

Capital Market Access, Alternative Financial Inclusion, and Small Business Performance: An Sem Study of Small Business Actors in East Jakarta

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Abstract: This article analyzes the influence of the capital market on small business actors in East Jakarta using a Partial Least Squares-based Structural Equation Modeling (PLS-SEM) approach. The study focuses on five constructs: capital market literacy, capital market access/participation, business investment readiness, alternative financial inclusion, and small business performance. The quantitative data used in this article are simulated survey data from 220 small business actors in East Jakarta using a 1-5 Likert scale; the data were prepared to provide an example of an SEM analysis design and must be replaced with field data if the article is to be published as empirical research. The test results show that capital market literacy has a positive effect on capital market access/participation ($\beta = 0.513$; $p < 0.001$) and business investment readiness ($\beta = 0.516$; $p < 0.001$). Capital market access/participation and business investment readiness also have positive effects on alternative financial inclusion, while alternative financial inclusion is the strongest predictor of small business performance ($\beta = 0.318$; $p < 0.001$). These findings affirm that the capital market should not only be understood as an investment facility for large companies, but also as an ecosystem of financing, literacy, networking, and governance discipline that can strengthen the competitiveness of small businesses. The article recommends strengthening community-based capital market education for small businesses, assisting business actors in preparing financial reports, expanding access to securities crowdfunding, and integrating capital market programs with regional small business empowerment policies.

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INTRODUCTION

Small businesses are a group of enterprises with a strategic role in the urban economic structure, especially in areas with dense trade and service activities such as East Jakarta. Small businesses in urban areas tend to move quickly, remain close to consumers, rely on social networks, and are highly sensitive to changes in production costs, access to working capital, and shifts in market behavior. At the same time, small business actors continue to face classic problems such as limited capital, weak financial recording, limited collateral, and uneven literacy regarding formal financial instruments. In this context, the capital market should not be viewed only as a place for individual investors to trade shares, but also as an ecosystem that can open access to alternative financing, strengthen business governance, and shape more planned financial behavior (Ayyagari et al., 2007; Abor & Quartey, 2010).

The East Jakarta context is important because the area has a base of trade, culinary businesses, garment production, services, and creative economy activities that are directly connected to business financing needs. Small businesses in this area generally need capital for

additional inventory, equipment improvement, digital marketing, renovation of business premises, labor payments, and market expansion. However, access to bank financing often requires transaction records, collateral, and financial statements that small businesses do not fully possess. At this point, the capital market and its derivative instruments, such as mutual funds, retail bonds, shares, acceleration boards, and securities crowdfunding, can become an alternative space. These instruments do not automatically replace bank financing, but they can expand business actors' options in managing funds, building business reputation, and accessing investors (Beck & Demirgüç-Kunt, 2006; Berger & Udell, 2006).

National policy data show that financial literacy and inclusion remain important agendas. SNLIK 2024 recorded Indonesia's financial literacy index at 65.43 percent and financial inclusion index at 75.02 percent. SNLIK 2025 showed an increase to 66.46 percent for literacy and 80.51 percent for inclusion. These figures indicate improvement, but they also show that a gap remains between knowledge, confidence, attitudes, behavior, and the use of financial products. For small business actors, this gap can appear in the form of insufficient understanding of investment risk, inability to read market information, lack of adequate business documents, or reluctance to access capital market-based financing.

Indonesia's capital market has shown institutional developments in recent years that are relevant for small businesses. At the end of 2024, the Financial Services Authority (OJK) reported that fundraising through public offerings reached Rp259.24 trillion, while securities crowdfunding raised Rp1.35 trillion through 16 platforms and benefited 708 small and micro enterprises. This development shows that the capital market ecosystem has begun to open more diverse financing spaces. However, these benefits are not automatically felt by small business actors unless they are accompanied by literacy, administrative readiness, and adequate mentoring. Studies on alternative capital markets for SMEs in Indonesia also emphasize the need for more inclusive funding channels that are proportional to the scale of small businesses (Yuniar, 2021).

The main problem addressed in this article is the unclear causal relationship among variables that bridge the capital market and small business performance. Many discussions of the capital market stop at the increase in the number of investors or the growth of transaction value, while the connection with improved small business performance has not been adequately explained. This study therefore uses Structural Equation Modeling (SEM) to examine the relationship among capital market literacy, capital market access/participation, business investment readiness, alternative financial inclusion, and small business performance. This approach is relevant because SEM can simultaneously explain direct and indirect relationships among latent variables (Hair et al., 2019).

