

The Effect of Financial Literacy, Financial Technology, and Digital Marketing Effect on Business Sustainability in MSMEs in Magelang City

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Wahyu Safitri, Marlina Kurnia*, Ariq Fikria Niagasi

Department of Management, Faculty of
Economics and Business, Universitas
Muhammadiyah Magelang, Magelang,
Indonesia

*Corresponding author:
Email: marlinakurnia@unimma.ac.id

Abstract

This article examines business sustainability in MSME actors in Magelang City. The number of MSMEs in Magelang City in 2023 is 2,126, in addition to 7,805 MSME business actors registered on the Magelang City Government website. This makes the number of MSME actors quite large, making Magelang City superior in prospering its economy. Financial Literacy, Financial Technology, and the Effect of Digital Marketing are indicators used to measure the impact of business sustainability. The research method was quantitative, using the purposive sampling method for 100 respondents. The study reveals that financial literacy, financial technology, and Digital Marketing affect business sustainability. All three have a positive influence with a significance number (0.000). It can be concluded that to support the achievement of sustainable business, it is necessary to pay attention to increasing financial literacy, increasing the use of financial technology and developing digital marketing skills.

Keywords: Financial Literacy; Financial Technology; Digital Marketing; Business Sustainability

Introduction

MSMEs, or micro, small, and medium enterprises, are crucial to improving the local and national economy. MSMEs are not only market creators but also significantly impact community empowerment and local economic development. The overall number of MSMEs in Indonesia has increased to more than 65 million in 2019. The number of MSMEs in Magelang City is quite diverse; in 2023, there were 2,126; in addition to being registered on the Magelang City Government website, 7,805 business actors are registered. This could lead the business to run sustainably.

Financial literacy refers to the knowledge of money and financial products that a person can use to make financial decisions to manage their money wisely (Amisi, 2012). Financially literate people are better equipped to manage their finances and are less likely to be scammed when it comes to money (Garg & Singh, 2018). To improve the performance and sustainability of MSMEs, a strategic approach is needed. Improving financial literacy is one approach that can be used to track responsibility and management more accurately, as is the case in large companies (Aribawa, 2016).

Financial technology is the use of technology in financial management. Fintech offers many features that facilitate the financial side, such as those used in banking, insurance, cooperatives, and financial organisations, thus attracting public attention. Fintech, which combines current technology with financial sector innovation, is characterised as a new phase in the financial services industry (Winarto, 2020).

For MSME companies, the business environment is very competitive, and using digitalisation along with the development of technology 4.0 is one of the strategies for product marketing to increase the company's capacity (Rosita, 2020; Saturwa et al., 2021). Businesses can react to consumer demand for information and goods more quickly when information systems are used. In today's technological era, digital media allows people to quickly and easily meet various demands. The impact of digital marketing on company performance is very beneficial. Companies can inform consumers about their sustainability initiatives and promotions by leveraging digital marketing. Increasing digitalisation and information technology impact marketing, fostering customer interaction, and adding value to small and medium-sized businesses. With the hope that MSMEs can utilise digital technology for marketing, production, and identifying possible product customers.

In addition to the phenomena mentioned above, previous research has different views regarding the relationship between Financial Literacy and MSME Sustainability (Rumini, 2020). However, according to research, financial literacy has a detrimental impact on business sustainability (Naufal & Purwanto, 2022). To find out whether these two factors can impact a company's sustainability, this study partially investigated the relationship between the two variables. Because it has not been widely researched and because there is still a research gap, this research is still useful in uncovering the sustainability of businesses that use financial technology, the impact of digital marketing, and the characteristics of financial literacy.

