



Relationship of Financial Literacy and Financial Performance to Business Sustainability: Study on MSMEs in Denpasar City



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Article history:

Submitted: 09 April 2022

Revised: 18 May 2022

Accepted: 27 June 2022

Keywords:

business sustainability;

financial literacy;

financial performance;

MSMEs;

structural equation model (SEM);

Abstract

This research is associative quantitative research conducted in Denpasar City. Data consisted of 101 samples, collected by distributing questionnaires. The analysis technique was Structural Equation Model (SEM) by using SmartPLS software. The result showed that financial literacy had a positive and significant effect on the financial performance of MSMEs, financial literacy had a positive and significant effect on the sustainability of MSMEs in Denpasar City, and MSMEs financial performance had a positive and significant effect on the sustainability of MSMEs in Denpasar. This research is expected to be empirical evidence for future research and be able to develop financial management science related to Theory of Planned Behavior, especially financial literacy. The result of the study expressed that financial literacy has an important role for every individual and MSMEs's subject in order to provide an understanding of finance and in order to improve financial performance to remain stable and have a business sustainability.

International research journal of management, IT and social sciences © 2022.

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1 Introduction

Micro, small and medium enterprises or MSMEs are the main pillars of the Indonesian economy. It refers how the capacity of MSMEs is very dominant in Indonesia's economic growth. Additionally, MSMEs's empowerment is a certain important to put effort to increase Indonesia's economic growth (Humaira & Sagoro, 2018). MSMEs's development more and more refers a more dynamic structure by obtaining products that able to compete on creative economic (Susanti & Ardyan, 2019). Business activities carried out by an MSMEs are not simply to obtain maximum profit, but are also directed at efforts to maintain and develop the business that its business activities can work gradually. This ongoing and sustainable business activity occurs as a result of business. Business sustainability often coincides with the success of a business, that MSMEs's subject require the right decision-making time to run their business in order to survive in the long term. Therefore, MSMEs's subject require to accurate financial reports which are a reflection of financial performance as important things in decision-making. Efforts to improve financial performance and MSMEs are expected to take advantage of the long term, required with the knowledge and skills of MSMEs actors by regarding financial management. It is conducted in order for MSMEs actors can call to account their finances in a better, systematic, and well-ordered (Sun et al., 2018; Chopra et al., 2021).

In the year 2020 the world was being rocked by a deadly virus. This deadly virus is called COVID-19 (Corona Virus Disease 2019) and was first discovered in the city of Wuhan, China at the end of December 2019. This virus spreads very quickly and has spread to almost all countries, including Indonesia. The COVID-19 pandemic has had an impact on the economic sector. The economic crisis that occurred greatly affected business people, namely MSMEs. MSMEs becomes to be the most devastated part and affected by existence the COVID-19 in Indonesia (Thaha, 2020). On average, MSMEs affected by COVID-19 are engaged in daily necessities. Based on data from the Denpasar City MSMEs Cooperative Service, which is data on the classification of MSMEs throughout Denpasar City by District in 2020, consisting of the micro sector as many as 30,752 businesses, the small sector as many as 881 businesses, and the medium sector as many as 593 businesses (Tomášková et al., 2011; Chen & Volpe, 1998). Preliminary research was conducted by interviewing 5 MSMEs's subject in the medium sector. The reason for choosing the medium sector MSMEs was that it has better management with a clear division of tasks in the production, finance, and marketing divisions compared to small or micro businesses. The average explanation of how the impact of the COVID-19 pandemic has on financial performance and business sustainability is that the MSMEs business experienced a decline in sales, lack of capital, and hampered distribution. Declining in business sales has certainly resulted in a decrease in the income of MSMEs's subject because the customers are decreasing every day during the pandemic. The daily income of MSMEs decreased which caused the financial performance of MSMEs to decline too (Horváthová, 2010; Chi & Gursoy, 2009).

