
The Impact of Financial Technology Adoption and Financial Literacy on MSME Business Sustainability : SEM-PLS Analysis

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Abstract

Micro, Small and Medium Enterprises (MSMEs) have an important role in the Indonesian economy. MSMEs contribute to creating jobs, increasing people's income, and encouraging local economic growth. However, many MSMEs in Indonesia still face various challenges in running their business. One of the main challenges is limited access to capital and financial management capabilities. In this digital era, Financial Technology (Fintech) is present as an innovative solution to help MSMEs overcome these challenges. Fintech offers a variety of financial services that are easily accessible and affordable for MSMEs, such as online loans, digital payment systems and financial management platforms. Apart from Fintech, financial literacy is also an important factor in the sustainability of MSMEs businesses. Financial literacy is an individual's ability to understand and manage their finances well. With good financial literacy, MSMEs can make the right financial decisions to increase the profitability and sustainability of their business. This research aims to determine the effect of financial technology adoption on business sustainability with financial literacy as a moderating variable. The analysis technique used was structural equation modeling based on partial least squares with 30 MSME respondents. The results obtained in this research are that the adoption of financial technology has not an effect on business sustainability with financial literacy as a moderating variable.

Keywords: *financial technology adoption, financial literacy, business sustainability*

INTRODUCTION

The business continuity of MSMEs is very important to maintain considering that MSMEs are a sector that is capable of pressing the level of inequality, both economic and social, one of which is increasing purchasing power public on internal commodities country. One of effort government For help MSMEs so that capable endure in the middle condition free trade , is with initiated and targeting 2 million micro, small and medium enterprises (MSMEs) *to go digital* through movement Proud Become Indonesia (BMI).

Business sustainability is the ability of a business to survive and develop in the long term. Sustainable businesses are able to maintain their operations while considering the resulting environmental, social and economic impacts and meeting

the needs of stakeholders such as employees, customers, communities, shareholders and governments. Business sustainability also refers to the ability of MSMEs to grow and generate long-term benefits (Widagdo, B., & Sa'diyah, C., 2023). The existence of a business entity closely related to how the business is managed from financial and non-financial factors. Wrong One non-financial factor that is closely related to business continuity is technology. Technology has penetrated into various fields, including the financial sector. One of for example is presence A technology financial (fintech) or technology Which driving financial services.

Fintech is modern technology created to facilitate financial transactions in one's economic activities. Fintech can help overcome the problem of banking service difficulties in serving MSMEs activities and the general public in several areas that are far from banking access. Fintech is a form of technological development in economic activity and can be a solution so that MSMEs can continue to develop and provide broad economic services to society in the process of increasing income and economic growth (Sahdan, R., & Sardju, F., 2023). However, fintech also has several disadvantages such as security risks in the use of technology, lack of regulation and supervision from the authorities and the inability to overcome unequal access to information and technology (Broby, D., 2021). Several previous studies related to business sustainability and fintech, namely research from Widagdo, B & Sa'diyah, C (2023), stated that financial technology can fully mediate the relationship between financial literacy and business sustainability. Thus, financial technology has become an important factor for long-term business success. The results of this research are not the same as research from Sahdan, R., & Sardju, F. (2023), which states that financial technology does not have a significant influence on the sustainability of MSMEs in Tidore City.

Financial literacy is a person's understanding of financial products and basic financial concepts in general as well as the ability to apply this financial knowledge and skills in managing financial resources effectively to achieve financial prosperity. Financial literacy includes the knowledge, skills, attitudes and behavior needed to make appropriate financial decisions and to achieve personal financial well-being. Increasing financial literacy can help individuals make smarter financial decisions that are beneficial to them (Goenadi, et al, 2022).

By Because innovation technology in field finance Which the more develop, public including perpetrator MSMEs must increase literacy finance with learn and understand every service, product, and financial decision they will implement. This aims to ensure that the benefits of financial access, including *fintech*, can be felt maximum and does not harm MSMEs. If someone has knowledge Which Enough about management finance, so person the capable control condition his finances. Several previous studies stated that financial literacy does not directly influence business sustainability but influences financial behavior and financial technology (Widagdo, B., & Sa'diyah, C., 2023). Research from Irman, et al (2023) states that financial literacy and technology have a significant and positive effect on the financial inclusion of MSMEs in the culinary sector in Pekanbaru.

