts, investment, and insurance literacy) on the relationship between microcredit and women entrepreneurs' microbusiness performance.

Literature Review

Microcredit for Small Businesses Performance

Micro-entrepreneurs comprise 77 percent (%) of all businesses in Malaysia and play a critical role in the country's economy. According to the Department of Statistics Malaysia 2023 report, this sector contributes RM180 billion to GDP and employs 7.2 million people (Department of Statistics Malaysia, 2024). However, Bank Negara Malaysia (BNM) revealed that 65% of micro-entrepreneurs fail to obtain conventional bank financing due to stringent requirements such as collateral and credit history (Bank Negara Malaysia, 2024). Micro-credit is one of the financial instruments for small entrepreneurs to run a business, especially in the context of

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poverty eradication. The microcredit system has been introduced since the 1970s, with the Grameen Bank of Bangladesh among its founders (Abdullah & Manan, 2011). Financial institutions, such as banks, will avoid lending to low-income groups to ensure that every loan issued can be collected in the future. Building on this, more parties around the world are developing this microsystem to provide financial services to low-income and self-employed groups who traditionally lack access to loans from institutions (Bettoni et al., 2023). In general, the microsystem has very easy loan terms that help people in a country (Block et al., 2025).

In Malaysia, loan sizes range from as low as RM500 to RM50,000, with financing periods of 1 month to 10 years (Bank Negara Malaysia, 2021). Microfinancing is now one of the government's core focus areas to protect the futures of all people who need assistance so that they can join the country's rapid development. Several institutions provide microfinance, including cooperatives and non-governmental organizations (NGOs). In general, the microfinance institutions better known to the Malaysian community are Amanah Ikhtiar Malaysia (AIM) and Tabung Ekonomi Kumpulan Usahawan Nasional (TEKUN). AIM has achieved encouraging success in reducing rural poverty, while TEKUN continues to support the development of Bumiputera entrepreneurs through microfinance (Abdullah & Manan, 2011). A Microfinance Institutional Framework was introduced in August 2006 to achieve this goal. This movement encompasses banking institutions, development financial institutions (DFIs), and credit cooperatives to develop a sustainable microfinance industry (Zahari et al., 2024). Given that the government is facing challenges in providing funds and reaching those in need, the involvement of banking institutions in the microfinance industry is very important, as they have resources and a wider branch network (Hashim et al., 2023).

Bank Simpanan Nasional (BSN), for example, has been mandated to provide microfinance to microenterprises and individuals engaged in business (Abdullah & Manan, 2011; Bank Negara Malaysia, 2021; Hashim et al., 2023). Meanwhile, apart from banking institutions, business assistance is also provided by other financial institutions such as AIM and TEKUN. However, the transactions practiced by these two institutions through qardhul hassan are not free from the element of usury, which is prohibited by Islam, and cause some Muslim entrepreneurs to refuse to take it. Microfinance from an Islamic perspective is a part of the concept of Islamic finance that provides usury-free financing not based on interest (Asni et al., 2025). In line with the zakat distribution based on business assistance schemes, a group of entrepreneurs in the Malaysian community context has emerged, known as asnaf entrepreneurs. Ceballos Gomez et al. (2025), Lee et al. (2024), McNeill (2026), and Tria et al. (2022) found that business assistance through microloans has been successful in improving recipients' living standards and in ensuring payments are made within the specified period. Based on the above discussion, the following hypothesis is posited:

H1: Microcredit assistance significantly influences the performance of women entrepreneurs' microbusinesses.

