
THE INFLUENCE OF FINANCIAL LITERACY, DIGITAL LITERACY, MENTAL ACCOUNTING, AND FINANCIAL INCLUSION ON THE SUSTAINABILITY OF GEN Z MSMEs



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Abstract

This study examines the influence of financial literacy, digital literacy, mental accounting, and financial inclusion on the sustainability of MSMEs operated by Generation Z in Yogyakarta City. MSMEs managed by young entrepreneurs face challenges related to financial management capabilities, digital technology utilization, and business stability amid rapid economic changes, thereby requiring stronger financial understanding and behavior. The research employs a quantitative approach by distributing questionnaires to 202 MSME actors selected through purposive sampling, and the data were analyzed using SEM-PLS with SmartPLS 4.0. The results indicate that all independent variables have a positive and significant effect on MSME sustainability, with financial inclusion emerging as the most dominant factor. These findings highlight that financial management skills, digital proficiency, structured financial allocation behavior, and access to formal financial services play essential roles in strengthening the resilience and growth of Generation Z businesses amid the rapid pace of digital transformation.

Keywords: Financial Literacy, Digital Literacy, Mental Accounting, Financial Inclusion, Sustainability

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute a strategic sector that makes a substantial contribution to the national economy. MSMEs play a crucial role in promoting economic equity, expanding employment opportunities, and driving economic activity within communities across various regions (Sugiarto et al., 2025). However, amid the rapid advancement of digitalization, many MSME actors face challenges related to technological adaptation, operational efficiency, and financial resource management (Pranitasari et al., 2025). These conditions require business actors to possess stronger literacy and financial management capabilities to maintain the sustainability of their enterprises. According to Kusumawardhani et al. (2023), a strong level of digital literacy enables business actors to adapt more easily to technological changes and enhances the effectiveness of managing digital-based business operations.

Digital transformation has reshaped business patterns and marketing systems, requiring MSME actors to be more creative and innovative in utilizing technology. These changes not only affect the way transactions are conducted but also encourage the emergence of new technology-based business models (Pranitasari et al., 2025). Nevertheless, many MSME actors are still unable to optimize the use of technology due to limited knowledge and digital skills (Sugiarto et al., 2025). This low level of digital adaptation affects the ability of MSMEs to maintain the stability and sustainability of their businesses amid increasingly competitive market conditions. The study by Raharjo et al. (2024), indicates that digital literacy is an important factor influencing the success of MSMEs in carrying out digital transformation, as the level of digital literacy determines their ability to utilize technology optimally.

Generation Z, as young entrepreneurs, holds significant potential in developing the MSME sector in the digital era. They are known for their rapid adaptability to technological advancements and their strong spirit of innovation (Putri et al., 2022). However, the ability to manage finances and operate a business sustainably remains a challenge for this generation (Yuniar et al., 2023). Therefore, enhancing financial and digital literacy becomes essential in strengthening the foundation of businesses operated by the younger generation.

Financial literacy refers to an individual's ability to understand and manage financial aspects effectively to support rational decision-making. Business actors with a high level of financial literacy tend to be more prudent in managing capital, controlling risks, and utilizing investment opportunities (Suleman & K. Thalib, 2024). However, the low level of financial literacy remains an obstacle for many MSME actors, leading to difficulties in maintaining business stability (Ismia et al., 2024). Financial literacy in MSMEs also encompasses the ability to understand various financial products and services, enabling business actors to manage their financial resources in a structured manner (Frimpong et al., 2022).

In addition to financial capability, digital literacy also plays an essential role in supporting the sustainability of MSMEs. Digital literacy encompasses the ability of business actors to utilize digital technology in managing information, conducting online marketing, and reaching a broader range of consumers (Pranitasari et al., 2025). MSME actors with strong digital capabilities can enhance their competitiveness and create innovations within their business models (Sugiarto et al., 2025). Conversely, limited digital literacy becomes a major obstacle in the process of business adaptation to technological developments.

In addition to financial and digital literacy, mental accounting also influences the success of business management. Mental accounting refers to an individual's tendency to separate and allocate funds into specific categories based on their intended purposes (Ismia et al., 2024). The application of disciplined financial behavior through mental accounting helps MSME actors maintain cash-flow stability and prevent the mixing of personal and business finances. (Sugiarto et al., 2025). Sound financial behavior plays an important role in supporting business sustainability. The findings of Arisandy et al. (2024), show that mental accounting can shape a more structured financial mindset, leading to more rational financial decisions. According to Mulyani et al. (2024), mental accounting functions as a mechanism that helps MSME actors organize and record the flow of funds in a more systematic manner.