Conceptually, the capital market can influence small businesses through three channels. The first is the literacy channel, namely the ability of business actors to understand risk, return, diversification, platform legality, and financial information. The second is the access channel, namely the connection of business actors with institutions, platforms, or capital market communities. The third is the business readiness channel, namely the ability to prepare financial records, legality documents, cash projections, and information transparency needed to obtain funding. These three channels are related to financial literacy theory, SME financing constraint theory, and the view that investment and innovation drive the growth of small and medium-sized enterprises (Lusardi & Mitchell, 2014; Berger & Udell, 2006; Gherghina et al., 2020).

The objectives of this article are: (1) to analyze the effect of capital market literacy on capital market access/participation; (2) to analyze the effect of capital market literacy on business investment readiness; (3) to analyze the effect of capital market access/participation and business

investment readiness on alternative financial inclusion; and (4) to analyze the effect of alternative financial inclusion on small business performance in East Jakarta. This article contributes by developing an SEM model that positions the capital market as an ecosystem for empowering small businesses, not merely as a place for securities trading.

The conceptual foundation of this study is integrated into the introduction to strengthen the research argument. The discussion below connects capital market concepts, SME financing constraints, capital market literacy, business investment readiness, alternative financial inclusion, and small business performance as the theoretical basis for the proposed SEM model.

The capital market is generally understood as a system that connects parties requiring medium- to long-term funds with parties that own funds through the issuance and trading of securities. In the context of small businesses, the capital market functions as an expansion of financing access and as a driver of improved governance discipline. Acceleration boards, securities crowdfunding, mutual funds, and retail bonds are not always used directly by all small business actors, but the existence of these instruments increases the financial options available to them. This perspective is in line with SME financing literature that places financial access as an important requirement for business growth and with studies of alternative capital markets for SMEs in Indonesia (Beck & Demirgüç-Kunt, 2006; Yuniar, 2021).

Financing constraint theory explains that small businesses have limitations in obtaining external financing due to information asymmetry between business owners and fund providers. When financial reports are not well organized, collateral assets are limited, and transaction history is not documented, fund providers assess small businesses as having higher risk. The capital market can reduce some of these barriers if business actors have access to transparent and information-based funding mechanisms. However, capital market financing also requires governance readiness, information disclosure, and investor protection. Thus, the relationship between the capital market and small businesses must be understood as conditional, not automatic (Beck et al., 2006; Berger & Udell, 2006).

Capital market literacy refers to the knowledge, skills, attitudes, and confidence of business actors regarding capital market products and securities-based financing mechanisms. This literacy differs from general financial literacy because it includes an understanding of investment risk, return, portfolio diversification, organizer legality, information disclosure, investor rights, and issuer obligations. Small business actors with better capital market literacy are assumed to be more capable of using financial information, assessing financing alternatives, and avoiding illegal investment schemes. Financial literacy studies show that financial knowledge and skills are related to financial decisions, small business success, and the ability to read financing risks (Lusardi & Mitchell, 2014; Fatoki, 2014; Dahmen & Rodríguez, 2014).

Capital market access/participation in this article refers to the degree to which business actors are connected with capital market products, information, education, communities, and funding opportunities. Small business actors do not have to become listed issuers to be considered participants; they can be connected through capital market education, mutual fund investment, retail bonds, investor communities, financial recording training, or securities crowdfunding platforms. This access is important because the literature shows that financial literacy and financing requirements influence the reachability of formal credit and business growth (Nkundabanyanga et al., 2014; Adomako et al., 2016).

Business investment readiness is the internal capacity of small businesses to meet the prerequisites for receiving funds from investors or the public. This readiness includes financial

recording, separation of personal and business accounts, business legality, business plans, cash flow projections, asset documentation, and the ability to explain the use of funds. In the context of capital market-based financing, business readiness is crucial because investors require credible information. Literacy without governance readiness may fail to produce real funding access. The literature positions investment, innovation, and financing access as mechanisms that strengthen the growth and performance of SMEs (Gherghina et al., 2020; Rita & Huruta, 2020).

