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The Impact of Covid-19 on Business Sustainability of SMEs in Semarang

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Abstract

Covid-19 has changed the business model of SMEs to adapt to environmental changes. This study aims to determine whether or not financial literacy and digital transformation are a means for the SMEs' sustainability. The population in this study comprised SMEs in the culinary of Semarang. The samples were 125 questionnaires to prevent errors in filling out the questionnaires. The analysis in this study is an extension of multiple linear regression analysis to analyze the pattern of direct and indirect relationships with a set of independent (exogenous) variables to the dependent variable (endogenous). It further analyzed using the Sobel test. The results indicated that financial literacy had a significant positive effect on digital transformation. Financial literacy and digital transformation had a significant positive effect on SMEs' sustainability.

Keywords: SMEs' Sustainability, SMEs

Introduction

The COVID-19 pandemic in Indonesia was detected on March 2, 2020, and impacted the SMEs' sustainability. It can be seen from the decline in sales, raw material difficulties, and the number of bad loans so that the economy experienced a drastic decline in a short time. The implementation of Large-Scale Social Restrictions (PSBB) and the Stay at home campaign have affected the SME sector as many as 163,713 (Antara, 2020). At least 39.9% of SMEs decided to reduce the stock of goods during large-scale social restrictions (PSBB), and as many as 16.1% of SMEs reduced employees. Himanshu Koshle et al (2020) examined the impact of the Corona virus on businesses in India. They found that the trade sector caused a loss of no less than USD 348 million due to the economic slowdown and policy consequences.

Several problems are challenges by SME actors, such as the Large-Scale Social Restrictions (PSBB), social distancing, stay at home, work from home (WFH). Thus they actually can change the business patterns by utilizing information technology (go online). Digital transformation is a change caused or influenced by digital technology in every aspect of human life, including efforts to maintain the SMES' sustainability (Oktavenus, 2019). SMEs that can survive are already connected to the digital ecosystem by utilizing the existing marketplace in Indonesia and can adapt their business with innovative products. Digital transformation here is not only using digital technology directly but must be able to change

the business model to be more efficient, leading to value creation for customers and employees to compete amid rapid changes in the digital economy (Khalsiah, 2016).

In addition to digital transformation, actors that can affect the success of a business are the need for financial literacy in small businesses to accounting which plays a role in managing, running, and developing the small business itself (Panggabean et al., 2018). In enhancing SMEs' performance and sustainability, it is necessary to establish strategic efforts such as enriching the knowledge of SME actors regarding financial management and accountability. It aims for SMEs can account for their finances better and more regularly like large companies (Idawati & Primary, 2020).

Literature Review

SMEs' Sustainability

Christopher & Kristianti (2020) stated that four important aspects need to be considered in a business: capital, human resources, production, and marketing. By understanding these aspects, business actors can maintain their business. Capital is the most important thing for business continuity. Capital can be obtained from yourself or loans. In addition to capital, human resources and expertise are also needed so that the business that has been started can run well to achieve the desired goals. The indicators used in measuring business sustainability, according to research by Yanti et al. (2018), consist of:

1. Business growth
2. Product quality
3. Conditions of the business environment

Digital Transformation

In general, digital transformation is a radical and comprehensive shift in technology to improve company performance. One definition of digital transformation is from Winarsih et al (2021). Digital transformation is a change caused or influenced by digital technology in every aspect of human life. In contrast to Schallmo et al (2017), digital transformation is generally used to improve a company's performance. Digital transformation can work if there is a commitment from SMEs, such as offering products through social media, giving discounts, and so on. In the research, four things can be done for digital transformation (Winarsih et al., 2021): (1) ensuring the business remains competitive, (2) bringing efficiency in business processes. (3) Increase customer satisfaction and (4) make it easier for business people to take various strategic decisions.

Financial Literacy

Latifiana (2016) demonstrated that business actors must own the ability to plan to carry out and supervise their business and financial management to plan to get maximum results and make decisions efficiently and effectively. According to Widayanti, Damayanti, & Marwanti (2017), each individual's financial literacy must be improved to make good financial decisions and manage personal finances optimally. According to Ningtyas (2019), the level of financial literacy from an individual or family point of view has an impact on the ability to have long-term savings that are used to own assets (such as land or houses), fulfillment of higher education, and retirement funds (pension).

