

Does Literacy Affect Business Sustainability? Evidence from MSMEs

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Abstract: After the Covid-19 event, most MSMEs faced problems that impacted the sustainability of MSMEs businesses. The problems faced by most MSMEs include a decrease in asset value. Based on resource-based theory, companies can utilize strategic assets in the form of both tangible and intangible assets so that companies can compete. This study aims to examine the effect of intangible assets in the form of examining the effect of financial and digital literacy on business sustainability. This research is a type of causal-comparative quantitative research. The sample in this study used convenient sampling and obtained a sample of 54 MSMEs. Multiple regression analysis is used to analyze research data. The authors collect data through a questionnaire with a Likert scale of 1 to 7. The results show that financial literacy has a positive effect on business sustainability and digital literacy has no effect on business sustainability. This research provides implications for MSMEs to be able to optimize intangible assets in company management.

Keywords: Financial Literacy, Digital Literacy, Business Sustainability, Micro Small Medium Enterprise

Article Info:

Received: April 28th, 2023 | **Revised:** July 28th, 2023 | **Accepted:** August 10th, 2023

DOI: <https://doi.org/10.35129/ajar.v6i02.451>

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1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are one of the pillars of economic growth in a country. A strong MSME sector is crucial to building a solid industrial sector in the economy. Therefore, a growing and performing MSME is essential for stable and sustainable economic growth (Ye & Kulathunga, 2019). In Indonesia, based on data presented by the Coordinating Ministry for Economic Affairs, MSMEs have contributed 60.5% to GDP and 96.9% of total national employment in Indonesia (ekon.go.id). However, the last two years have been the most challenging years for MSMEs in Indonesia, given the Covid-19 pandemic that affected economic conditions in the community. From the results of a survey conducted during 2020-2021 by the United Nations Development Programme (UNDP) and the Ministry of Cooperatives and SMEs in Indonesia involving 1,180 respondents of MSME players, it was found that more than 48% of MSMEs experienced problems with raw materials, 77% of their income decreased, 88% of MSMEs experienced a decrease in product demand, and even 97% of MSMEs experienced a decline in asset value (Figure 1). On the other side, based on data from the Purbalingga Cooperatives and MSEs Office, in 2019-2020 there was a decrease in the number of MSMEs in five sub-districts, with a total decrease of 757 MSMEs from the initial data of 29,367 (purbalinggakab.bps.go.id). This indicates that there are MSMEs that are not guaranteed the sustainability of their business.

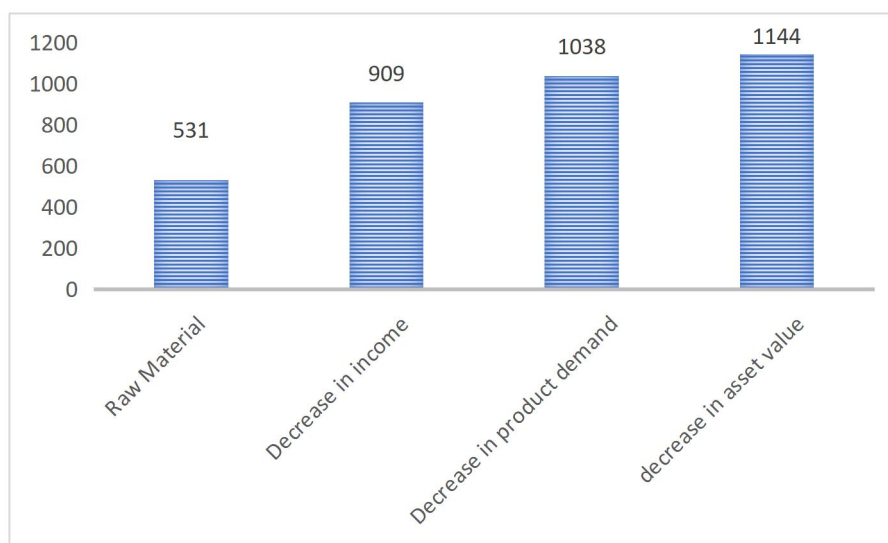


Figure 1.
Issues in MSMEs

Source: UNDP Survey with Ministry of Cooperative and SMEs result

Based on the problems MSMEs face, strategic steps are needed for business entrepreneurs to maintain their business sustainability. Business sustainability is a business that is oriented towards achieving long-term performance. This will be important in a business, considering that if a company needs to be managed correctly, the industry tends to move stagnant and undirected (Puspitaningtyas, 2017). On the other hand, MSMEs are considered slow in development when compared to large companies; this is due to several