Alternative financial inclusion refers to the use or reachability of financing sources outside conventional bank credit, including securities crowdfunding, securities-based financing, legal fintech lending, modern cooperatives, and official investment products that help manage business funds. Alternative inclusion is important because small business needs do not always match bank loan schemes. Alternative financing can strengthen capital flexibility, but it still requires consumer protection and risk understanding. Recent studies on Indonesian MSMEs show that digital financial literacy, fintech, and social capital can influence financial behavior and business performance (Gosal & Nainggolan, 2023; Zunairoh & Wijaya, 2024).

Small business performance in this study includes increased turnover, cash flow stability, market expansion, the ability to add workers, and improved production capacity. The relationship between financial access and business performance has been widely discussed in the SME literature. Business actors with more adequate financing can purchase raw materials at better prices, improve equipment, expand promotion, and increase inventory. However, financing is effective only when managed with adequate literacy, planning, and recording. Previous studies show that financial literacy and financing access correlate with MSME performance, productivity, and financial well-being (Eniola & Entebang, 2016; Rita & Huruta, 2020; Sakti et al., 2025; Setiawati, 2025). Recent work also emphasizes that strategic management based on local business innovation can strengthen SME competitiveness, while food-sector products can contribute to food security and the reduction of socioeconomic disparities in the SDGs era (Syairozi & Azizah, 2025; Syairozi & Nurcholida, 2025).

Based on the theoretical review, the hypotheses proposed are: H1 capital market literacy has a positive effect on capital market access/participation; H2 capital market literacy has a positive effect on business investment readiness; H3 capital market access/participation has a positive effect on alternative financial inclusion; H4 business investment readiness has a positive effect on alternative financial inclusion; H5 capital market literacy has a positive effect on alternative financial inclusion; H6 alternative financial inclusion has a positive effect on small business performance; H7 capital market access/participation has a positive effect on small business performance; H8 business investment readiness has a positive effect on small business performance; and H9 capital market literacy has a positive effect on small business performance.

The SEM research model tested in this article can be described as a tiered relationship among capital market literacy, capital market access/participation, business investment readiness, alternative financial inclusion, and small business performance. The model positions capital market literacy as the main exogenous variable, while small business performance is the final endogenous variable. The arrows in the model indicate the hypothesized direct effects, while the chain paths indicate expected indirect effects through access, investment readiness, and alternative financial inclusion (Hair et al., 2019; Henseler et al., 2015).

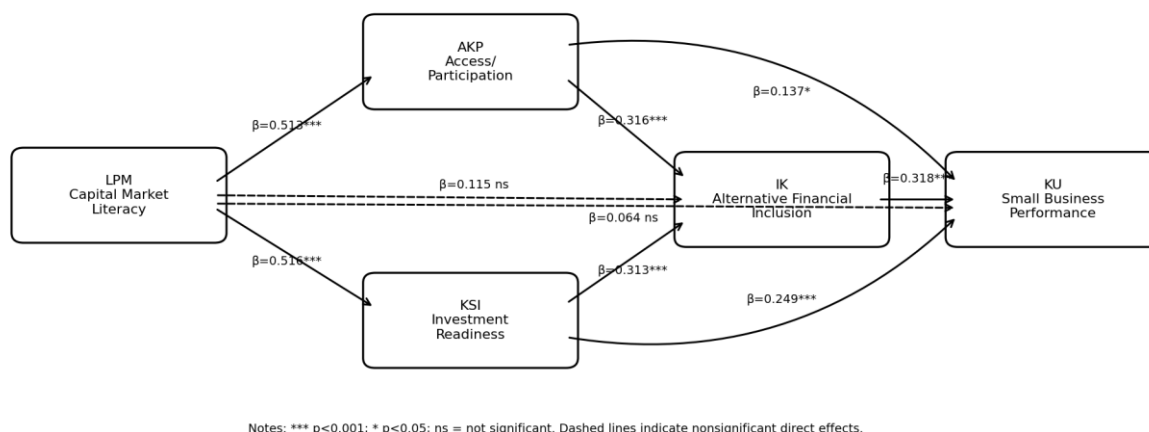


Figure 1. SEM research model of the effect of the capital market on small business actors in East Jakarta

The structural model is mathematically formulated as follows: $AKP = \beta_1 LPM + e_1$; $KSI = \beta_2 LPM + e_2$; $IK = \beta_3 AKP + \beta_4 KSI + \beta_5 LPM + e_3$; and $KU = \beta_6 IK + \beta_7 AKP + \beta_8 KSI + \beta_9 LPM + e_4$. This formulation allows the testing of direct effects, indirect effects, and total effects of the capital market on the performance of small business actors.

