

**ANALYSIS OF FINANCIAL LITERACY FOR BUSINESS SUSTAINABILITY
WITH ENTREPRENEURIAL CHARACTERISTICS AS A MEDIATION
VARIABLE (SURVEY ON FOOD PROCESSING SMEs IN SUKABUMI CITY)**



Agitya Nur Pryal¹
Universitas Muhammadiyah Sukabumi, Sukabumi, Indonesia
nurpryalagitya@ummi.ac.id

Deni Muhammad Danial²
Universitas Muhammadiyah Sukabumi, Sukabumi, Indonesia
rdmdanial043@ummi.ac.id

Dicky Jhoansyah³
Universitas Muhammadiyah Sukabumi, Sukabumi, Indonesia
dicky.jhoansyah@ummi.ac.id

Abstract

This research examines financial literacy and entrepreneurial characteristics as factors that influence business sustainability in food processing SMEs in Sukabumi City. The results show that good financial literacy is positively related to maintaining business sustainability in these SMEs. However, although entrepreneurial characteristics mediate the relationship between financial literacy and business sustainability, the impact is not statistically significant. This shows that other factors influence this relationship in Sukabumi City food processing SMEs.

Keywords: Financial Literacy, Business Sustainability, Entrepreneurial Characteristics, Mediation Variables

INTRODUCTION

In the current era of globalization of trade and the free trade system, the role of the private sector has increased in various developing countries (Sasongko & Rachma, 2021). The emergence of the Micro, Small, and Medium Enterprises (MSME) sector has become an important part and has a significant role in economic development (Rosyadah et al., 2022). MSMEs are one of the main pillars of the domestic economy which is part of the national economy based on an independent perspective and has great potential to improve people's welfare (Maharani & Jaeni, 2021).

One of the subsectors that has the largest number of businesses in Indonesia is the food industry. Food is a primary need known as clothing, food, and shelter. Therefore, these needs must be met for survival (Mugni et al., 2022). According to the Ministry of Industry, the food industry has the potential to become a champion because of the large number of consumers and consumers (Kusumadewi, 2022).

To improve the performance and sustainability of MSMEs in the long term, MSMEs require the formation of strategic steps or efforts, such as enriching the knowledge of MSME players regarding financial management and accountability. This needs to be done so that MSMEs can account for their finances better and more regularly like large companies. So far, many MSME players have paid little attention to managing their business finances by combining their personal and business money. This is one of the factors that hinders the development of MSMEs (Idawati & Pratama, 2020).

Understanding financial literacy knowledge is very important and needed, especially for MSMEs (Ilfita & Canggih, 2021). Through good understanding, an entrepreneur understands the meaning of the value of money which will provide benefits for now and will have a big influence on the future and progress of the business (Junaidi, 2023). Therefore, it is necessary to have a financial literacy strategy for MSMEs so that they can continue to be sustainable. For this reason, MSMEs must continue to explore and expand financial knowledge, understanding, and insight in the hope that MSMEs will be able to manage their finances (Ardila et al., 2021).

Financial literacy is a basic guideline for entrepreneurs to minimize financial problems. The financial problems experienced by entrepreneurs are not only limited to the lack of income earned while running the business, but problems occur when financial errors occur. Like not using planning in financial matters. Therefore, every entrepreneur must know the importance of the level of financial 'literacy' to manage their finances. Having the ability to make various financial decisions will be able to manage the assets owned optimally so that financial conditions improve over time (Indrayani, 2020).

The entrepreneurial characteristics possessed by individual MSME owners are one of the factors that influence the success of their business (Kii & Sehendri, 2023). Entrepreneurial characteristics can be interpreted as something related to a person's character, behavior or character or attitude toward life's struggle to achieve inner and outer happiness. So entrepreneurial characteristics are the behavior and attitudes possessed by business actors to run their business. With good entrepreneurial character, you can develop your business because you can organize the business you are running (Rizky et al., 2022).

Researchers use entrepreneurial characteristics as mediating variables. Research conducted (Maulana et al., 2022) shows that entrepreneurial character has a positive effect on business sustainability in MSMEs in Central Java. This is supported by research conducted by (Dwiastanti & Mustapa, 2020) proves that there is a positive and significant influence between entrepreneurial characteristics on business sustainability.

REVIEW OF LITERATURE

Business Sustainability

The sustainability of MSMEs is a state or condition of a business, in which there are ways to maintain, develop, and protect resources and meet existing needs (Nugroho & Rahman, 2022). Business sustainability is a form of consistency of business conditions, where this sustainability is the process of ongoing business including growth, development, strategies to maintain business continuity, and business development where all this leads to the continuity and existence (resilience) of the business (Wijayanti & Hanandia, 2022).