Literature Review

Resource-Based View (RBV)

Organisational resources are analysed and interpreted using the Resource-Based View (RBV) to help understand how businesses gain a sustainable competitive advantage. According to Miller (2019), RBV emphasises the idea that competitive advantage and superior performance come from a company's unique qualities that are difficult to replicate. Resources that are difficult for competitors to replicate are more likely to be exclusive to the organisation and difficult to transfer or purchase. Examples of these resources include those that require steep learning curves, significant organisational climate and cultural change, or both. Collins (2021) states that performance variations between companies depend on the ownership of different inputs and skills. The purpose of this model is to identify the characteristics of a business so that it can be used to strengthen its advantage over competitors. Companies must improve their performance, skills, and potential to gain market share. The architecture of this model incorporates variables for additional elements, including innovation, organisational learning, core competencies, and the idea of dynamic capacity.

Financial Literacy

Good financial literacy is evident when business actors or companies can apply their financial skills and make the right decisions for their strategies (Muraga & John, 2015). There is a continuous relationship between financial literacy and the performance of business actors or companies (Dahmen & Rodríguez, 2014). Financial literacy not only equips business actors with the ability to manage cash flow, budget, and plan finances effectively but also enhances their capability to anticipate risks and seize opportunities.

Financial Technology

Financial technology, commonly known as fintech, applies advanced technological systems and innovations to enhance, automate, and streamline financial services and processes. Fintech has rapidly evolved in recent years, transforming how individuals and businesses manage their finances by introducing user-friendly platforms and digital solutions. Fintech is the use of technological systems for financial management. Because fintech offers many features that facilitate the financial side, such as those used in banking, insurance, cooperatives, and economic organisations, fintech has attracted the public's attention.

Digital Marketing

In addition, digital marketing, sometimes known as "web marketing, online marketing, or e-commerce, is marketing products or services through the internet. It is defined as "marketing that uses existing platforms on the internet in carrying out activities to reach target consumers." Email marketing, search engine marketing, social media marketing, mobile advertising, and various display ad formats, including online banner ads, are examples of types of digital marketing.

Business sustainability

The phrase "sustainable business" has been used extensively by several businesses worldwide. Simply put, every business owner wants their company to survive for a long time and generate stable profits. In fact, many of them have high expectations for their company's ability to grow and develop in the face of fierce competition. Businesses that adopt sustainability practices are often more resilient in adapting to regulatory changes, shifting consumer preferences, and global environmental challenges. Therefore, integrating sustainability into the core of business operations is no longer an option but a necessity for companies aiming to thrive in a rapidly changing and highly competitive global market.

The RBV Theory emphasises the importance of a company's internal resources as a determinant of competitive advantage and business sustainability. Financial literacy, financial technology (fintech), and digital marketing are crucial strategic resources in this context. Financial literacy enhances the ability to make wise financial decisions, while fintech provides efficient, innovative solutions for financial management and market access. Meanwhile, digital marketing allows for wider reach and more effective customer interactions. When managed properly according to RBV principles, these three elements can strengthen the company's competitive position and support long-term business sustainability by creating unique value that is difficult for competitors to imitate.

RBV Theory describes how a company can achieve sustainability by maximising existing resources. Business actors who have insight into financial literacy will maximise their competitive advantage and maintain the business. So that this can encourage a business to continue to grow and gain profits over time. The financial literacy possessed by a person can help the individual make informed financial decisions and optimise financial outcomes. Lack of financial literacy in MSME actors can cause misunderstandings that can lead to financial losses due to improper financial decision-making, waste, and unwise use of credit cards, among other factors.

RBV focuses on how a company can achieve sustainability by maximising existing resources. In this Theory, financial technology is the first step of innovation in the financial sector, combined with modern technology. The ability to use technology will be an alternative to funding, in addition to using the traditional financial industry, in providing services to MSME customers. This is supported by research (Riyanto, 2022) that *financial technology* positively affects the business sustainability of MSME actors. The *resource-based view* (RBV) Theory describes how a company can achieve sustainability by maximising existing resources. MSME business actors who

can master the impact of digital marketing or marketing performance are a key factor in a company's marketing success.