Financial inclusion also makes a substantial contribution to the sustainability of MSMEs. Adequate access to formal financial services enables business actors to obtain financing, conduct transactions efficiently, and utilize digital financial services (Dewi & Purwantini, 2023). However, according to Asmoro et al. (2025), many young entrepreneurs have not fully utilized formal financial services due to limited understanding and lack of trust in financial institutions. This indicates the importance of enhancing financial inclusion to support business sustainability.

This study aims to analyze the effect of financial literacy, digital literacy, mental accounting, and financial inclusion on the sustainability of MSMEs managed by Generation Z. This study is expected to provide a comprehensive understanding of how financial literacy, digital literacy, and financial behavior contribute to business sustainability. However, empirical studies that examine these factors simultaneously in Generation Z-run MSMEs are still limited, even though this generation has distinct ways of managing finances and utilizing technology compared to previous generations. Theoretically, this study enriches the literature on financial management and business behavior of young MSMEs, while practically, the findings can serve as a reference for business actors in designing empowerment strategies for Generation Z MSMEs based on financial literacy and financial inclusion in the digital era.

REVIEW OF LITERATURE

Resource-Based View (RBV) Theory

According to Barney (1991), the Resource-Based View (RBV) theory emphasizes that the key to achieving competitive advantage lies in a firm's internal resources that are rare, valuable, difficult to imitate, and irreplaceable. Based on this theory, when a firm succeeds in acquiring valuable resources, developing unique and unmatched capabilities, and applying them effectively, it can attain long-term performance excellence and competitive superiority. Furthermore, RBV explains that both tangible and intangible resources within a business can assist MSMEs in formulating strong strategies to enhance productivity, efficiency, and operational performance, enabling them to compete more effectively (Aisyah & Puspita, 2022).

In this study, the RBV theory serves as the foundation for explaining how financial literacy and digital literacy function as internal knowledge-based resources that support MSME entrepreneurs in improving operational efficiency and fostering innovation. Mental accounting, on the other hand, acts as a behavioral resource that helps business owners allocate financial resources more wisely, ensuring that funds are used appropriately. Meanwhile, financial inclusion is positioned as an external resource that provides access to

formal financial services and business capital, thereby directly contributing to the sustainability and development of Generation Z MSMEs.

Sustainability

Sustainability refers to a business's ability to maintain, grow, and develop continuously in the long term while considering economic, social, and environmental aspects. The sustainability of an MSME can be assessed by the extent to which the business succeeds in innovating and creating well-being for its employees and customers (Ayu et al., 2023). For MSMEs, sustainability is an important indicator of business success, as it reflects their ability to remain viable and continue to grow in the future (Sugiarto et al., 2025). In reality, many MSMEs still encounter difficulties in maintaining the sustainability of the businesses they manage (Dewi & Purwantini, 2023). Business actors naturally expect that the enterprises they manage will continue to grow and remain sustainable in the long term (Pratiwi & Nurulrahmatiah, 2024).

Financial Literacy

Financial literacy is a combination of knowledge, abilities, and skills in managing finances to support sound decision making, enabling individuals and business actors to achieve economic well-being (Jayanti & Karnowati, 2023). Financial literacy is often equated with financial knowledge (Asmoro et al., 2025). A sound understanding of financial literacy is essential for business actors, particularly for MSME owners (Bidasari et al., 2023). Ideally, business actors should not only possess knowledge of financial services but also be able to strengthen their ability to make effective decisions for the continuity of their enterprises (Susilo et al., 2022).

The study by Yunita et al. (2023) shows that financial literacy has a positive influence on business performance and sustainability, as financial understanding enables MSME actors to achieve better efficiency and financial control. Similar findings were reported by Azro'i et al. (2023), who state that financial literacy contributes to successful financial management and business resilience amid economic changes. In addition, research by Desmiyawati et al. (2024) reveals that the ability to manage finances also shapes the performance of MSMEs, making it a factor that strengthens business sustainability.

Digital Literacy

Entering an increasingly dynamic digital era, digital literacy is no longer merely a complementary skill but has transformed into a core competency that determines the competitiveness of business actors, particularly among Generation Z, who are known for their adaptability to technology. This generation has grown up in a fully digital environment. According to Hasan et al. (2024) Strong digital literacy enables individuals to understand how digital businesses operate, utilize data, and integrate technology into decision-making processes. This capability helps Gen Z MSME actors develop business models that are more innovative and responsive.