conventional problems that are not entirely resolved, including issues with human resources, property rights, financing, marketing, and other problems related to business management (Abor & Quartey, 2010). Therefore, business actions are needed to maintain the sustainability of a business.

Based on resource-based theory, companies get competitive benefits and obtain optimal performance by owning, receiving, and being able to empower strategic assets owned by the company. These strategic assets can be tangible and intangible assets owned, developed, and assigned by the company to maintain a competitive strategy and bring profits to the company (Wernerfelt, 1984). Tangible assets such as land, buildings, and machinery are easy to obtain and easy to duplicate, therefore it will be difficult for companies to compete and maintain business continuity relying solely on tangible assets. Therefore, MSME entrepreneurs must be able to optimize their intangible assets, which can be knowledge, competencies, and skills. The competence in question is the ability possessed by someone to manage a business, in this case, MSMEs. These competencies include financial literacy and digital literacy. Aribawa (2016) explained that a factor that can affect business development is the knowledge of financial management owned by business entrepreneurs. Hussain et al. (2018) examined the contribution of knowledge resources to MSMEs' performance and concluded that knowledge resources, such as financial literacy and business experience, help MSMEs maintain their performance. The Financial Services Authority (OJK) defines financial literacy as improving the quality of decision-making and financial management to achieve prosperity through knowledge, skills, and beliefs used in one's attitude and behavior. A significant barrier to the sustainable growth of MSME performance in developing countries is the need for knowledge, skills, attitudes, and awareness to appropriately address and direct the organization's finances (Eniola & Entebang, 2015). Therefore, MSME actors need to gain financial literacy skills to avoid suboptimal financial management, which can threaten the sustainability of their business (Puspitaningtyas, 2017). Financial literacy is proven to affect the performance and sustainability of MSMEs (Hilmawati & Kusumaningtias, 2021; Rahayu & Musdholifah, 2017; Aribawa, 2016; Ye & Kulathunga, 2019; Ayu Rumini & Martadiani, 2020; Idawati & Pratama, 2020). It was also found that financial literacy positively affects the sustainability of creative MSMEs businesses in Central Java (Aribawa, 2016). However, some research results state that financial literacy does not contribute to the performance or sustainability of MSMEs businesses (Naufal & Purwanto, 2022).

Business sustainability is also closely related to improving the performance of a business. In the industrial era 4.0, where humans must keep up with technological developments, a digital-based business strategy will be needed to improve performance and maintain business sustainability. Today's high flow of information and technology requires business actors to have digital communication skills (digital literacy) and unlimited access (Edward et al., 2023). Furthermore, the conditions of the Covid-19 pandemic in the last two years and the imposition of restrictions on community activities have decreased sales levels in general and reduced the performance of MSMEs. This has become a starting point for MSME players to utilize technology as a medium to increase sales through digital marketing. Therefore, understanding digital literacy is important for MSME players so that the sustainability of their business can be guaranteed. Research on digital literacy's influence on business sustainability is minimal. Most research is related to digital literacy's effect on MSMEs' performance, such as

research conducted by Kurniasih et al. (2021), Kusuma Hastuti (2021), Rosa et al. (2022), and Suryani et al. (2022) found that digital literacy has a positive effect on MSMEs performance. In contrast to previous findings, Fitriasari et al. (2021) found that digital literacy has no impact on the performance of MSMEs.

Based on the above, this study aims to analyze the effect of financial literacy and digital literacy on business sustainability with MSMEs research subjects. This research contributes to providing new insights into the literature related to financial literacy and digital literacy on the business sustainability of MSMEs. In addition, researchers have yet to find research related to the effect of digital literacy on business sustainability, and most studies focus on the performance of MSMEs. According to the researcher's observations, this is the first study to test the impact of digital literacy on business sustainability.