Similarly, Yushita (2017) suggested that ineffective money management will impact the family financial crisis. In other words, SMEs with good financial literacy will achieve their company goals, have a business development orientation, and survive in difficult economic conditions.

The measurement of financial literacy in this study uses indicators in the research of Puspitaningtyas (2017), namely:

Able to make periodic financial surpluses or having fewer expenses than income.

Able to make calculations about the use of funds owned (related to spending and investment)

Able to analyze their financial performance (in a healthy or unhealthy condition).

Hypothesis Development

The Effect of Financial Literacy on Digital Transformation

SMEs are often unaware of the innovation potential, struggling to understand what to digitize, which technologies to use, prioritizing goals, and which organizational changes (e.g., skills and roles) are required. Entrepreneurial skills in financial literacy can build the ability to plan which business people must own to carry out and supervise the business and financial management starting from planning to getting maximum results. Business actors must also be able to make decisions efficiently and effectively. The existence of digital transformation encourages entrepreneurs to use financial literacy through technology. It intends to improve company performance because, according to business owners or managers, it is closely related to complex and strategic financial decision-making related to achieving goals and agility in the face of transformational change.

According to Idawati & Pratama (2020), financial literacy has a positive effect on digital transformation. Digital transformation is very useful when businesses are forced to shift financial literacy skills and abilities in online applications to solve two problems, namely sales and logistics. Based on the theory and the results of previous research, the hypotheses proposed in this study are as follows:

H1: Financial literacy has a positive effect on digital transformation

The Effect of financial literacy on the SMEs' Sustainability

According to Hudson et al., 2001, business sustainability in SMEs is seen from its success in innovating, managing employees and customers, and returning to its initial capital. It shows that the company has an orientation to develop and holistically sees opportunities for innovation. Furthermore, Widayanti et al. (2017) stated that good financial literacy helps entrepreneurs use their financial abilities. Specifically in making various decisions that are right for the company.

According to Idawati & Pratama's (2020) research, financial literacy has a positive effect on the ability to make financial decisions and the welfare of corporate households, and the company's sustainability. Aribawa (2016) and Widayanti et al. (2017) put forward other supporting results where financial knowledge is important for SMEs in supporting their business continuity. Based on the theory and the results of previous research, the hypotheses proposed in this study are as follows:

H2: Financial literacy has a positive effect on SMEs' sustainability

The Effect of Digital Transformation on the SMEs; Sustainability

E-commerce has a close relationship with business continuity. E-commerce is an electronic sale that makes it easy for sellers and buyers to make transactions. With E-commerce, the development of the business world is currently very fast. Many business people take advantage of existing E-commerce developments to start their online business supported by advances in technology and information. All forms of business activities in the modern era cannot be separated from information technology.

According to research conducted by Oktavenus (2019) and Purwana et al. (2017) revealed that digital transformation provides an alternative as a product marketing medium for small businesses. Even though the use of technology is still low, the perception of SME business players on the benefits of internet technology provides its implementation in future useful lives. Based on the theory and the results of previous research, the hypothesis proposed in this study are as follows:

H3: Digital transformation has a positive effect on SMEs' sustainability

Digital Transformation mediates the Relationship between Financial Literacy and SMEs' Sustainability

Increasing business growth requires mature financial decisions, including the selection of alternative funding. According to Aqida & Fitria (2019), the government is increasing public financial literacy to access information to increase business growth easily. With sufficient financial literacy coupled with the public's willingness to change the business model and company operations in a good way to classify themselves into the category of digital maturity. Businesses that can adapt to these changes will have a good impact on the sustainability of their business.

According to research conducted by (Oktavenus, 2019), financial knowledge is important for SMEs in supporting digital transformation. The research results by Aribawa (2016) and Widayanti et al (2017) show that financial knowledge is important for SMEs in supporting their business continuity. In addition, based on the theory and results of previous research, the hypotheses proposed in this study are as follows:

H4: Digital transformation mediates the relationship between financial literacy and SMEs' Sustainability

