

# LEVERAGING FINANCIAL TECHNOLOGY AND FINANCIAL LITERACY INTO BUSINESS SUSTAINABILITY AND ITS IMPACT ON PERFORMANCE OF MSMEs

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## Abstrak

Perkembangan UMKM di Indonesia saat ini sangat dinamis. Namun masih banyak pelaku UMKM yang mungkin belum sepenuhnya memahami pentingnya financial technology dan literasi keuangan dalam bisnisnya, termasuk di Kecamatan Alang - Alang Lebar, Palembang, Sumatera Selatan. Tujuan dilaksanakannya penelitian ini yaitu untuk mengetahui pengaruh financial technology dan literasi keuangan terhadap keberlanjutan usaha serta dampaknya terhadap kinerja UMKM di Alang – Alang Lebar, Palembang. Populasi penelitian ini adalah UMKM Alang – Alang Lebar. Metode pengumpulan data adalah kuesioner yang disebarakan kepada 100 sampel. Data yang terkumpul diolah menggunakan SPSS 27.00 dengan uji t dan Path Analysis. Hasil penelitian menemukan teknologi keuangan dan literasi keuangan tidak berpengaruh positif terhadap keberlanjutan usaha. Financial technology dan literasi keuangan mempunyai pengaruh positif dan signifikan terhadap kinerja UMKM di Alang – Alang Lebar, baik yang dimediasi langsung maupun tidak langsung oleh keberlanjutan usaha. Selain itu, keberlanjutan usaha berpengaruh langsung terhadap kinerja UMKM. Hasil dari study ini dapat bermanfaat bagi UMKM sebagai masukan dan pertimbangan dalam menentukan strategi khususnya mengenai keberlanjutan usaha dan kinerja UMKM di Alang – Alang Lebar.

**Kata kunci:** teknologi keuangan, literasi keuangan, keberlanjutan usaha, kinerja UMKM

## Abstract

The development of MSMEs in Indonesia is currently very dynamic. However, there are still many MSME players who may not fully understand the importance of financial technology and financial literacy in their business, including in Alang - Alang Lebar District, Palembang, South Sumatra. This research aims to determine the influence of financial technology and financial literacy on business sustainability and its impact on the performance of MSMEs in Alang-Alang Lebar, Palembang. The population of this research is Alang–Alang Lebar MSMEs. The data collection method was a questionnaire distributed to 100 samples. The data was processed using SPSS 27.00 with t-test and Path Analysis. The research results show that financial technology and financial literacy do not have a positive impact on business sustainability. Financial technology and financial literacy have a positive significant impact on the performance of MSMEs in Alang-Alang Lebar, both directly and indirectly mediated by business sustainability. Moreover, business sustainability has a direct effect on the performance of MSMEs. The results of this research can be beneficial for MSMEs as input and consideration in determining strategies, especially regarding business sustainability and performance of MSMEs in Alang - Alang Lebar.

**Keywords:** Financial technology; Financial literacy; Business Sustainability; Performance of MSMEs

## Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the fields that dominate the trade sector in Indonesia (Nugraheni et al., 2020). MSMEs contribute to increasing gross domestic product (GDP) so that Micro, Small, and Medium Enterprises (MSMEs) have a significant part in the economy. This is demonstrated by a survey directed by the Financial Services Authority (OJK) which found that the contribution of the MSME sector in Indonesia has proven to be very important for the national economy by contributing 60% of the Gross Domestic Product and absorbing 97% of the national workforce (OJK Press Release: SP38/DKNS/OJK /5/2016); (Widayanti et al., 2017). The level of labor absorption by MSMEs is relatively high so it can open up job opportunities for people in need. Apart from that, MSMEs can also help increase foreign exchange income for the country, because their market can reach national to international levels.

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MSMEs are one of the foundations driving economic recovery in Palembang City. This is proven by the turnover of micro and small entrepreneurs in Palembang which increases from year to year, from IDR 13 trillion in 2019 to IDR 17 trillion in 2020 (Datanesia, 2022). However, the contribution to Palembang City's GRDP from the trade sector is only 13.9%, which is considered very small compared to other sectors that contribute to GRDP in Palembang City. Even based on data from the Coordinating Body Capital Investment (BKPM), investment amount foreigners during the last five years (2017-2021). of US\$161 million, down 37.2% from five years previously (2012-2016), namely US\$257 million.

