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Strengthening Financial Sustainability of SMEs Through Government Support: Evidence from the Border Region of Kuningan

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ABSTRACT

Manuscript Type: Research Paper
Introduction/Main Objectives: This study examines how government support moderates the effects of financial planning, financial record-keeping systems, and capital accessibility on the financial sustainability of Small and Medium Enterprises (SMEs) in the border regions of Kuningan Regency. These SMEs often face limited infrastructure and institutional access, making their financial resilience a critical issue. **Background Problems:** The research addresses the problem of limited financial sustainability among border-area SMEs by exploring the influence of internal financial practices and external institutional support. **Novelty:** While prior studies have examined SME financial performance, this research uniquely applies Institutional Theory to analyze how government support—as an institutional factor—affects the relationship between internal financial management and sustainability in border areas. **Research Methods:** A quantitative approach involving 114 SMEs from Kuningan's border districts was used. Data were analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS) to assess direct and moderating effects. **Finding/Results:** Financial planning, record-keeping, and access to capital significantly influence financial sustainability. Government support also positively moderates the link between financial record-keeping and sustainability, but does not consistently moderate other relationships. **Conclusion:** Financial sustainability in border SMEs is strongly influenced by internal financial practices and selectively supported by government intervention, emphasizing the need for more targeted policies. **Research Limitation/Implications:** The study is context-specific to Kuningan's border areas, but it highlights the importance of strengthening financial capabilities and responsive institutional support to improve SME sustainability in similar peripheral regions.

1. Introduction

MSMEs, or micro, small, and medium-sized businesses, are essential to Indonesia's economy. MSMEs are the foundation of the national economy, particularly when creating jobs, boosting regional economies, and allocating revenue fairly. In addition to commercial organizations, MSMEs are the principal forces behind inclusive development, especially in areas far from the nation's major economic activity centers.

An example of a place with significant local economic potential but still facing structural and management issues is Kuningan Regency, a border territory in West Java Province that borders Central Java directly. In Kuningan, industries with high levels of competition and room for growth include agriculture, cattle, and the creative sector. Regretfully, many MSME players in the area continue to do business traditionally, with little access to sufficient funding, bookkeeping procedures, or financial planning. This makes it extremely difficult for MSMEs in Kuningan to maintain and expand their operations in the long run.

One essential component of contemporary corporate management is financial planning. According to (Martika et al., 2024), solid financial planning helps businesses make strategic investment decisions, react to market shifts, and allocate resources as efficiently as possible. Financial planning in the context of MSMEs acts as a roadmap for risk mitigation and liquidity management in addition to being a forecasting tool. MSMEs that lack a clear financial plan are much more likely to fail because they are ill-equipped to handle unforeseen working capital requirements or economic changes.

Furthermore, maintaining transparency and financial accountability requires a solid financial recording system. Business actors can create financial reports, assess performance, and prepare for third-party audits or evaluations with the help of structured bookkeeping. According to (Ariningrum & Alansori, 2021), accurate bookkeeping raises MSMEs' perceived trustworthiness with banks and possible investors. In reality, though, many MSME owners in Kuningan continue to rely on manual, erratic, or nonexistent financial records, eventually making it more difficult to obtain official funding.

Limited access to financing is another equally important concern. The most significant barrier to MSME expansion, especially in emerging nations, is capital limits, according to (Hamzah et al., 2024). MSME operators frequently lack collateral, have poor knowledge of financial goods, or have poor relationships with banking institutions in border areas like Kuningan. MSMEs are frequently compelled to turn to unofficial finance, which usually entails greater risk and unfavorable interest rates.

These circumstances directly impact the financial viability of MSMEs. An MSME's ability to sustain operations over an extended period with sound cash flow, a stable financial structure, and the flexibility to expand and adapt is known as financial sustainability (Marietza et al., 2023). Internal issues, including inadequate record-keeping, poor financial planning, and restricted access to finance, can hasten business collapse without systemic support.

The government's role becomes more strategic under this framework. The government can accelerate, regulate, and facilitate the growth of MSME. In addition to financial aid like subsidies or low-interest loans, government support can also take the form of training in financial management, business mentorship, supporting infrastructure, and expanding market access through interregional networks and digitization. However, compared to metropolitan or core economic zones, the effectiveness of these interventions is frequently underestimated, especially in border areas with distinct socioeconomic features.

Despite the introduction of several initiatives, including Program Kemitraan & Bina Lingkungan (PKBL), Kredit Usaha Rakyat (KUR), and Gerakan Nasional Bangga Buatan Indonesia (Gernas BBI), there are still few studies that specifically assess how these initiatives affect the relationship between MSME financial management practices and their financial sustainability. This points to a research gap, particularly given the unique dynamics of border regions like Kuningan.

