

Analysis of the Impact of Financial Technology and Financial Literacy on MSME Business Sustainability

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ABSTRACT

The purpose of this study is to investigate, from a monetary point of view, how the adoption of technology and increased levels of financial literacy affect the continued viability of micro, small, and medium-sized enterprises. In this study, a quantitative methodology is utilized by selecting a sample of 42 culinary MSMEs located in the Sumedang district. The data that were collected were examined utilizing approaches that involved multiple regressions. According to the findings of the study, the application of technology as well as an understanding of financial concepts has a materially beneficial effect on the long-term viability of micro, small, and medium-sized enterprises (MSME). Technology may be of assistance to micro, small, and medium-sized enterprises (MSMEs) in enhancing their levels of efficiency and production, while financial literacy may be of assistance in fostering improved levels of financial management and improved decision-making. This sends a message to the government in its role as a regulator, to academics in their role as educators, to the business sector in its role as a catalyst, and to the community in its role as a driver to promote and grow financial literacy and fintech for MSMEs in Sumedang Regency.

Keywords: Financial Technology, Financial Literacy, Business Continuity, MSMEs

1. Introduction

The advent of the digital age has prompted a worldwide shift toward digitalization. To generate value in the transition to a digital business model, digitalization can be thought of as the use of digital technology to create new revenue streams and business prospects (Fauziyyah, 2022). Business models, supply networks, and even back-office operations like human resources and finance aren't immune to its effects. New products and services have been developed thanks to the increased opportunities for collaboration between businesses and their suppliers, consumers, and employees made possible by digitalization (Budiarta et al., 2020).

Information systems, which are integral to the successful completion of business objectives, are intrinsically linked to digitalization. Automated and effective procedures can only be achieved through a comprehensive digital transformation of corporate operations. Digital accounting, within the context of accounting, is the digitization of corporate financial management through the use of electronic records of accounting transactions. To help businesses run more efficiently, accounting departments are increasingly turning to accounting information systems (Simarmata et al., 2020).

Businesses that fall under the MSME category are those that produce value and are owned by individuals or legal entities (Salsabila, 2021). The majority of firms are considered to be small-scale, hence the term "small business" refers to those enterprises that fall within this category, as defined by Presidential Decree No. 99 of 1998. Business owners in Indonesia are happy to see the MSME support movement flourishing, especially among the country's young entrepreneurs and the fast expanding home sector. The Government of Indonesia adopted Law Number 20 on Micro, Small, and Medium-Sized Enterprises (MSMEs) on July 4, 2008. Now that this law is on the books, micro, small, and medium-sized enterprises

(MSMEs) have a solid legal foundation upon which to build into one of the critical economic sectors that must be enabled if they are to contribute to national economic growth (Marlinah, 2020).

The viability of micro, small, and medium-sized businesses (MSMEs) is a highly crucial issue for the expansion of the Indonesian economy. In order to speed up the program for the national economic recovery after COVID-19. Since the beginning of its existence, a company's primary objective should be to ensure the continuity of its business operations, often known as business continuity. According to Basmar et al. 2021, the existence of a business entity is intimately tied to the manner in which the business is managed from both a financial and non-financial perspective.

Technology is one of the non-financial aspects that has a close relationship to the continuity of corporate operations. Not only in Indonesia, but also across the rest of the world, where technical advancements have brought about significant societal shifts, there is currently a highly rapid development of technology. This is attainable due to the rapid pace at which technology is advancing at all times and the fact that it has made its way into a variety of industries, including the financial industry. The development of new financial technologies is one illustration of this phenomenon that occurs in the financial sector (Basuki & Husein, 2018).

The business models and alternative solutions provided by fintech and digital platforms can assist governments and other financial institutions in expanding their reach in order to deliver adequate financial services. As a result, numerous micro, small, and medium-sized enterprises have been given the go-ahead in a matter of days, and sometimes even a few hours. According to the World Economic Forum (Rumondang et al, 2019), the term "Fintech" refers to the application of technology as well as an innovative business model in the financial industry.

Financial literacy is an example of a non-financial characteristic that is relevant to the continuity of a firm and is distinct from fintech. Literacy in financial matters is frequently synonymous with knowledge of finance. A person's level of financial knowledge can be measured by how effectively they understand material that pertains to their own personal finances. According to Arianti and 2022, "financial literacy includes an application dimension," which means that an individual must have the capacity and confidence to utilize his financial knowledge to make judgments.

The micro, small, and medium-sized businesses (SMEs), and more specifically the culinary SMEs located in the Sumedang Regency, are the focus of this study. The selection of MSMEs can be explained by the fact that the vast majority of enterprises in Indonesia are MSMEs. Unfortunately, the financial development of SMEs is generally modest; yet, their success will not only effect the progression of their business, but it also has the potential to reduce unemployment and enhance regional and state revenues.