The Department of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) of Palembang City explained that currently, 3 things are still obstacles for MSMEs, namely capital, marketing, and technology (Oktareza, 2020). Founder of the Barisan Usaha Rakyat (BARA) Foundation, Rafiqullah, added that another reason why the MSME sector is not developing is the lack of financial literacy among business actors. Business actors often do not separate personal accounts and business accounts (Wulandari, 2022). The same thing also happens in Palembang City, many MSMEs do not provide financial reports or do not even keep records at all. Generally, MSMEs in Palembang City only assess their profits from the money coming in and do not separate personal financing from business financing (Kelara & Suwarni, 2020).

To support the development of micro, small, and medium enterprises (MSMEs) in Palembang City, the Palembang City Cooperatives and MSMEs Service is holding Technical Guidance (Bimtek) for Digital Financial Transactions and Reporting (Diskopukm, 2023). This activity aims to help MSMEs improve their competence and expertise in recording transactions and financial reports digitally. This Bimtek activity has become very relevant in the current digital era, where digital transformation has become a necessity. All businesses, including MSMEs, need to adapt to technological developments so they can compete and not be left behind. Business skills in the digital world are the main key to the success of micro businesses. However, there are still many MSME players who may not fully understand the importance of recording financial transactions in their business. Complete and detailed recording is important, regardless of how large the scale of the micro business is. Increasing financial literacy for MSMEs in Palembang is also accompanied by an understanding of technology companies (financial technology) so it is hoped that this will help increase financial inclusion and funding for the Indonesian people, especially MSMEs regarding business capital (Wulandari, 2022).

Alang-Alang Lebar is a sub-district in Palembang City, South Sumatra, Indonesia with a population of 96,757 people. Alang-Alang Lebar is a new area with quite rapid development in Palembang. Currently, almost all areas of Alang - Alang Lebar District have potential, and Talang Kelapa Village is the area with the most potential. This can be seen from the continued increase in housing and land ready to be built and just waiting for investors to invest their capital (Wulandari, 2022). However, the performance of MSMEs in Alang - Alang Lebar District is still relatively low, as evidenced by unstable business sustainability in several places in the area, such as many businesses that have closed even though they have only been established for a few months. This could be caused by low entrepreneurial abilities and interest (Bertuah et al., 2018).

Some MSMEs in Palembang City are still not technologically literate, even though market access can be widely opened if MSME entrepreneurs can maximize technology (Agustin, 2019). This problem could be one of the causes of the difficulty in maintaining the sustainability of business and performance of MSMEs in Alang - Alang Lebar District, Palembang City. Various efforts have been made by MSME players to maintain business sustainability so that they can increase their performance. One of them is through financial technology (Yuningsih et al., 2022). With the emergence of the digital era, internet companies, technology companies, and financial technology institutions are actively utilizing digital technology to empower finance. The role of fintech is not only limited to financing business capital but also extends to various aspects such as digital payment

services and financial management (Budyastuti, 2021). On the one hand, online loans provide convenience for the community, but on the other hand they can harm the community through the dissemination of personal data (Priliasari, 2019; Yuningsih et al., 2022) and the high-interest charges as well as frequent violations of business ethics in the collection factor (Diputra & Ningrum, 2022).

On the other hand, business sustainability is affected by financial literacy (Susanti & Ardyan, 2019). Increasing financial literacy causes MSME players to be more motivated to make financial reports for their businesses (Wise (2013); Rahayu & Musdholifah (2017)). Rahayu & Musdholifah (2017) found that entrepreneurs who more frequently make better financial reports will have higher levels of business continuity and profitability. Personal Finance Enthusiast Dani Rachmat, who was a speaker at a workshop in the city of Bandung, West Java, said that some MSME players still find it challenging to separate funds for personal and business interests so that this condition can lead to businesses that do not develop, and can even close due to reduced capital (Ritonga, 2022). In fact, according to the 2019 National Survey of Financial Literacy and Inclusion (SNLIK), the financial literacy index is still low, namely 38.03% and the financial inclusion index is 76.19%. This shows that the Indonesian people overall do not understand well the characteristics of the various financial products and services offered by formal financial service institutions, even though financial literacy is an important skill in the context of community empowerment, individual welfare, consumer protection, and increasing financial inclusion (OJK, 2021). Currently the Ministry of Finance is working with the Financial Services Authority and Bank Indonesia to encourage digital financial inclusion and literacy for MSMEs (Nasytha, 2023).