2. LITERATURE REVIEW

Literature Review

Resource Based Theory

Resource based theory is a theory that describes that companies can get competitive benefits and obtain optimal performance by owning, acquiring, and empowering strategic assets owned by the company. These strategic assets can be tangible and intangible assets held, developed, and assigned by the company to maintain a competitive strategy and bring profits to the company (Wernerfelt, 1984). Tangible assets such as land, buildings, and machinery are easy to obtain and duplicate. Therefore, it will be difficult for companies to compete and maintain business continuity by only relying on tangible assets alone. Therefore, a business must also be able to utilize intangible assets to be able to compete and ensure the sustainability of its business. An example of an intangible asset is the competence possessed by someone in managing a business, in this case, MSMEs. Competence is a significant factor for MSMEs; with the availability of infrastructure and supporting competencies, the goal of improving MSMEs business performance is easier to achieve (Edward et al., 2023). These competencies include financial literacy and digital literacy. Through a good understanding of economic and digital literacy, it is expected to maintain the business sustainability of MSME entrepreneurs.

Business Sustainability

Business Sustainability is a concept where a business continues to exist or run in the future (Puspitaningtyas, 2017). A corporation's business sustainability can be seen in innovation, employee management, customers, and returns on the initial capital spent (Aribawa, 2016). Furthermore, Fatoki (2014) argues that business growth and how it is measured are usually interpreted and measured through absolute or relative measurements, positive changes in sales, assets, management, productivity, and profits generated. Wickham (2006) states that measuring the success of MSMEs can be seen from financial, strategic, structural, and organizational growth indicators.

Financial Literacy

The Financial Services Authority (OJK) defines financial literacy as a quality improvement in decision-making and managing finances to achieve prosperity through knowledge, skills, and beliefs applied in attitudes and behaviors. MSMEs owners or managers who are aware of financial literacy will know what financing decisions are most suitable for business performance at various stages of growth and where to get appropriate financial products and services. They can interact with confidence and financial services (USAID, 2009). Eniola & Entebang (2015) define financial literacy as how companies manage and strategize financial knowledge that significantly affects behavior, awareness, and attitudes regarding healthy decision-making and ultimately achieving organizational performance. Furthermore, Fatoki (2014) defines financial literacy as a person's ability and confidence in making financial decisions and measuring financial literacy in micro-businesses can be done through indicators of (1) financial planning, analysis, and control; (2) bookkeeping; (3) understanding of funding sources; (4) business terminology; (5) financial and information skills; (6) use of technology; and (7) risk management.

Hypothesis Development

Financial Literacy and Business Sustainability

According to resource-based theory, competitive advantage and firm performance depend on tangible and intangible resources (Wernerfelt, 1984). Companies that can optimize strategic assets in the form of tangible and intangible resources will be able to compete and be able to bring profits to the company. Creating a competitive advantage requires a variety of resources and a broad knowledge base (Conner, K. R., & Prahalad, C. K., 1996). One example of a knowledge-based resource is financial literacy. Financial literacy is a person's ability and confidence in making financial decisions (Fatoki, 2014). According to Ye & Kulathunga, (2019), financial literacy is a source of knowledge that can determine the sustainability of an MSME. Therefore, financial literacy plays an important role in the value creation process of MSMEs that leads to sustainable business.

Several studies find that financial literacy has a positive effect on business sustainability. Research conducted by Ye & Kulathunga (2019) resulted in a positive effect of financial literacy on sustainability, both tested directly and mediated through variables of access to finance and financial risk. Aribawa (2016) found that financial literacy influences business performance and sustainability in creative MSMEs in Central Java. Some studies found that financial literacy has a positive effect on business sustainability (Ayu Rumini & Martadiani, 2020; Hilmawati & Kusumaningtias, 2021; Idawati & Pratama, 2020; Kusuma Hastuti, 2021; Rahayu & Musdholifah, 2017). Therefore, based on the above arguments, the researcher proposes the first hypothesis:

H1: Financial literacy has a positive effect on business sustainability.