The Effect of Financial Literacy, Financial Technology, and Digital Marketing on Business Sustainability

Based on previous research, the Influence of financial literacy only directly affects Business Sustainability. The research of Hilmawati (2021) and Aribawa (2016) shows that financial literacy is very helpful in improving the performance of MSMEs (Aribawa, 2016). Likewise, the Influence of financial technology only directly affects business sustainability, based on research conducted by Yuyun Yuniati Yuningsih and Andi Riyanto (2022), that financial technology has a simultaneous effect on the business sustainability of MSME actors. Then, based on the research carried out, it is supported by research (Lamidi and Marjam Desma Rahadhini, 2021) based on the results of the research carried out, stating that marketing performance affects the sustainability of MSMEs is acceptable, which explains that the Effect of Digital Marketing has a direct effect on business sustainability. Based on this, this study will describe the Influence of financial literacy, financial technology, and the effect of digital marketing on business sustainability together.

The Effect of Financial Literacy on Business Sustainability

Good financial knowledge will help MSME actors minimise risks and losses because their knowledge in the financial sector can be used to make the right decisions, good financial planning and accounting. The results of this analysis are consistent with the resource-based Theory (RBV) put forward by Barney (1991), which states that business entity resources in the form of financial capabilities can provide positive value for companies in achieving excellence and competitiveness (Barney, 1991). Therefore, in this study, the performance of MSMEs is significantly influenced by the level of financial literacy of MSME actors. This is related to research Hilmawati (2021) and Aribawa (2016), which show that financial literacy is very helpful in improving the performance of MSMEs (Aribawa, 2016).

The Influence of Financial Technology on Business Sustainability

Financial technology is a combination of financial management using system technology. Financial technology is an innovative step in financial services, as part of the National Digital Research Centre. The World Economic Forum said that financial technology is the use of technology and creative business in the financial sector. The emergence of financial technology innovations provides a breath of fresh air for MSME business actors. Financial technology helps businesspeople access financial products and increase their financial literacy more easily. Theoretical RBV focuses on how a company can achieve sustainability by maximising existing resources. In this Theory, financial technology is the first step of innovation in the financial sector, combined with modern technology. The ability to use technology will be an alternative to funding, in addition to using the traditional financial industry, in providing services to MSME customers.

The Effect of Digital Marketing on Business Sustainability

Digital marketing is a broad marketing concept that describes marketing products or services using digital technology, especially the Internet (Yamin, 2017). Digital marketing uses the internet and other interactive technologies to create and connect identified information between companies and consumers. Digital marketing is direct marketing, which treats customers as individuals and defines customers not only based on individual characteristics but also based on behaviour, and interactive marketing, which can cope with individuals and the ability to collect and remember individual responses. Digital marketing uses digital technologies to create integrated, targeted, and measurable communications that help acquire and retain customers while building deeper relationships.

The resource-based view (RBV) Theory describes how a company can achieve sustainability by maximising existing resources. MSME business actors who can master the impact

of digital marketing or marketing performance are a key factor in a company's marketing success. This is supported by research, which indicates that the effect of digital marketing on the sustainability of MSMEs is acceptable.

In light of these considerations, this research proposes the following hypothesis :

H1: Financial Literacy has a positive effect on Business Sustainability

H2: Financial Technology has a positive effect on Business Sustainability

H3: Effect of Digital Marketing has a positive effect on Business Sustainability

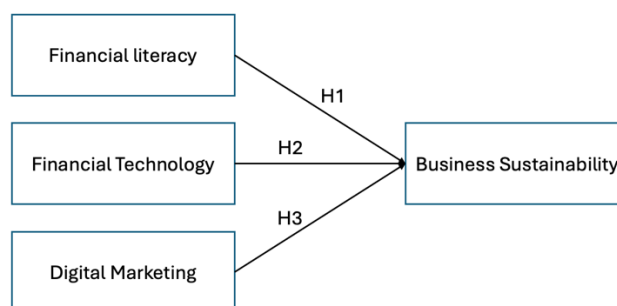


Figure 1. Research Model

Research Method

Population and Sample

This study uses the Likert scale (1–5) and quantitative methods using primary data. Purposive sampling is the method used in this study, requiring that the subject owns an MSME company, is at least 15 years old, and is domiciled in Magelang City. The Cochran method determines the sample size because the population size is unknown (Sugiyono, 2021). As can be seen from the findings above, 96.04 is a fraction. Sugiyono (2021) states that fractions (including commas) must be rounded upwards in calculations that produce fractions. Digital questionnaires created with Google Forms and distributed through the WhatsApp application are used to collect data. The data analysis method of this study uses SPSS and multiple linear regression analysis.