Several previous studies that have been carried out have given different results. According to research conducted by Yuningsih et al., (2022) shows that financial literacy and financial technology simultaneously influence the business sustainability of MSMEs. Furthermore, research by Natsir et al., (2023) found that financial literacy and financial technology partially have a positive effect on the financial performance of young entrepreneurs in Kendari City, which means that the higher the financial literacy and financial technology, the higher or better the financial performance will be. The results of previous research are not in line with research by Damayanti & Mardiana (2023) which found that financial technology was unable to mediate the impact of financial iteration on MSME performance. Several previous studies that examined the relationship between financial literacy, financial technology, business sustainability, and MSMEs' performance showed inconsistent results. Apart from that, previous research was still limited to the variables used in the research. This research also departs from research by Mulyanti & Nurhayati (2022) who examined financial literacy and financial technology on MSMEs performance by expanding the research by adding business sustainability as a mediating variable.

This phenomenon motivates researchers to empirically test the influence of financial literacy and financial technology on business sustainability and its impact on MSMEs' performance. Because this research emphasizes financial literacy and financial technology as indicators, the results will show which indicators are higher than other indicators, so that MSMEs can improve other indicators to reduce problems in MSMEs performance. Furthermore, it is hoped that this research can contribute ideas to the owners of MSMEs to maximize the use of financial literacy and financial technology so that it can maintain business sustainability to increase the MSMEs' performance.

## **Literature Review and Hypotheses Development**

### **Micro, Small and Medium Enterprises (MSME) Concept**

The definition of MSMEs according to Law No. 20 Article 1 of 2008 (Government Regulation

Number 20 of 2008 about MSMEs, 2008) is as follows:

- 1) **Micro Business**  
Micro businesses are productive entities owned by individuals and/or individual business entities that meet the defined criteria for Micro Businesses as outlined in Law.
- 2) **Small Business**  
A small business is an independent and productive economic entity operated by an individual or business entity that operates autonomously, not as a subsidiary or branch of a company owned by, or affiliated with, a medium or large business, under the criteria specified in Law.
- 3) **Medium Enterprises**  
Medium enterprises are autonomous and productive economic entities operated by individuals or business entities that are not subsidiaries or branches of businesses owned by small enterprises or large enterprises and meet the criteria for total net assets or annual sales proceeds as stipulated in Law.
- 4) **Large Business**  
Large businesses refer to productive economic entities managed by business entities with net assets or annual sales results surpassing those of Medium Businesses. This category encompasses state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia.

The criteria for MSMEs according to Article 6 of Law No. 20 of 2008 in the form of capital can be seen as follows:

**Table 1. Criteria for MSMEs**

No.	Business	Criteria	
		Asset	Income
1	Micro Business	Maximum 50 million	Maximum 300 million
2	Small Business	>50 million – 500 million	>300 million – 2,5 billion
3	Medium Business	>500 million – 10 billion	>2,5 billion = 50 billion

**Source:** Government Regulation Number 20 of 2008 about MSMEs (2008)

### Performance of MSMEs

Business performance is a multidimensional construct that includes the company's operational and financial results (Rizan & Utama, 2020). Financial performance describes the success of a company seen from the results obtained from various activities carried out (Lestari et al., 2020). Many factors influence the quality of MSME performance, one of which is financial literacy (Fitriasari et al., 2021). This factor is one of the determinants in improving the performance of individual MSMEs. To measure the level of MSME performance, indicators of MSME performance, both financial and non-financial performance according to Kaplan et al, (2005); Yanti (2019) are as follows:

- 1) Business growth refers to a company's capacity to enhance sales, and profits, and expand across product categories.
- 2) Total business income encompasses all earnings derived from the contrast between revenue and overall costs during a specific timeframe.
- 3) Total orders denote the collective number of product requests placed or intended for purchase by consumers.

Business cash position involves the documentation of financial aspects in a company to ascertain the earned profit and assess cash inflows and outflows.

### Business Sustainability

Business sustainability is a state or condition of a business, in which there are ways to maintain, develop, and protect resources and meet existing needs in a business (industry) (Yuningsih et al., 2022). The concept of business sustainability assumes that a business will remain in business in the future (Puspitaningtyas, 2017). The conclusion drawn is that business sustainability refers to a business's continuity across successive generations under consistent leadership, ensuring the maintenance of the produced products' outcomes over the long haul. In this study, business sustainability is evaluated based on various dimensions as outlined by Yanti et al., (2018), namely production income (knowing the level of income from each production obtained), business growth (able to increase business growth), product quality (able to improve product quality), production competitiveness (able to understand the level of competitiveness in the market), and environmental conditions (able to know business environmental conditions).

