Digital Financial Revolution: Improving The Competitiveness of SMEs Through Financial Literacy & Technology

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INFO ARTIKEL

Abstract

A creative industry, the SMEs sector makes decisions with a short-term outlook. The role of small and medium enterprises (SMEs) is an important factor in a country's economic development of Indonesia. However, in practice, SMEs often face development setbacks, therefore the full potential of SMEs has not been realized. As a result, SMEs' full potential has not been reached. Through the local government's efforts in education and literacy, the role of digitalization wants to continue helping SMEs in Malang City earn more money. This study aims to identify and evaluate the effects of financial technology, financial literacy, and the digital economy on the viability of SMEs in Malang City. A quantitative analysis relies on original data obtained by distributing surveys to small and medium-sized enterprises (SMEs). This research involved the participation of 100 SMEs located in Malang City. Hypothesis testing using multiple linear regression analysis. Using the analysis method of moderated regression analysis (MRA). The results indicated that the sustainability of SMEs is influenced by financial technology and financial literacy, and this influence is amplified when considering the moderating factor of the digital economy.

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Introduction

Introduction

The emergence of e-commerce as an opportunity for Small and Medium Enterprises (SMEs) in Indonesia is considered positive; implementing digitalization is not easy (Chandra, 2022). According to data from the Ministry of Cooperatives and SMEs, only about 16.33% of SMEs have engaged in online and digital marketplaces. This percentage also reflects that only about 13% have successfully run their businesses digitally. Thus, around 87% of businesses struggle in business digit efforts. This situation contradicts the efforts made by Indonesia to encourage people to adopt the Industrial Revolution 4.0 (Rachmawati, 2021). When the New Normal policy is put into practice, the low level of digitalization among Small and Medium Enterprises (SMEs) becomes even more challenging. How to foster the growth of digital technology among SMEs is one of the major concerns. The rationale is that when the New Normal policy is implemented as the

first step of Indonesia's recovery, technology can assist SMEs in managing their businesses (Chandra, 2022). Therefore, this policy emphasizes the urgency of technology and information literacy for SMEs to adapt (Rahmana, dkk, 2021). In this context, adaptation refers to changes in entrepreneurial behavior and economic activity (Maelatusaadah, dkk, 2018). The goal is for the SMEs sector to be able to maintain and ensure the continuity of its business even in situations of changing activities, such as what happened during the spread of Corona Virus Disease (COVID-19) that has swept and disrupted lives around the world globally (Chandra, 2022). Globally, these advances have created conveniences, opportunities, and challenges for humans to deal with and achieve success in this era and the future. The existence of adequate social capital, core competencies, talent diversity, and mastery of various resources and literacy skills is becoming increasingly important in supporting efforts to achieve sustainable survival (Firmansyah, dkk, 2022).

The SMEs business sector plays an essential role in supporting the economic growth of Malang City. In 2022, the Malang City Cooperative, Industry, and Trade Office recorded 7,920 SMEs (BPS, 2022). The business sustainability of SMEs after the newnormal is crucial, as SMEs play an essential role in reducing economic and social disparities by increasing people's ability to buy local products. The government is promoting the "Proud Made in Indonesia" initiative to encourage SMEs to enter the digital realm. This action also plays a role in preparing SMEs for the new normal, as suggested by (Sulaeman, 2021). Within the framework of this program, the government seeks to connect 10 million SMEs to digital platforms, as revealed in astudy by (Auliya, 2022). In facing the new normal adaptation, SMEs entrepreneursmust take wise steps, including improving business development strategies. One approach that can be taken is financing by utilizing financial technology andincreasing financial understanding for SMEs in Malang City.

According to the SMEs Office in Malang City regarding the obstacles experienced by SMEs in Malang City, namely internal constraints in the form

of capital, human resources, infrastructure, and external constraints for SMEs. The first internal problem is capital. This problem is one of the problems that entrepreneurs still face because most of these entrepreneurs use personal capital. The second internal problem is inadequate human resources in terms of skills, division of performance, and numbers. The majority of businesses are established through inadequate planning, such as the preparation of the division of labor and employees who still come from family and relatives. Other constraints are marketing and finance (Kristianto, 2023).