The study by Kamila & Fahlia (2025) emphasize that digital literacy plays a crucial role in enhancing entrepreneurial readiness and business sustainability, as it enables business actors to adapt more easily to technology-based environments. In addition, Setyaningsih et al. (2019) state that digital literacy also encompasses effective digital collaboration and communication skills. This indicates that digital literacy is not only related to the use of technology, but also to the ability to interact, adapt, and strategically utilize the digital ecosystem to support business sustainability (Bidasari et al., 2023). The findings of Suyanto

et al. (2023), indicate that adequate digital literacy is a critical determinant of the ability of MSMEs to survive and grow amid competition in the digital economy. Digital literacy can therefore be considered a key factor that drives Gen Z MSMEs to achieve sustainability through efficiency, innovation, and adaptive capabilities in response to changes in the business environment.

Mental Accounting

According to Pasek & Widiastina (2025), mental accounting refers to an individual's ability to manage finances by separating income and expenses based on the intended use of funds, thereby supporting financial control within a business. Consistent fund separation can enhance financial discipline and help MSME actors maintain cash-flow stability when facing changes in business conditions. Yulianto et al. (2024) explain that low mental accounting capability among Gen Z MSME actors often leads to the mixing of personal and business funds, which negatively affects financial management and business performance

The findings of Anggraini et al. (2024) indicate that mental accounting contributes positively to the financial decision-making process, as it helps business actors allocate resources more efficiently and in a well-planned manner. This perspective is reinforced by Pasek (2024), who explains that the proper application of mental accounting can enhance the efficiency of financial management and strengthen business stability. In addition, Pratiwi et al. (2025) emphasize that the disciplined implementation of mental accounting helps MSME actors maintain a balance between consumptive needs and working capital allocation, thereby supporting long-term business sustainability.

Financial Inclusion

Financial inclusion refers to efforts that enable the public and MSME actors to access formal financial services easily and securely (Asmoro et al., 2025). Ayu et al. (2023) further state that financial inclusion helps business actors utilize financial products to support their business activities. Dewi & Purwantini (2023) argue that digital technology enhances financial access for MSMEs. In the context of Generation Z, financial inclusion also promotes the ability of young entrepreneurs to manage their finances independently.

The study by Apipah et al. (2023) found that financial inclusion has a positive effect on MSME sustainability, as it provides easier access to financing that supports business growth. Haya (2021) states that digital financial services, as part of financial inclusion, can increase operational efficiency and strengthen MSME business performance. The findings of Rachmadini et al. (2025) show that the influence of financial inclusion on business sustainability becomes stronger when MSME actors possess a good level of financial literacy and digital capability. In line with this, the study by Rahadjeng et al. (2023), asserts that financial inclusion contributes significantly to improving MSME performance, as broader access to financial services enables business actors to operate more effectively and sustainably.

RESEARCH METHOD

This study was conducted among Micro, Small, and Medium Enterprise (MSME) actors from Generation Z located in Yogyakarta City. This city was chosen because it is one of the centers of creative economic growth with a relatively high number of young entrepreneurs. This research method uses a quantitative approach by distributing questionnaires to MSME actors. The sample was determined using a purposive sampling

technique, which involves selecting samples based on specific criteria. The criteria for respondents in this study were Generation Z individuals who own or are actively involved in MSMEs in Yogyakarta City, and who are at least 17 years old, as they are considered capable of understanding and completing the questionnaire properly. A total of 202 respondents were randomly selected from MSME actors meeting these criteria.

Table 1.
Construct Measurement

Variable	Indicators	Source
Financial literacy	1. Basic financial understanding	(Mandala & Putri, 2025)
	2. Understanding of financial management	(Sekarwati & Susanti, 2020)
	3. Knowledge of savings and investment	(Ismia et al., 2024)
	4. Knowledge of risk management	
	5. Finance and assets	
Digital literacy	1. Information and data literacy	(UNESCO, 2018)
	2. Digital communication and collaboration	(Maulana & Suyono, 2023)
	3. Information security	
	4. Digital business capability	
Mental accounting	1. Allocation	(Arquero et al., 2024)
	2. Management	(Ismia et al., 2024)
	3. Evaluation	(Sugiarto et al., 2025)
Sustainability UMKM	1. Customer satisfaction is achieved	(Ambarwati & Zuraida, 2020)
	2. Business expansion and job creation take place	
	3. The business receives public recognition	
	4. Product innovation is implemented	
	5. Customers widely recommend products	
Financial inclusion	1. Access	(Mandala & Putri, 2025)
	2. Well-being	(Sekarwati & Susanti, 2020)