Subject Which used on study This is MSME players in North Surabaya in the food category. This MSMEs chosen because most businesses in Indonesia is

MSMEs. Based on the background above, the aim of this research is to examine and analyze the impact of financial technology and financial literacy on the sustainability of MSMEs businesses in North Surabaya.

METHOD

This research uses a quantitative research approach. The respondents in this research were 30 MSMEs in North Surabaya who used Fintech . Data collection techniques in this research used questionnaires and literature study. The data analysis technique used in this research is Structural Equation Modeling (SEM) which is operated using the PLS (Partial Least Square) program. The following are the variables and indicators used in this research:

Table 1. Research variables and indicators

Variable	Indikator
Financial Technology Adoption (X)	In One year final, business I has get commercial benefits
	In One year Lastly, me has develop technique / method on business I
	In One year final, business I has become business Which develop in product/service matters new
Financial Literacy (Z)	I understand importance bookkeeping from activity business I
	I feel important For get training For manage business Which more Good
	I realize importance insurance for business I
Business Sustainability (Y)	Financing from Fintech increase capacity business
	With exists financing from Fintech, business I increase in a way sustainable
	Financing from Fintech increase Power competitive business

Source : Researcher (2024)

Framework conceptual research This is

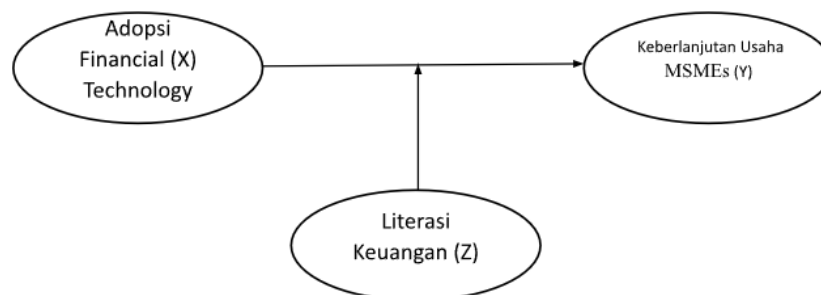


Figure 1. Framework Conceptual
Source : Data processed researcher , 2024

RESULTS AND DISCUSSION

The research data collection method used a questionnaire with a Likert scale and was filled in by 30 respondents. The next step is to process the data using the Structural Equation Model – Partial Least Square (SEM – PLS) analysis technique. There are two steps in testing, namely validity and reliability testing and significance testing. The following is the research model:

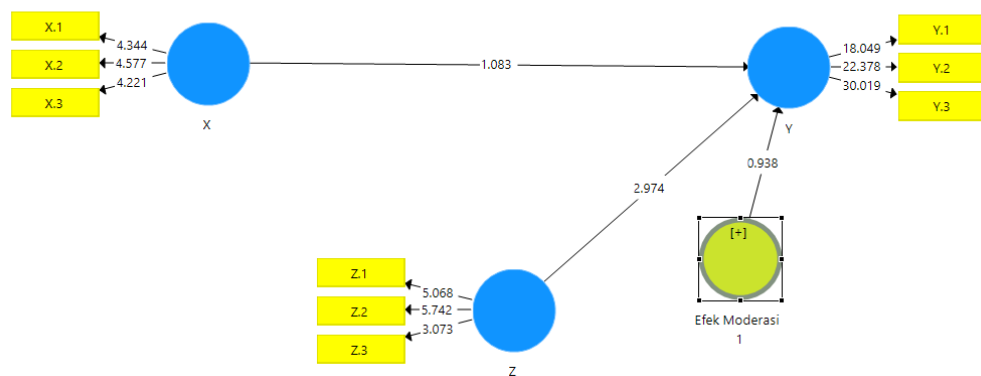


Figure 2 . Research Model

Source: Data processed, 2024

Table 2 . Validity and Reliability Test Results

Variable	Cronbach's Alpha	AVE
Moderation effect	0.931	0.632
Financial Technology (X)	0.913	0.845
Business sustainability (Y)	0.911	0.848
Financial Literacy (Z)	0.758	0.679

Source: Data processed, 2024

Based on table 2 above, there are Cronbach's Alpha and AVE values for each variable above 0.6, all variables in this research are said to be valid and reliable so that this research can be continued to the next stage, namely the significance test.