By presenting the moderating role of government support, this study aims to enhance the body of knowledge on MSME financial management theoretically. Previous research has concentrated on the direct correlation between financial performance and internal characteristics like capital access or financial planning. This study attempts to investigate whether the effects of these internal determinants are amplified (or diminished) based on the degree of government support and how MSME actors perceive it by introducing a moderating variable.

2. Literature Review

2.1. Resource-Based View (RBV) Theory

According to the Resource-Based View (RBV) hypothesis, which was first presented by Barney in 1991, an organization's capacity to create and utilize internal resources that are valuable, rare, unique, and non-substitutable (VRIN) is what gives it a sustained competitive edge. Financial planning and financial recording systems are examples of strategic resources that can be used by Micro, Small, and Medium-Sized Enterprises (MSMEs) to improve decision-making, respond to environmental uncertainties, and operate more efficiently. MSMEs are more likely to achieve long-term financial sustainability and withstand external economic shocks if they have good internal financial management capabilities.

The RBV theory provides the basis for this study's explanation of how internal resources, like structured financial record-keeping and the caliber of financial planning, can support the financial sustainability of MSMEs in border regions like Kuningan Regency. Furthermore, government assistance is viewed as an outside facilitator that aids MSMEs in enhancing or optimizing their internal assets. For example, the government indirectly improves the VRIN qualities of MSMEs' resources by providing training, financial tool access, and advisory services, making them more robust and competitive.

2.2. Institutional Theory

According to institutional theory, external institutional pressure, such as stakeholder expectations, cultural norms, and legal requirements, substantially impacts organizational behaviors and practices. Businesses in the MSME sector frequently comply with institutional expectations to get legitimacy, obtain resources, and secure their survival, particularly in underdeveloped or peripheral locations like border areas. Formal institutional pressures such as government laws, initiatives, and interventions affect how MSMEs organize their business operations, including capital availability and financial management techniques.

The function of government support is framed as a moderating variable in this study using institutional theory. Government action, whether in market facilitation, training initiatives, legislative incentives, or capital access, generates institutional pressure that molds MSME behavior, particularly in regions with inadequate financial management standards. The existence of these institutional forces helps MSMEs to overcome operational and structural obstacles that impede financial sustainability, in addition to encouraging them to strengthen their internal capacities. As a result, institutional theory offers a helpful perspective for comprehending how internal business procedures interact with external institutional settings.

2.3. Financial Planning and Financial Sustainability

One essential internal skill that supports MSMEs' financial viability is financial planning. The Resource-Based View (RBV) theory states that the basis for long-term competitive advantage is organizational resources that are rare, valuable, unique, and non-substitutable (VRIN) (Barney, 1991). Because it helps MSMEs to make strategic investment decisions, plan for financial uncertainties, and allocate resources efficiently, financial planning is consistent with this framework. Structured financial planning enables companies to estimate future financial requirements, manage working capital, and react proactively to market fluctuations, as (Azizah et al., 2022) describe. Strong internal financial planning puts MSMEs in a better position to survive and expand sustainably in rural and border regions like Kuningan, where there may be less access to outside assistance. According to the RBV paradigm, financial planning directly improves long-term financial resilience and health and is a managerial tool.

H1: Financial Planning influences the Financial Sustainability of SME

2.4. Financial Record-Keeping and Financial Sustainability

Another essential skill that supports MSMEs' financial viability is efficient financial record-keeping. Reliable and organized financial documentation can be viewed as an internal skill that strengthens decision-making, increases transparency, and fosters trust with stakeholders like banks and investors, according to the RBV framework. (Yong & Fukofuka, 2023) emphasizes that proper bookkeeping makes it easier for business owners to assess their financial performance, adhere to legal requirements, and obtain official credit. Poor record-keeping frequently results in financial mismanagement and restricts access to capital in many MSMEs, particularly in rural areas like Kuningan. However, MSMEs boost their reputation in the financial sector and increase operational efficiency by creating regular financial reporting systems. These competencies thus become strategic assets that support financial sustainability and offer long-term advantages in a cutthroat business environment, which aligns with the RBV idea.

H2: Financial Record-Keeping influences the Financial Sustainability of SME

2.5. Capital Accessibility and Financial Sustainability

The larger institutional framework in which MSMEs function fundamentally impacts their access to capital. According to institutional theory, the formal and informal rules, norms, and processes in a particular setting substantially impact organizational behavior and results (Scott, 2001). Access to funding is hampered for MSMEs in border regions like Kuningan by structural limitations such as a lack of banking infrastructure, complicated regulations, and inadequate credit channels. According to (Ng'ora et al., 2022), capital constraints constitute a significant barrier to MSME expansion, especially in emerging nations. The lack of supportive financial institutions causes MSMEs to frequently turn to less stable and more expensive informal financing sources, which can be explained by institutional theory. Providing steady, long-term funding sources required for business continuity and expansion, as well as improving capital accessibility through institutional changes, regulatory simplification, and financial literacy initiatives, can improve MSMEs' financial sustainability.