Source: processed data, 2025

The data collection instrument consisted of a structured questionnaire containing questions related to the variables of financial literacy, digital literacy, mental accounting, financial inclusion, and MSME sustainability. Each question was measured using a 5-point Likert scale, namely (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. The collected data were analyzed using Structural Equation Modelling (SEM) based

on Partial Least Squares (PLS) with the assistance of SmartPLS version 4.0 software. The analysis was conducted in two stages, namely the measurement model test (outer model) and the structural model test (inner model). In the outer model stage, indicator reliability was tested by examining the loading factor, where a loading factor is considered reliable if it has a value ≥ 0.50 (Hair et al., 2021). Convergent validity was then assessed through the Average Variance Extracted (AVE) with a minimum threshold of ≥ 0.50 , indicating that the indicators within a construct have a strong level of correlation and can consistently represent the construct (Hair et al., 2019). In addition, discriminant validity was tested using the Heterotrait-Monotrait Ratio (HTMT) method with a criterion value of ≤ 0.85 , indicating that each construct is clearly distinct from the others (Hair et al., 2019).

The next stage is the testing of the inner model, which aims to measure the relationships between variables and to test the proposed hypotheses. The significance of the relationships between variables is assessed by examining the p-value, where a relationship is considered significant if the p-value < 0.05 (Sofyani, 2025). The contribution of the independent variables to the dependent variable is indicated by the R^2 value, with categories of 0.75 (substantial), 0.50 (moderate), and 0.25 (weak) (Sofyani, 2025). In addition, the magnitude of the influence between variables is evaluated using the F^2 value (effect size), with interpretations of < 0.15 indicating a small effect, > 0.15 indicating a medium effect, and > 0.35 indicating a large effect (Sofyani, 2025).

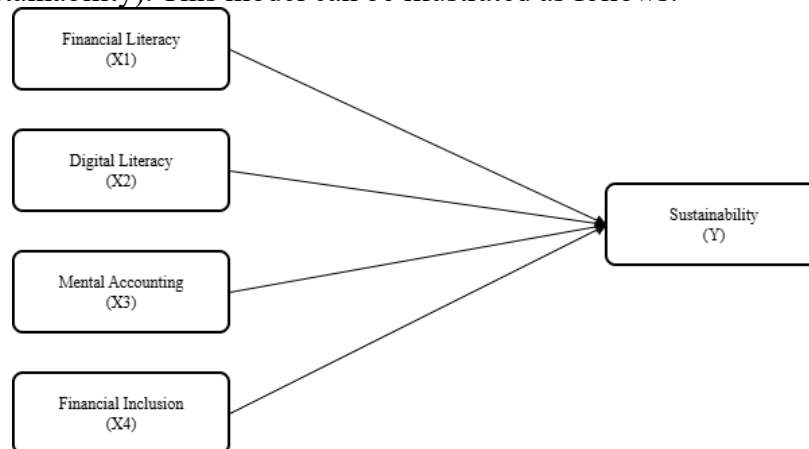
Research Hypothesis

This study aims to analyze the influence of financial literacy, digital literacy, mental accounting, and financial inclusion on the sustainability of MSMEs managed by Generation Z. Based on the review of the literature and previous research, the hypothesis proposed in this study is as follows:

- H1: Financial literacy has a positive and significant effect on sustainability.
- H2: Digital literacy has a positive and significant effect on sustainability.
- H3: Mental accounting has a positive and significant effect on sustainability.
- H4: Financial inclusion has a positive and significant effect on sustainability.

Research Model

This research model describes the relationship between independent variables (financial literacy, digital literacy, mental accounting, and financial inclusion) to dependent variables (sustainability). This model can be illustrated as follows:



RESULTS AND DISCUSSION

Measurement Model Evaluation (Outer Model)

The measurement model evaluation was conducted to test the validity and reliability of each construct indicator. Based on the data processing results (Table 2), all indicators showed loading factor values above 0.50, indicating that each indicator is able to adequately represent its respective variable. The Average Variance Extracted (AVE) values for all constructs also exceeded 0.50, indicating that the criteria for convergent validity have been met in accordance with Hair (2019).

