

Financial Literacy and Basic Accounting Understanding: The Foundation of Business Sustainability Through Business Culture

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Abstract

This study aims to analyze the influence of financial literacy and basic accounting understanding on business sustainability, with culture as a mediating variable in Madura grocery stores in Malang City. The research method used a quantitative approach with a survey technique. The sampling technique used was purposive sampling, with 136 respondents. Data analysis was conducted using Partial Least Squares (PLS) using SmartPLS version 4 software. The results showed that financial literacy and basic accounting understanding had a positive and significant effect on business sustainability and business culture. Business culture was also shown to have a positive and significant effect on business sustainability. Furthermore, culture was shown to mediate the influence of financial literacy and basic accounting understanding on business sustainability. These findings confirm that financial literacy and good accounting understanding will shape a healthy business culture and ultimately strengthen business sustainability. This study provides implications for MSMEs (Micro, Small, and Medium Enterprises) to improve their financial literacy and accounting understanding, as well as build a positive business culture to maintain competitiveness and business sustainability.

Keywords

Financial Literacy, Accounting Understanding, Culture, Business Sustainability, MSMEs.



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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, particularly in absorbing labor and maintaining national economic stability. However, the sustainability of MSMEs still faces various challenges, including low financial literacy and accounting understanding. Adequate financial literacy will help entrepreneurs better manage their finances, while a basic understanding of accounting helps with transaction recording and business performance evaluation. Furthermore, a healthy business culture is believed to

strengthen business resilience in the face of business dynamics. Therefore, this study was conducted to analyze the influence of financial literacy and basic accounting understanding on business sustainability, with culture as a mediating variable, at a Madura grocery store in Malang City.

Microenterprises often face limitations in terms of capital, technology, and human resources. Unlike large-scale businesses that have easy access to these resources, microenterprises must struggle to survive amidst the onslaught of innovation and changing consumer preferences. These limitations are exacerbated by a lack of financial literacy and accounting understanding, which can hinder effective financial management, making microenterprises vulnerable to business failure. According to Yushita (2017), financial literacy is closely related to individual well-being. Financial knowledge and skills in managing personal finances are crucial in everyday life. Basic financial knowledge is a crucial subject, not only for financial managers, but for all levels of society. According to Oseifuahetal (2018), financial literacy is also a crucial skill that has a significant impact on individuals, families, and the economy. Furthermore, financial understanding positively contributes to better financial decision-making, not only for the smallest economic actors, namely individuals and households, but also for businesses, including MSMEs (Setiawan & Saputra, 2020).

24-hour Madura grocery stores are currently booming, especially among local communities and consumers who prioritize convenience and affordability. Their presence is increasingly considered a practical alternative for meeting daily needs, especially in areas not yet fully accessible by modern minimarkets. Despite their limited size and facilities, Madura grocery stores have a unique appeal with flexible operating hours and more personalized service. Consumers feel closer to the store owners, whom they know and often provide friendly service and more affordable prices. These advantages are increasingly sought after by those who prefer fast and efficient shopping without having to wait in long lines or rush. Furthermore, the culture and values of mutual cooperation (*gotong royong*) highly upheld in business management are factors that increase its appeal, making Madurese grocery stores increasingly popular among people who value social closeness and trust in business.

This research is expected to provide insight to 24-hour Madurese grocery store owners about the importance of financial literacy and basic accounting understanding in managing their business finances, as well as how culture can strengthen such business management. The results of this study are expected to help micro-enterprises formulate strategies to improve business sustainability, reduce the

risk of bankruptcy, and compete more effectively in an increasingly competitive market. Furthermore, this research can also provide recommendations for policymakers in designing more effective and relevant microeconomic empowerment programs.