The development of MSMEs cannot be separated from various cases and obstacle in managing MSMEs is has triggered of lack of the experience in managing MSMEs's financial (Nisa et al., 2020). Another problem faced by several MSMEs concerns financial understanding. Understanding finance in the world of economics is known as financial literacy. The proportion of the sector's subject in MSMEs is crucial for understanding and having the knowledge of the financial literacy (Kusuma et al., 2022). The financial literacy in MSMEs is not the only comprehension of financial, however, it is regarding the comprehension of MSMEs's subject over with managing its business finance (Ardila et al., 2021). Based on survey conducted by Otoritas Jasa Keuangan (OJK) (2013) that occur 4 (four) levels of Indonesian population finance literacy, namely (1) well literate in the amount of 21.84 percent, to wit having knowledge and knowing benefit from financial services institution as well as having skills to use financial product; (2) sufficient literate as big as 75.69 percent, specifically having knowledge and knowing benefit from financial services institution; (3) less literate as big as 2.06 percent, specifically only having knowledge about financial services institution.; and (4) not literate as big as 0.41 percent, specifically don't not have knowledge and credibility towards financial services institution. Therefore, lack of knowledge will be affected low financial literacy will decrease with making well to use of various financial sector as the essential. More data sourced from OJK in 2019, it can be seen that the financial literacy index reached 38.03 percent. This figure is an increase compared to the results of the OJK survey in 2016, namely for the financial literacy index of 29.7 percent, or in the last 3 years, there has been an increase in financial understanding (literacy), by the public, which is 8.33 percent. Based on elucidation above financial literacy focus to the behaviour of MSMEs's subjects, so the theory chosen is behavioral theory. The theory of behavior in question is the Theory of Planned Behavior. The theory of planned behavior is a social theory that predicts human behavior. According to Ajzen (2005), the central factor of individual behavior is that the behavior is influenced by the individual's intention (behavior intention) towards that particular behavior. The Theory of Planned Behavior is suitable

for describing any behavior that requires planning. For example, the behavior of MSMEs actors who require planning in their field of business. The relationship of this research with behavioral theory explains how to choose actions that can maximize utility or that can satisfy the wants and needs of MSMEs actors or in other words maximize profits and minimize costs in the MSMEs business (Vásquez et al., 2021; Raut et al., 2017).

Eniola & Entebang (2015), expressed that financial literacy is the ability to adequately monitor financial resources throughout the life cycle and connect them effectively to financial products and services. Financial literacy can affect a person's way of thinking about the financial condition of MSMEs and strategically in making financial decisions, so that business owners can manage finances well. Good financial management skills are required by MSMEs or to improve their business performance (Satiti, 2020). Financial literacy has three components, namely financial knowledge is the knowledge or basic knowledge of individuals in determining financial decision-making, financial attitude is the attitude or state of mind of individuals in determining financial decision-making, and financial behavior is individual behavior towards financial management. These three components can help determine the level of financial understanding of MSMEs actors on financial performance MSMEs and sustainability MSMEs (Xiong et al., 2015; Hsu et al., 2012).

This research with previous empirical studies is to discover the condition or development of financial performance and business sustainability during the COVID-19 pandemic for MSMEs's subject with three components of financial literacy. Lack of understanding of financial will be compounded MSMEs's subject in doing good management especially in managing its direct financial as well as indirect will be affected towards financial performance and the sustainability of the MSMEs. In this study, financial literacy (financial attitude, financial behavior, and financial knowledge) and financial performance of MSMEs will be used as independent variables, sustainability of MSMEs as the dependent variable. Not all MSMEs actors know and understand financial literacy clearly and in detail, for this reason, research will be carried out on the influence of financial literacy, financial performance MSMEs, and sustainability MSMEs. Accordingly, the author took the title "Relationship of Financial Literacy and Financial Performance to Business Sustainability (Study on MSMEs in Denpasar City)".

Literature Review

Theory of Planned Behavior

Theory of Planned Behavior is a certain concept that able giving benefits which are related with its facility social behaviour (Ajzen, 2005). Theory of Planned Behavior having a basis on the assumption that humans behave by taking into account the available information and explicitly or implicitly considering the consequences of their actions. According to Ajzen (2005), through Theory of Planned Behavior that founded, explaining that intention is the function of the three basic determinants, specifically:

- 1) Attitude toward the behavior, is individual conviction in fruit of a behaviour and evaluation on that result.
- 2) Subjective norm, specifically conviction about normative expectations of others and motivation for qualifying that expectation.
- 3) Perceived behavioral control, is conviction about existence of things which support or obstruct the behaviour that will be indicated and its perceived power and obstructing its behavior.