### **Financial Technology**

Financial technology is a modern sector within finance that utilizes technology to enhance financial operations (Schueffel, 2016). Fintech represents technologically driven financial services. Examples of fintech products commonly used in daily life include online payment of utility bills, vehicle installments, or insurance premiums, as well as online banking services like money transfers and balance inquiries (Kusuma, 2020). According to various literatures, it can be found that financial technology refers to the use of technology to provide financial solutions. In Indonesia, the development of fintech payment types is growing rapidly, both those issued by financial institutions such as UnikQu, Tbank, and Ecash and those issued by fintech start-ups such as Go-Pay and OVO (Kusuma, 2020). According to Wati & Panggiarti (2021), Bank Indonesia Regulations Concerning the Implementation of Payment Transaction Processing consist of four categories of financial technology, including *Peer-to-peer lending (P2P)* (a sector that provides funds and capital loans, and a type of financial technology that does this raising funds for mass financing such as disaster donations), *Market Aggregator* (collects financial data from various sources to make it easier for users to compare and select financial products and services), *Risk and Investment Management* (services for digital financial planning), *Payment, Clearing and Settlement* (function as a digital wallet and payment medium). Financial technology indicators in this research are measured through 3 aspects mentioned in Marisa's (2020); and Mulyanti and Nurhayati's (2022) research, namely as follows:

- 1) Perception of Ease, namely confidence in utilizing a technology that can be used to make the user's life easier, not the other way around.
- 2) Effectiveness, namely the results of using technology in line with the user's goals. The effectiveness of using fintech can be said to increase a person's ability to complete their work.
- 3) Risk is the expectation of loss, where the greater the loss, the greater the risk that is perceived to exist.

### **Financial Literacy**

According to Financial Services Authority Regulation (POJK) Number 76/POJK.07/2016 states that financial literacy comprises knowledge, skills, and beliefs that shape attitudes and behavior, aiming to enhance the quality of decision-making and financial management, ultimately leading to achieving prosperity (Peraturan Otoritas Jasa Keuangan Nomor 76/POJK.07/2016 Tentang Peningkatan Literasi Dan Inklusi Keuangan Di Sektor Jasa Keuangan Bagi Konsumen Dan/Atau Masyarakat, 2016). Huston (2010) as cited in Sabilla & Wijayangka, (2019) defines financial literacy as the accumulation of financial knowledge and its application through financial decision-making in daily routines. The aspect of applying financial literacy involves an individual's confidence-driven ability to effectively utilize financial products based on their acquired financial knowledge (Sabilla & Wijayangka, 2019).

- 1) Knowledge Dimensions:  
The dimension of financial literacy encompasses gathering financial knowledge and its

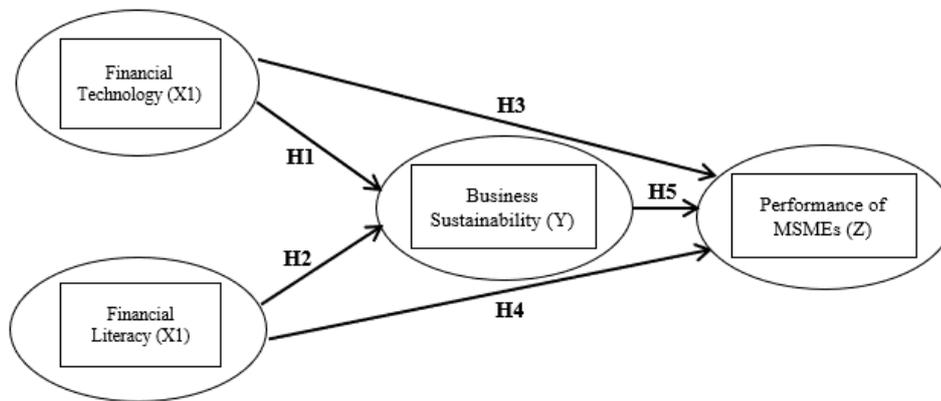
utilization in making financial decisions in everyday life.

2) Application Dimensions:

The application aspect of financial literacy reflects an individual's capacity, driven by self-assurance, to adeptly use financial products based on their financial knowledge.

### Hypothesis Development

The relationship between variables in this research is illustrated through a conceptual framework, which is used to formulate hypotheses in this research, which is shown in the following figure.