Digital Literacy and Business Sustainability

It has been explained earlier that according to the Resource Based Theory, the company will have a competitive advantage if it can process and utilize its resources optimally. Competitive advantage can be achieved by developing resources owned by the company in the form of tangible and intangible resources. Intangible resources are unique resources that are difficult for competitors to imitate, for example, knowledge and competence. Digital literacy is one form of competence possessed by a person. Digital literacy, in general, is the concept of how a person can access, manage, understand, communicate, and evaluate information effectively and appropriately through digital technology (UNESCO, 2018). In the current industrial 4.0 era, almost all aspects of life have shifted from manual to technology-based systems. Therefore, technology has an essential role in life, not least in the business world. Many MSMEs have digitized their businesses to adapt to market conditions and maintain their existence in business competition. There are many benefits obtained from digitizing MSMEs, including expanding marketing reach and facilitating transactions so that the time and costs used can be effective and efficient. This will indirectly impact increasing revenue, and business continuity can be maintained. Therefore, business actors need to have digital literacy skills to be able to develop their businesses and have the opportunity to compete with other competitors.

Only some studies examine the influence between digital literacy and business sustainability in MSMEs. Most research focuses on the effect of digital literacy on MSMEs performance. However, performance can also be used as an indicator of business sustainability. Studies conducted by Edward et al. (2023), Kurniasih et al. (2021), and Kusuma Hastuti, (2021) found that digital literacy has a positive effect on MSMEs performance. Furthermore, (Rosa et al., 2022) also found that digital literacy significantly positively affects MSMEs turnover in the culinary sector. Suryani et al. (2022) examined the direct and indirect effects of digital literacy on MSMEs performance and found that both directly and mediated through offline to online adoption had a positive impact. Digital literacy is also proven to positively influence the return on assets and the growth of MSMEs (Fauzi et al., 2020). Based on this, the researcher proposes the second hypothesis as follows:

H2: Digital literacy has a positive effect on business sustainability.

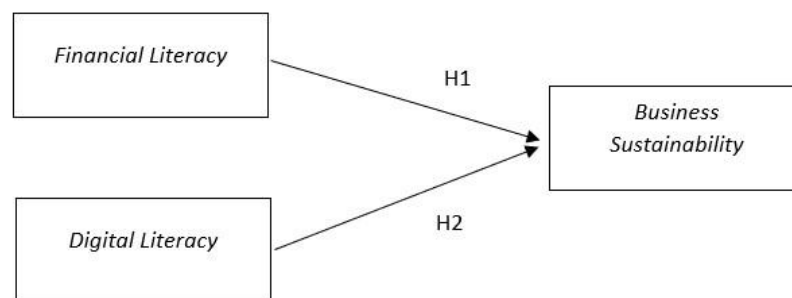


Figure 2.
Research Model

3. RESEARCH METHOD

Research Design, Population, and Sample

This research is quantitative, with the type of data used as primary data. Owners or managers of MSMEs in the Purbalingga area are the objects of this research. Based on data from the Cooperatives and SMEs Office, the number of MSMEs in Purbalingga is 1,708, which is the population in this study. A convenient sampling technique determined the research sample. Data were obtained from 61 MSME owners or managers. However, 7 data were excluded from the analysis because the data needed to be completed and validated, so the final sample amounted to 54.

From Table 1 can be seen that the sector distribution of MSMEs participating in this study is 11.11% from the service sector, 53.70% from the trade sector, and 35.19% from the manufacturing sector. More than half (87.04%) had between 1 and 4 employees and less than a third of the sample (12.96%) had 5-19 employees. Half of the sample (53.70%) had been operating between 1 to 5 years, 31.48% had been running for 6-10 years, and 14.81% had been working for more than ten years. Then, as seen from the monthly turnover, 77.78% of the operating MSMEs have a turnover of <Rp25,000,000, and 22.22% have a turnover of Rp25,000,000 to Rp250,000,000.