Financial Literacy as a Moderator

Financial literacy has become a social and economic necessity in this century and has received great attention from consumers, experts, government agencies, and policymakers (Anshika & Singla, 2022). According to Uthaileang and Kiattisin (2023), financial literacy can improve a person's ability to successfully handle the uncertain and subjective aspects of financial decision-making in a knowledgeable, skilled, and confident manner. Having strong financial knowledge can improve an individual's ability to make sound judgments and take effective decisions about

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the use and management of money (Padi et al., 2025). Furthermore, economic well-being will be achieved and have a positive impact on financial decisions to be taken (Mishra & Sahoo, 2025). In the business world, effective financial management is a key factor in determining a business's success. For many entrepreneurs, managing financial records is often considered a challenge that requires expertise (Mishra & Sahoo, 2025). However, by understanding the basics of financial records and using modern technology such as cloud accounting systems, financial management becomes easier, more accurate, and more efficient (Meressa, 2023). Many entrepreneurs still do not use accounting systems or software. They still record accounting transactions using "Excel" and make notes of incoming and outgoing money manually (Abdallah et al., 2025). Storing information manually is very concerning because it can be deleted, manipulated by others, or lost in the entrepreneur's savings (Meressa, 2023). The use of computerized accounting systems can help with repetitive tasks by performing them quickly and accurately, compared to manual or conservative recording methods (Abdallah et al., 2025). Therefore, errors can be avoided, such as entering the wrong value, recording in the wrong account, or recording a transaction twice.

Financial literacy in business can be categorized into four areas: savings, debt, investment, and insurance. According to Mpaata et al. (2023), the benefits of savings are not only for households but also for the entire country, as they provide the basis for long-term investment and infrastructure development that contribute to national growth. Savings can also serve as a buffer against economic slowdowns and financial crises (Ogundare et al., 2024). While promoting savings for business development has several reasons, namely 1) savings are a way to obtain capital to overcome credit constraints, 2) savings instruments offer a safer savings option, 3) most less educated entrepreneurs in developing countries have limited access to financial services, so the use of savings instruments is a first step in establishing relationships with financial institutions, and 4) savings will help businesses during emergencies (Alshebami & Al Marri, 2022; Mishra & Sahoo, 2025; Mpaata et al., 2023). Next, debt literacy is an important component of financial literacy. Debt literacy can be defined as the ability to make decisions about debt contracts and to use basic knowledge of benefits when choosing financial options (Borrescio-Higa et al., 2025). Uthaileang and Kiattisin (2023) argue that financial literacy can positively affect debt-related matters.

Debt is a liability for the business, and the interest expense will be recorded. Therefore, an entrepreneur's knowledge of debt financing affects the stability of their business (Calabrese et al., 2022). Investment literacy is also an important element in financial literacy. SMEs that focus on strategic planning and investment-related decision-making processes will increase their chances of succeeding in the future (Nicolas, 2022). According to Alshebami (2022), investment implementation is a critical matter because investments affect a business's life expectancy. Therefore, every entrepreneur needs to be wise in making investment decisions (Garcia et al., 2022). The last dimension is insurance literacy. Insurance literacy is also an important aspect of financial literacy. A study by Nobanee et al. (2024) showed that when financial literacy increases, the use of insurance products also increases. In addition, low levels of financial literacy will also prevent consumers from obtaining insurance products. Literature review shows that taking out insurance policies can reduce uncertainty, protect assets, and support entrepreneurial and economic activities (Garba et al., 2022). Adriko and Nurse (2024) also stated that obtaining an insurance policy is a smart way to identify risks and reduce uncertainty. Therefore, the following hypothesis is posited:

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H2: Savings literacy significantly moderates the relationship between microcredit assistance and women entrepreneurs' microbusiness performance.
H3: Debt literacy significantly moderates the relationship between microcredit assistance and women entrepreneurs' microbusiness performance.
H4: Investment literacy significantly moderates the relationship between microcredit assistance and women entrepreneurs' microbusiness performance.
H5: Insurance literacy significantly moderates the relationship between microcredit assistance and women entrepreneurs' microbusiness performance.

Figure 1 portrays the research model of the study.