As the development of Industry 4.0 technology continues, the world is embarking on a fresh stage within the ongoing digital economy. Small and medium- sized enterprises (SMEs) are significant in the country's economic development efforts. However, SMEs often face several obstacles in developing their businesses, especially in rural areas (Deri, dkk, 2022). SMEs face several challenges, including financing issues, high administrative burdens, difficulty attracting and retaining talent, technological limitations and lack of management skills, difficulties accessing financial resources, inadequate digital infrastructure, and demands for improved time efficiency (UE, 2019). SMEs must adapt to the company's current expansion because businesses that adapt to changing conditions will survive (Hardilawati, 2020).

The SMEs sector is considered to have the potential to be the driving force of a country's economy. This statement is supported by findings from a survey conducted by the Financial Services Authority (OJK), which shows that in Indonesia, the SMEs sector has contributed 60% to the Gross Domestic Product (GDP) and has absorbed around 97% of the total national workforce (OJK, 2021). The government and other parties are gradually investing in its expansion to boost the sector's performance. Entrepreneurship development programs, better

marketing capabilities, Access to finance, and Access to technology are among the ways to help SMEs grow.

The technological emergence of many new items as a form of utilization, especially in the financial sector, supports business development. One of the concrete expressions of technical improvements is the emergence of digital financial services, often known as financial technology (Ayu, 2018). The existence of financial technology disrupts the banking industry. On the other hand, the public is considered to need financial technology. As a result, according to the Financial Services Authority and Bank Indonesia, financial technology has enabled 75 percent of the population to gain financial literacy and inclusion.

In this digital era, internet companies, technology companies, and financial technology institutions actively leverage digital technologies to optimize the financial sector. They continuously develop innovative business models, support the transformation and upgrading of conventional financial institutions, and enhance capabilities by driving the development of digital financial technology to support economic growth (Su, Y., Li,Z., & Yang, C, 2021). Financial technology is a breakthrough for the public in transacting with financial services (Burhanuddin & Abdi, 2019). On the one hand, the emergence of financial technology threatens the Indonesian people's lack of financial and digital knowledge. The diverse services of financial technology companies will benefit the various needs of the

community of tiny and medium enterprises (SMEs).

The financial technology industry constantly changes, and competitors compete for market share by creating new service solutions. Changes in user behavior and the availability of technology in the market are undoubtedly linked to innovation. Financial technology companies can help people in various ways. Touch can be used to attractively service and package payments, financing/loans, capital market investments, risk management, e-wallets, clearing, settlement services, and insurance. Across all categories, digital lending and payment services are the most popular financial technology services. Due to the many benefits of fintech and the need for public knowledge in terms of financial literacy, education is essential for them, especially among SMEs operators (Suharyati & Sofyan, 2019). In today's technological age, the development of financial technology is very important for business continuity. This can be observed from the fact that many businesses that previously only focused on conventional transactions, especially in the payment process, are now switching to electronic payment methods in operations (Triyani, 2021). According to the findings of a study on the impact of fintech on SMEs by (Muzdalifa at al., 2018), the presence of a number of fintechs helps the development of SMEs. The impact of fintech is not limited to funding venture capital; it also extends to areas such as digital payment services and financial regulators.

This study was conducted (Nurohman, 2021) The results of this study indicate that there is a positive relationship between the use of financial technology and financial inclusion. In addition, financial technology also plays a role in increasing the sustainability of SMEs that are the subject of research. In research (Nantungga, 2022) shows these results that Financial Technology and financial literacy have a positive and significant influence on SME Sustainability. Based on research by (Nurohman, 2021) the presence of financial technology has a positive effect on the sustainability of MSMEs. A positive impact was also found in the study of Ardiansyah (2019), which found that financial technology will help the problem of MSME equity, so that it will make MSMEs survive. In contrast to research (Triyani, 2021) entitled The Effect of Financial Technology and Financial Literacy on Business Sustainability, it was concluded that there was no effect of fintech and financial literacy on business continuity.