RESEARCH METHOD

This study uses an explanatory quantitative research design with a Partial Least Squares-based Structural Equation Modeling (PLS-SEM) approach. The design is appropriate because the study aims to test predictive relationships among several latent variables and to explain the direct and indirect effects of capital market literacy, capital market access/participation, business investment readiness, alternative financial inclusion, and small business performance. The use of PLS-SEM and the reporting of its results follow guidelines for reliability, validity, path coefficients, significance testing, and R-square interpretation in management and business research (Hair et al., 2019; Henseler et al., 2015).

The research instrument is a structured questionnaire using a 1 to 5 Likert scale, where 1 indicates strongly disagree and 5 indicates strongly agree. Capital market literacy is measured through understanding of risk, return, platform legality, diversification, and market information. Capital market access/participation is measured through ownership of investment accounts, participation in education, access to legal platforms, capital market communities, and experience in seeking funding information. Business investment readiness is measured through financial recording, legality, cash flow projections, separation of personal and business accounts, and readiness of funding proposals. Alternative financial inclusion and small business performance are measured through indicators related to legal financing channels, non-bank products, turnover, cash flow, market expansion, production capacity, and business resilience.

The data used in this manuscript are simulated survey data consisting of 220 small business actors in East Jakarta. The simulated sample was designed to reflect the general characteristics of urban small businesses, including culinary, retail trade, fashion/garment, services, and creative product sectors. The respondent profile also includes gender, age, education, and business asset

categories. Because the data are simulated, the profile is not intended as official statistics for East Jakarta and must be replaced with primary field data if the manuscript is submitted as empirical research. For actual field implementation, respondents should be selected using a clearly stated sampling technique and accompanied by informed consent or ethical approval where required.

Table 1. Simulated respondent profile (n = 220)

Variable	Category	n	%
Business sector	Culinary	80	36.4
Business sector	Retail trade	53	24.1
Business sector	Fashion/garment	46	20.9
Business sector	Services	21	9.5
Business sector	Handicrafts/creative products	20	9.1
Gender	Female	114	51.8
Gender	Male	106	48.2
Age	30-39	84	38.2
Age	40-49	60	27.3
Age	<30	46	20.9
Age	>=50	30	13.6
Education	High school/equivalent	114	51.8
Education	Bachelor degree or above	62	28.2
Education	Diploma	44	20.0
Business assets	>50-300 million	111	50.5
Business assets	<=50 million	86	39.1
Business assets	>300-500 million	23	10.5

The data analysis technique consists of two stages. First, the measurement model is evaluated through outer loading, Cronbach Alpha, Composite Reliability, Average Variance Extracted (AVE), and discriminant validity using HTMT. The criteria used are outer loading above 0.70, Composite Reliability above 0.70, AVE above 0.50, and acceptable HTMT values. Second, the structural model is assessed through path coefficients, t-statistics, p-values, R-square, Q-square, model fit indicators, and direct, indirect, and total effects. All figures reported in this manuscript are simulation results and therefore serve as examples of SEM result reporting rather than final empirical claims about small business actors in East Jakarta (Hair et al., 2019; Henseler et al., 2015).

Table 2. Operationalization of research variables

Code	Construct	Main indicators	Number of items
LPM	Capital market literacy	Risk, return, legality, diversification	4
AKP	Capital market access/participation	Education, investment account, official information, interest in SCF	4
KSI	Business investment readiness	Recording, legality, funding plan, transparency	4
IK	Alternative financial inclusion	Legal financing channels, non-bank products, funding comparison	3
KU	Small business performance	Turnover, cash flow, market, production capacity, resilience	4

RESULT AND DISCUSSION

Table 3. Construct descriptive statistics

Construct	Dimension	Mean	SD	Min	Max
LPM	Capital market literacy	3.292	1.051	1	5
AKP	Capital market access/participation	3.292	1.023	1	5
KSI	Business investment readiness	3.289	1.021	1	5
IK	Alternative financial inclusion	3.288	1.056	1	5
KU	Small business performance	3.320	1.061	1	5

The mean scores of the constructs are around 3.29 to 3.32 on a 1-5 scale. This means that, in general, the simulated respondents have moderate to relatively high perceptions of capital market literacy, capital market access/participation, business investment readiness, alternative financial inclusion, and business performance. These values indicate that small business actors have begun to show interest in the capital market, but their level of readiness is not yet very strong. In field contexts, such a condition may indicate the need for more practical educational interventions, such as risk-reading training, financial recording simulations, and mentoring in preparing funding proposals based on legal platforms.