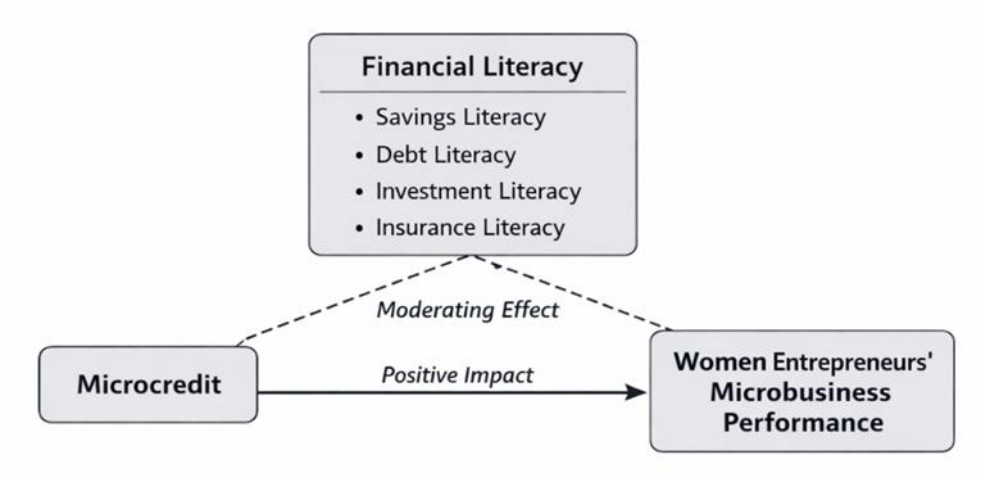


Figure 1: Research Model

Methodology

This study used a quantitative method, and the population was women entrepreneurs who own or operate microbusinesses in the Klang Valley. According to Hair et al. (2010), a sample size of 200-400 is sufficient for a research study, and the larger the sample, the more accurately it represents the total population. In addition, G*Power was used to estimate the minimum sample size for an effect size of 0.15, alpha of 0.05, and power of 0.80, yielding a minimum sample size of 77 respondents. The sample size was increased to 300 to reduce the possibility of non-response bias arising from sample members who were unable or unwilling to respond or could not be contacted by the researchers. The sampling method used in this study was purposive and cluster sampling.

Purposive sampling, also known as judgmental sampling, is a directed approach in which researchers select participants based on specific criteria. Purposive sampling is employed to select respondents who meet the specified criteria, such as being Malaysian, operating a micro business, aged 18 to 60 years old, having received microcredit assistance, and operating a business in the Klang Valley. Cluster sampling involves selecting a group of similar individuals from a larger population. This method is particularly effective for geographically dispersed populations, enabling efficient data collection across the entire group and making it a valuable technique in cluster sampling research. In this study, the researchers have clustered the area, namely Shah Alam, Gombak, Klang, Kuala Selangor, Petaling, Sepang, Lembah Pantai, Cheras, Bangsar, and Wangsa Maju.

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To measure microcredit assistance, the researchers adopted the measurement items from Achour and Hda (2022) and Alhassan et al. (2016). Among the items include "I can easily obtain microcredit from financial institutions or microfinance programs," "The procedures to apply for microcredit are simple and easy to follow," and "The requirements to qualify for microcredit are reasonable for small businesses." To measure financial literacy components, the measurement items are adapted from Dew and Xiao (2011) and Lusardi and Mitchell (2014). Among the items measuring savings literacy are "I understand the importance of saving regularly for future financial needs" and "I know the different types of savings products offered by financial institutions (e.g., savings accounts, fixed deposits)." Debt literacy items include "I can distinguish between good debt (productive loans) and bad debt (consumption loans)," and "I understand the consequences of late payment or default on loans." While investment literacy items include "I understand the basic concepts of investment, such as risk and return" and "I know the different types of investment instruments (e.g., stocks, bonds, unit trusts)." Examples of insurance literacy items include "I understand the role of insurance in protecting against financial risks," and "I know the differences between various types of insurance (e.g., life, health, property)." Finally, to measure sustainable business performance, the measurement items are adapted from Elkington (1997) and Schaltegger and Wagner (2006). Among the item measurements are "My customers are highly content," "I have a well-managed relationship with suppliers," and "Net profit is increasing."