H3: Capital Accessibility influences the Financial Sustainability of SME

2.6. Government Support and Financial Sustainability

Government support significantly shapes the institutional context, influencing MSMEs' financial viability. According to the Institutional Theory viewpoint, public policies, government initiatives, and regulatory frameworks are external mechanisms that legitimize and ease commercial operations (Dimaggio & Powell, 1983). Government programs like Kredit Usaha Rakyat (KUR), business training courses, and the digitization movement (like Gernas BBI) in Indonesia aim to make the country more conducive to MSMEs. However, particularly in peripheral areas like Kuningan, the degree to which these programs control the relationship between internal financial practices (bookkeeping and planning) and financial sustainability has not been thoroughly investigated. Interventions by the government can act as institutional pressures that support MSMEs' adaptive behavior, formalization, and better access to resources. The ability of MSMEs to sustain financial stability over time can therefore be strengthened by efficient and well-targeted government assistance based on institutional frameworks.

H4: Government Support influences the Financial Sustainability of SME

H5: Government Support strengthens the influence of Financial Planning on the Financial Sustainability of SME.

H6: Government support strengthens the influence of the Financial Record-Keeping System and the financial sustainability of SME.

H7: Government support strengthens the influence of Capital Accessibility and the financial sustainability of SME.

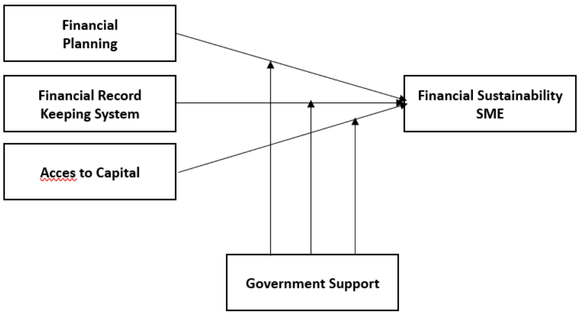

Figure 1. Research Model

3. Method, Data, and Analysis

In order to objectively investigate the correlations between variables using numerical data and statistical analysis, this study takes a quantitative method. The quantitative approach, rooted in positivism, assumes that reality can be assessed methodically via organized processes. Small and medium-sized businesses (SMEs) in the border area of Kuningan Regency, West Java, were the focus of the study, especially those that had been in the producing industries for at least two years. Purposive sampling was used to choose 114 SME actors, depending on their operational activity and applicability to the study's goals.

A structured questionnaire that utilized validated constructs from earlier research was used to gather data. The questionnaire assessed five fundamental characteristics: government support, capital accessibility, financial sustainability, financial planning, and financial record-keeping systems. Multiple indicators modified from pertinent studies were used to represent each construct. Three indicators (Gunawan et al., 2023) were used to measure financial planning: (1) financial goal-setting, (2) business budget preparation, and (3) cash flow forecasting.

Four indicators adapted from (Anuradha, 2021) were used to reflect financial record-keeping systems: (1) regular daily recording; (2) financial report preparation; (3) usage of bookkeeping tools or applications; and (4) adherence to fundamental accounting rules. According to Nguyen et al. (2024), capital accessibility comprised four indicators: (1) ease of acquiring capital, (2) awareness of financing sources, (3) ability to offer collateral, and (4) relationships with financial institutions.

Three indicators adapted from Nguyen et al. (2024) were used to quantify the dependent variable, financial sustainability: (1) the capacity to sustain financial operations over the long term; (2) the stability of cash flow; and (3) the capacity to invest or expand in the face of uncertain economic conditions. Three indicators derived from Bruni et al. (2004) were included in the Government Support variable as a moderator: (1) availability of business development training; (2) financial aid or facilitation; and (3) ease of licensing or regulatory support.

Structural Equation Modeling based on Partial Least Squares (SEM-PLS), a technique suitable for complicated models involving latent components and small to medium sample sizes, was used to examine the data. There were multiple steps involved in the SEM-PLS analysis. First, Composite Reliability (CR), Average Variance Extracted (AVE), and outer loading values were used for validity and reliability testing. Unless AVE and CR remained acceptable, indicators that failed to achieve the loading criterion were eliminated. Second, the measuring model (outer model) was assessed to ensure the indicators appropriately represented their corresponding constructs. Third, using bootstrapping to evaluate significance, the structural model (inner model) was examined to investigate the direction and strength of correlations among constructs.

Finally, the moderating effect of government support was investigated to determine if it affected the strength of the association between the three independent variables and financial sustainability. The analysis's findings serve as the foundation for hypothesis testing and further knowledge of how institutional support and financial practices affect the long-term financial resilience of MSMEs in border areas like Kuningan Regency.