The reliability test results show that the Cronbach's Alpha values for all variables range from 0.793 to 0.812, while the Composite Reliability (CR) values range from 0.858 to 0.869. These values exceed the threshold of 0.70, indicating that the constructs have a very good level of internal consistency. Based on the discriminant validity test using the Heterotrait-Monotrait Ratio (HTMT) approach, all values are below 0.85, demonstrating that the variables are clearly distinct from one another and that multicollinearity does not occur. Therefore, all research variables are considered valid and reliable.

Table 2.
The Summary of The Measurement Model Evaluation

Variable	Indicator	Reliability Test			Validity Test	
		Indicator Loading	Cronbach's Alpha	Composite Reliability	Convergent Validity (AVE)	Discriminant Validity (HTMT)
Financial Literacy (FL)	FL.1	0.785	0.793	0.858	0.548	Valid
	FL.2	0.754				
	FL.3	0.807				
	FL.4	0.623				
	FL.5	0.720				
Digital Literacy (DL)	DL.1	0.700	0.803	0.863	0.559	Valid
	DL.2	0.749				
	DL.3	0.795				
	DL.4	0.754				
	DL.5	0.737				
Mental Accounting (MA)	MA.1	0.700	0.794	0.859	0.549	Valid
	MA.2	0.749				
	MA.3	0.795				
	MA.4	0.754				
	MA.5	0.737				
Financial Inclusion (FI)	FI.1	0.729	0.812	0.869	0.572	Valid
	FI.2	0.732				
	FI.3	0.812				
	FI.4	0.763				
	FI.5	0.742				
Sustainability (S)	S.1	0.737	0.806	0.866	0.564	Valid

S.2	0.748			
S.3	0.820			
S.4	0.726			
S.5	0.719			

Source: processed data, 2025

Structural Model Evaluation (Inner Model)

The structural model was used to examine the relationships between latent variables. Based on the analysis results (Table 3), the R² value is 0.628, indicating that the variables of financial literacy, digital literacy, mental accounting, and financial inclusion can explain 62.8% of the variation in the sustainability model, while other variables outside the model explain the remaining variation.

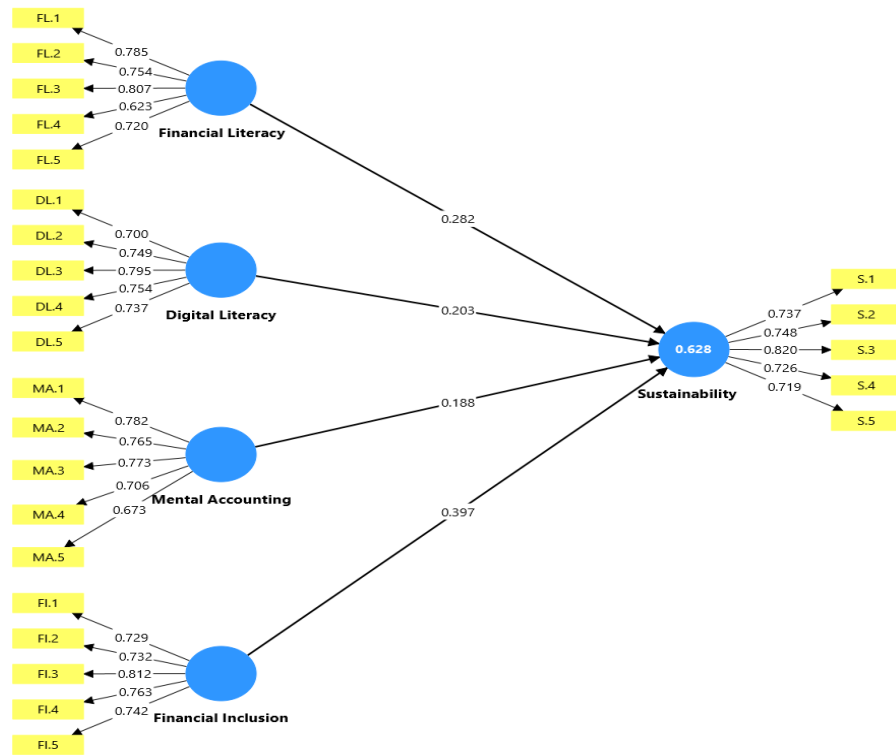
The Q² value of 0.604 indicates that the model has relevant predictive power, meaning that the observed data have a high level of fit with the constructed model. The highest F² (effect size) value is found in the financial inclusion variable at 0.296, followed by financial literacy at 0.165, digital literacy at 0.089, and mental accounting at 0.074. This indicates that financial inclusion has the strongest influence on the sustainability of Gen Z MSMEs in Yogyakarta.