Each measurement was carried out using a Likert scale from "1-strongly disagree" to "5-strongly agree" to indicate respondents' perceptions of the questions. To achieve content validity, the study instrument was reviewed and evaluated by experts in the field, namely academicians. Subsequently, a pilot test was also carried out to improve the questionnaire, particularly regarding content, term ambiguity, language, and the instrument's design. Structural Equation Modeling (SEM) was used to assess the extent to which the developed research model matched the data, thereby supporting the hypothesized relationship.

Research Finding

Demographic Profiles

A total of 244 questionnaires were returned. Table 1 shows the demographic distribution of respondents. Most respondents are 40 to 49 years old, with 127 women entrepreneurs (52.0%). This followed with 31–39 (n=66, 27.0%), 50–60 (n=28, 11.5%), and 18–30 (n=23, 9.4%). From the data, 106 respondents obtained a secondary education or *Sijil Pelajaran Malaysia (SPM)* (43.4%). This was followed by Diploma (n=60, 24.6%), bachelor's degree (n=45, 18.4%), *Sijil Tinggi Pelajaran Malaysia (STPM)* (n=20, 8.2%), Foundation (n=11, 4.5%), and Postgraduate (n=2, 0.8%). Moreover, most respondents are married (n=153, 62.7%). This was followed by single (n=81, 33.2%) and divorce/widows (n=10, 4.1%). Finally, the majority of respondents have received microcredit from Tekun with 136 respondents (55.7%), AIM (n=89, 36.5%), development financial institutions (e.g., Agrobank, Bank Rakyat, & Bank Simpanan Nasional) (n=10, 4.1%), commercial banks (e.g., Maybank, CIMB Bank, Public Bank, AmBank, & Alliance Bank) (n=6, 2.5%), and MARA (n=3, 1.2%).

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Table 1: Demographic Profiles (n=244)

Profile	Frequency (n)	Percentage (%)
1. Age		
18–30	23	9.4
31–39	66	27.0
40–49	127	52.0
50–60	28	11.5
2. Academic Qualifications		
Peperiksaan Menengah Rendah (PMR)	0	0.0
Sijil Pelajaran Malaysia (SPM)	106	43.4
Sijil Tinggi Pelajaran Malaysia (STPM)	20	8.2
Foundation	11	4.5
Diploma	60	24.6
Bachelor's degree	45	18.4
Postgraduate	2	0.8
Others	0	0.0
3. Marital Status		
Married	153	62.7
Divorce/Widow	10	4.1
Single	81	33.2
4. Types of Microcredits Received		
AIM	89	36.5
Tekun	136	55.7
MARA	3	1.2
Development financial institutions (e.g., Agrobank, Bank Rakyat, & Bank Simpanan Nasional)	10	4.1
Commercial banks (e.g., Maybank, CIMB Bank, Public Bank, AmBank, & Alliance Bank)	6	2.5

Confirmatory Factor Analysis (CFA)

To produce a good model, the minimum discrepancy divided by its degrees of freedom (CMIN/DF) value should be in the range of 1 to 5, and the comparative fitness index (CFI) and the Tucker-Lewis index (TLI) should exceed 0.90. In contrast, the root mean square error (RMSEA) value should not exceed 0.08 (Hair et al., 2010). The results of CFA analysis (i.e., CMIN/df=2.867, RMSEA=0.072, CFI=0.950, and TLI=0.930).

Reliability and Validity Analyses

Hair et al. (2010) suggested that convergent and discriminant validity need to be assessed before further analysis. Loading, average variance extracted (AVE), and composite reliability (CR) were used to determine convergent validity. The threshold values of loading, AVE, and CR should be greater than 0.60, 0.50, and 0.70, respectively. This determines whether the items represent the same underlying construct. Table 2 shows that the measurement model assessment results exceeded the threshold values, indicating satisfactory convergent validity.