METHODS

This study employed a quantitative approach with an explanatory research design. Explanatory research aims to explain the relationships and influences between independent variables and dependent variables through statistical analysis. Data collection was conducted through a survey using an online questionnaire (Google Form). This approach was selected because it aligns with the characteristics of Generation Z respondents, who are active and accustomed to interacting on digital platforms. The collected data were analyzed using multiple linear regression techniques to examine the roles of *husnuzan* (X1) and psychological resilience (X2) toward quarter-life crisis (Y). Therefore, this research design was structured, systematic, and oriented toward testing scientific hypotheses. The data collection technique employed in this study was an online questionnaire method. The research instrument was distributed to respondents through social media and online community platforms using Google Forms. This method was selected to reach the target population dispersed across various regions and to align with the characteristics of Generation Z, who are highly active in digital spaces.

FINDINGS AND DISCUSSION

Based on distributed questionnaires, 136 Madurese grocery stores in Malang City agreed to participate in this study. The majority of respondents were male, 85 (62.5%). Meanwhile, there were 51 female respondents (37.5%). This indicates a greater male participation rate than female respondents. In terms of age, the largest number of respondents were in the 26–35 age range, 51 (37.5%). This was followed by the 17–25 age group (49 (36.0%)), the 36–50 age group (29 (21.3%)), and the 50+ age group (7 (5.1%)). These data indicate that the majority of respondents were in their early to middle productive years. Most respondents had a high school education, 84 (61.8%). There were 28 respondents (20.6%) with a bachelor's degree, followed by 16 junior high school graduates (11.8%), 6 elementary school graduates (4.4%), and only 2 (1.5%) with a master's degree. These findings indicate that the majority of respondents had a high school education.

Regarding marital status, 86 respondents (63.2%) were married, while 50 respondents (36.8%) were unmarried. This indicates that married respondents

participated in this study more often than unmarried respondents. Based on income level, the majority of respondents had a monthly income in the range of Rp2,500,000 - Rp5,000,000, representing 68 respondents (50.0%). A total of 27 respondents (19.9%) had an income of Rp5,000,000 - Rp7,500,000, 21 respondents (15.4%) had an income between \leq Rp1,000,000 - Rp2,500,000, 11 respondents (8.1%) had an income of more than Rp10,000,000, and 9 respondents (6.6%) had an income range of Rp7,500,000–Rp10,000,000. This data reflects that most respondents come from the middle economic class. In this case, 97 data points could be processed because they did not meet the sample criteria.

This study used inferential analysis. Inferential testing is a statistical technique used to draw conclusions or make predictions about a population based on data taken from a sample. The goal is to determine whether the results obtained from the sample can be generalized to the entire population/larger group. This analysis was conducted using SmartPLS version 4 software, which applies the Partial Least Squares method between variables in a complex model. Figure 1 shows the latent variable model that will be analyzed in this study.

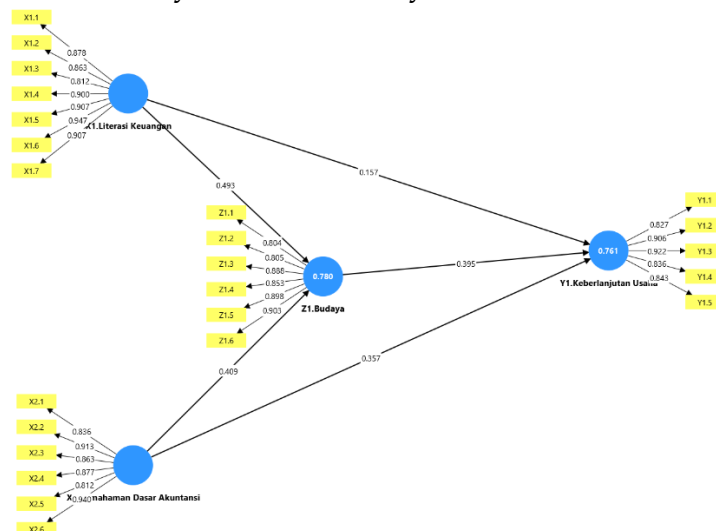


Figure 1: Latent Variable Model.