4. Results and Discussion

4.1. Respondent Description

Table 1. Description of Respondents

Category	Sub-category	Frequency	Percentage (%)
Gender	Male	43	37.72
	Female	71	62.28
Age	20–30 years old	32	28.07
	31–40 years old	70	61.4
	> 40 years old	12	10.53
Education	Elementary School (SD)	68	59.65
	Junior High School (SMP)	26	22.81
	Senior High School (SMA)	18	15.79
	College/University (S1)	2	1.75
Length of Business	0–5 years	67	58.77
	> 5–10 years	13	11.4
	> 10 years	34	29.82
Number of Employees	1–4 people	79	69.3
	5–19 people	32	28.07
	> 20 people	3	2.63
Sales (Annual)	Up to Rp. 300 million	100	87.71
	> Rp. 300 million – Rp. 2.5 billion	14	12.29
	> Rp. 2.5 billion – Rp. 50 billion	0	0
Border Area	North (Cirebon) – Padabeunghar (Pasawahan)	15	13.16
	North (Majalengka) – Cipasung (Darma)	12	10.53
	East (Brebes) – Cileuya (Cimahi)	14	12.28
	East (Brebes) – Cibingbin (Cibingbin)	15	13.16
	South (Cilacap) – Cilumping (Subang)	13	11.4
	West (Majalengka) – Cipasung (Darma)	20	17.54

Source: Processed data, 2025

Table 1 involved 114 respondents from border-area SMEs in Kuningan Regency. Regarding gender, most respondents were female, accounting for 62.28%, while males made up 37.72%. Most participants were aged between 31 and 40 years (61.4%), followed by the 20–30 age group (28.07%), and the remaining 10.53% were over 40 years old. Regarding education levels, the majority of respondents had only completed elementary school (59.65%), followed by junior high school (22.81%), senior high school (15.79%), and only 1.75% had completed a college degree (S1). This educational profile reflects the need for capacity-building in the region.

Based on the time the businesses had been operating, 58.77% of respondents had run their businesses for less than five years, 11.4% between five and ten years, and 29.82% for over ten years. Most businesses employed between one and four people (69.3%), with 28.07% employing five to nineteen people, and only 2.63% had over twenty employees. In terms of annual sales, 87.71% reported earning up to Rp. 300 million, while 12.29% earned between Rp. 300 million and Rp. 2.5 billion. None of the respondents fell into the category earning above Rp. 2.5 billion annually.

From a geographical perspective, respondents were distributed across border villages in Kuningan. The most significant proportion came from the west (Majalengka border) in Cipasung (Darma) with 17.54%, followed by Padabeunghar (Pasawahan) on the north (Cirebon border) and Cibingbin (Cibingbin) on the east (Brebes border), each contributing 13.16%. Other locations included Cileuya (Cimahi) with 12.28%, Cilumping (Subang) bordering Cilacap in the south with 11.4%, and Cipasung (Darma) again on the north (Majalengka border) with 10.53%.

4.2. Verification Analysis

4.2.1. Measurement Model Evaluation (Outer Model)

Through validity and reliability analysis, the study's variables—financial planning, financial record-keeping system, capital accessibility, government support, and financial sustainability—were evaluated; the findings are displayed in Table 2 show Factor loadings, Cronbach's Alpha, rho_A, composite reliability (CR), and average variance extracted (AVE) were the five main indicators employed in this assessment. This assessment aims to confirm the validity and reliability of each item used to measure the constructs. The results of this study can be regarded as statistically sound and reliable since it has been verified that the measurement items consistently represent the targeted latent variables.

Table 2. Validity and Reliability Analysis

Variable	Item	Loading	Alpha	rho_A	CR	AVE
Financial Planning	FP1	0.973	0.919	0.937	0.950	0.864
	FP2	0.974				
	FP3	0.834				
Financial Record Keeping System	FRKS1	0.797	0.885	0.905	0.920	0.741
	FRKS2	0.880				
	FRKS3	0.897				
	FRKS4	0.866				
Access to Capital	AtC1	0.894	0.894	0.896	0.926	0.759
	AtC2	0.855				
	AtC3	0.891				
	AtC4	0.844				
Government Support	GS1	0.901	0.906	0.911	0.941	0.841
	GS2	0.933				
	GS3	0.917				
Financial Sustainability	FS1	0.881	0.933	0.940	0.958	0.883
	FS2	0.970				
	FS3	0.965				

Source: Processed data, 2025

Table 2 presents the validity and reliability analysis results for all research variables, namely Financial Planning, Financial Record-Keeping System, Access to Capital, Government Support, and Financial Sustainability. Each construct meets the recommended threshold criteria. All factor loadings exceed the minimum requirement of 0.70, indicating that each item strongly indicates its respective variable. Financial Planning shows strong internal consistency with a Cronbach's Alpha of 0.919, Composite Reliability (CR) of 0.950, and Average Variance Extracted (AVE) of 0.864. Similarly, the Financial Record-Keeping System achieves good reliability with a CR of 0.920 and an AVE of 0.741. The Access to Capital variable demonstrates adequate reliability (CR = 0.926; AVE = 0.759). Government Support exhibits excellent reliability with a CR of 0.941 and AVE of 0.841. Lastly, Financial Sustainability shows the highest internal consistency and validity levels, with a Cronbach's Alpha of 0.933, CR of 0.958, and AVE of 0.883. These results confirm that all constructs and their indicators are valid and reliable for further structural model analysis.