Table 3.
R-Square, f-square values, and Q-Square

	R-Square	f-square	Q-Square
Financial Literacy		0.165	
Digital Literacy		0.089	
Mental Accounting		0.074	
Financial inclusion		0.296	
Sustainability	0.628		0.604

Source: processed data

This study utilized SmartPLS 4.0 software to analyze the relationships between variables and to test the formulated hypotheses. SmartPLS 4.0 is a robust and flexible statistical analysis tool, particularly for the application of variance-based Structural Equation Modeling (SEM). The data processing results presented in Figure 2 illustrate the relationships between variables, showing the path coefficients and the significance levels of each tested relationship. This output facilitates the understanding of the influence of independent variables on the dependent variable.



Output PLS

Hypothesis Testing

Hypothesis testing was conducted to determine the extent to which the relationships between variables in the structural model have a meaningful effect. This testing process used the bootstrapping method with 5,000 sub-samples, assisted by SmartPLS 4.0 software. Through this method, the path coefficients, t-statistics, and p-values were obtained, which serve as the basis for determining whether a hypothesis is accepted or rejected. According to the criteria stated by Hair (2021), a hypothesis is considered to have a significant effect if the p-value < 0.05 and the t-statistic > 1.96.

Based on the data analysis results, all independent variables in this study, namely financial literacy, digital literacy, mental accounting, and financial inclusion, have been shown to exert a positive and significant influence on the sustainability of Gen Z MSME actors in Yogyakarta City. These findings indicate that the higher the levels of financial and digital literacy possessed by business actors, as well as the better their ability to manage finances through mental accounting and utilize financial inclusion, the more sustainable the businesses they operate.

Table 4.
The Summary of The Relationship Testing

Hypotheses	Relationship	Path Coefficient	Sample Mean	Standard Deviation	t-statistics	p-values
H1	Financial Literacy → Sustainability	0.282	0.281	0.052	5.374	0.000

H2	Digital Literacy → Sustainability	0.203	0.207	0.053	3.862	0.000
H3	Mental Accounting → Sustainability	0.188	0.189	0.055	3.398	0.000
H4	Financial Inclusion → Sustainability	0.282	0.281	0.052	5.374	0.001

Source: processed data, 2025

The Influence of Financial Literacy on Sustainability

The path coefficient value of 0.281, t-statistic of 5.374, and p-value of 0.000 indicate that financial literacy has a positive and significant effect on the sustainability of Gen Z MSME actors in Yogyakarta City. These results suggest that the higher the financial literacy of business actors, the better their ability to maintain business continuity. A solid understanding of finance helps business actors in preparing financial plans, managing cash flow, and optimizing the use of capital in operational activities. With these capabilities, MSME actors can avoid errors in financial decision-making, manage risks, and create efficiency in resource utilization. Furthermore, a high level of financial literacy enables business actors to be better prepared for economic uncertainties and to adapt to market dynamics, thereby ensuring consistent business sustainability.

These findings are in line with previous studies indicating that financial literacy is a key factor in building the independence and stability of small and medium enterprises. According to Dewi & Purwantini (2023) Strong financial literacy contributes to enhancing the capacity of MSME actors to manage working capital and minimize financial errors. Similarly, Yuniar et al. (2023) explain that a solid understanding of finance helps MSME actors maintain business sustainability, particularly in investment decision-making and cash management. Furthermore, Asmoro et al. (2025) assert that adequate financial literacy can improve decision-making effectiveness and serves as one of the main keys to sustaining MSMEs in the digital economy era.

The Influence of Digital Literacy on Sustainability

The path coefficient value of 0.203, t-statistic of 3.862, and p-value of 0.000 indicate that digital literacy has a positive and significant effect on the sustainability of Gen Z MSME actors in Yogyakarta City. These results suggest that the higher the digital capabilities of business actors, the greater their potential to maintain and develop their businesses sustainably. Digital literacy enables MSME actors to understand how information technology works, utilize social media, and employ digital platforms for marketing, transactions, and business communication. These capabilities not only improve operational efficiency but also expand market reach, accelerate decision-making processes, and strengthen relationships with customers. For Generation Z, who are highly familiar with technology, digital skills constitute a strategic advantage in facing competition in the digital era. In addition, proper implementation of technology can reduce production costs, enhance information transparency, and create opportunities for more creative product innovation. Digital literacy thus becomes a crucial component in building the sustainability of small and medium enterprises in the digital age.