Based on the convergent validity results, all variables had outer loading values above 0.7, thus, this study was deemed valid. Meanwhile, the convergent validity test using the AVE value showed that all variables had AVE values above 0.50, thus, all variables were declared valid. The financial literacy variable had the highest AVE value, at 0.790, indicating that more than 79% of the indicator variable could be explained by this construct. The basic understanding of accounting, business sustainability, and culture variables each had AVE values of 0.765, 0.753, and 0.739, respectively. Therefore, all constructs in the model met the convergent validity

criteria based on AVE values, as each was able to explain more than 50% of the variance in its indicator.

Based on the results of the outer model analysis in stage 2, all indicators in each variable demonstrated higher cross-loading values on the construct they measured compared to other constructs. This indicates that each indicator has a stronger correlation with its original latent variable than with other latent variables. Thus, it can be concluded that all research variables have met the discriminant validity criteria through the cross-loading test. The cross-loading of all variables is valid. Based on the results of the construct reliability and validity tests, all research variables have met the required reliability and validity criteria. This is indicated by Cronbach's Alpha values for all constructs above 0.70, thus concluding that the indicators used are consistent in measuring their respective latent constructs. Furthermore, the Composite Reliability values (ρ_A and ρ_C) also exceed the minimum limit of 0.70, indicating that each construct has excellent reliability. Furthermore, the Average Variance Extracted (AVE) test results show values above 0.50 for all variables, thus meeting convergent validity. Therefore, it can be concluded that all constructs in this study have met the reliability and validity criteria, making them suitable for further structural model analysis (Hair et al., 2019).

The test results showed an SRMR value of 0.065. This value is below the 0.10 threshold required by the rule of thumb, thus concluding that the research model has a good level of fit. Thus, the overall relationship between indicators in the model is appropriate and adequately represents the empirical data. The NFI value obtained was 0.797. Although close to the 0.80 threshold, this value is still categorized as a poor fit. This indicates that there is room for improvement in the model, particularly regarding the fit between the structural model and the empirical data. However, this value is not far from the required limit, so the model can still be used with the note that there is potential for improvements to improve the fit. The GoF value obtained was 0.753. Based on the assessment criteria, a value above 0.36 is categorized as a strong fit. Therefore, these results indicate that the research model has a very strong level of fit, both in terms of measurement and structure. This confirms that the model is suitable for further analysis because it is able to explain the data well.

The R-Square value for the Business Sustainability variable is 0.760, with an adjusted R-Square of 0.752. This indicates that the independent variables in the model are able to explain 76.0% of the variability in Business Sustainability, while the remaining 24.0% is explained by other factors outside the model. Based on Hair et al.'s (2019) criteria, this value is categorized as strong, thus concluding that the

constructs used in the study have high explanatory power for business sustainability. The R-Square value for the Culture variable is 0.752, with an adjusted R-Square of 0.747. This means that the independent variables in the model can explain 75.2% of the variability in Culture, while 24.8% is explained by other variables outside the model. This value is also categorized as strong, thus it can be said that the research model has excellent predictive ability in explaining the Culture variable. The following is an image of the PLS SEM Algorithm to see the R-Square in this research model.

The f^2 value of Financial Literacy on Business Sustainability is 0.047, which is in the small category. This means that the direct influence of financial literacy on business sustainability is relatively weak. However, for Culture, the f^2 value is 0.172, which is in the medium category, so it can be concluded that financial literacy makes a significant contribution in forming a culture that supports business sustainability. The f^2 value of Basic Accounting Understanding on Business Sustainability is 0.067, which is in the small category. This indicates that basic accounting understanding has a limited direct influence on business sustainability. Conversely, for Culture, the f^2 value reaches 0.283, which is in the medium to nearly large category. Thus, basic accounting understanding contributes more in forming culture, which can then have implications for business sustainability. The f^2 value of Business Sustainability on Culture is 0.186, which is in the medium category. This indicates that business sustainability is able to make a fairly strong contribution in influencing culture, so that the two are significantly related in the research model.