**Figure 1. Research Model**

The variables used in this research are Financial Technology (X1), Financial Literacy (X2), Business Sustainability (Y), and Performance of MSMEs (Z), and each variable is measured on a 1 - 5 Likert scale. The hypothesis in this research can be formulated as follows:

H1: Financial Technology has a positive effect on Business Sustainability

H2: Financial Literacy has a positive effect on Business Sustainability

H3: Financial Technology has a positive effect on the Performance of MSMEs

H4: Financial Literacy has a positive effect on the Performance of MSMEs

H5: Business Sustainability has a positive effect on the Performance of MSMEs

### Research Methodology

#### Type of Research

The type of research used in this research is quantitative research with primary data and data collection techniques using questionnaires. The population of this study is MSMEs Alang – Alang Lebar District, Palembang City, South Sumatera. Due to the absence of supporting data available in this study, the population size is unknown. The sampling technique in this research uses a nonprobability sampling method with an accidental sampling technique. Based on the opinion of Roscoe (1982); and Mamosey et al., (2022) in his book entitled *Research Methods For Business*, he argues that the number of sample members must be at least 10 times the number of variables studied. Based on this opinion, the minimum sample in this study is 50 samples consisting of 5 variables multiplied by 10. However, to avoid a low response rate, the number of questionnaires distributed to respondents is 100 questionnaires with the assumption that if more than 50 questionnaires have been filled in then the data can continue to be processed.

The variables used in this research are Financial Technology (X1), Financial Literacy (X2), Business Sustainability (Y), and Performance of MSMEs (Z), and each variable is measured on a 1 - 5 Likert scale. Where the operational dimensions of the variables used in Financial Technology (X1) are the

perception of ease, effectiveness, and risk (Marisa (2020); Mulyanti & Nurhayati (2022)). The measurement of Financial Literacy (X2) is based on Sabilla & Wijayangka (2019) which are knowledge dimensions and application dimensions. Business Sustainability (Y) is measured by several dimensions as stated by Yanti et al., (2018), namely production income, business growth, product quality, production competitiveness, and environmental conditions. Meanwhile, the measurement of the level of MSME performance, indicators of MSME performance, both financial and non-financial performance according to Kaplan et al, (2005); Yanti (2019), which are business growth, total business income, total orders, and business cash position.

### Data Analysis Techniques

The data analysis technique in this research is using a partial significance test (t-test) to test the hypothesis whether it is true or false and then analyzed using Path Analysis. In path analysis, the model will have two equations, which can be described as follows.

Structural Equation 1:

$$Y = pYX_1 + pYX_2 + e_1 \quad (1)$$

Structural Equation 2:

$$Z = pZX_1 + pZX_2 + pZY + e_2 \quad (2)$$

Where:

- X<sub>1</sub> = Financial Technology
- X<sub>2</sub> = Financial Literacy
- Y = Business Sustainability
- Z = Performance of MSMEs

The next step to complete the structural equation is to calculate the Path Coefficient. The path coefficient can be calculated using the formula (Dewi et al., 2019):

$$e_1 = \sqrt{1 - R^2}$$

$$e_2 = \sqrt{1 - R^2}$$

## Result and Discussion

### Results of Partial Significance Test (t-test)

The t-test plans to test the hypothesis in this examination, both in Equation (1) and Equation (2). The test utilizes a significance level of 0.05. The value of the t table in Equation (1) is df = 97 (df = 100 - 2 - 1) and the value of the t table in Equation (2) is df = 96 (df = 100 - 3 - 1). The t-test results can be seen in Table 2 and Table 3 as follows.

Table 2 shows the influence of financial technology and financial literacy on business sustainability partially. While the results of the t-test in Eq. (2) can be seen in Table 3. Table 3 shows the results of the test given in Eq. (2) which shows the influence of financial technology, financial literacy, and business sustainability on the performance of MSMEs partially.

**Table 2. Partial Significance Test of Equation 1**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.936	4.877		3.267	.002
	Financial Technology	.475	.111	.435	4.278	.000
	Financial Literacy	.118	.086	.141	1.383	.170

a. Dependent Variable: Business Sustainability

Source: IBM SPSS Statistics 27 data processing results

**Table 3. Partial Significance Test of Equation 2**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.865	5.690		3.315	.001
	Financial Technology	.326	.134	.268	2.432	.017
	Financial Literacy	.206	.096	.220	2.153	.034
	Business Sustainability	.196	.112	.176	1.740	.085

a. Dependent Variable: Performance of MSMEs

Source: IBM SPSS Statistics 27 data processing results

H1: Financial Technology has a positive effect on Business Sustainability

Based on Table 2, it can be seen that the calculated t value for the Financial Technology variable is 4.278, which is greater than the t table obtained previously, namely 1.6607 ( $4.278 > 1.6607$ ) with a significance value of  $0.000 < 0.05$ , which means that Financial Technology partially has a significant influence to Business Sustainability.