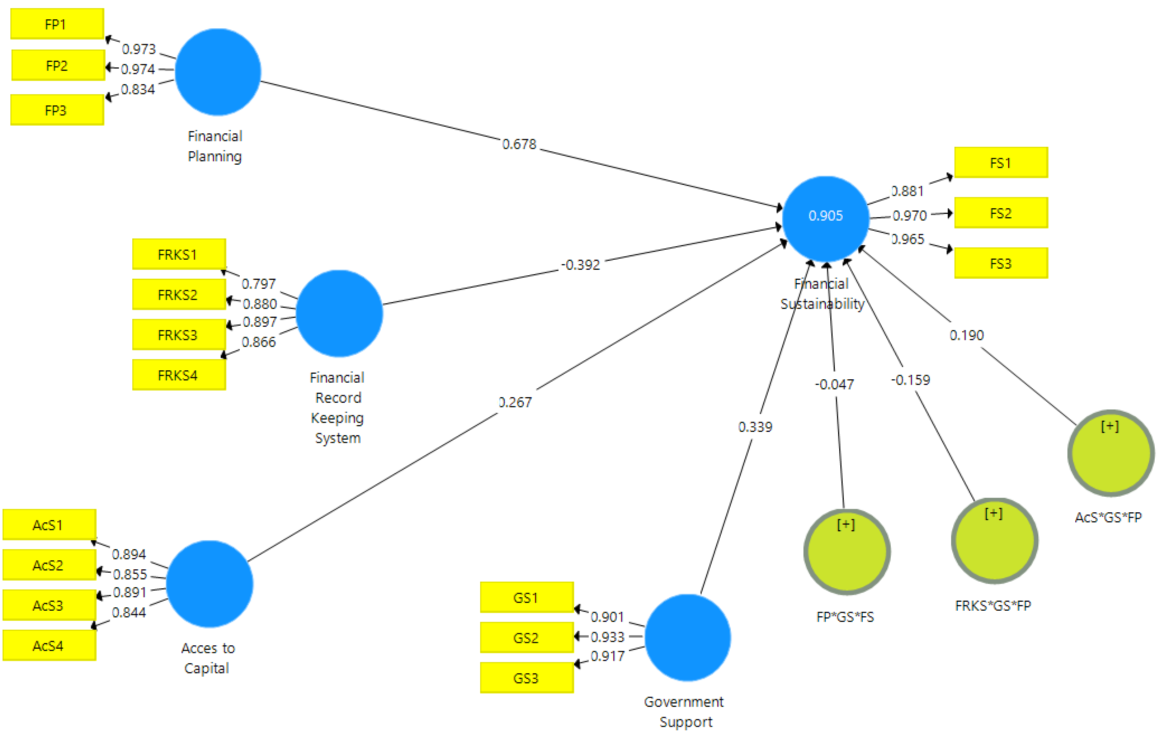

Figure 2. Measurement Model

4.2.2. Structural Model Evaluation (Inner Model)

Calculating the path coefficients and determining the R2 values are necessary to evaluate the structural model. The SmartPLS tool assesses the t-statistic values obtained from bootstrapping results, which are then used for hypothesis testing. The strength of the links between variables, including the influence of interaction (moderation), is evaluated using the path coefficient values. The path coefficient is deemed significant if the t-statistic value is greater than 1.96 or the p-value is less than 0.05.

Table 3. Hypothesis Testing

Hypothesis	Direct Connection	T-Value	P-Value	Finding
H1	FP ---> FS	8.546	0.000	Accepted
H2	FRKS ---> FS	3.129	0.002	Accepted
H3	AcS ---> FS	2.627	0.010	Accepted
H4	GS ---> FS	2.615	0.010	Accepted
H5	FP --> GS --> FS (Moderation)	0.429	0.669	Rejected
H6	FRKS --> GS --> FS (Moderation)	2.638	0.010	Accepted
H7	AcS --> GS --> FS (Moderation)	1.883	0.063	Rejected