These findings are consistent with the study conducted by Setyaningsih et al. (2019), which states that digital literacy has a positive effect on entrepreneurial readiness and business sustainability among young entrepreneurs. Furthermore, the findings of Bidasari et al. (2023) also indicate that enhancing digital literacy helps MSME actors adapt to technological changes, improve efficiency, and strengthen business competitiveness. Both studies support the present findings, showing that digital literacy is not merely a supporting skill but also a crucial element in achieving business sustainability in the digital economy era.

The Influence of Mental Accounting on Sustainability

The path coefficient value of 0.188, t-statistic of 3.398, and p-value of 0.000 indicate that mental accounting has a positive and significant effect on the sustainability of Gen Z MSME actors in Yogyakarta City. These findings affirm that business actors who are capable of managing and separating finances according to their intended purposes tend to maintain the stability and sustainability of their businesses. Through the application of mental accounting, MSME actors can distinguish between personal and business funds, plan expense allocation more effectively, and avoid consumptive behaviors that may disrupt business cash flow. This capability not only reflects financial discipline but also demonstrates intelligence in making financial decisions that support efficiency and business growth. For Generation Z, who are adaptive but prone to impulsive spending, the application of mental accounting serves as a form of self-control that plays a significant role in maintaining business sustainability amid the dynamics of the digital economy.

These findings are consistent with the study conducted by Pratiwi et al. (2025), which showed that the application of mental accounting has a positive impact on the sustainability of small and medium enterprises through disciplined and measured financial management. The study emphasizes that MSME actors who implement fund allocation practices based on business needs are better able to maintain capital stability and reduce the risk of financial errors. These results are further supported by Rachmadini et al. (2025), who found that planned financial behavior through mental accounting can enhance business resilience and support sustainability amid fluctuating economic pressures. Based on these findings, it can be concluded that mental accounting is not only a form of rational financial behavior but also an important strategy for maintaining the sustainability of Gen Z MSMEs in the digital economy era.

The Influence of Financial Inclusion on Sustainability

The path coefficient value of 0.282, t-statistic of 5.374, and p-value of 0.001 indicate that financial inclusion has a positive and significant effect on the sustainability of Gen Z MSME actors in Yogyakarta City. This finding suggests that the higher the level of financial inclusion among business actors, the greater their ability to maintain business continuity. Access to formal financial services, such as savings, financing, and digital payments, provides opportunities for MSME actors to manage cash flow efficiently. In addition, easy access to financial services helps business actors address debt challenges, expand their business networks, and strengthen competitiveness amid economic uncertainty. Generation Z, who are accustomed to using digital technology, the availability of technology-based financial services such as fintech and mobile banking further enhances their ability to manage business finances independently.

These findings are consistent with the study conducted by Yuniar et al. (2023), which found that increased access to financial services contributes to strengthening the financial capacity of MSMEs and the sustainability of their businesses. Similarly, Dewi & Purwantini (2023) showed that financial inclusion plays a crucial role in supporting the growth of small enterprises through easy access to financing and digital services. In addition, Asmoro et al. (2025) reported that MSME actors with high levels of financial inclusion tend to have stable business performance and the ability to adapt to economic changes. Based on these findings, it can be understood that financial inclusion serves as an important foundation for enhancing the resilience and sustainability of MSMEs, particularly for Generation Z, who grow up amidst the development of modern financial technologies.

CONCLUSION

Based on the analysis results and model testing, this study demonstrates that financial literacy, digital literacy, mental accounting, and financial inclusion have positive and significant effects on the sustainability of Gen Z MSMEs in Yogyakarta City. Strong financial literacy has been shown to help business actors manage their businesses in a structured manner, while digital capabilities enhance efficiency and market expansion. Financial behavior through mental accounting also contributes to business stability, and access to formal financial services supports smooth business operations and operational stability. Overall, these four variables complement each other in promoting the sustainability of youth-run enterprises, thereby fulfilling the study's objective of identifying factors that influence MSME sustainability in the digital economy era.

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