H2: Financial Literacy has a positive effect on Business Sustainability

Table 2 shows that the calculated t value for the Financial Literacy variable is 1.383 which is smaller than the t table ( $1.383 < 1.6607$ ) with a significance value of  $0.170 > 0.05$ , which means that Financial Literacy partially has no significant positive effect on Business Sustainability.

H3: Financial Technology has a positive effect on the Performance of MSMEs

Based on Table 3, it can be seen that the calculated t value for the Financial Technology variable is 2.432, which is greater than the t table obtained previously, namely 1.6608 ( $2.432 > 1.6608$ ) with a significance value of  $0.017 < 0.05$ , which means that Financial Technology partially has a significant influence to Performance of MSMEs.

H4: Financial Literacy has a positive effect on the Performance of MSMEs

Table 3 shows that the calculated t value for the Financial Literacy variable is 2.153 which is greater than the t table (2.153 > 1.6608) with a significance value of 0.034 < 0.05, which means that Financial Literacy partially has a significant influence on the Performance of MSMEs.

H5: Business Sustainability has a positive effect on the Performance of MSMEs

Based on Table 3, it can be seen that the calculated t value for the Business Sustainability variable is 1.740, which is greater than the t table obtained previously, namely 1.6608 (1.740 > 1.6608) with a significance value of 0.085 > 0.05, which means that Business Sustainability partially has a positive effect but insignificant on Performance of MSMEs.

### Path Analysis

**Table 4. Determination Coefficient – Equation 1**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.523 <sup>a</sup>	.273	.258	3.504

a. Predictors: (Constant), Financial Literacy, Financial Technology

Source: IBM SPSS Statistics 27 data

Based on Table 4, to calculate the path coefficient the following formula is used:

$$e_1 = \sqrt{1 - R^2} = \sqrt{1 - 0.273} = 0.85264$$

Meanwhile, structural equation 1 based on Table 2 and Table 4 above, can be known as follows:

$$Y = 0.435 X_1 + 0.141 X_2 + 0.85264 e_1$$

**Table 5. Determination Coefficient – Equation 2**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.538 <sup>a</sup>	.289	.267	3.880

a. Predictors: (Constant), Business Sustainability, Financial Literacy, Financial Technology

Source: IBM SPSS Statistics 27 data

Based on Table 5, to calculate the path coefficient the following formula is used:

$$e_2 = \sqrt{1 - R^2} = \sqrt{1 - 0.289} = 0.84320$$

Meanwhile, structural equation 2 based on Table 3 and Table 5 above, can be known as follows:

$$Z = 0.268 X_1 + 0.220 X_2 + 0.176Y + 0.84320 e_2$$

These structural equations can be explained by illustration with the Path Analysis structural model as follows.

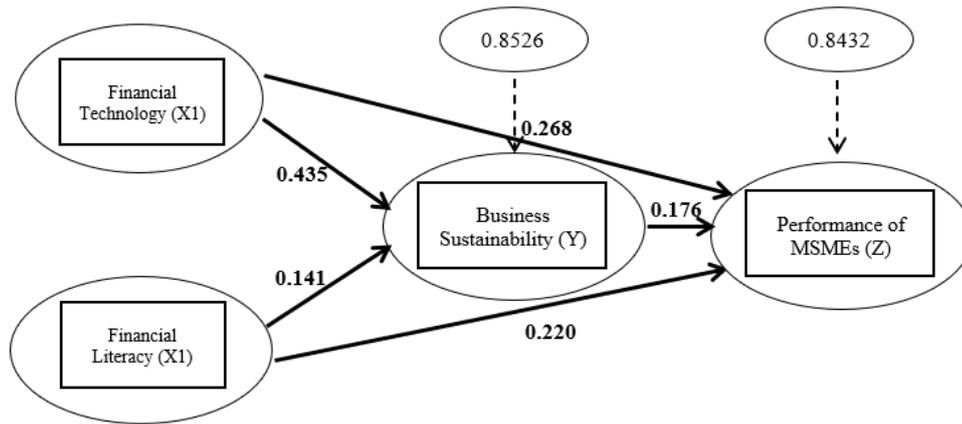


Figure 2. Path Analysis

Then to find out the direct effect, indirect effect, and path coefficient of each variable that can be influenced is shown in the following table:

Table 6. The Direct and Indirect Influence

Variable	Path	The Direct Influence	The Indirect Influence	Total
X1 on Y		0.435		0.435
X2 on Y		0.141		0.141
Y on Z		0.176		0.176
X1 on Z		0.268	$0.435 \times 0.176 = 0.07656$	0.34456
X2 on Z		0.220	$0.141 \times 0.176 = 0.02482$	0.24482
e1	0.85264			0.85264
e2	0.84320			0.84320

Source: Primary data processed by SPSS

Based on Table 7 above it can be described as follows

1) Financial Technology on Business Sustainability

Variable financial technology has a positive significant effect on business sustainability. The direct effect coefficient is 0.435 and the significance is 0.000. This means that every increase in the use of financial technology will increase business sustainability by 43.5%. Utilizing financial technology as a tool strategy for MSMEs will help to increase MSME’s business sustainability in Alang–Alang Lebar, Palembang. In the economic sector, financial technology (fintech) has emerged which has become an alternative to public financial access. In today's rapidly changing business environment, businesses that can be sustainable are those that can adapt to change. MSMEs will be greatly helped by fintech because it can eliminate limited access to banking services (Maulana et al., 2022). Financial technology in this research applies several elements such as perception of ease, effectiveness, and risk. Recapitulation of responses found that the highest indicator was towards the perception of ease. Perceived ease of use is defined as the level of individual confidence that there will be no obstacles in the process of using new technology (Behl & Pal, 2016). Most of the MSMEs in Alang - Alang

Lebar District have used financial technology such as accepting non-cash payments via the M-Banking and ShopeePay platforms. MSME players consider that the use of this technology can facilitate transactions in their businesses. The results of this research are in line with the research by Yuningsih et al., (2022) which states that financial technology has a significant effect on business sustainability in MSMEs in Sukabumi City. Access that is not too difficult and comfortable in using financial technology makes it easier to manage business finances, thus increasing the confidence of MSME players in applying financial technology (Primasari et al., 2021). However, this research is not in line with research by Maulana et al., (2022) which found that financial technology does not have a significant effect on the sustainability of MSME businesses. This is because the transaction flexibility offered by fintech to MSMEs in Magelang City and Regency has not been able to be optimized. When conducting transactions, MSMEs prioritize transaction security, confidentiality of information, and costs over convenience. (Maulana et al., 2022).

## **2) Financial Literacy on Business Sustainability**

Based on the partial significance  $t_{es}$  of equation 1, the financial literacy variable does not have a significant positive effect on business sustainability. The direct effect coefficient is 0.141 and the significance is 0.170. This means that increasing financial literacy is not able to increase business sustainability for MSMEs in Alang – Alang Lebar District because the effect is only 14.1%. Based on the two dimensions used in this research, the lowest dimension answered based on the questionnaire results is the application dimension. Most of the MSME businesses in Alang Alang Lebar District, Palembang already have knowledge in terms of financial literacy, but do not have the confidence and are not consistent in applying it to their businesses. These results do not support research by Maulana et al., (2022) which found that financial literacy had a positive and significant effect on the sustainability of MSME businesses in the city and district of Magelang. According to Maulana et al., (2022), knowledge and financial management skills help improve business sustainability because they can ensure they can cope with dynamic economic developments. However, these results empirically support research by Budyastuti (2021) where there is no positive influence between financial literacy on business sustainability for MSMEs in East Sudimara District. This is due to a lack of understanding by respondents or business actors about how to manage assets, liabilities, and capital, especially about future financial planning, property insurance, and the importance of risk management.

## **3) Financial Technology on Performance of MSMEs**

Financial technology partially has a positive effect on the performance of MSMEs both directly and indirectly. The direct influence coefficient is 0.268 while the indirect influence is 0.076. This means that if financial technology increases, the performance of MSMEs will also increase. Both directly and through business sustainability mediation. This shows that the use of financial technology will improve business sustainability for MSMEs in Alang-Alang Lebar, Palembang, thereby having an impact on MSME performance. Every increase in the use of financial technology will increase the performance of MSMEs by 26.8%. However, if mediated by business sustainability, the effect is only 7.6%, which shows that this result is less significant. Financial technology is a breakthrough that enables the creation of services simple and fast finance by utilizing information-based technology platforms established by financial service providers (Widyastuti & Hermanto, 2022). The results of testing this hypothesis empirically support research by Natsir et al., (2023) which states that financial technology partially has a positive and significant effect on the financial performance of young entrepreneurs in Kendari City. Natsir et al., (2023) said that if there is a change in the contribution of financial technology, it will have a very big effect on improving financial performance, which is if business actors take advantage of the use of financial technology in their business, then the effect will be very big for improving their financial performance.