Financial Literacy

Financial literacy is knowledge about how to manage and analyze financial conditions. Financial literacy is an important factor in maintaining the sustainability of a business (Riyanti & Aini, 2022). Financial literacy is an activity regarding knowledge and understanding of financial concepts and risks, skills, motivation, self-confidence, and competence which are useful in making effective decisions in a financial context, to improve the financial welfare of individual people. and to enable participation in economic life to increase self-confidence in managing finances (Yuningsih et al., 2022).

Entrepreneurial Characteristics

Entrepreneurial characteristics are the personal characteristics and skills possessed by an entrepreneur that are needed to achieve success in running and developing a business (Bahri & Arda, 2019). According to (Dwiastanti & Mustapa, 2020) defines that entrepreneurial characteristics are internal factors determining sustainable business performance which can determine business success by referring to the characteristics possessed such as having high enthusiasm, the desire to innovate, always accepting responsibility as best as possible, wanting to achieve and daring to take risks.

RESEARCH METHOD

The method in this research is to use a quantitative approach with the object of this research being financial literacy, business sustainability, and entrepreneurial characteristics in Food Processing SMEs in Sukabumi City with a total sample of 135 samples using the formula $5 \times$ number of indicators. The sample frame uses a nonprobability sampling technique with a purposive sampling method. Data collection was carried out using a questionnaire as a research instrument with an interval scale of 1-10 points containing appropriate statements.

RESULTS AND DISCUSSION

Test Assumptions

1. Data Normality Test

In this study, the normality test was carried out using AMOS software version 24. The normality test can be seen from the output text in the AMOS application in the normality assessment tools section, data is declared normal if the entire skew and critical ratio table is < 2.58 (Waluyo & Rachman, 2020). The results of the normality test in this research show that all indicators in this research are normally distributed because the critical ratio and skew values for all indicators are $2.217 < 2.58$.

2. Outlier Test

Detecting outlier values in AMOS can be seen from the Mahalanobis distance value. Detected using the Chi-square value of degrees of freedom by taking into account the number of research indicators. In this study, there were 27 indicators of all research variables and a significance level of $p < 0.001$. The t-table value χ^2 (27 indicator values, and 0.001 level of significance) produces a value of 55.476 as the cut-off value. This means that if there is data that exceeds the value of 55.476 then it can be concluded that the data contains outliers. Based on the results of the AMOS analysis, the Mahalanobis d-squared value can be seen that the largest value is $42.561 < 55.476$. So it can be said and concluded that in this study there were no outlier data.

3. Multicollinearity Test

The assumption of multicollinearity can be detected from the determinant value of the covariance matrix. Extremely small determinants indicate multicollinearity and singularity, so the data cannot be used for analysis. However, in this study, a multicollinearity test was not carried out, because the exogenous construct in this study was only one variable so multicollinearity did not occur.

Confirmatory Factor Analysis

To determine the probability of this research, a Confirmatory Factor Analysis test was carried out. If the probability is declared significant then hypothesis 0 will be accepted. The following are the results of the Confirmatory Factor Analysis test in this research:

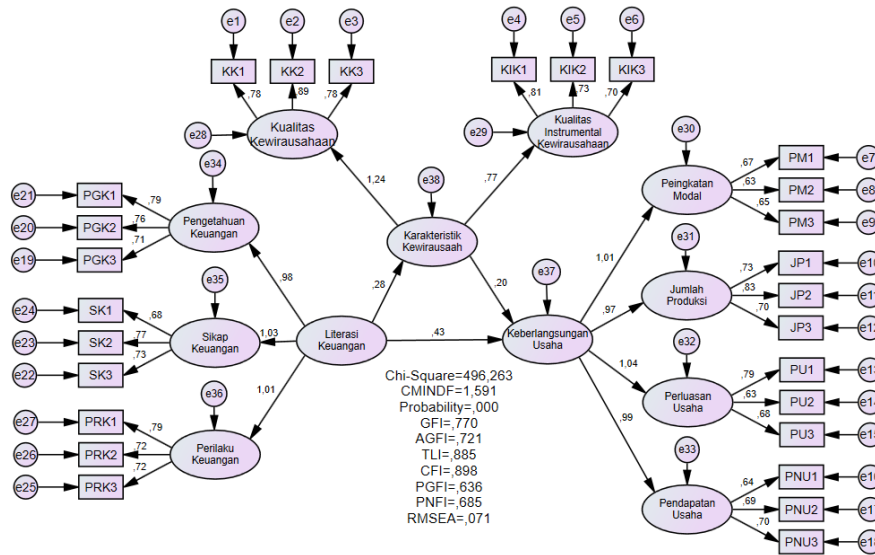


Figure 1.