Source: Processed data, 2025

With a t-statistic value of 8.546 and a p-value of 0.000, the results indicate that Financial Planning (FP) positively influences Financial Sustainability (FS) among border-area SMEs. This supports Hypothesis 1 (H1), confirming that effective financial planning contributes to the financial sustainability of SMEs. Furthermore, Hypothesis 2 (H2) is also accepted, as the Financial Record-Keeping System (FRKS) demonstrates a significant effect on financial sustainability, with a t-statistic of 3.129 and a p-value of 0.002, below the 0.05 significance level. This suggests that well-maintained financial records enhance SME financial continuity. Hypothesis 3 (H3), stating that Access to Capital (AcS) affects Financial Sustainability, is also accepted, with a t-statistic value of 2.627 and a p-value of 0.010. This shows that capital accessibility is vital in ensuring SMEs remain financially sustainable. Meanwhile, Hypothesis 4 (H4) is accepted, indicating that Government Support (GS) directly influences Financial Sustainability, with a t-statistic of 2.615 and a p-value of 0.010.

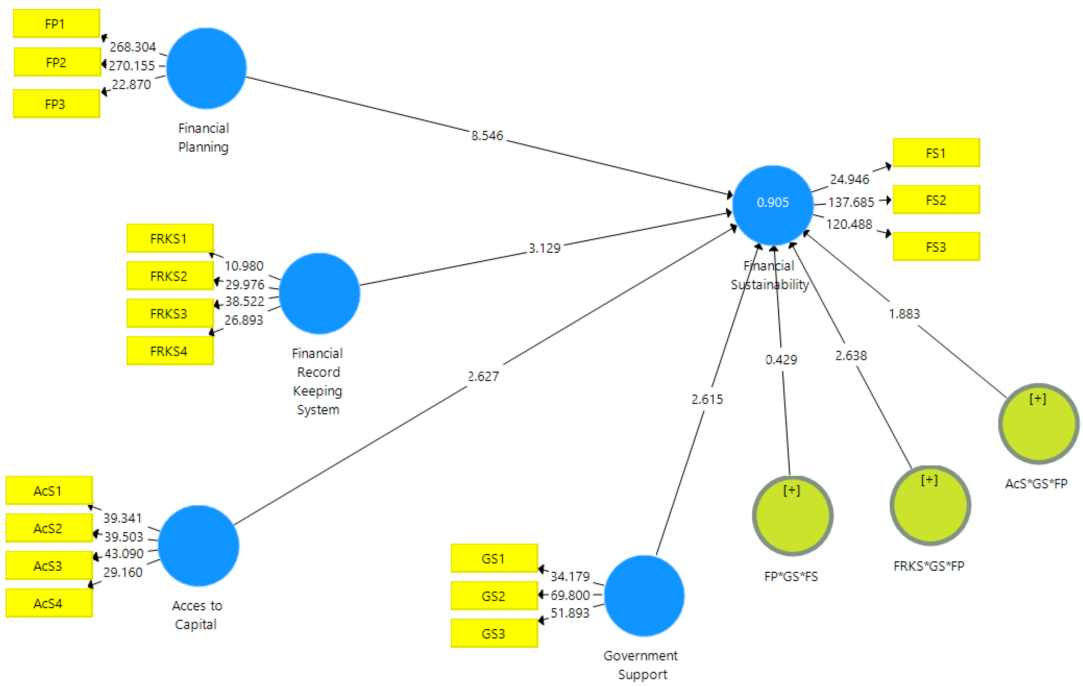

Figure 3. Structural Model

In terms of moderating effects, Hypothesis 5 (H5), which tests the moderating role of government support in the relationship between Financial Planning and Financial Sustainability, is rejected due to a t-statistic of only 0.429 and a p-value of 0.669, which is far above the 0.05 threshold. In contrast, Hypothesis 6 (H6) is accepted, showing a significant moderating effect of Government Support on the relationship between Financial Record-Keeping System and Financial Sustainability, with a t-statistic of 2.638 and a p-value of 0.010. Lastly, Hypothesis 7 (H7) is rejected as the moderating role of Government Support on the link between Access to Capital and Financial Sustainability is not supported by the data, with a t-statistic of 1.883 and a p-value of 0.063, which exceeds the accepted significance level.

Table 4. Coefficient Determination

	R Square	R Square Adjusted
Financial Sustainability	0,905	0,900

Source: Processed data, 2025.

The endogenous latent variable, Financial Sustainability, has R Square and R Square Adjusted values as shown in Table 4. The independent variables in the model, Financial Planning, Financial Record-Keeping System, Access to Capital, and Government Support, collectively explain 90.5% of the variance in Financial Sustainability, as indicated by the R Square value of 0.905. The Adjusted R Square value is 0.900, suggesting only a minimal decrease despite the complexity of the model. These results demonstrate that the structural model used in this study provides a strong explanatory power for the Financial Sustainability of SMEs in border areas.