2. LITERATURE REVIEWS

a. Financial Technology

According to Schueffel (2016), the term "fintech" refers to a new industry in the financial sector that makes use of technology to boost overall financial activity. According to Haddad and Hornuf (2017), the field of financial technology may be broken down into nine distinct categories. These categories include activities such as finance, asset management, payments, insurance, loyalty programs, risk management, exchanges, regulatory technology, and others. Additionally, fintech, which refers to the type of financing, is a sector that is widely utilized and has developed at a quick rate.

b. Financial Literacy

A person who is financially literate is one who has the knowledge and abilities to make informed decisions about their money and other assets, as defined by Hidajat (2016). The Financial Services Authority (OJK) (2013) defines financial literacy as "the acquisition and application of knowledge, skills, and beliefs that shape attitudes and behavior in order to enhance the caliber of decision making and financial management in pursuit of economic success."

c. Business Continuity

(Bansal & DesJardine, 2014) define business continuity as a company's capacity to meet current requirements without compromising its ability to meet future needs. Entrepreneurs desire a business that is at least as profitable in the future as it is today. (Ye & Kulathunga, 2019) Business continuity is a company's capacity to maintain, develop, and meet operational requirements (Ye & Kulathunga, 2019). To be sustainable, managers must strike a balance between meeting short-term requirements and investing for long-term objectives. To ensure future business success, companies must invest in exploration through research and development. Currently, companies profit from exploitation by selling their products and services, but they must invest in exploration through research and development to ensure their future success.

3. METHODS

In this study, researchers employed quantitative research, the ultimate aim of which is to test hypotheses, construct facts, demonstrate relationships, influences, and comparisons between variables,

provide statistical descriptions, interpret, and predict results. This study's demographic is comprised of culinary SMBs in the Sumedang Regency. 42 SME samples were obtained using specific criteria. In this investigation, a questionnaire was utilized to collect information. Questionnaires may consist of closed or open-ended inquiries, and may be administered in person, by mail, or via the Internet. In this investigation, a Likert scale of 1 to 5 was utilized to analyze the questionnaire. In order to address the questions posed by the research hypothesis, a series of data analysis steps were implemented in this study. The validity and reliability tests of the instrument constitute the initial phase of the analysis. The subsequent step is to assess the hypothesis using multiple linear regression tests, the R² test, the F test, and the t test.

4. RESULTS AND DISCUSSION

a. Validity and Reliability Test

This research employs the CFA test (Confirmatory Factor Analysis) to examine the data's reliability. The KMO (Kaiser-Mayer-Olkin) value was used to evaluate the validity of the data, where the desired value was greater than 0.50 and the significance of the Bartlett's Test of Sphericity was less than 0.05. In addition, data validity is measured by the MSA (Measure of Sampling Adequacy) value, with a value greater than 0.50 being desirable. Table 1 displays the validity testing outcomes.

Table 1 Validity Test Results

Variable	N	KMO-MSA	Sig.	Information
Business Continuity	42	0.890	0.000	Valid
Financial Technology	42	0.930	0.000	Valid
Financial literacy	42	0.859	0.000	Valid

The values of KMO (Kaiser-Mayer-Olkin) and MSA (Measure of Sampling Adequacy) for each variable are greater than 0.05, as shown in table 1. Therefore, it can be concluded that the employed variables are valid. The results of each variable's reliability test are shown in Table 2 below.

Table 2 Reliability Test Results

Variable	Cronbach Alpha	Cross of Values	Information
Business Continuity	0.904	0.60	Reliable
Technology Finance	0.943	0.60	Reliable
Financial Literacy	0.908	0.60	Reliable

Each variable in the research has a Cronbach's Alpha value greater than 0.05, as shown in Table 2. On the basis of the results, it is possible to conclude that the variables used in the study are reliable.

b. Classic assumption test

1) Normality test

A normality test was performed to determine whether or not the data are normally distributed. The data in a decent regression model are normally distributed.

Table 3 Normality Test Results

Kolmogorov-Smirnov-Z	Asymp Sig (2-tailed)	Information
0.804	0.245	Normal

Table 3 demonstrates that the unstandardized residual has an Asymp Sig value greater than 0.05, indicating that the data used in this investigation are normally distributed..

2) Multicollinearity Test

The multicollinearity test attempts to determine whether the independent variables in a regression model are correlated.

Table 4 Multicollinearity Test Results

Variable	tolerance	VIF	Information
Financial Technology	0.372	2,672	No multicollinearity
Financial Literacy	0.518	1,920	No multicollinearity

Because the tolerance value for each independent variable is more than 0.1, it may be argued that it is free of multicollinearity. Because the VIF value of each independent variable is less than 10, it can be assumed that the VIF value is devoid of multicollinearity. According to the figures Based on these results, it is possible to conclude that the regression model used in this study is devoid of multicollinearity issues.

3) Heteroscedasticity Test

Heteroscedasticity testing using the Glejser test is shown in table 5 as follows:

Table 5 Heteroscedasticity Test Results

Variable	Coefficient	t	Sig.	Information
Constant	0.564	4,747	0.000	No Heteroscedasticity
Technology Finance	-0.113	-1,662	0.096	No Heteroscedasticity
Financial Literacy	-0.003	-0.431	0.663	No Heteroscedasticity

Table 5 shows that no signs of heteroscedasticity can be seen in the output of the regression model. The Sig. value of the independent variable is higher than the significance level, or alpha. Each independent variable thus exhibits signs of heteroscedasticity.

c. Hypothesis testing

This research tries to answer the question of whether or not Financial Technology and financial literacy are related to the dependent variable of interest (business continuity). Also, the 0.05-level significance threshold is utilized to decide whether or not the regression model can be used in further investigation.