Table 1. Respondent Profile

Description	Amount	Percentage
Gender		
Male	10	18.52%
Female	44	81.48%
	54	
Age		
19-29 years old	13	24.07%
30-39 years old	34	62.96%
40-49 years old	7	12.96%
	54	
Business Sector		
Services	6	11.11%
Trade	29	53.70%
Manufacture	19	35.19%
	54	
Number of Employees		
1-4	47	87.04%
5-19	7	12.96%
	54	
Length of Business		
1-5 years	29	53.70%
6 - 10 years	17	31.48%
> 10 years	8	14.81%
	54	
Turnover per Month		
< Rp25.000.000	42	77.78%

Rp25.000.000 - Rp250.000.000	12	22.22%
	54	

Source: Questionnaire Data Processing (2023)

Operational Definition and Measurement of Variables

This study uses business sustainability as the dependent variable, and financial literacy and digital literacy as independent variables. Data on dependent and independent variables were obtained through questionnaires aimed at business managers. The business sustainability referred to in this study is the business sustainability of an MSMEs where all objects in this study are individual companies managed by private individuals. Therefore, we measure business sustainability through data obtained from managers as well as business owners. Business sustainability is measured by adopting indicators from Wickham (2006), including financial, strategic, structural, and organizational growth.

Financial literacy in this study adopts the definition of Fatoki (2014), which states that financial literacy is a person's ability and confidence in making financial decisions which can be measured through several indicators such as (1) financial planning, analysis, and control, (2) bookkeeping, (3) understanding of funding sources, (4) business terminology. While the digital literacy variable in this study is the ability to access, manage, understand, integrate, communicate, evaluate, and create information safely and appropriately through digital technology for decent work and entrepreneurship. Measurement of digital literacy variables based on indicators published by UNESCO (2018) in A Global Framework of Reference on Digital Literacy with indicators including (1) information and data literacy, including aspects of critical thinking, (2) communication and collaboration, in this case measuring communication skills and ethics in technology, (3) security, including personal security and device security, (4) technological capabilities, namely the ability to use technology. In general, the operational definitions are presented in Table 2 and the detailed measurements used are presented in Appendix 1.

The data in this study were obtained from questionnaires distributed to respondents via Google Forms. Measurement refers to a Likert scale from 1 to 7 with labels. Point 1 for label strongly disagree, point 2 for label disagree, point 3 for label somewhat disagree, point 4 for label neutral, point 5 for label somewhat agree, point 6 for label agree, and point 7 for label strongly agree. Consideration of giving a scale of 1 to 7 is based on research conducted by Eutsler & Lang (2015) on rating scales in accounting research which found that the use of a 7-point scale labeled effectively minimizes response bias, maximizes variance, maximizes power, and minimizes errors.

Data Analysis Technique

We used multiple regression analysis to test the hypotheses. SPSS 25 was used as the statistical software for processing the research data. Business sustainability is the dependent variable, while financial literacy and digital literacy are the independent variables. The equation model can be written as follows:

$$\text{BusSustit} = \alpha + \beta_1 \text{FinLitit} + \beta_2 \text{DigLit} + \epsilon_{it} \dots \dots \dots (1)$$

Table 2. Summary of Variable Measurement

Variable	Definition	Source
<i>Financial Literacy</i>	- Financial planning, control, and analysis - Bookkeeping - Understanding of funding sources - Business terminology	Fatoki (2014)
<i>Digital Literacy</i>	- Information and data literacy - Communication and Collaboration - Security - Technology capability	UNESCO (2018)
<i>Business Sustainability</i>	- Financial growth - Strategic growth - Structural growth - Organizational growth	Wickham (2006)

4. RESULTS AND DISCUSSION

Descriptive Statistic

Table 3 presents the descriptive statistics of the 54 respondents. The average results of the Business Sustainability variable questionnaire were obtained at 35.6667. The minimum value of Business Sustainability was 20.00, and the maximum value was 49.00, which was categorized as included in a reasonably good deal. Therefore, it can be said that the business sustainability of MSMEs, which includes financial, strategic, structural, and organizational growth, is quite good. Meanwhile, the average financial literacy is 58.1852, where the minimum value of financial literacy is 37.00, and the maximum value is 70.00, so it can be said that the MSMEs in this study have a reasonably good level of financial literacy.