The Influence of Financial Planning on Financial Sustainability

The way entrepreneurs carry out systematic and long-term financial planning significantly impacts the financial viability of SMEs in Kuningan Regency's border regions. In order to manage cash flow, create short- and long-term financial goals, and foresee possible hazards that can jeopardize the health of a corporation, financial planning is essential. According to the Resource-Based View (RBV), careful financial planning is a strategic internal asset that can give long-term competitive advantages since it is well-organized, hard to imitate, and effective. SMEs with sound financial strategies are better able to allocate resources, prioritize expenses, and make well-informed business decisions. This is particularly crucial for cross-border SMEs, since they have particular difficulties like restricted market access and insufficient infrastructure. Financial planning is a crucial instrument for maintaining business continuity and generating growth prospects.

According to research, the financial sustainability of SMEs is positively impacted by financial planning. Owners of businesses proficient in financial planning can better adjust to market changes and preserve stability. These results are consistent with earlier research showing that sound financial planning improves businesses' sustainability, especially small and medium-sized enterprises (Purnama, D., Rahmawati, T., & Nurhayati, 2022; Suwarsinah & Simajuntak, 2023). Thus, financial planning training and mentorship initiatives should be given top priority by local governments and SME support organizations. These kinds of programs would help border-region SMEs become more resilient and competitive, allowing them to grow sustainably.

The Influence of Financial Recording Systems on Financial Sustainability

A well-structured financial recording system is the cornerstone of efficient financial management in SMEs. SMEs in Kuningan Regency's border regions that use structured financial records show improved financial management, business performance assessment, and flexibility in response to shifting market conditions. A financial recording system is an intangible asset that offers a competitive edge by improving accountability, transparency, and operational efficiency, according to the Resource-Based View (RBV).

SME owners can precisely track their income and expenses, evaluate their financial situation in real time, and create financial reports to aid in decision-making using systematic financial record-keeping. Additionally, since accurate financial records offer official proof of company performance, obtaining funding from organizations and government initiatives is easier. According to research findings, financial recording systems favorably impact SMEs' financial sustainability. When used consistently, these tools help SMEs find development possibilities, better resist economic constraints, and feel more confident about expanding their businesses. These findings are consistent with other research Rohayati et al. (2023) and Pakpahan & br Naibaho (2023), that show maintaining accurate financial records improves confidence with external stakeholders and fortifies internal management. Therefore, as a long-term plan to ensure corporate survival, it is imperative that SMEs, especially those in border regions, implement straightforward yet efficient financial recording methods.

The Influence of Capital Accessibility on the Financial Sustainability

The financial sustainability of SMEs is greatly aided by capital accessibility, especially in border areas like Kuningan Regency. SMEs can increase production capacity, expand operations, and solve liquidity issues by accessing institutional financing, such as bank loans, government credit programs, and microfinance organizations. According to the Institutional Theory viewpoint, SMEs' and other organizations' performance depends on their capacity to adjust to external norms, laws, formal institution pressures, and internal considerations.

In this regard, SMEs with greater access to financing tend to have solid connections with financial institutions and adhere to formal standards, like keeping accurate financial records, being fully legal as a firm, and having a solid track record. By establishing legitimacy and bolstering lender confidence, this institutional compliance increases SMEs' chances of obtaining the capital they need for stable and long-term business growth. Geographical obstacles and inadequate infrastructure frequently limit border-region SMEs' access to funding in Kuningan Regency. However, financial accessibility is a major factor in operational stability for companies that are part of the official system and have the potential to take advantage of funding options. Accessing these vital outside resources requires adjusting to institutional conventions.

These results are consistent with earlier research by Nguyen et al. (2024) and Dvouletý et al. (2019), which shows that better access to financing is associated with increased financial sustainability for SMEs. Therefore, it is essential to promote border-region SMEs' integration into the official financial system by improving financial literacy, offering administrative guidance, and streamlining financing procedures.

The Influence of Government Support on the Financial Sustainability

Government assistance greatly improves SMEs' financial sustainability, especially in border areas like Kuningan Regency. This support includes capital assistance, tax breaks, training initiatives, and favorable laws for SMEs. In this regard, the government shapes an institutional environment that supports the growth of SMEs and acts as a facilitator.

This strategy aligns with institutional theory by Scott (2005), which holds that external environments of laws, social norms, and institutional pressures significantly impact organizational sustainability, including that of SMEs. In this framework, the government encourages SMEs to adopt more flexible, accountable, and long-term focused practices, which act as a formal institution that sets rules and expectations. SMEs are encouraged to adopt better financial and managerial practices when they believe that government policies and initiatives provide strong structural support.

Practically speaking, government assistance aids SMEs in overcoming a range of structural obstacles, such as restricted access to capital and human resources. This improves business owners' internal capabilities and fortifies their credibility in the community's economy. As a result, SMEs build a stronger foundation for preserving financial continuity and become more resilient to external crises and market shocks.