Table 3 . Significance Test Results

Variable	Original sample	T-Count	T-Value	P - Value	Information
X -> Y			1,0	0.2	
Z -> Y	-0.218	83	79		Rejected
	0.567		2,9	0.0	Accepted
		74	03		

Source: Data processed, 2024

Based on table 3 above, the following results were obtained: 1) financial technology (X) does not have a significant influence on business sustainability (Y) because the T – Calculate value is 1.083 and the *p-value* is 0.279 so the hypothesis

is rejected. This means that the easier or more difficult it is to use technology, it will not affect the business sustainability of MSMEs actors. 2) financial literacy (Z) has a significant influence on business sustainability (Y) because the T - Calculate value is 2.974 and the *p-value* is 0.003 so the hypothesis is accepted. This means that the more MSMEs have good financial literacy, the more sustainable their business will be

Table 4 . Significance Test Results with Moderation

Variable	Original sample	T - Count	P - Value	Information
Moderation effect -> Y	-0.283	38	0.949	Rejected

Source: Processed data, 2024

Based on table 4 above, the results obtained are that: 1) the moderation effect weakens the relationship between financial technology with business sustainability with a calculated T value of 0.938 with a *p-value* of 0.349 so the hypothesis is rejected.

Table 5. R - Square Test

Variable	R Square	Adjusted R Square
Business sustainability (Y)	0.328	0.251

Source: Data processed, 2024

Based on table 5 above, the results obtained are 1) adjusted R-Square of 25.1%, which means business sustainability can be explained by the independent variable of 25.1% and the rest is explained by other variables outside the research.

DISCUSSION

Financial technology (X) on business sustainability (Y)

Financial technology (X) does not have a significant influence on business sustainability (Y) because the T – Calculate value is 1.083 and the *p-value* is 0.279 so the hypothesis is rejected. This means that the easier or more difficult it is to use technology, it will not affect the business sustainability of MSMEs. The results of this research are the same as research from Sahdan, R., & Sardju, F. (2023), which states that financial technology does not have a significant influence on the sustainability of MSMEs in Tidore City. Without fintech, MSMEs in the city of Tidore can still run their businesses in the long term. The results of this research are not the same as research from Widagdo, B & Sa'diyah, C (2023) which states that financial technology can fully mediate the relationship between financial literacy and business sustainability. Thus, financial technology has become an important factor for long-term business success.

Financial literacy (Z) moderates the relationship between financial technology (X) with business sustainability (Y)

Financial literacy has a significant influence on business sustainability with a T-value of 2.974 and a *p-value* of 0.003, but financial literacy weakens the relationship between financial technology. with business sustainability with a calculated T value of 0.938 with a *p - value* of 0.349 so the hypothesis is rejected. The results of this research are not the same as research from Irman, et al (2023) which states that financial literacy and technology have a significant and positive effect on the financial inclusion of SMEs in the culinary sector in Pekanbaru and research from Widagdo, B., & Sa'diyah, C., (2023) which states that financial literacy does not directly influence business sustainability but influences financial behavior and financial technology

CONCLUSION

From the explanation above, the conclusion is:

Financial technology adoption does not have a significant influence on business sustainability with financial literacy as a moderating variable. These findings suggest that although financial technology offers a variety of potential benefits for businesses, such as increased efficiency and access to funding, its impact on business sustainability is not directly affected. This can be caused by several factors, such as: lack of financial literacy, limited infrastructure and product incompatibility.

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