Financial Literacy

Financial Services Authority Regulation Number 76 Year 2016 define that financial literacy is knowledge, skill and confidence that affect attitude and behaviour for increasing the quality of decision-making and managing the financial in order to achieve prosperity. Kharchenko (2011), expresses that financial literacy is the necessary numerical skills and an understanding of the basic economic concepts required to educate in saving and borrowing decisions. According to Kharchenko (2011), there is two approaches for measuring financial literacy:

- 1) Self-assessment
First approach, respondents were asked for evaluating their literacy skills by providing information about their attitudes towards financial decisions, knowledge, and information.
- 2) Objective measures like test score

Second approach, in measuring financial literacy depending on objective test which assessing knowledge financial knowledge from respondent, understanding various financial concepts and ability for applying skills of numeric in specific circumstances that associated with financial.

Financial literacy has various components for measuring a person's level of financial literacy, according to his definition there are some components financial literation:

- 1) Financial Attitude
Financial attitude related to financial literacy destination and preparation of personal financial plans. Attitude finance is the application of financial principles to create and maintain value through appropriate decision making and resource management (Humaira & Sagoro, 2018).
- 2) Financial Behavior
According to Fridayani & Sadewo (2018), expresses that financial behaviour is aspects that affect a person's behavior in managing their finance. Safryani (2020) expresses financial behaviour is a form of incorporation of aspects of financial ability and one's psychological ability in managing and utilizing financial resources as a basis for making decisions for daily needs and financial planning in the future, or business activities owned.
- 3) Financial Knowledge
According to Damayanti et al. (2018) refers that financial knowledge is understanding of basic financial concepts about how the performance and bisnis condition which measured soul who can be facilitated, support or enrich according to the decision. Financial knowledge is management knowledge in managing finances for MSMEs that are run (Nisa et al., 2020).

Financial Performance MSMEs

Financial performance is the financial condition MSMEs at the certain period that interrelated with the good and bad financial condition and work performance achieved by MSMEs to reflect the health level of MSMEs. MSMEs financial performance is the level of achievement of an MSMEs within a certain period of time (Anik Puspa Ningsih et al., 2015).

Sustainability MSMEs

Business sustainability means that the business that is run will continue to operate or develop for the long term. The business sustainability of an MSMEs can be known by looking at the level of success of a business in innovating, realizing the welfare of employees and customers, and regarding the return on equity of its business (Hilmawati & Kusumaningtias, 2021).

2 Research Methods

This research is explanatory research that aims to examine causality between variables that explain a certain phenomenon. The event that will be the object of research can be in the form of financial literacy levels (covering financial attitude, financial behavior, financial knowledge) on financial performance, and business sustainability of MSMEs's subject by conducting direct interviews using questionnaires with MSMEs's subject in Denpasar City which can affect financial literacy level so that MSMEs's subject understand financial understanding during this pandemic. The conceptual framework and hypotheses in this study are as follows,