Furthermore, the digital literacy variable has an average value of 73.0741, with the lowest value of 53.00 and the highest of 86.00. Thus, it can be said that the digital literacy of MSMEs is in a suitable category. This can be because most respondents are less than 40 years old, so respondents can be said to be digitally literate. Therefore, the average score for digital literacy is good. All variables generally have a more remarkable average value (mean) than the standard deviation value. This indicates that these variables have a small distribution, so data deviations do not spread widely.

Table 3. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
FinLit	54	37.00	70.00	58.1852	7.2764
DigLit	54	53.00	86.00	73.0741	7.9737
BusSust	54	20.00	49.00	35.6667	6.7377
Valid N (listwise)	54				

Source: SPSS Data Processing (2023)

Validity and Reliability Test Results

The validity test is used to test the instrument used in the study and whether it can be used to measure what you want. The tool is valid if the significance value is less than 0.05. Based on the validity test results, all instruments are declared valid because the significance value of all tools is below 0.05 (Appendix 1). A reliability test is a way to measure a questionnaire consisting of indicators of a variable or construct. The questionnaire can be reliable if respondents' answers regarding the questions given are stable or consistent over time. A research instrument is considered reliable if its Cronbach's Alpha value is > 0.70. Based on Table 4, it can be stated that all instruments in this study are reliable.

Table 4. Reliability Test

	Cronbach's Alpha	Number of Items	Description
FinLit	0.771	10.00	Reliable
DigLit	0.751	13.00	Reliable
BusSust	0.835	7.00	Reliable

Source: SPSS Data Processing (2023)

Classical Assumption Test Result

Normality Test

Table 5 shows that the data is normally distributed, where the significance value measured using the Kolmogorov-Smirnov model produces a value of 0.200, greater than 0.05. Therefore, the data can be said to be normal.

Table 5. Normality Test Result

Variable	N	Kolmogorof-Smirnov	Mean Square
		Statistic	Sig
Unstandardized Residual	54	0.059	0.200

Source: SPSS Data Processing (2023)

Multicollinearity Test

The multicollinearity test tests whether there is a relationship between independent variables. Data is said not to occur multicollinearity if the tolerance value is above 0.1 and the VIF value is below 10. Based on Table 6, both financial and digital literacy have a tolerance value of 0.741 and a value of 1.349. Therefore, it can be concluded that there is no multicollinearity.

Table 6. Multicollinearity Test Result

Variable	t	Sig.	Tolerance	VIF	Description
(Constant)	0.134	0.894			
FinLit	3.105	0.003	0.741	1.349	No multicollinearity
DigLit	1.403	0.167	0.741	1.349	No multicollinearity

Source: SPSS Data Processing (2023)

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is a deviation from heteroscedasticity, namely the existence of an inequality of residuals for all observations in the regression model. Heteroscedasticity can be detected on the scatterplot diagram. If the dot on the chart spreads irregularly, scatters randomly, and is not patterned, then there is no heteroscedasticity. Based on Figure 2, it can be said that there are no symptoms of heteroscedasticity.

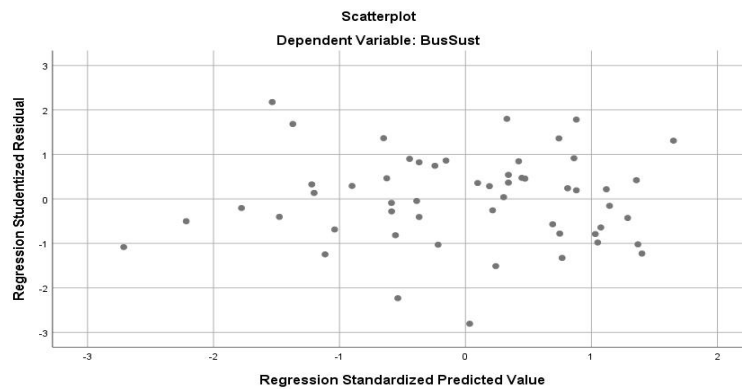


Figure 2.
Scatterplot Diagram

The Goodness of Fit Test

Based on the results of the F test (Table 7), it is known that the significance value is smaller than 0.05, which is 0.000. Thus, it can be concluded that the multiple regression model in this study is feasible to use. In addition, it can be said that the independent variables of financial literacy and digital literacy can be used to predict the dependent variable of business sustainability.