Financial literacy is a basic financial requirement for everyone. The advantage of having the knowledge to make good financial decisions and prevent financial difficulties. In addition, financial understanding can also improve the quality of financial services and play a role in the development and economic progress of a country (Makkulau & Astriwati 2022). A strong understanding of financial literacy is an essential need for every individual. This brings various benefits, including helping individuals design good financial planning and preventing financial problems (Billah 2021). The dimensions of financial literacy are divided into two aspects, namely the acquisition of financial knowledge and skills and changes in financial behavior (Thomas & Subhashree, 2020). Micro, small and medium enterprises (MSMEs) that have a strong understanding of financial literacy

will have the ability to look at financial aspects from different perspectives, so they have sufficient knowledge to manage their financial conditions (Taufiq, et al, 2020). Financial literacy is one way to achieve sustainability and has a very important role in ensuring the financial viability of individuals, families, companies, and the national economy (Beata, et al 2020). Research by Apristi &; Musdholifah (2017) says that the higher the level of financial literacy of business owners, the business owners will have good abilities with their business and financial decisions to improve business sustainability. This is also supported by Aribawa's research (2016) which says that the higher the financial literacy, the ability to improve business sustainability will also increase. In contrast to research (Triyani, 2021) it is concluded that there is no effect of financial literacy on business continuity.

The utilization of information and communication technology has become an integral part of almost every aspect of human life. The Internet has encouraged the development of a new economic source known as the digital economy (Wijaya, 2022). In this context, information that was previously physical and related to the traditional economy has now turned into a digital format in the digital economy. The emergence of the digital economy also responds to government initiatives in national development efforts. The program provides support to SMEsto compete not only at the national level but also in the global market (Wijaya, 2022). Along with the launch of the SMEs Go Online program, several e- commerce platforms began to emerge as part of the initiative (Fitriyani, 2020). The digital economy has had a significant impact on the sustainability of SMEs. In this context, SMEs have been one of the sectors that have benefited the most fromthe shift towards a digital economy. The results of this study support previous research, which states that the digital economy has business resilience and has a significant impact on the growth of SMEs (Nizar, 2021).

Using information and communication technology, SMEs can develop more efficient business models, reach a broader market through online platforms, and reduce production and distribution costs. The sustainability of SMEs is enhanced through improved Access to resources, more excellent market opportunities, and increasedoperational efficiency. However, challenges also exist, such as adapting to rapid technological changes and addressing cybersecurity concerns. Therefore, with the right strategy, the digital economy can be a powerful driving force in supporting the sustainability and growth of SMEs in this changing era. The digital economy shows strong business resilience and positively impacts economic growth. Through business model analysis, it is proven that companies that adopt online and internet-based business models can continue to exist and even record a significant increase in the number and value of transactions (Nizar, 2021).

TAM, which stands for Technology Acceptance Model, is a modification of the Theory of Reasoned Action (TRA) discovered by Davis in 1989. The TAM approach model aims to identify and understand user attitudes when interacting with certain information technologies. In TAM, variables that influence users' intentions, interests, and attitudes towards certain information technologies are detailed (Mulyanto, 2020). The Technology Acceptance Model (TAM) is a model to predict and explain how technology users accept and use business-related technology. *financial technology* membuat transaksi antara penjual dan pembeli menjadi lebih

mudah. In addition, a good level of financial literacy is able to make various appropriate decisions related to his business to be able to achieve business sustainability. This is in line with the TAM model where perceived convenience and perceived usefulness will have an impact on greater use of financial technology which will provide benefits in terms of effectiveness and security in transactions, and also make transactions in MSMEs increase significantly. This can increase MSME sales which will have a good impact on the sustainability of MSMEs. It is necessary to conduct a new study on financial technology, financial literacy, digital economy, and sustainability of SMEs in Malang City, based on the above issues, as well as the findings of previous studies on financial technology, financial literacy, and digital economy that show inconsistent results at different times and phenomena. Thus, this study aims to see how financial technology, financial literacy, and the digital economy affect the longterm sustainability of SMEs in Malang City.

Below is a research conceptual framework with financial technology variables, financial literacy on the sustainability of SMEs with the digital economy as a moderating variable:
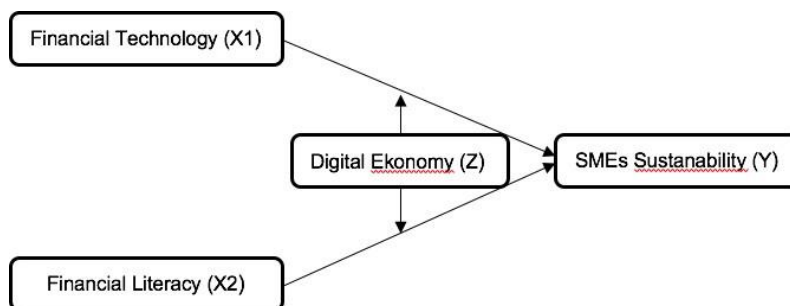