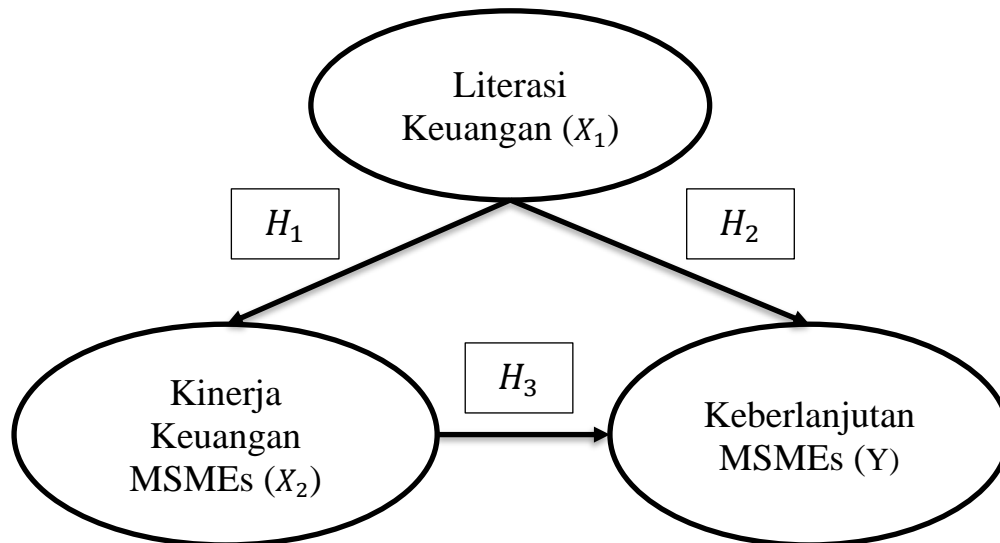


Figure 1. Conceptual Framework

H_1 : Financial literacy has a positive and significant effect on the financial performance of Denpasar City MSMEs

H_2 : Financial literacy has a positive and significant effect on the sustainability of MSMEs in Denpasar City

H_3 : Financial performance MSMEs has a positive and significant impact on the sustainability of MSMEs in Denpasar City

This research was conducted at the Denpasar City MSMEs Cooperative Service with respondents from Denpasar City MSMEs's subject. The research was conducted from October 2021 to Juni 2022. In this study, the independent variables are financial literacy (X_1), (financial attitude, financial behavior, and financial knowledge), and MSMEs financial performance (X_2). Meanwhile, in this research, the dependent variable is the sustainability of MSMEs (Y) in Denpasar City. In more detail the operationalization of variables in this study are as follows: 1. Financial Literacy (X_1) includes three dimensions

1) Financial Attitude

Financial attitude is an attitude related to financial goals and the preparation of a personal financial plan for an MSMEs's subject (ordinal scale). Financial attitude is measured by indicators that adopt research by (Humaira & Sagoro, 2018). The indicators in this variable are as follows:

- a. Personal finance orientation
- b. Debt philosophy
- c. Money safety
- d. Assess personal finance

2) Financial Behavior

Financial Behaviour is the principles of an MSMEs's subject that influences a behavior in managing their finances (ordinal scale). Financial behavior is measured by indicators that adopt the research of Safryani et al. (2020). The indicators in this variable are as follows:

- a. Financial planning
- b. Financial budgeting
- c. Financial management
- d. Financial storage

3) Financial Knowledge

Financial knowledge is an understanding of basic financial concepts about how the performance and business conditions of an MSMEs's subject (ordinal scale). Financial knowledge is measured by indicators that adopt the research of Nisa et al. (2020). The indicators in this variable are as follows:

- a. Knowledge of financial management (Money Management)
- b. Knowledge of credit (Credit Management)

- c. Knowledge of money and assets (Saving Management)
 - d. Knowledge of investment (Investment Management)
 - e. Knowledge of risk management (Risk Management)
- 4) Financial Performance MSMEs (X_2)
- Financial performance MSMEs is the ability of MSMEs's subject to achieve or get a profit level with the business capital used (ordinal scale). Financial performance MSMEs is measured by indicators that adopt research by [Anik Puspa Ningsih et al. \(2015\)](#). The indicators in this variable are as follows:
- a. Sales volume growth
 - b. Profit growth
 - c. Asset growth
- 5) Sustainability MSMEs (Y)
- Sustainability MSMEs is the ability of an MSMEs to achieve business goals and increase long-term value consistently and steadily (ordinal scale). Sustainability MSMEs is measured by indicators that adopt the research of [Hilmawati & Kusumaningtias \(2021\)](#). The indicators in this variable are as follows:
- a. Financial growth
 - b. Growth strategy
 - c. Structural growth
 - d. Organizational growth