Table 7. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	716.894	2	358.447	10.823	.000 ^b
	Residual	1.689.106	51	33.120		
	Total	2.406.000	53			

a. Dependent Variable: BusSust

b. Predictors: (Constant), DigLit, FinLit

Source: SPSS Data Processing (2023)

Hypothesis Test Result

Table 8 shows the result of the sig. value for financial literacy of 0.003, which is smaller than 0.05. Therefore, H1 is supported. Digital literacy has a sig. value greater than 0.05, which is 0.167. These results indicate that H₂ is not supported. This result shows that financial literacy affects business sustainability while digital literacy does not affect business sustainability.

Table 8. Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.061	7.904		0.134	0.894
	FinLit	0.392	0.126	0.423	3.105	0.003
	DigLit	0.162	0.115	0,191	1.403	0.167

a. Dependent Variable: BusSust

Source: SPSS Data Processing (2023)

Based on the table above, a regression model can be obtained with the equation $Y = 1.061 + 0.392\text{FinLit} + 0.162\text{DigLit}$. These results show that if the financial literacy variable increases by one unit, it will increase the value of business sustainability by 0.392. Likewise, with digital literacy, if the variable increases by one unit, the business sustainability value will increase by 0.162.

Furthermore, Table 9 shows that the business sustainability variable can be explained by 29.8% of the financial and digital literacy variables. In comparison, 70.2% is explained by other variables which are not examined in this study.

Table 9. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.546 ^a	0.298	0.27	5.755

Source: SPSS Data Processing (2023)

Discussion

The Effect of Financial Literacy on Business Sustainability

Empirical evidence from our research shows the influence of financial literacy on business sustainability. The findings of this study are in line with the resources based theory where companies will get competitive benefits and obtain optimal performance by owning, obtaining, and being able to empower strategic assets owned by the company. One of them is intangible assets in the form of competencies, in this case, financial literacy. Financial literacy is a person's ability and confidence in making financial decisions. Financial literacy can also be said to be a company strategy in managing and structuring finances that significantly affects the behavior, awareness, and attitudes of decision-makers, regarding healthy decision-making and ultimately achieving organizational performance. Knowledge of the financial literacy of a person who can manage a business, in this case, MSMEs, can be seen from the aspect of how business managers carry out financial planning, bookkeeping, understanding of funding sources, and understanding of business terminology. MSME managers who have good financial literacy skills can carry out financial planning, be able to evaluate, and make business and financial decisions that can be used for better development from time to time. Therefore, business managers who have good financial literacy skills can ensure business sustainability. The better the financial literacy possessed by MSME managers, the more guaranteed the business continuity of these MSMEs. This means that financial literacy is an important competency that

must be possessed by MSME actors. The results of this study are also in line with the findings conducted by Hilmawati & Kusumaningtias (2021), Idawati & Pratama (2020), Ayu Rumini & Martadiani (2020), Rahayu & Musdholifah (2017), who found that financial literacy has a positive effect on business sustainability.

The Effect of Digital Literacy on Business Sustainability

The findings of this study found that Digital Literacy does not affect business sustainability. This finding is not in line with the resources-based theory, which states that companies that own and utilize resources optimally can have a competitive advantage that will ultimately affect business continuity. These resources include intangible resources in the form of knowledge and competencies. Digital literacy is a competency a person has to access, manage, understand, integrate, communicate, evaluate, and create information safely and appropriately through digital technology for work and entrepreneurial purposes. In this study, digital literacy does not affect business continuity because the sample of MSME actors in this study has not specifically raised the provision that these MSMEs have used digital media as their promotional media. This can be seen from the respondent's profile (table 1), almost most of the respondents in this study are micro businesses, which may not use digital devices for both operations and promotional media. Therefore, it is possible that MSME actors in this study already have regular customers that can guarantee the sustainability of their business without having to have digital literacy skills. In addition, the number of samples in this study is still very limited compared to the total research population, therefore the results in this study may be different if further research is carried out with a larger number of samples and different regions. This finding supports research conducted by Fitriasaki et al. (2021) which found that digital literacy does not affect the performance of MSMEs due to the inadequate technological readiness of MSMEs and MSME players rely more on their experience than on the use of digital media to conduct their business.