Operational Definition and Variable Measurement

According to Bahar (2022), Sustainability Business has several indicators: improvement of business performance, Improvement of resources and Development of financial management. According to the respondent, financial literacy is a person's overall understanding of finances that is used to manage their finances and make informed decisions. There are several indicators to measure financial literacy, including general knowledge of financial management, insurance management, investment management, and savings and borrowing.

Respondents' perception defines Financial Technology as technological innovation in financial services that can create a business model with modern technology, applications, and information, making investing easier and faster and improving industrial services. Several indicators are used to measure financial technology, including the following, according to Julialevi (2020): perceived usefulness, perceived ease of use (use of technology), and perceived risk (risk or consequences).

Digital Marketing is a marketing activity that uses internet-based media made possible by digital technology to develop, convey, and distribute information to customers to attract their interest in buying the goods provided. According to Yazer Nasdini (in Aryani, 2021), the following are the signs of digital marketing: trust, credibility, entertainment, accessibility, and informativeness.

Data Analysis Techniques

The calculation and table values were compared as part of the validity test used in this study. If every indication is considered valid, then the validity test data processing results will be good. The Reliability test used in the second test was quantified with the Cronbach alpha value. The test of this research model uses a simultaneous test (F test) with a significance level of less than 0.05 and a determination coefficient (R^2). A significant F test value indicates that the data support the validity of the selected regression model. Finally, a t-test was used in this study to examine the effect of each independent variable on the dependent variable.

Results and Discussion

The data collection method in this study is by distributing questionnaires to respondents. The object of this research is MSME actors in Magelang City. The questionnaire distributed in this study is 100 questionnaires, and the process of distributing the questionnaire is summarised as follows:

Table 1. Data Collection Results

Information	Sum	Presented
Distributed questionnaires	100	100%
Returning questionnaire	100	100%
Questionnaires that do not return	0	0%
Ineligible questionnaires	0	0%

Source: SPSS data processing

Based on Table 1, the results show that from the questionnaires' distribution, the returned questionnaires amounted to 100 questionnaires, with a 100% percentage, so the questionnaires that can be processed amount to 100 questionnaires, with a 100% percentage.

Table 2. Multiple Linear Regression

Variable	Business Sustainability		
	B	t	Mr.
(Constant)	2.032	6.919	0.000
Financial Literacy	.421	15.945	0.000
Financial Technology	.157	4.970	0.000
Digital Marketing	.078	2.933	0.004
F			0.000
Adjusted R2		0.923	

Table 2 shows the magnitude of the determination coefficient ($Adjusted R^2$) = 0.923, meaning that the variables of *financial literacy*, *financial technology*, and *digital marketing* together affect the *business sustainability* variable by 92.3%. The remaining 7.7% is influenced by other variables that are not included in this research model.

Financial literacy achieved 0.421, indicating a positive effect on business sustainability. **Hence, H1 is accepted.** The first hypothesis of this study is to support the RBV paradigm, which states that digital marketing, financial technology, and financial literacy affect business continuity. Digital marketing increases market reach and contact with customers, financial technology increases efficiency and innovation in financial transactions and services, and financial literacy helps manage financial resources. This study concludes that MSMEs in Magelang City believe that these three factors play an important role in the sustainability of their business. Financial literacy helps in better financial management, and Financial technology makes it easier to innovate and run operations efficiently. Digital marketing helps MSMEs access a larger audience and forge closer client bonds. The findings of the F test show that the combined impact of digital marketing, financial technology, and financial literacy on corporate sustainability is considerable.