The type of data in this study is quantitative data. The data source of this research uses primary data. The primary data in this study were obtained from interviews in the form of questionnaires to the owners of MSMEs in Denpasar City. Data to determine the effect of financial literacy (covering financial attitude, financial behavior, financial knowledge) and MSMEs financial performance on the sustainability of MSMEs in Denpasar City during this pandemic. The population in this study were 593 MSMEs in Denpasar City which were recorded until 2020 consisting of trade, agricultural industry, non-agricultural industry, and various services in the medium sector. The selection of the population using MSMEs's subject in the medium sector in Denpasar City is based on the grouping of MSMEs in Denpasar City which have been producing for the last 3 years and have more than 30 to 300 employees. The sampling technique in this research is proportional random sampling method ([Sihite et al., 2021](#); [Aloamaka et al., 2020](#)). The sample used in this research is the owners of MSMEs in the medium sector based on groupings that have been in production for the last 3 years and have more than 30 to 300 employees in Denpasar City amount 135 MSMEs, so that the sample taken can be said to be representative, this research is determined by using the Slovin formula: $n = N / (N(d^2) + 1)$. This causes the sample used in this study as many as 101 MSMEs. The population data and research samples were obtained through the Denpasar City MSMEs Cooperative Service Data in 2020. The results of the questionnaire scoring were measured using a likert scale, the respondent's answer choices will be scored with a modified 4 point likert scale as the highest score with a 1 point scale for the lowest score by filling in the column. The analytical method used is Structural Equation Modelling (SEM) by using Smart PLS Software

3 Results and Discussions

Respondents in this study amounted to 101 (one hundred and one) business units, consisted of 56 (fifty-six) MSMEs in West Denpasar, 30 (thirty) MSMEs in South Denpasar, 6 (six) MSMEs in East Denpasar, 9 (nine) MSMEs in North Denpasar. These represented that the respondents in this study were dominated by female respondents as many as 61 people or 60.39 percent and the remaining 40 people or 39.60 percent were male. Based on age, most of the respondents in this study were in the range above 40 years, namely 72 people or 71.28 percent, followed by respondents aged 30-40 years as many as 28 people or 27.72 percent and the remaining 1 person or 0.99 percent are under 30 years of age. Based on the working period of most respondents running their business for 3-5 years, as many as 65 people or as much as 64.35 percent, and running a business for more than 5 years (> 5 years) as many as 36 people or 35.64 percent. Based on the respondent's line of business, most of the business sectors are engaged in agriculture, namely as many as 35 people or as much as 34.65 percent; the trade sector, namely as many as 28 people or as much as 27.72 percent; in the field of various services as many as 23 people or as much as 22.77 percent; and the lowest sector is the non-agricultural sector as many as 15 people or 14.85 percent.

The research instrument before being used in the research process was tested on 30 respondents to test the validity and reliability of the instrument. Based on the results of the validity test that all correlation values between each indicator to the total construct score have a value above 0.3 and a significance value less than 0.05. This value indicates that the items used as question indicators to measure financial literacy variables (financial attitude, financial behavior, financial knowledge), MSMEs financial performance, and MSMEs sustainability are valid. All questionnaire items have Cronbach's alpha value greater than 0.60, meaning that the questionnaire items can be said to be reliable or reliable as a data collection tool in research and the research process can be continued.

Inferential Statistical Analysis
Convergent Validity

Table 1
Inspection Outer Model

Variable	Indicator	Outer Loading	T-Statistic
Financial Attitude	Personal finance orientation		
	Having a budget is an important strategy in finance (FA1).	0,766	13,227
	Significant to think or plan about finances (FA2).	0,845	27,241
	Maintaining financial records is important for finance (FA3).	0,708	12,186
	Debt Philosophy		
	Prefer to pawn goods for unexpected needs (FA4)	0,711	11,153
	Be in arrears to others is a natural thing (FA5).	0,701	11,564
	Money safety		
	my personal savings will be used as emergency funding (FA6).	0,758	13,718
	Using bank credit to overcome the lack of funds (FA7)	0,783	15,683
	Assess personal finance		
Take a note all daily income and expenses (FA8).	0,777	11,940	
Comparing between income and expenses (FA9).	0,708	12,047	
Evaluating expenses with financial planning that has been prepared (FA10).	0,706	13,498	
Learning about finance is a priority (FA11)	0,733	11,205	
Financial Behavior	Financial planning		
	A business must have a clear goal in the future (FB1).	0,713	11,051
	Planning ahead will make my venture successful (FB2).	0,743	12,913
	Financial budgeting		
	Pay monthly electricity & water bills on time (FB3).	0,750	12,807
	Pay the rent bill on time (FB4).	0,730	9,310
Pay bills for other needs (procurement and labor) on time (FB5).	0,777	12,536	
Financial management			
I am confident that I am able to manage my business finances (FB6).	0,788	13,940	