5. CONCLUSION

This study aims to determine the effect of financial and digital literacy on business sustainability in MSMEs in the Purbalingga Regency. The results of this study find that there is an influence between financial literacy on business sustainability, and digital literacy does not affect business sustainability. This research implies that academics need to be concerned about providing knowledge related to financial literacy to MSMEs, considering that currently, there is very little knowledge possessed by MSMEs to do bookkeeping for their businesses. When MSMEs actors have adequate knowledge related to finance, this will ensure their business sustainability. MSMEs actors can have the ability to plan, evaluate, and do bookkeeping for their businesses. The limitations of this study and suggestions for further research are first, the number of samples is minimal because some respondents prefer to complete the questionnaire. Therefore, further analysis can increase the number of samples to improve the results. Second, in future studies for digital literacy variables, samples are needed with the criteria of respondents who have utilized digital devices as a promotional medium so that different results are expected to be obtained. Third, when viewed from the perspective of the coefficient of determination, which is relatively low, other independent variables may affect the dependent variable.

Therefore, future research can replace and add other variables not discussed in this study.

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**Appendix 1
Instrument Validity Test**

Variable	Indicator	Statement	Pearson Correlation	Sig (2-tailed)	Description
Financial Literacy	FinLit01	Have financial achievement target for the business being managed	.567**	0,000	Valid
	FinLit02	Planning business income and expenses	.674**	0,000	Valid
	FinLit03	Evaluate the plan and realization of business income and expenses	.729**	0,000	Valid
	FinLit04	Recording business income	.602**	0,000	Valid
	FinLit05	Recording business costs or expenses	.671**	0,000	Valid
	FinLit06	Make financial records such as cash books, and financial statements.	.486**	0,000	Valid
	FinLit07	Knowing business profit or loss	.569**	0,000	Valid
	FinLit08	Have a special account for the business being managed	.689**	0,000	Valid
	FinLit09	Understand what savings, loans, investments, taxes, investments, and business plans are	.545**	0,000	Valid
	FinLit10	Know the tax rate for the business managed	.480**	0,000	Valid
Digital Literacy	DigLit01	Able to access data, information, and content in digital media	.505**	0,000	Valid
	DigLit02	Able to filter data, information, and content as needed	.523**	0,000	Valid
	DigLit03	Have the ability to store data, information, and content in digital media	.509**	0,000	Valid
	DigLit04	Accustomed to finding out the truth of information found on the web	.531**	0,000	Valid
	DigLit05	Able to interact through various digital technology communication devices	.522**	0,000	Valid
	DigLit06	Accustomed to writing comments or opinions with polite	.553**	0,000	Valid
	DigLit07	Accustomed to listing/asking permission when including works, photos, writings, or images	.429**	0,001	Valid
	DigLit08	Able to manage who can access your content on social media	.568**	0,000	Valid
	DigLit09	Able to recognize and report abuse on social media	.620**	0,000	Valid
	DigLit10	Use different passwords for several social media accounts or applications	.530**	0,000	Valid
	DigLit11	Able to back up or save data	.468**	0,000	Valid
	DigLit12	Using certain applications to create content in the business	.631**	0,000	Valid
	DigLit13	Utilize more than one social media for business promotion media	.714**	0,000	Valid
Business Sustainability	BusSust01	There is an increase in cash from the business managed in each period	.631**	0,000	Valid
	BusSust02	There is an increase in the turnover of the business managed in each period	.675**	0,000	Valid
	BusSust03	There is an increase in assets of the business managed in each period	.663**	0,000	Valid
	BusSust04	There is an increase in profit from the business managed in each period	.816**	0,000	Valid
	BusSust05	There is an increase in the number of employees who help in the managed business	.765**	0,000	Valid
	BusSust06	There is an increase in the number of agents/resellers/store branches of the managed business	.716**	0,000	Valid
	BusSust07	There is an increase in products produced/goods sold in the managed business	.775**	0,000	Valid