Figure 1. Conceptual Framework

RESEARCH METHODS

SMEs companies in Malang City were the subject of this study. In this study, the purposive sampling method was employed. Additionally, surveys and interviews were used as part of a quantitative research

strategy. There are 7920 SMEs in Malang City who make up the study's population. The following criteria for SMEs will be used to choose samples: the company must have been operating for at least two years, have recorded financial statements, and have a local target market at least in Malang City. Additionally, as there are more than 100 SMEs in Malang City, a sample of them was employed for this study, and secondary data gathered through business documents relating to economic or commercial operation transactions and interactions with other parties were also used. The main data for this research was collected by administering surveys to a sample group of a maximum of 100 individuals selected for the study. A questionnaire that the respondents were asked to complete was utilized to gather information. The independent factors (X) in this study include financial technology and financial literacy, which serve as the control variables for the digital economy, and the dependent variables (Y), such as

SMEs sustainability. The SPSS 20 application and multiple linear regression analysis were used to evaluate the hypothesis.

This research is a quantitative study that will be obtained through primary data using a questionnaire. The population of this study amounted to 100 respondents of SMEs business actors in Malang City. The number of samples taken as many as 100 respondents using the Slovin calculation as follows:

$$n = \frac{N}{1 + (N \; x \; e^2)}$$

$$\square \; \frac{7920}{1 + (7920 \; x \; 10\%)}$$

$\square$ 99,8% (rounding to 100%)

Description:
n : Sample
N : Population
e : Standart error (10%)

This research instrument is structured based on two independent variables, namely fintech and financial literacy, one dependent variable, SMEs sustainability, and one moderating variable, the digital economy.

Table 1. Variable Measurement

Variable	Indicator	Skala
Financial Technology (Winarto, 2020)	1. Ease of use of technology 2. Ease of business transaction process 3. Ease of payment instruments 4. Convenience in transactions	Likert
Financial Literacy (Saputra, 2020)	1. Ability to pay installments 2. Ability to manage debt 3. Credit provider information	Likert
Digital Economy (Wahdiniwaty, Firmansyah, Surya, 2022	1. Web information quality 2. Web interaction quality 3. Site design quality 4. Reliability 5. Responsiveness 6. Assurance 7. Emphaty	Likert
SMEs Sustainability (Widayanti et al., 2017)	1 Improvement of business ventures 2 Increase in operating profit 3 Increase in the amount of production ofgoods 4 Increased workforce	Likert

The analysis method employed is moderated regression analysis (MRA), with the objective of identifying the link between fintech and financial literacy variables on the sustainability of SMEs with control variables related to the digital economy. Validity and reliability tests were conducted first, with the need for a loading factor value between 0.6 and 0.7 for approved study, before hypothesis testing (Atahau, 2018).

This test determines the digital economy's significant impact in moderating fintech and financial literacy. Testing can be done by comparing the t-count with the t-table, where the t-count or significant value can be seen in the coefficients table. If t-count> t-table or, in other words, the significance value <0.05, then H_0 is rejected.

Table 2. Summary of Respondents' Demographic Information

Category	Description	Quantity	Persentase
Gender	Male	43	43%
	Female	57	57%
Education Level	Elementary School	4	4%
	Junior High School	23	23%
	Senior High School	49	49%
	Diploma/Bachelor's Degree	24	24%
Age of Company	2-3 Years	58	58%
	>3 Years	42	42%
Financial Recording	Have financial records	44	44%
	No record keeping yet	56	56%
Target market	Has target market	100	100%

Online questionnaires were distributed, and 100 data points were collected from respondents, then analyzed and processed. Most SMEs in Malang City already have financial records, and 50% do not have financial records, and all SMEs in Malang City already have online and offline target market.

From the data collected, it can be seen that the majority of respondents are female, reaching 57%, which may indicate the significant role of women in SMEs. In addition, almost half of the respondents had a high school education (49%), which could be a factor in their level of financial literacy. Furthermore, 58% of the respondents have been running their businesses for 2 years or more, which may contribute to their understanding of the influence of financial technology on SMEs sustainability. However, it is worth noting that 56% of respondents do not keep

financial records, which could indicate challenges in their financial literacy and financial management that could affect the sustainability of their business.