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Table 2: Items Loading, Composite Reliability (CR), and Average Variance Extracted (AVE)

Variable	Items	Loadings	AVE	CR
Microcredit Assistance	MA1	0.714	0.647	0.844
	MA2	0.725		
	MA3	0.709		
	MA4	0.721		
	MA5	0.730		
Savings Literacy	SL1	0.810	0.625	0.893
	SL2	0.809		
	SL3	0.785		
	SL4	0.770		
	SL5	0.780		
Debts Literacy	DL1	0.759	0.576	0.844
	DL2	0.760		
	DL3	0.749		
	DL4	0.767		
Investment Literacy	IL1	0.721	0.548	0.829
	IL2	0.742		
	IL3	0.744		
	IL4	0.752		
Insurance Literacy	INL1	0.820	0.623	0.868
	INL2	0.793		
	INL3	0.774		
	INL4	0.768		
Women Entrepreneurs' Microbusiness Performance	MP1	0.759	0.558	0.863
	MP2	0.766		
	MP3	0.771		
	MP4	0.700		
	MP5	0.737		

Discriminant Validity

Discriminant validity assesses how distinct a construct is from other constructs and whether each is an independent construct. Discriminant validity is calculated from the Average Variance Extracted (AVE) of a construct compared to the square of the correlation between two constructs (Fornell & Larcker, 1981). If the result for each AVE is greater than the square of the correlation between the two constructs, then each variable is not perfectly correlated, and discriminant validity is achieved (Hair, 2010). As shown in Table 3, the analysis indicates that the AVE square root is greater than the correlation between the two constructs, with AVE values ranging from 0.740 to 0.804 and correlation values ranging from 0.278 to 0.511.

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Table 3: Discriminant Validity Results

No.	Variable	1	2	3	4	5	6
1	Microcredit Assistance	**0.804**					
2	Savings Literacy	0.278	**0.790**				
3	Debts Literacy	0.328	0.482	**0.759**			
4	Investment Literacy	0.395	0.467	0.299	**0.740**		
5	Insurance Literacy	0.421	0.395	0.439	0.409	**0.789**	
6	Women Entrepreneurs' Microbusiness Performance	0.440	0.511	0.329	0.318	0.376	**0.747**

Note: Values in the diagonal show the square root of AVE

Structural Model Analyses

After performing the CFA analysis, the next step is to estimate the structural model. The structural model has achieved a good fit (i.e., CMIN/df=2.920, RMSEA=0.076, CFI=0.945, and TLI=0.920). Based on the results in Table 4, microcredit assistance (β = 0.510, SE = 0.083, t = 6.78, $p < 0.01$) significantly influences women entrepreneurs' microbusiness performance. Thus, hypothesis 1 is accepted. Moreover, all financial literacy components include savings literacy (β = 0.420, SE=0.080, t =5.19, $p < 0.01$), debts literacy (β = 0.389, SE=0.077, t =4.73, $p < 0.01$), investment literacy (β = 0.271, SE=0.069, t =3.72, $p < 0.01$), and insurance literacy (β = 0.118, SE=0.032, t =3.29, $p < 0.01$) also were significantly influenced women entrepreneurs' microbusiness performance. Next, to evaluate the moderation effect, a bootstrapping analysis (5,000 samples) was conducted to examine the significance of the direct and interaction effects. For moderation, only savings literacy (β = 0.165, 95% CI [0.060, 0.250]) and debt literacy (β = 0.150, 95% CI [0.051, 0.350]) significantly strengthen the effect of microcredit on performance. Thus, hypotheses 2 and 3 are accepted. Investment literacy (β = 0.051, 95% CI [-0.027, 0.159]) and insurance literacy (β = 0.030, 95% CI [-0.036, 0.160]) do not show significant moderation, as their confidence intervals include zero. Thus, hypotheses 4 and 5 are rejected.