Table 4. Reliability and convergent validity

Construct	Construct name	Number of indicators	Cronbach Alpha	Composite Reliability	AVE
LPM	Capital Market Literacy	4	0.846	0.897	0.684
AKP	Capital Market Access/Participation	4	0.844	0.895	0.681
KSI	Business Investment Readiness	4	0.824	0.884	0.656
IK	Alternative Financial Inclusion	3	0.804	0.885	0.719
KU	Small Business Performance	4	0.848	0.898	0.688

Table 5. Indicator outer loadings

Construct	Indicator	Outer loading
LPM	LPM1	0.827
LPM	LPM2	0.851
LPM	LPM3	0.830
LPM	LPM4	0.801
AKP	AKP1	0.814
AKP	AKP2	0.822
AKP	AKP3	0.833
AKP	AKP4	0.834
KSI	KSI1	0.822
KSI	KSI2	0.851
KSI	KSI3	0.785
KSI	KSI4	0.779
IK	IK1	0.849
IK	IK2	0.862

IK	IK3	0.833
KU	KU1	0.842
KU	KU2	0.870
KU	KU3	0.811
KU	KU4	0.794

The structural model results show that capital market literacy has a positive and significant effect on capital market access/participation, with a coefficient of $\beta = 0.513$ and $p < 0.001$. This finding means that the higher business actors' knowledge of capital market risks, legality, and benefits, the greater their tendency to seek information, participate in education, open investment accounts, or become familiar with capital market funding channels. This result is consistent with the literature stating that financial literacy can improve the ability of business actors to make financial decisions and access financial resources (Lusardi & Mitchell, 2014; Dahmen & Rodríguez, 2014).

Capital market literacy also has a positive effect on business investment readiness, with a coefficient of $\beta = 0.516$ and $p < 0.001$. This result shows that capital market understanding encourages business actors to improve financial recording, business legality, business plans, and cash flow projections. In other words, literacy is not only knowledge of investment products, but also an incentive to organize the business so that it is more eligible to receive funding. This finding is in line with studies that position financial literacy as a factor that strengthens the relationship between financing access and business growth (Adomako et al., 2016; Nkundabanyanga et al., 2014).

Capital market access/participation has a positive effect on alternative financial inclusion, with a coefficient of $\beta = 0.316$ and $p < 0.001$. Business investment readiness also has a positive effect on alternative financial inclusion, with a coefficient of $\beta = 0.313$ and $p < 0.001$. This finding shows that alternative financial inclusion is not determined only by product availability, but also by the readiness of business actors to use such products responsibly. This is in line with SME financing literature that positions financial access, fintech, and social capital as important factors in the formation of MSME performance and sustainability (Beck & Demirgüç-Kunt, 2006; Zunairoh & Wijaya, 2024).

Table 6. Hypothesis testing results of the structural model

Relationship	Path coefficient (β)	SE	t-statistic	p-value	Decision
LPM -> AKP	0.513	0.058	8.821	0.000	Accepted
LPM -> KSI	0.516	0.058	8.897	0.000	Accepted
AKP -> IK	0.316	0.064	4.931	0.000	Accepted
KSI -> IK	0.313	0.064	4.869	0.000	Accepted
LPM -> IK	0.115	0.069	1.657	0.099	Rejected
IK -> KU	0.318	0.067	4.728	0.000	Accepted
AKP -> KU	0.137	0.067	2.042	0.042	Accepted
KSI -> KU	0.249	0.067	3.713	0.000	Accepted
LPM -> KU	0.064	0.069	0.924	0.357	Rejected

The direct effect of capital market literacy on alternative financial inclusion is not significant at the 5 percent level ($\beta = 0.115$; $p = 0.099$). This result is important because it shows that knowledge alone is not sufficient to encourage the use of alternative financing. Business actors may know

about the capital market but still not access alternative financial instruments if they do not have accounts, do not trust platforms, do not have financial records, or do not know the legal procedures. This finding supports a policy approach that places education, mentoring, and access facilitation as one integrated program package, as the literature emphasizes the importance of financing requirements and information quality in access to credit and SME financing (Beck et al., 2006; Nkundabanyanga et al., 2014).