Methodology

The type of research used in this research is explanatory research and descriptive statistics which aim to provide an overview of the distribution and behavior of the research sample data. Population is the total number of objects or subjects that have characteristics and qualities that have been determined by a person who will conduct research and then conclusions will be drawn (Sugiyono, 2017). The population in this study, namely culinary SMEs in the city of Semarang which is in the city of Semarang, is 1861 SMEs. In determining the sample of this study using the Slovin formula and found 125 respondents with sample criteria: have been doing business for at least 2 years, using technology applications when making payment transactions and marketing sN has at least 3 workers involved

Sustainability Business is the ability of a business to be able to compete with other business owners so that it can develop a business, maintain its business, and protect its business and avoid bankruptcy. In this study, Sustainability Business is measured by indicators Yanti et al., (2018) consisting of: (1) Capital (2) HR (3) Production (4) Marketing

Financial literacy is a person's ability to know how to manage finances properly with the aim of achieving prosperity. In this study, financial literacy is measured by indicators according to Puspitaningtyas (2017) research, namely:(1) Able to periodically make a financial surplus. (2) Able to make calculations regarding the use of funds held (relating to expenditure and investment), and (3) Able to analyze their financial performance (in a healthy or unhealthy condition).

Digital transformation as a marketing activity that uses internet-based media (Febriyantoro & Arisandi, 2018). Digital transformation can take place if there is commitment

from SMEs, such as offering products through social media, giving discounts, and so on. There are four things that can be done for digital transformation: (1) ensuring the business remains competitive, (2) bringing efficiency in business processes. (3) Increase customer satisfaction and (4) make it easier for business people to make strategic decisions. Based on this description, the conceptual framework in this study is as follows:

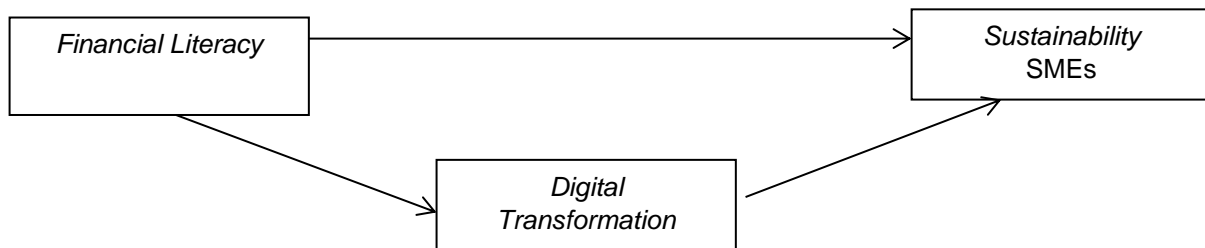


Figure 1: Conceptual Framework

Results Analysis

Table 1: Respondent Gender

No.	Gender	N	%
1.	Male	40	32,0
2.	Female	85	68,0
		125	100,0

The results showed that the SME culinary entrepreneurs in Semarang who used digital transformation, the number of respondents were more dominated by the female gender. This means that business activities in Semarang are mostly carried out by women. A woman has more business skills than a man.

Table 2: Respondent Age

	N	Minimum	Maximum	Mean	Std. Deviation
Age	125	17	40	27,68	4,653
Valid N (listwise)	125				

Based on the data from the table above, shows that respondents have the lowest age of 17 years old, and the highest age is 40 years old with an average age of 27.68 years old. This means that most of the culinary SMEs in Semarang that use financial technology are of productive age. Someone who is still at a productive age has more skills in using technology, ideas, and enthusiasm to develop his business.

Table 3: Respondents' Education Level

No.	Education Level	N	%
1.	Senior High School	15	12,0
2.	D3	9	7,2
3.	Bachelor degree	101	80,8
		125	100,0

Based on the data from the table above, shows that most of the respondents have the latest tertiary education, especially bachelor graduates, which is 80.8%. This means that most respondents have a high level of education and have sufficient knowledge to manage their business well.

Table 4: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
USIA_USAHA	125	2	23	6,66	4,344
Valid N (listwise)	125				

Based on the table above, shows that the length of the respondent's business in this study has on average been more than 6.6 years. This means that most of the businesses run by respondents have lasted a long time and was able to survive very well in facing the tight business competition. A business can be said to be successful if the business can last more than three years and continues to develop.