Financial Literacy → Business Sustainability: A path coefficient of 0.221, a t-statistic of 1.858, and a p-value of 0.032, indicates that financial literacy has a positive and significant effect on business sustainability. This means that the higher a business owner's financial literacy, the greater their ability to maintain business sustainability. Financial Literacy → Culture: A path coefficient of 0.395, a t-statistic of 3.169, and a p-value of 0.001, demonstrates that financial literacy has a positive and significant effect on culture. This indicates that a good understanding of finance can foster a more organized and healthy business culture. Basic Understanding of Accounting → Business Sustainability: A path coefficient of 0.275, a t-statistic of 2.254, and a p-value of 0.012, indicates that a basic understanding of accounting has a positive and significant effect on business sustainability. In other words, the better the understanding of accounting, the stronger the chances of a business being sustainable.

Basic Understanding of Accounting → Culture, The path coefficient of 0.506 with a t-statistic of 3.813 and a p-value of 0.000 indicates a strong positive and significant influence between basic understanding of accounting and culture. This indicates that a well-understood basic accounting will encourage the formation of a healthy and structured business culture. Culture → Business Sustainability, The path coefficient of 0.424 with a t-statistic of 3.912 and a p-value of 0.000 confirms that culture has a positive and significant influence on business sustainability. This means that the stronger the business culture, the greater the business's ability to survive and grow. Meanwhile, the results of the analysis show that the cultural variable (Z1) is able to mediate the influence of financial literacy (X1) and basic understanding of accounting (X2) on business sustainability (Y1). On the path $X1 \rightarrow Z1 \rightarrow Y1$, a coefficient value of 0.168 with a t-statistic of 2.170 and a p-value of 0.015 (<0.05) is obtained. This proves that financial literacy indirectly influences business sustainability through culture. Thus, the better the financial literacy, the stronger the business culture, ultimately enhancing business sustainability.

Meanwhile, for the path $X2 \rightarrow Z1 \rightarrow Y1$, the path coefficient is 0.215 with a t-statistic of 3.125 and a p-value of 0.001 (<0.05). These results indicate that basic accounting understanding also has a significant indirect influence on business sustainability through culture. This means that the better the accounting understanding of business actors, the more capable they are of building a strong business culture, which ultimately enhances business sustainability. Therefore, it can be concluded that culture acts as a mediating variable in the relationship between financial literacy and basic accounting understanding on business sustainability. This role of culture strengthens the influence mechanism of both independent variables, so that business sustainability is not only directly influenced by financial and accounting literacy but also indirectly through the formation of a positive business culture.

CONCLUSION

The results of this study indicate that financial literacy and basic accounting understanding play an important role in improving business sustainability among Madura grocery stores in Malang City. Business owners who possess better financial literacy are more capable of managing cash flow, planning expenditures, controlling debt, and making effective financial decisions. Likewise, a strong understanding of basic accounting helps business actors prepare financial records systematically, evaluate profits and losses, and monitor business performance more accurately. These capabilities contribute directly to the continuity and stability of the business. In

addition, the study found that financial literacy and accounting understanding significantly influence the formation of a positive business culture. A healthy business culture is reflected in discipline, responsibility, transparency, good communication, and consistent business management practices. This positive culture further supports business sustainability by encouraging business adaptability, customer trust, and operational efficiency. The mediation analysis also revealed that business culture acts as an intermediary variable that strengthens the relationship between financial literacy, accounting understanding, and business sustainability. Therefore, the study confirms that improving financial competence and accounting knowledge, accompanied by the development of a strong business culture, can help MSMEs maintain competitiveness and achieve long-term business sustainability in an increasingly competitive market.

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