Variable	Indicator	Outer Loading	T-Statistic
Financial Knowledge	I am optimistic that I can succeed in managing my business finances (FB7).	0,795	14,684
	I dare to take risks in financial decision making (FB8).	0,709	11,326
	The great risk will be worth the results obtained in my efforts (FB9).	0,720	9,861
	Financial storage		
	Saving periodically or regularly (FB10).	0,712	10,587
	Save immediately any residual or unexpected income (FB11).	0,740	10,142
	Financial management knowledge		
	I know the benefits of financial management (FK1).	0,852	15,360
	I know how to manage finances well and wisely (FK2).	0,844	22,087
	Knowledge of credit		
I know the aspects that need to be considered in taking credit (FK3).	0,922	45,204	
I know the calculation of the loan interest rate (FK4).	0,835	21,803	
Knowledge of money and assets			
I understand knowledge about the liquidity of an asset (FK5).	0,900	35,471	
I understand knowledge of net assets (FK6).	0,785	13,995	
Knowledge of investment			
I know about short term investment (FK7).	0,826	22,154	
I know about long term investment (FK8).	0,792	15,703	
Knowledge of risk management			
I know the financial impact of the risks faced (FK9).	0,858	18,335	
I know the most appropriate way to deal with the risk (FK10).	0,781	15,510	
Financial performance MSMEs	Sales volume growth		
	Increased sales growth during the pandemic (KK1)	0,813	11,440
	Profit growth		
Sustainability MSMEs	Increased profit growth during the pandemic (KK2)	0,851	10,402
	Asset growth		
	Increased asset growth during the pandemic (KK3)	0,832	13,366
	Financial growth		
	Increased financial growth during the pandemic (KU1)	0,890	26,006
	Strategy growth		
Sustainability MSMEs	Increased strategy growth during the pandemic (KU2)	0,843	17,641
	Structural growth		
	Increased strategy growth during the pandemic (KU3)	0,912	37,479
	Organizational growth		

Variable	Indicator	Outer Loading	T-Statistic
	Increased organizational growth during the pandemic (KU4)	0,853	21,887

Table 1 states that the eleven indicators measuring the financial attitude variable have an outer loading value greater than 0.5 and a T-statistic greater than 1.96. This proves that the financial attitude variable represented by (FA1), (FA2), (FA3), (FA4), (FA5), (FA6), (FA7), (FA8), (FA9), (FA10) and (FA11) are valid indicators as a measure of the financial attitude variable. Based on the value of outer loading (FA2), it is the strongest measure of the financial attitude variable because it has the largest outer loading value, which is 0.845. The results of statistical testing on the financial behavior variable proved to have an outer loading greater than 0.5 and a T-statistic value greater than 1.96. This proves that (FB1), (FB2), (FB3), (FB4), (FB5), (FB6), (FB7), (FB8), (FB9), (FB10), (FB11) are good indicators. Valid as a measure of financial behavior variables (financial behavior). Based on the value of outer loading (FB7) is the strongest indicator in reflecting financial behavior with an outer loading value of 0.795. The results of statistical testing on the financial knowledge variable were proven to have an outer loading greater than 0.5 and a T-statistic value greater than 1.96. This proves that (FK1), (FK2), (FK3), (FK4), (FK5), (FK6), (FK7), (FK8), (FK9), (FK10) are valid indicators as variables measuring financial knowledge. Based on the value of outer loading (FK3) is the strongest indicator in reflecting financial knowledge because it has the largest outer loading value of 0.922.