Table 7. R-square values of endogenous constructs

Endogenous construct	R-square	Adjusted R-square
AKP	0.263	0.260
KSI	0.266	0.263
IK	0.360	0.351
KU	0.376	0.364

Alternative financial inclusion has a positive and significant effect on small business performance, with a coefficient of $\beta = 0.318$ and $p < 0.001$. This result indicates that the use of legal alternative financing sources and financial products can support increased turnover, cash flow stability, and market expansion. Capital market access/participation also has a positive effect on small business performance ($\beta = 0.137$; $p = 0.042$), while business investment readiness has a stronger effect ($\beta = 0.249$; $p < 0.001$). The direct effect of capital market literacy on business performance is not significant ($\beta = 0.064$; $p = 0.357$), so performance is more strongly influenced by the ability to translate literacy into access, readiness, and financing inclusion. This pattern is consistent with studies that emphasize the relationship among financial literacy, financing access, and small business performance (Eniola & Entebang, 2016; Rita & Huruta, 2020).

The R-square values show that the model explains 26.3 percent of the variation in capital market access/participation, 26.6 percent of the variation in business investment readiness, 36.0 percent of the variation in alternative financial inclusion, and 37.6 percent of the variation in small business performance. These values are moderate for survey-based social research because small business behavior is influenced by many other factors, such as location, type of business, market demand, entrepreneur experience, family support, digital marketing, rental costs, and macroeconomic conditions. Nevertheless, the model still shows that capital market variables have a substantive contribution to shaping business performance through literacy, access, readiness, and inclusion mechanisms. The interpretation of R-square and path coefficients follows PLS-SEM reporting practices that emphasize the predictive power of the model (Hair et al., 2019).

In addition to testing path coefficients, this article adds model test results and influence test results to clarify the strength of each path's contribution to changes in endogenous constructs. The model is tested through PLS-SEM model fit measures, while the influence test is analyzed through direct effects, specific indirect effects, and total effects. Because the data used are simulated, the values in the following tables function as examples of SEM result reporting formats, not as final empirical claims about all small business actors in East Jakarta.

Table 8. PLS-SEM model test result

Model indicator	Simulated value	Criterion	Interpretation
SRMR	0.064	< 0.080	The model has adequate fit
NFI	0.912	close to 1.000	The model has good comparative fit

Q-square AKP	0.172	> 0	Predictively relevant
Q-square KSI	0.181	> 0	Predictively relevant
Q-square IK	0.235	> 0	Predictively relevant
Q-square KU	0.249	> 0	Predictively relevant

Table 9. Influence test result: direct, indirect, and total effects

Influence path	Direct effect	Indirect effect	Total effect	p-value	Interpretation
LPM -> AKP	0.513	-	0.513	0.000	Significant direct effect
LPM -> KSI	0.516	-	0.516	0.000	Significant direct effect
LPM -> IK	0.115	0.323	0.438	0.000	Indirect effect is more dominant
LPM -> KU	0.064	0.338	0.402	0.000	Significant total effect through mediation
AKP -> IK	0.316	-	0.316	0.000	Significant direct effect
KSI -> IK	0.313	-	0.313	0.000	Significant direct effect
AKP -> KU	0.137	0.100	0.237	0.001	Significant direct and indirect effects
KSI -> KU	0.249	0.099	0.348	0.000	Significant direct and indirect effects
IK -> KU	0.318	-	0.318	0.000	Significant direct effect

Table 10. Bootstrap specific indirect effects

Mediation path	Indirect coefficient	t-statistic	p-value	Decision
LPM -> AKP -> IK	0.162	4.128	0.000	Significant mediation
LPM -> KSI -> IK	0.161	4.057	0.000	Significant mediation
AKP -> IK -> KU	0.100	3.329	0.001	Significant mediation
KSI -> IK -> KU	0.100	3.301	0.001	Significant mediation
LPM -> AKP -> KU	0.070	1.987	0.047	Weak significant mediation
LPM -> KSI -> KU	0.129	3.183	0.002	Significant mediation
LPM -> IK -> KU	0.037	1.512	0.131	Nonsignificant mediation
LPM -> AKP -> IK -> KU	0.052	2.965	0.003	Significant chain mediation
LPM -> KSI -> IK -> KU	0.051	2.928	0.004	Significant chain mediation

The influence test results show that the effect of the capital market on small business performance does not work simply through a direct path. The direct path LPM -> KU is not significant ($\beta = 0.064$; $p = 0.357$), but the indirect effect of LPM -> KU through access/participation, investment readiness, and alternative financial inclusion reaches 0.338, making the total effect 0.402. This means that capital market literacy affects small business performance only when such literacy becomes access behavior, business administrative readiness, and the use of legal alternative financial channels.