Table 3. Descriptive Test

	N	Min	Max	Mean	Std. Deviation
Financial Technology	100	43	46	44.10	.948

Financial Literacy	100	43	46	44.00	.778
Digital Economy	100	43	46	44.60	.921
SMEs Sustainability	100	44	48	45.87	1.244
Moderasi1	100	1892.00	2070.00	1966.8000	56.59318
Moderasi2	100	1892.00	2024.00	1962.1000	40.51300
Valid N (listwise)	100				

Research related to financial technology had an average value of 44.10 minimumof respondents answered 43 (moderately agree) and a maximum of 46 answers (between agree and strongly agree) with a standard deviation of 0.948. While the average value of financial literacy is 44.00, the minimum respondent answers 43 (disagree), and the maximum answer is 46 (agree), with a standard deviation of 0.778. Digital economy with an average of 44.60 minimum respondents answered 43 (moderately agree) and a maximum of 46 between agree and strongly agree. SMEs sustainability variable from 100 respondents, 44 answered disagreement and a maximum of 48 (between agree and strongly agree) with a standard deviation of 1.244.This study uses a questionnaire; the results of validity and reliability tests areshown in Tables 4 and 5.

Table 4. Validity Test

Variable	Item	Pearson Correlation	Sig. (2-tailed)	Result
Financial Technology	X1.1	O,588	0,000	Valid
	X1.2	0,340	0,000	Valid
	X1.3	0,467	0,000	Valid
	X1.4	0,427	0,000	Valid
Financial Literacy	X2.1	0,512	0,000	Valid
	X2.2	0,427	0,000	Valid
	X2.3	0,524	0,000	Valid
Digital Economy	Z1.1	0,554	0,000	Valid
	Z1.2	0,842	0,000	Valid
	Z1.3	0,657	0,000	Valid
	Z1.4	0,446	0,000	Valid
	Z1.5	0,447	0,000	Valid
	Z1.6	0,719	0,000	Valid
	Z1.7	0,687	0,000	Valid
SMEs Sustainability	Y1.1	0,711	0,000	Valid
	Y1.2	0,617	0,000	Valid
	Y1.3	0,708	0,000	Valid
	Y1.4	0,639	0,000	Valid

From the results the factor analysis output above the financial of technology variable, the calculated sig value is 0.000> 0.05. It can be concluded that the financial technology variable analysis test can be continued. Furthermore, the financial literacy variable obtained a value of 0.000> 0.05, meaning that the financial literacy variable can be continued.

Table 5. Reliability Test

Variable	Cronbach's Alpha	Result
Financial Technology	0,696	Reliable
Financial Literacy	0,823	Reliable
Digital Economy	0,632	Reliable
SMEs Sustainability	0,834	Reliable

The following test results are connected to the reliability of the data; the Alpha Cronbach reliability testing procedure yields a score of 0.6. If Cronbach's Alpha is more significant than 0.6, the measuring equipment is reliable; conversely, if it is less than 0.6, it is unreliable. Alpha 0.235 > 0.6 Cronbach was found in the reliability test of financial technology, financial literacy, digital economy, and SMEs sustainability variables (Ghazali, 2006). Before the linear regression test, the data was tested for normality with a Kolmogorov-Smirnov value of 0.100 above 0.05, indicating that the data was expected.

Table 6. Hypothesis Test

	Model	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	40.126	11.036	3.636	.000
	Financial Technology	22.426	6.391	3.509	.001
	Financial Literacy	22.630	6.327	3.577	.001
	Moderasi1	-.506	.142	-3.561	.001
	Moderasi2	.513	.142	3.611	.000

The data test results show that the linear multiple regression model Y = 40.126 + 22.426X1 + 22.630X2 + e. The regression findings reveal that the financial technology variable on SMEs sustainability is positive or can increase the technology-based financial knowledge possessed by SMEs in Malang City, thus increasing the ability of SMEs to maintain their business sustainability. Meanwhile, the financial literacy variable is also positive, implying that the more financialknowledge SME business owners in Malang City have, the more likely their SMEs companies will be sustainable.