Table 6 Hypothesis Testing Results

Variable	Coefficient b1	t-statistics	Sig.
Constant	0.908	0.147	0.981
Financial Technology	0.180	2,052	0.005
Financial Literacy	0.394	3,001	0.003
R Square		0.828	
Adj R Square		0.823	
F		7,819	
Sig.		0.000	

The model's F statistic has a value of 7.819 and a significance level of 0.000, as shown in Table 6 of the results of regression. The significance level of 0.000 is less than 0.05, so it can be concluded that all independent variables, namely financial technology and financial literacy, influence the financial sustainability of Culinary MSME businesses in Sumertaing Regency simultaneously. The adjusted R2 value of the model is 0.823, indicating that 82.3% of the MSME business continuity variable is explained by the financial technology and financial literacy variables, while the remaining 17.7% is influenced by untested variables. The high R square value indicates that financial technology and financial literacy have a significant impact on the sustainability of MSME businesses. The first hypothesis, that the financial technology variable has an effect on business continuity, is supported by the significant calculation results of $0.005 < 0.05$ presented in Table 5. This demonstrates that financial technology impacts business continuity. Thus, hypothesis 1 is accepted in this investigation. The significant calculation results of $0.003 < 0.05$ support the second hypothesis that the financial literacy variable influences business continuity. This indicates that financial literacy influences the long-term viability of Sumedang Regency's Culinary MSME businesses. Thus, hypothesis 2 is supported in this investigation.

d. Discussion

1) The Influence of Financial Technology on the Sustainability of MSME Businesses

The results of this study indicate that the use of financial technology or fintech has a positive and significant influence on business continuity in culinary MSMEs in Sumedang Regency. This shows that the use of fintech can help culinary MSMEs in maintaining and improving their business performance. With fintech, culinary MSMEs can more easily access the financial resources needed to develop their businesses. In addition, fintech can also help culinary MSMEs in managing their finances more effectively and efficiently.

The use of fintech can also help culinary MSMEs in increasing their competitiveness in the market. With fintech, culinary MSMEs can develop more effective marketing and distribution strategies, as well as

optimize their production processes. In the long term, the use of fintech can help culinary MSMEs to grow and develop into bigger and more successful businesses.

However, even though the use of fintech can bring many benefits to culinary MSMEs, there are still some obstacles that need to be overcome. For example, not all culinary MSMEs have sufficient access or knowledge about fintech, so it is still difficult for them to use it effectively. In addition, there are still security and privacy risks that need to be addressed associated with using fintech. Therefore, it is important for the government and related institutions to provide support and guidance to culinary MSMEs in using fintech. These results are in accordance with the research of Raharjo et al (2019) which states that Financial Technology has an influence on the development of MSMEs

2) The Effect of Financial Literacy on the Sustainability of MSME Businesses

This study shows that financial literacy also has a positive and significant influence on business continuity in culinary MSMEs in Sumedang Regency. Financial literacy can help culinary MSMEs understand and manage their finances better, so they can improve their business performance and competitiveness.

With financial literacy, culinary MSMEs can understand and manage various aspects of finance, such as bookkeeping, budget planning, cash management, financial risk management, and business financing. This can help culinary MSMEs to make more informed financial decisions, as well as improve their ability to manage assets and debt better. In addition, financial literacy can also help culinary MSMEs in accessing better financial and investment resources. By understanding the various financial products available, culinary MSMEs can choose products that suit their business needs and obtain greater benefits from their investment.

However, there are still many culinary MSMEs that lack adequate financial literacy. This can hamper the growth and sustainability of their business. Therefore, it is important for culinary MSMEs to increase their financial literacy through training and financial education. The government and related institutions can also provide support in this regard, for example by providing training programs and financial guidance for culinary MSMEs. By increasing financial literacy, it is hoped that culinary MSMEs can gain greater benefits from the use of financial technology and improve the sustainability of their business. The results are in accordance with research conducted by Idawati & Pratama, (2020) which states that there is an influence between financial knowledge on business continuity.

5. CONCLUSION

Based on the aforementioned research findings, it can be concluded that Financial Technology has a positive and significant impact on the sustainability of MSME businesses, meaning that the higher the quality of financial regulatory services, digital payment services, and capital loans, the greater the level of MSME business continuity. Similarly, financial literacy has a considerable positive effect on the long-term viability of micro, small, and medium-sized enterprises (MSME). Therefore, the higher the level of financial literacy, the better the family's financial planning. This indicates that the greater the community's financial literacy, the greater the sustainability of MSME businesses owned by the community. The impact of Fintech and Financial Literacy on the sustainability of micro, small, and medium-sized enterprises is rated as Strong, at 82.3%.

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