Table 4: Result of the Moderation Analysis

Path **DV: Women Entrepreneurs' Microbusiness Performance**	***β***	**S.E**	***t***	
Microcredit Assistance	0.510***	0.083	6.78	
Savings Literacy	0.420***	0.080	5.19	
Debts Literacy	0.389***	0.077	4.73	
Investment Literacy	0.271***	0.069	3.72	
Insurance Literacy	0.118***	0.032	3.29	
Moderating Effect	***β***	**S.E**	***t***	**95% CI**
Microcredit Assistance*Savings Literacy	0.165***	0.051	3.19	[0.060, 0.250]
Microcredit Assistance*Debts Literacy	0.150**	0.050	3.08	[0.051, 0.350]
Microcredit Assistance*Investment Literacy	0.051	0.045	1.19	[-0.027, 0.159]
Microcredit Assistance*Insurance Literacy	0.030	0.040	0.87	[-0.036, 0.160]

Note: *Significance level: ***p < 0.001, **p<0.01*

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As shown in Figure 2, the positive impact of microcredit on performance is greater for women entrepreneurs with high savings and debt literacy than for those with low literacy in these areas.

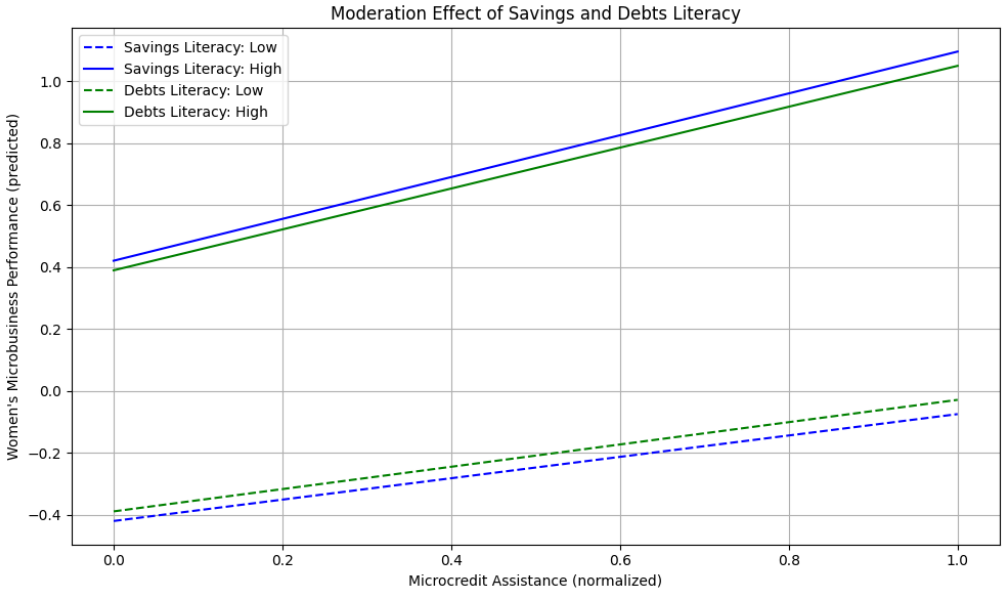


Figure 2: Moderation Slope Graph

Discussion

This study was conducted to identify the influence of microcredit assistance that drives the success of microcredit entrepreneurs in the Klang Valley. Second is to assess the moderating effect of financial literacy (i.e., savings, debts, investment, and insurance literacy). The study found that microcredit assistance was significantly associated with the performance of women entrepreneurs' micro businesses. Microcredit is designed to provide financial support to individuals who may not qualify for traditional bank loans due to a lack of credit history, collateral, or regular income (Ceballos Gomez et al., 2025). These online loans are often used to cover immediate expenses, start or grow a small business, or deal with emergencies. As an entrepreneur, they certainly have a goal to expand the business. To achieve that goal, they need financing from banks, finance companies, and other financial institutions (McNeill, 2026). Not everyone has a lot of cash, so bank loans are an option to consider (Lee et al., 2024). If they take out a loan with a bank, they need financial statements to analyze their financial performance and determine their ability to repay the loan. With financial statements, the likelihood of obtaining a loan is higher (Tria et al., 2022). In addition, microfinance can directly support sustainable development goals by providing capital to micro and small businesses and individual entrepreneurs who are often marginalized by the traditional banking system (Garba et al., 2022).