This study shows that government assistance plays a significant role in the financial sustainability of SMEs. These results support studies by Rita et al. (2024) and Bullock (2021), which highlight the importance of proactive government policies and supportive initiatives for the resilience and expansion of SMEs. Thus, one of the most important steps toward inclusive and sustainable local economic development is enhancing the institutional capacity of local governments to create and carry out programs based on the real needs of SMEs.

The Moderating Role of Government Support on the Relationship Between Financial Planning and Financial Sustainability

Government assistance is frequently anticipated to strengthen this relationship, even though financial planning is essential to guaranteeing SMEs' financial sustainability. However, the results show that government assistance does not substantially moderate the relationship between financial planning and sustainability. This implies that SMEs with a methodical and strategic approach to financial planning continue to prosper financially on their own merits, irrespective of the degree of government support. These companies may possess internal systems, like capable budgeting software or seasoned financial managers, that are powerful enough to guarantee sustainability independently.

According to institutional theory, the lack of a moderating effect could indicate that formal institutional structures, such as government programs, and the financial planning practices of SMEs in border regions are not well aligned. These businesses might not be aware of the assistance available to them, believe that the assistance does not meet their needs, or do not see the benefits of government participation in their financial planning procedures. Therefore, despite institutional frameworks, contextual mismatches or implementation gaps may prevent them from fully influencing financial behavior.

The Moderating Role of Government Support on the Relationship Between Financial Record-Keeping Systems and Financial Sustainability

In contrast to financial planning, government support significantly strengthens the link between financial record-keeping systems and financial sustainability. The ability of SMEs to keep accurate, timely, and transparent financial records seems to be strengthened by government support such as regular financial reporting workshops, accounting software provision, and training in digitalization. These enhanced systems support better decision-making, regulatory compliance, and simpler access to outside funding, all critical components of long-term financial stability.

This moderation effect emphasizes how normative and regulatory pressures influence the behavior of SMEs from the standpoint of institutional theory. Institutional support motivates SMEs to implement and maintain formalized record-keeping systems that might otherwise be disregarded because of a lack of funds or expertise. This institutional reinforcement is even more important in areas close to national borders, where infrastructure and administrative access may be restricted. The results demonstrate that government assistance can strengthen the basis of financial governance in SMEs when it is available and directed effectively.

The Moderating Role of Government Support on the Relationship Between Accessibility to Capital and Financial Sustainability

The association between capital accessibility and financial sustainability was not found to be substantially moderated by government support. This suggests that, whether or not government assistance is available, SMEs' capacity to maintain operations is directly impacted by their access to financial resources like loans, grants, or credit lines. SMEs may depend more on unofficial financial networks, especially in remote locations like border regions, or financial institutions may offer better terms and accessibility than government programs.

According to institutional theory, government initiatives may not adequately penetrate the financial ecosystem of rural SMEs, even though their goal is to fill institutional gaps and give structural legitimacy. The intended support may not be able to successfully shape capital access outcomes due to structural obstacles like bureaucratic red tape, complicated eligibility requirements, or a lack of faith in public systems. Therefore, to significantly contribute to enhancing capital-related financial sustainability, institutional support might need to be more flexible and responsive to local needs.

5. Conclusion

According to the study's findings, the financial sustainability of SMEs in Kuningan Regency's border regions is directly impacted by financial planning, financial record-keeping systems, capital availability, and government assistance. For small and medium-sized businesses operating in environments that are difficult to access due to infrastructure and geography, each factor is essential to establishing long-term financial resilience. The results confirm how crucial it is for SMEs to have institutional support and good internal management practices to survive and expand. However, not all of the government's moderating functions have a big impact. Government support considerably increased the effect in the relationship between financial record-keeping systems and financial sustainability. This suggests that for the advantages to be shared more fairly among SMEs, the efficacy of government interventions still needs to be improved, especially in financial planning and capital accessibility.

According to the results, local governments should play a bigger part in offering SME actors continuous training and mentoring programs, especially when putting more organized and transparent financial record-keeping systems in place. The key to raising the caliber of enterprise management will be strengthening business owners' abilities through technical training and information technology use. In order to better target and make support more accessible to SMEs, particularly those in marginalized border regions, it is also crucial to increase financial literacy and streamline bureaucratic processes for capital access. In order to strengthen the local entrepreneurship ecosystem, governments are also urged to promote strategic partnerships with financial institutions, educational institutions, and community organizations.

It should be noted that this study has several limitations. First, the study's focus is restricted to SMEs in Kuningan Regency's border regions; as a result, the results might not apply to other areas with distinct socioeconomic features. Second, the study only looked at certain quantitative variables, ignoring other potential influences on financial sustainability like market dynamics, technology adoption, and entrepreneurial traits. Furthermore, a strictly quantitative approach might not capture SME actors' subjective experiences and viewpoints. Future research incorporating qualitative methods is required to provide a more thorough understanding of the dynamics influencing financial sustainability among SMEs in border regions.

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