Confirmatory Factor Analysis Results

Source: Data processed by researchers, 2024 (using AMOS 22 software)

Researchers used AMOS version 24 software and can see the estimation results from the Confirmatory Factor Analysis (CFA) analysis which can be seen in Figure 2.

Table 1.

CFA Model Fit Test

Goodness of Fit	Criteria	Cut-off Value	Information
RMSEA	≤ 0.08	0.071	Fit
CMINDF	≤ 2.00	1,591	Fit
TLI	≥ 0.90	0.885	Marginal Fit
CFI	≥ 0.90	0.898	Marginal Fit
PGFI	≥ 0.60	0.636	Fit
PNFI	≥ 0.60	0.685	Fit

Source: Data Processing Results, 2024.

Based on Table 4.6, it shows that the RMSEA value shows a result of $0.071 < 0.08$. CMIN/DF shows a result of $1.591 < 2.00$. The TLI value shows a result of $0.885 < 0.90$. The CFI value shows a result of $0.898 < 0.90$. The PGFI value shows a result of $0.636 > 0.60$. And the PNFI value shows a result of $0.685 > 0.60$. So, the CFA model fit test on the structural model has a good level of fit and meets the criteria to be used further in descriptive analysis and testing hypotheses.

SEM Hypothesis Testing

SEM hypothesis testing in this research was carried out to answer the hypothesis in this research. The results of hypothesis testing can be seen in the critical ratio (CR) in the regression weights table in the AMOS software which is displayed in the table below:

Table 2.
SEM Hypothesis Testing

Track	Direct Effects (Coefficient)	S.E	t-value (1.194)	P(0.05)	Sig.	Conclusion
Financial Literacy - Business Sustainability	0.402	0.104	3,877	0 000	Sig	Accepted

Track	Indirect Effect	Total Effect	Mediation Effect
Financial Literacy - Business Sustainability	0.053	0.455	Mediation (hypothesis accepted)

Source: Data processed by researchers, 2023 (using AMOS 22 software)

Based on Table 3. Hypothesis Testing, information was obtained that the indirect effect of financial literacy on business sustainability is 0.053 in a positive direction. Apart from that, the hypothesis is carried out by calculating using the Sobel test calculator from Daniel Soper to test whether the relationship through the mediating variable is significantly capable of acting as a mediator in the relationship. The following is a calculation using a Sobel test calculator:

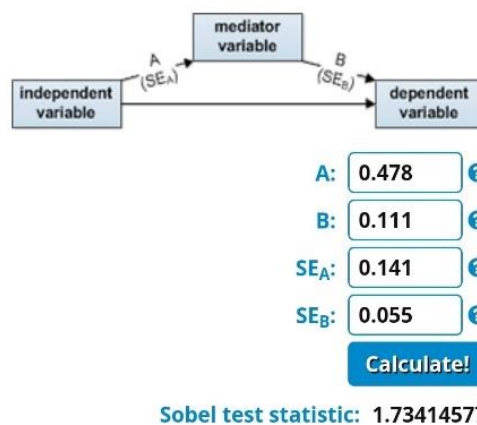


Figure 2.
Sobel Test Calculation Results

Source: Processed by Researchers, 2024

Based on the results of calculations that have been carried out using Daniel Sopier's Sobel test calculator, it can be seen that the result is $1.734 < 1.978$ (t table with a 5% significance level is 1.978). Based on this, it can be concluded that there is a positive influence of Entrepreneurial Characteristics in mediating the relationship between Financial Literacy and Business Sustainability but it is not significant.

Referring to Table 3. Hypothesis testing provides information that there is a direct influence from financial literacy on business sustainability is 0.402 in a positive direction. Based on the critical ratio (CR) for the variable Entrepreneurial Characteristics on Business Sustainability, it is $3.877 > 1.978$ (t table with a significance level of 5% is 1.978) with a probability value of 0.000 which means it is smaller than 0.05. So "Financial Literacy has a positive and significant influence on Business Sustainability" is unacceptable. Based on the test results, it was found that the direct influence had a greater influence than the indirect influence. This shows that financial literacy has a more effective direct influence on business sustainability than entrepreneurial characteristics.

CONCLUSION

Based on the test results, it shows that Entrepreneurial Characteristics are not strong enough to influence the relationship between Financial Literacy and Business Sustainability, although the influence is positive, the results are not significant. This suggests that entrepreneurial characteristics may play a role in linking financial literacy with business sustainability, but the relationship does not reach the level of significance. This shows that other factors outside entrepreneurial characteristics also influence the relationship between financial literacy and business sustainability. Refers to the magnitude of the direct influence given which is greater than the indirect influence. This means that by increasing financial literacy, improving financial literacy will directly be more effective in maintaining business continuity.

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