Second, the findings reveal that savings and debt literacy significantly moderate the relationships between microcredit assistance and business performance. Efficient financial management is the key to a business's long-term success. Maintaining complete and accurate business records is essential for informed decision-making (Alshebami & Al Marri, 2022; Mishra & Sahoo, 2025). Business records provide essential data and information about a financial performance, operations, and market trends, which are needed to make strategic and tactical decisions (Ogundare et al., 2024). For example, accurate accounting records allow management to monitor cash flow, revenue, and expenses. This information assists in preparing budgets and financial forecasts, as well as in identifying areas that require efficiency

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improvements or cost reductions (Mpaata et al., 2023). On the other hand, investment and insurance literacies do not moderate the proposed relationships. Garcia et al. (2022) explain that many entrepreneurs, especially those in start-up businesses, do not care about the risks their businesses may face. The main objective of business protection is to ensure that a disaster or misfortune does not result in the business being closed entirely, and that insurance compensation can be used to rebuild the business afterward. These may occur due to a lack of awareness among many small business owners who lack a background in finance or accounting, making it difficult for them to understand basic investment and insurance concepts (Saah, 2022).

To overcome the above problems, educational programs that teach borrowers about loan management and financial planning can help address the financial literacy gap (Mishra & Sahoo, 2025; Noor et al., 2024c). However, many Malaysians still face limited access to or knowledge of how to use formal banking services effectively. Thus, with more targeted support for fintech in microfinance, Malaysia can empower the unbanked and underserved, especially low-income groups (Noor et al., 2024b). As the entrepreneurial landscape in Malaysia develops, there is a need for flexible financial solutions that can support all segments of society. In the country's efforts to foster a more inclusive economy, microfinance has the potential to play a significant role in bridging the financial gap for those who have difficulty accessing formal loans. Then, a more supportive regulatory environment could benefit fintechs involved in microfinance. As Malaysia's policy evolves, there is an opportunity to create a landscape where micro businesses have access to the capital they need to grow, making financial inclusion not just a goal but a reality for all. Assistance for micro entrepreneurs plays a vital role in supporting the growth of the micro economy in Malaysia. By understanding the application process and using assistance wisely, micro entrepreneurs have a great opportunity to grow and compete in a challenging market (Bettoni et al., 2023). In addition, micro entrepreneurs need to make sure they are always aware of the latest information and act quickly to take advantage of available opportunities, follow the official government portal for the latest assistance information, use technology for marketing and management, join the entrepreneurial community, use assistance funds strategically, and monitor financial performance regularly.

Conclusion

Female micro-entrepreneurs today are a story of courage in the face of limitations. They are an example of resilience in the face of economic challenges, even though they are often squeezed between small capital, cost pressures, and a heavy social role. The government has taken several initiatives to assist poor household entrepreneurs in addition to increasing access to financing for micro-enterprises. Various financing programs implemented have successfully increased the income and living standards. What is needed now is not just financial assistance, but also financial literacy training, digital guidance, and comprehensive social support. With this, the potential of these female micro-entrepreneurs can not only be maximized but will also remain an important pillar in the development of the Malaysian economy. Although the study's findings are significant, it has several limitations. To begin with, this study used a small sample size, although statistically sufficient. Future research should use a larger sample to reflect the broader population better and include other states beyond Klang Valley. Second, this study used a cross-sectional design; future studies should incorporate longitudinal methods. Finally, the findings of this study contribute little to the understanding of the moderating variable, financial literacy. Therefore, future studies should examine additional relevant mediating or moderating factors and various business categories to make the study data more generalizable by replicating the methods used in this study.

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