The results of statistical testing on the MSMEs financial performance variable proved that the three indicators had an outer loading value greater than 0.5 and had a T-statistic value greater than 1.96. Thus, it can be explained that (KK1), (KK2) and (KK3) are valid indicators in reflecting the variables of MSMEs financial performance. Based on the value of outer loading (KK2) is the strongest indicator in explaining the financial performance of MSMEs because it has the largest outer loading value, which is 0.851. The results of statistical testing on the MSMEs sustainability variable, prove that the third indicators have an outer loading value greater than 0.5 and have a T-statistic value greater than 1.96. This proves that (KU1), (KU2), (KU3) and (KU4) are valid indicators in reflecting the MSMEs sustainability variable. Based on the value of outer loading (KU3) is the strongest indicator in reflecting the sustainability variable of MSMEs because it has the largest outer loading value of 0.912.

Discriminant Validity

Table 2
Inspection Discriminant Validity

Variable	AVE	$\sqrt{\text{AVE}}$	X1	Correlation X2	Y
Financial Literacy	1.000	1.000	1.000		
Financial Performance MSMEs	0,693	0,480	0,264	0,832	
Sustainability MSMEs	0,765	0,585	0,287	0,560	0,8765

Table 2 shows that the three variables that become research variables have a lower square root of average variance extracted ($\sqrt{\text{AVE}}$) value with several correlation coefficients between other variables. However, the results obtained indicate that the model has good discriminant validity.

Composite Reliability

Table 3
Valuable of Composite Reliability

Variable	Composite Reliability
Financial Literacy	1,000
Financial Performance MSMEs	0,871
Sustainability MSMEs	0,929

Table 3 above shows that the composite reliability value of the three latent variables has been above 0.7, so it can be conveyed that the reliable indicator block measures the variable. Based on the results of the evaluation of the convergent and discriminant validity of each indicator and composite reliability for the indicator block, it can be concluded that the indicators as a measure of the latent variable are valid and reliable gauges, respectively. Furthermore, an analysis of the inner model was carried out to determine the suitability of the model (goodness of fit model) in this study.

The Evaluation of Structural Model (Inner Model)

Table 4
The Result of Evaluation of Goodness of Fit

Structure Model 1	Dependent Variable	R-Square
1	Financial performance MSMEs	0.070
2	Sustainability MSMEs	0.335
Qualifications: $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$		
$Q^2 = 1 - (1 - 0.070)(1 - 0.335)$		
$Q^2 = 1 - (0,93)(0,665)$		
$Q^2 = 1 - 0,618 = 0,382$		

Based on Table 4 above, the results of the evaluation of the structural model prove that the value of Q^2 (0.382) is still far from number 1. Thus, the results of this evaluation provide evidence that the information contained in the data of 38.2 percent can be explained by the model, while the remaining 61.8 percent is explained by errors and other variables not included in the model. The following is a picture of the empirical research model:

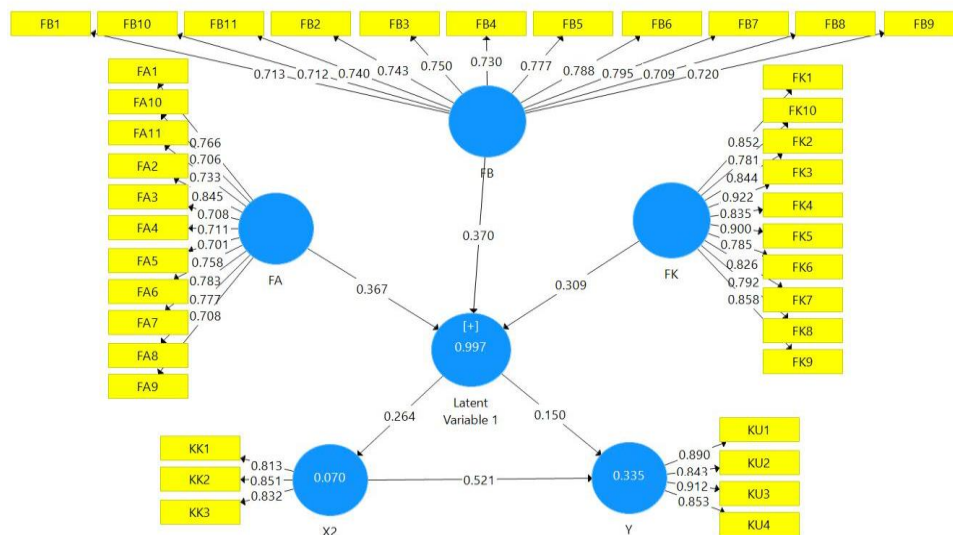


Figure 2. Empirical Research Model

The results of the path coefficient validation test on each path for direct effects can be presented in Table 5 as follows:

Table 5
Path Coefficient Validation Test Results

No	Correlation between Variables	Path Coefficient (Bootstrapping)	T-Statistic	P-value
1	Financial Literacy → Financial Performance MSMEs	0,264	3,125	0,002
2	Financial Literacy → Sustainability MSMEs	0,150	2,073	0,039
3	Financial Performance MSMEs → Sustainability MSMEs	0,521	4,266	0,000

Information from Table 5 above, it can be determined the results of hypothesis testing which are described in the following description:

1. Financial literacy is proven to have a positive and significant effect on financial performance. This is indicated by a positive path coefficient of 0.264 with a T-statistic of 3.125 (T-statistic > 1.96), so that hypothesis-1 (H_1) of financial literacy has a positive effect on the financial performance of MSMEs. The exposure to this influence is in line with the results of research from [Eniola & Entebang \(2015\)](#); [Damayanti et al. \(2018\)](#); [Sugiyanto et al. \(2019\)](#); [Satiti \(2020\)](#). The results of the analysis obtained can be explained that the better financial literacy, the better the financial performance of MSMEs.
2. Financial literacy has been proven to have a positive and significant effect on the sustainability of MSMEs. This is indicated by a positive path coefficient of 0.150 with a T-statistic of 2.073 (T-statistic > 1.96), so that hypothesis-2 (H_2) of financial literacy has a positive effect on the sustainability performance of MSMEs. The explanation of this influence is in line with the results of research from [Panggabean et al. \(2018\)](#); [Susanti & Ardyan \(2019\)](#); [Dermawan \(2019\)](#); [Rumini \(2020\)](#). The results of the analysis obtained can be explained that the better financial literacy, the more stable the sustainability of MSMEs.

The financial performance of MSMEs is proven to have a positive and significant effect on the sustainability of MSMEs. This is indicated by a positive path coefficient of 0.521 with a T-statistic of 4.266 (T-statistic > 1.96), so that hypothesis-3 (H_3) of financial literacy has a positive effect on the sustainability performance of MSMEs. The explanation of this influence is in line with the results of research from [Pramudiati et al. \(2019\)](#); [Naufal & Purwanto \(2022\)](#). The results of the analysis obtained can be explained that the better financial performance, the more stable the sustainability of MSMEs.

4 Conclusion and Suggestion

Conclusion

This study examined correlation of financial literacy and financial performance of MSMEs on the sustainability of MSMEs. Based on the results of the analysis and discussion in the previous chapter, it can be concluded as follows:

- 1) Financial literacy can affect a person's way of thinking about the financial condition of MSMEs and strategically in making financial decisions, so that business owners can manage their finances well so that MSMEs are able to improve their financial performance.
- 2) Financial literacy can influence a person's way of thinking about the financial condition of MSMEs and strategically in making financial decisions, so that business owners can make the right decisions so that the business sustainability of an MSMEs continues.
- 3) Financial performance can make the business that is worked will continue to operate or develop for the long term and continue to be sustainable.

Suggestion

Based on the results of this study, there are several suggestions that can be submitted as follows:

- 1) MSMEs's subject are expected to be able to maintain their business financial performance and remain integrated in their business activities in the long term during the pandemic.

For other researchers to focus more on financial management or add other variables such as financial inclusion and financial technology.

Conflict of interest statement

The authors declared that they have no competing interests.

Statement of authorship

The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

Acknowledgments

We are grateful to two anonymous reviewers for their valuable comments on the earlier version of this paper.

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