Financial technology achieved 0.157, indicating that it positively affects business sustainability. **Hence, H2 is accepted.** The second hypothesis proposed in this study is that financial literacy—which includes a broad understanding of insurance, investment, savings and

loans, and financial management—significantly influences the long-term sustainability of MSMEs in Magelang City. MSMEs with financial literacy can better manage risk, maximise income, make wise financial decisions, and maintain financial stability. According to the RBV philosophy, having strong financial literacy will increase the effectiveness of financial management and a person's capacity to obtain financing. According to Felicia et al. (2015), the test findings showed a probability value of $0.000 < 0.05$, which indicates that financial literacy has an impact on the sustainability of the company, helps MSMEs survive and grow in the face of competition, and reduces the likelihood of long-term failure. These findings support the statement made by Rumini and Martadiani (2020) that Financial Literacy positively affects the sustainability of MSMEs. In accordance with the third hypothesis proposed in this study, the perceptions of risk, usefulness, and ease of use of financial technology in Magelang City considerably Influence the sustainability of MSME businesses. Financial technology is considered a useful tool in improving the efficiency and accessibility of financial services so that MSMEs can manage operations more effectively and optimise the use of resources. The ease of use of this technology increases productivity and responsiveness to market changes, which is essential for maintaining long-term business competitiveness. However, the perception of risks such as data security and technology Reliability must be managed properly because it can affect customer trust and MSMEs' daily operations. With a probability value of $0.000 < 0.05$, the test findings show the strong impact of financial technology on the sustainability of MSME companies. This shows that incorporating financial technology into business strategies is essential for long-term sustainability. Research (Yuyun Yuniati Yuningsih, 2022) shows that financial technology simultaneously impacts the capacity of MSME actors to continue their business.

Digital Marketing achieved 0.078, meaning that digital marketing positively affects business sustainability. **Hence, H3 is accepted.** This study tests the hypothesis that digital marketing factors, including accessibility, interactivity, entertainment, trust, and information, positively impact the sustainability of MSME businesses in Magelang City. Accessibility makes it easier for customers to access information and products, interactivity fosters strong customer relationships, entertainment enhances the appeal of content, trust strengthens reputation, and educational information strengthens the market position of MSMEs. Integrating these factors in digital marketing strategies contributes to business growth and sustainability, in accordance with the RBV Theory, which emphasises the importance of unique resources, such as digital marketing capabilities, to achieve competitive advantage. The test findings show a strong impact of digital marketing on the business sustainability of MSMEs, with a probability value of $0.004 \leq 0.05$. The study shows how a successful digital marketing plan can increase consumer engagement, expand markets, and drive long-term growth. This is supported by research (Lamidi, Marjam Desma Rahadhini, 2021), which states that marketing performance affects the sustainability of MSMEs.

Conclusion

Testing and data analysis show that financial literacy, financial technology, and financial technology have a positive and significant effect on sustainability, with a significance level value of 0.000. All MSME businesses must consider and improve digital marketing to ensure sustainability. In addition, the combination of financial literacy, financial technology, and digital marketing affects up to 92.3% of sustainability. This implies that factors such as impulse purchases, satisfaction, socioeconomic impact, and others that are not included in this research model impact the remaining 7.7%. This test only looks at the residents of Magelang City and has three limitations that limit the amount of data that can be collected because it does not comply with the required standards. The researcher made several recommendations based on the previously mentioned results that may be useful for further research. The findings of this study produce a number of recommendations for MSME companies in Magelang City, including the need to acquire and strengthen expertise in the fields of financial technology, digital marketing, and financial literacy, as these skills can contribute to business sustainability. The need for governments to support initiatives that promote financial literacy, such as supporting financial

technology providers, cannot be ignored. The limitation of this study is that while respondents were filling out the questionnaire, several respondents were not directly supervised by the researcher.

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