A coefficient of 22.426 demonstrates the scope of financial technology's impact on SMEs sustainability. In contrast, a coefficient of 22.630 indicates the size of the impact of financial literacy on the sustainability of SMEs. Additionally, a significant t- test is performed, with the financial technology variable receiving a significance value of 0.000 < 0.05. It can be concluded that the variable financial technology influences SMEs' long-term viability because the significance value is less than 0.05. It may be concluded that the financial literacy variable

affects SMEs' long- term sustainability because it has a significance value of 0.001 < 0.05 and is lessthan 0.05. Based on the findings of the investigation, it is deemed acceptable that financial technology and financial literacy in SMEs in Malang City significantly influence the sustainability of SMEs.

In addition, the digital economy variable moderates the financial technology variable on the sustainability of SMEs showing weak results, this is inverselyproportional to financial literacy moderated by the digital economy has an influence

and strengthens the relationship between financial literacy on the sustainability of SMEs.

Table 7. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.488[a]	.238	.206	1.109	1.683

a. Predictors: (Constant), Moderasi2, Moderasi1, Financial literacy, FinancialTechnology
b. Dependent Variable: SMEs Sustainability

Based on the information presented in Table 7, the coefficient of determination or Adjusted R Square (R2) value is calculated as 0.206. This implies that 20.6 percent of SMEs' sustainability is impacted by factors including financial technology, financial literacy, and the digital economy, while the remaining 79.4 percent, which is 100 percent minus 20.6 percent, is influenced by other variables that are not considered in this research model. Future studies examining the characteristics of business stakeholders may explore additional variables beyond this model, such associal capital, a cooperative culture, and collaboration

DISCUSSION

The Impact of Financial Technology on SMEs Sustainability

According to the results of hypothesis testing, financial technology helps SMEs survive over the longterm. This is in line with research (Nurohman, 2021) this study show that there is a positive relationship between the use of financial technology and the sustainability of SMEs. This demonstrates how financial technology may improve financial success and help SMEs thrive by supplying enough equity (Nurohman, 2021). This is due to making business actors easier because it increases operational efficiency, assisting SMEs in market development and business expansion. Through e-commerce and digital payment platforms, it encourages innovation in financial products and services offered to SMEs. Respondents prefer to trade online, and SMEs, most homemakers, prefer modern transactions. This is in line with a study conducted by Rahardjo et al. (2019), which found that 80 percent of individuals who use financial technology services use financial technology for payment and capital raising.

The Impact of Financial Literacy on SMEs Sustainability

The hypothesis of this study is accepted, and the findings show that financial literacy has an impact on the long-term viability of SMEs. It can be said that the financial literacy variable has an impact on the long-term survival of SMEs. This result supports previous research which shows that financial literacy variables have a positive effect on the sustainability of SMEs (Idawati, 2020). In addition, according to (Nantungga, 2022), financial literacy has a positive and significant impact on the sustainability of SMEs. This is because financial literacy assists SMEs in maintaining long-term sustainability by ensuring that their businesses can withstand changing economic situations. SMEs can plan for economic challenges, manage debt well, and maximize the use of their capital.

The findings of this study indicate that financial literacy or understanding is important. This is reinforced by the observation that SME entrepreneurs in Malang City generally have a junior and senior high school education background, which implies that financial knowledge is only possessed by a small number of SME entrepreneurs or is limited in scope. Due to the emphasis on collaboration (cooperatives) rather than competition among business actors, SMEs in Malang City stand out compared to other cities because of the efforts they make to maintain business continuity. This is also in line with research by (Kumar, Eyedee, 2021), who found that information exchange and collaboration among SMEs increases capacity while adhering to the desire to complement each other and help those less fortunate.

The effect of Financial Technology on SMEs sustainability in a Moderating Digital Economy