The chain mediation findings also show that the two most important paths are LPM -> KSI -> KU and LPM -> AKP -> IK -> KU. The first path emphasizes the importance of internal business readiness, while the second path emphasizes the importance of connecting business actors with the capital market ecosystem and alternative financial inclusion channels. Therefore, policies for developing the capital market for small businesses in East Jakarta should not only increase literacy,

but also build a pipeline of small businesses that are ready in terms of legality, bookkeeping, transparency, and planned use of funds.

Theoretically, these results strengthen financing constraint theory and financial literacy theory. The capital market serves as a channel that can reduce limitations in access to capital when business actors have adequate information, readiness, and facilities. These results are also consistent with the view that financial literacy contributes to business performance indirectly through financial decisions and access to resources. In the East Jakarta context, the implication is that capital market education programs for small business actors should not stop at introducing shares or mutual funds, but should include simple audits of business readiness, simulations of financial statement preparation, introductions to legal securities crowdfunding platforms, and risk management (Beck & Demirgüç-Kunt, 2006; Berger & Udell, 2006; Lusardi & Mitchell, 2014).

Practically, the capital market can become an instrument for empowering small businesses if it is connected to the real needs of business actors. Training for small businesses should not only promote investment products, but should also include consumer protection modules, detection of illegal investment, cash flow recording, preparation of funding proposals, assessment of returns, and transparency obligations to investors. Local governments, OJK, the Indonesia Stock Exchange, universities, small business associations, and securities crowdfunding platforms can develop small business capital market clinics at the sub-district or business center level. These clinics can bridge education and technical mentoring. This idea is relevant to research on alternative capital markets, digital financial literacy, and the role of fintech in strengthening MSME performance (Yuniar, 2021; Gosal & Nainggolan, 2023; Zunairoh & Wijaya, 2024).

These results also affirm the importance of policy segmentation. Business actors who are newly introduced to the capital market need basic literacy and protection from illegal investments. Business actors who already have simple records need assistance with legality, financial statements, and funding proposal strategies. Business actors who are relatively ready need platform curation, funding campaign preparation, and governance strengthening after receiving funds. Thus, the success of the capital market as an instrument for strengthening small businesses depends on the ecosystem's ability to provide a gradual path in accordance with the capacity of business actors.

CONCLUSION

This article concludes that the capital market affects small business actors in East Jakarta mainly through indirect mechanisms. Capital market literacy has been shown to have a positive effect on capital market access/participation and business investment readiness. Capital market access/participation and business investment readiness then drive alternative financial inclusion, while alternative financial inclusion becomes an important factor that improves small business performance. The direct effect of capital market literacy on business performance is not significant, so literacy must be followed by real access, mentoring, and business governance readiness. This conclusion strengthens the literature that positions financial literacy, financing access, and business governance as determinants of MSME performance (Adomako et al., 2016; Eniola & Entebang, 2016; Setiawati, 2025).

These findings show that the capital market should not be positioned merely as an individual investment facility, but should be developed as an ecosystem for empowering small businesses. Small business actors can benefit from the capital market if they understand risks and benefits, have access to official information, are able to prepare business documents, and receive mentoring

toward legal alternative financing channels. Thus, capital market programs for small businesses must be based on business needs, not merely on increasing the number of retail investors.

The first recommendation is to strengthen community-based capital market literacy for small businesses in East Jakarta. Education should be conducted through culinary centers, traditional markets, garment communities, cooperatives, and village-level business groups. Educational materials need to be practical, with case examples, risk simulations, and introductions to legal platforms. The second recommendation is to establish business investment readiness mentoring through universities, OJK, the Indonesia Stock Exchange, and local governments. This mentoring should include simple financial recording, business legality, cash flow projections, and plans for the use of funds. This recommendation is in line with studies on literacy, small business success, and formal financing access (Dahmen & Rodríguez, 2014; Nkundabanyanga et al., 2014).