#### 4) Financial Literacy on Performance of MSMEs

Variable financial literacy has a positive significant effect on the performance of MSMEs. It can be seen from the result of the partial significance test of equation 2. However, the direct effect coefficient is only 0.220 and the indirect effect is 0.024, which means that every increase in financial literacy will increase the performance of MSMEs in Alang–Alang Lebar but not very significantly. According to the findings of this research, the MSME actors in Alang - Alang Lebar District mostly agree regarding the impact of financial literacy on the performance of MSMEs. However, there are still many who think that financial literacy is not very important in terms of supporting their business performance. Therefore, the coefficient of influence in this research has not obtained high results. Financial literacy related to knowledge in managing business finances is very important for business actors, especially young entrepreneurs, to support good decision-making to create healthy business financial performance (Natsir et al., 2023). MSME players who are highly financially literate and regularly involved in budgeting and financial management activities for company effectiveness can improve MSME performance (Damayanti & Mardiana, 2023). The results of this research are in line with research conducted by Mulyanti & Nurhayati (2022) which states that the financial literacy variable has a significant impact on the financial performance of MSMEs in West Java. This is because financial literacy is an attitude towards finance, financial knowledge, and behavior towards finance which has an important role in the lives of both individuals and business people. However, these results do not support research by Kumalasari & Haryono (2019) where financial literacy does not affect the performance of MSMEs, because business actors in Bojonegoro Regency are still categorized as having minimal financial literacy knowledge.

#### 5) Business Sustainability on Performance of MSMEs

The business sustainability variable directly has a positive but not significant effect on the performance of MSMEs. The direct influence coefficient is also only 0.176, which shows that every increase in business sustainability will increase the performance of MSMEs in Alang - Alang Lebar but not very significantly, namely only 17.6%. The success of a business can be said to be successful if the business can continue to be sustainable amidst increasingly tight industrial competition (Fauziah et al., 2022). Fauziah et al., (2022) further state that when business actors can maintain the sustainability of their business and compete with competitors, this will indirectly increase the company's income. The results of this research are not in line with research by Kumalasari & Haryono (2019) which stated that business sustainability has no effect on the performance of MSMEs caused by MSME business actors in the Regency Bojonegoro has the majority of growth financials include total assets, capital turnover, and strategic growth. Furthermore, Nainggolan (2016) found that the longer the MSME business was, the less experience the MSME owners had in developing their business and productivity.

### Conclusion

Based on research conducted in Alang–Alang Lebar, Palembang, and South Sumatra, several issues can be concluded. First, financial technology has a positive significant impact on business sustainability, meanwhile, financial literacy does not have a positive impact on business sustainability of MSMEs in Alang – Alang Lebar, Palembang. Subsequently, both financial technology and financial literacy have a positive and significant impact on the performance of MSMEs in Alang–Alang Lebar, Palembang, either directly or indirectly mediated by business sustainability. These research findings possess the potential to advance the current accounting literature and fortify previous studies concerning the performance of MSMEs and the determining factors. Moreover, the outcomes of this study can provide empirical evidence for academics and serve as a foundation for further research.

Furthermore, based on the perspective of practical implications, the results of this research can be useful for MSMEs as input and consideration in determining strategies, especially regarding business sustainability and performance of MSMEs in Alang – Alang Lebar, Palembang. The recommendation that researchers can give is that it is hoped that all MSMEs will be able to make various improvements and upgrades by using financial technology and increasing knowledge in terms of financial literacy so that they can increase and maintain the stability of business sustainability more optimally so that they can improve the performance of MSMEs. Apart from that, researchers realize that there are still many weaknesses in this research due to several limitations. The study was only carried out in Alang–Alang Lebar, Palembang, thereby limiting the generalizability of the findings to wider contexts. It is recommended that future research enclose a wider of regions and employ larger sample sizes to strengthen the accuracy and applicability of the research outcomes.

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