The moderator variable, or digital economy, which also has a favorable impact on fintech and SME sustainability, further supports these findings. However, the relationship between fintech and SME sustainability variables becomes weaker when the moderator variable is introduced. The moderator variable, or digital economy, which also has a favorable impact on fintech and SME sustainability, further supports these findings. The findings show that fintech has an impact on the sustainability of SMEs, indicating that SMEs that have utilized fintech as a transaction tool anticipate that their business will progress and grow along with the development of the digital economy. As a result of simpler and more efficient transactions, fintech companies such as Gopay, Ovo, and ShopeePay have a significant impact on SMEs, as shown by this study. In addition, they believe that sales revenue is still increasing. This is consistent with the findings of previous studies by (Luckandi, 2018) and (Lestari et al, 2020), which found that fintech has an impact on the financial performance of SMEs. Fintech has significantly changed the financial environment by allowing SMEs to use digital platforms to obtain more affordable and effective financial services. However, the relationship between fintech and SME sustainability variables becomes weaker when moderator variables are introduced. This is due to the indicator "Reliability" and "Responsiveness" in the digital economy indicators are indicators that make the relationship between financial technology and SME sustainability weaker in the context of the digital economy. This is because when the reliability and responsiveness of financial technology services decline, it can affect SMEs' ability to rely on and use the technology. If

fintech services are unreliable and unresponsive, SMEs may have difficulty in properly running their financial operations, which may ultimately affect their sustainability in the digital economy.

The Effect of Financial Literacy on the Sustainability of SMEs in the Moderation of the Digital Economy

The inclusion of moderating variables, specifically the digital economy, contributes to the robustness of this research. This means that the presence of moderating variables strengthens the relationship between financial literacy variables and the sustainability of SMEs. A high level of financial literacy is expected to support business continuity. There is a positive relationship between financial literacy and business continuity according to (Rahayu, 2017). This finding is consistent with previous research by (Widayanti R, 2017) which states that financial literacy contributes 28.9% to business continuity. Moderation of the digital economy is an essential element in understanding financial literacy's effect on the sustainability of small and medium enterprises (SMEs). In today's digital era, SMEs must be able to adapt to rapid changes in technology and business trends. Financial literacy is critical in helping SMEs manage their finances wisely in a fluctuating digital economic environment. Modifying the digital economy helps SMEs leverage online platforms, such as e- commerce and digital financial services, to improve market access and operational efficiency. A high level of financial literacy enables SMEs to make smarter decisions in managing funds, understanding risks, and optimizing the benefits of these digital platforms.

Conversely, moderating the digital economy can also strengthen the impact of financial literacy on SMEs sustainability. By applying the right financial technology, SMEs can more accurately measure their performance, identify growth opportunities, and better manage risks. In conclusion, moderation of the digital economy and financial literacy are interrelated and mutually influential factors in SMEs sustainability. SMEs with solid financial literacy can better utilize the digital economy, while moderation of the digital economy can strengthen the influence of financial literacy on SMEs sustainability. Therefore, SMES need to improve their understanding of financial literacy and keep abreast of technology and digital economy trends to compete effectively in this increasingly digitalized business environment.

In addition, external factors such as regulatory changes, changing market trends, or global economic events can also affect temporal effects and causality. Therefore, it is essential to continuously monitor and evaluate these relationships over time and respond quickly and appropriately to changes in the business and economic environment. In this context, further research and in-depth analysis can help better uncover the dynamics of the relationship between financial literacy, fintech, digital economy, and SMEs sustainability, thereby providing more practical guidance for governments, SMEs players, and other stakeholders in supporting the sustainable development of SMEs.

CONCLUSION

The study's findings suggest that financial literacy and fintech adoption can have a good impact on the sustainability of SMEs, particularly in terms of access to financial resources and a better grasp of financial management, based on the findings of the previous discussion. Furthermore, factors related to the digital economy attenuate this link, indicating that the contribution of technology to the digital economy can enhance the favorable effects of fintech and financial literacy on SMEs. This conveys a message to the government in its capacity as a regulator, to academia in its capacity as a teacher, to business as a catalyst, and to the general public in its capacity as an encouragement to further socialize and develop fintech, financial literacy, and the digital economy in Malang City SMEs.the significance of creating a fintech environment that aids SMEs, as well as initiatives to raise financial literacy among SMEs proprietors. It is advised that the government put into place policies to aid in the development of fintech, facilitate training in financial literacy, and promote cooperation between SMEs and fintech providers. SMEs ought to learn more about financial technology and incorporate it into their processes. Thus, the findings of this study can improve the sustainability of SMEs, spur economic growth, and close the gap in community welfare. This study has limitations because the selected population is relatively small because it only examines SMEs in Malang City. It is expected that further research will increase the research population as well as the number of other variables related to business continuity. Not only Malang City SMEs but can be throughout Indonesia.

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