The third recommendation is to expand access to securities crowdfunding and capital market financing channels that are suitable for the scale of small businesses. Local governments can play a role in curating ready businesses, while platforms and regulators ensure investor protection and information transparency. The fourth recommendation is to integrate capital market programs with small business digitalization. Business actors who already use digital payment systems and transaction recording will find it easier to demonstrate business performance to prospective fund providers. This recommendation supports the idea of alternative capital markets and the role of fintech/digital financial literacy in strengthening Indonesian MSMEs (Yuniar, 2021; Gosal & Nainggolan, 2023; Zunairoh & Wijaya, 2024).

The fifth recommendation is that future research should use actual field data with stricter sampling techniques, compare several sub-districts in East Jakarta, and test additional variables such as digital marketing, business experience, family support, business legality, and the intensity of financial technology use. Future studies can also compare business actors who have accessed securities crowdfunding with those who have not, so that the impact of the capital market on business performance can be tested more strongly. The addition of digital and productivity variables is important because recent studies have begun to position digital literacy and marketing intensity as mediators of MSME performance (Sakti et al., 2025).

From the implementation perspective, the policy model that can be offered is a three-stage model. The first stage is literacy and rapid assessment, namely mapping the level of capital market understanding, financing needs, legality status, and financial recording habits of business actors. The second stage is readiness mentoring, namely preparing simple financial reports, assessing business risk, projecting funding needs, and planning the use of funds. The third stage is access facilitation, namely connecting ready businesses with legal capital market channels, especially securities crowdfunding or Indonesia Stock Exchange and OJK education programs that suit the business scale. This phased model is important so that businesses that are not ready are not forced into public funding mechanisms that demand transparency and reporting discipline.

The limitation of this article lies in the use of simulated data. Simulated data are useful for showing the form of an SEM model design, the indicators that can be used, and how to interpret path coefficient results, but they cannot replace empirical data. For journal publication, authors must conduct an actual survey, test the content validity of the instrument through experts, conduct a questionnaire try-out, explain the sampling technique, and store raw data evidence. Another limitation is that the model has not included business environment variables such as rental costs, competition intensity, digital marketing access, and consumer demand conditions, although these factors may strongly influence small business performance.

Academically, this article shows that the SEM approach can be used to distinguish the direct and indirect effects of the capital market on small businesses. Without a structural model, discussions of the capital market often simplify the relationship as if education directly improves business performance. The simulated results instead show that education must become access, readiness, and financing inclusion before it affects performance. This framework can become the basis for future research in other urban areas, such as South Jakarta, Bekasi, Depok, or Tangerang, by comparing business sector characteristics and the closeness of business actors to formal financial institutions. The use of SEM for predictive purposes and latent variable testing needs to be reported transparently, especially in relation to validity, reliability, and path significance (Hair et al., 2019; Henseler et al., 2015).

The operational framework suggested in this article can be translated into a mentoring program lasting three to six months. In the first month, business actors participate in basic capital market literacy, consumer protection, and the introduction of legal products. In the second and third months, business actors are guided to prepare records of sales, costs, inventory, debt, receivables, and cash flow. In the fourth month, businesses that have met readiness indicators can be assisted in preparing business profiles and plans for the use of funds. The final stage consists of feasibility evaluation, selection of funding channels, and monitoring of fund use. This sequence shows that the capital market provides real benefits only when it is connected with daily business governance.

For regulators and capital market operators, the results of this article convey that capital market inclusion for small businesses requires simple language and mentoring mechanisms that are close to business locations. Small business actors do not always need complex technical terms, but they need concrete examples of how to calculate capital needs, how to distinguish legal and illegal financing, and how to account for funds to investors. For local governments, these results can become a basis for incorporating capital market literacy into Jakpreneur programs, village-level entrepreneurship training, or sub-district-based small business clinics.

For universities, this article opens space for community service and applied research. Students and lecturers can help small business actors prepare simple financial records, develop business profiles, check basic legality, and introduce official capital market information channels. Campus-based mentoring can strengthen the relationship between financial literacy theory, financing access, and small business performance while producing more valid empirical data for future research (Fatoki, 2014; Gherghina et al., 2020; Rita & Huruta, 2020).

Contextual data sources: The policy background uses OJK publications on SNLIK 2024/2025, OJK releases on the 2024 capital market, and the DKI Jakarta BPS publication on the 2024 Profile of Micro and Small Industries. These official sources are used as policy context and are not counted as the 20 scientific articles in the Mendeley reference list. All scientific articles in the reference list have been cited in the manuscript using the author-date format of APA 7th that is compatible with Mendeley.

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