Based on empirical studies on culinary SMEs in Semarang, the description of each variable is as follows:

Table 5: Descriptive Statistics of Financial Literacy

No	Indicator	Average Respondents' Answers	Category
1.	able to periodically make a financial surplus	4,06	very high
2	able to make calculations about the use of funds owned	4,05	very high
3	able to analyze its financial performance	4,05	very high
Overall Average		4,05	very high

Based on the table above, shows that the overall average of respondents' answers is 4.05 which is in the high category. In detail, the average for each Financial Literacy indicator is in the high category. Respondents' answers have a high category with an average above 4.06. However, among the three indicators, there is one indicator that has the lowest average respondent, namely the skill to make calculations about the use of funds owned, meaning that the respondent does not agree with the indicators provided to make calculations about the use of funds owned by Culinary SMEs in Semarang, because not all respondents are skilled in calculating the use of funds to record financial income and expenditure.

Table 6: Variable Description of Digital transformation

No	Indicator	Average	Respondents' Answers Category
1.	ensure business remains competitive,	4,67	very high
2	bring efficiency in business processes.	4,51	very high
3	Increase customer satisfaction	4,58	very high
4	make it easier for business people to make strategic decisions	4,58	very high
Overall Average		4,59	very high

Based on the table above, shows that the overall average of respondents' answers is 4.05 which is in the high category. In detail, the average for each Financial Literacy indicator is in the high category. Respondents' answers have a high category with an average above 4.06. However, among the three indicators, there is 1 indicator that has the lowest average respondent, namely the skill to make calculations about the use of funds owned, meaning that the respondent does not agree with the indicators provided to make calculations about the use of funds owned by Culinary SMEs in Semarang, because not all respondents are skilled in calculating the use of funds to record financial income and expenditure.

SMEs' Sustainability

Table 7: Sustainability Description of SMEs

No	Indicator	Average	Respondents' Answers Category
1.	Capital	4,63	very high
2	HR	4,58	very high
3	Production	4,64	very high
4	Marketing	4,62	very high
Total Average		4,62	very high

Source: Processed primary data, 2021.

Based on the table above, the overall average of respondents' answers is 4.62 with a very high category. In detail, the average respondent's answer is in a very high category. However, among the 4 indicators, there is one indicator that has the lowest average respondent, namely HR, meaning that the respondent does not agree with the indicators given because not all respondents can maintain the existence of labor in producing quality products. With a high level of sustainability for SMEs, business actors will feel successful in running their business. It can be concluded that the level of knowledge of business continuity among the community or business actors can be categorized as very high because with the high sustainability of SMEs, business actors can manage and run their business optimally.

Table 8: Research Instrument Test Results

Variable	Indicators	r _{stat}	Sig	Result
<i>FINANCIAL LITERACY</i>	X1.1	0.766	0.000	Valid
	X1.2	0.740	0.000	Valid
	X1.3	0.751	0.000	Valid
<i>DIGITAL TRANSFORMATION</i>	Y1.1	0.690	0.000	Valid
	Y1.2	0.640	0.000	Valid
	Y1.3	0.661	0.000	Valid
	Y1.4	0.727	0.000	Valid
SMEs <i>SUSTAINABILITY</i>	Y2.1	0.739	0.000	Valid
	Y2.2	0.766	0.000	Valid
	Y2.3	0.610	0.000	Valid
	Y2.4	0.807	0.000	Valid

Based on the results of the table above, the results of the validity test show that all the question items used in this study are valid. From the results of the validity test, it shows that the significance of all question items used in the study is <0.05, so it can be assumed that the questionnaire data is valid, so the questionnaire can be used for research.

Table 9: Reliability Test Results

Variable	Cronbach Alpha	Strandarization Value	Result
Financial literacy	0.613	0.6	Reliable
Digital transformation	0.608	0.6	Reliable
SMEs' sustainability	0.710	0.6	Reliable

Based on the results of the reliability test, all variables have a value of more than 0.60. So, it can be concluded that the indicators used by the variables of financial literacy, digital transformation, and SME Sustainability can be said to be reliable or can be trusted to be used as a variable measuring tool. Testing of intervening variables can be used by testing path analysis, namely path analysis which is the expansion of multiple linear regression analysis. Path analysis is used to determine whether there is an influence between the independent variable and the intervening variable on the dependent variable. To see the calculation results, the following equation can be obtained:

Table 10: Multiple Linear Regression Results

No	Independent	Dependent	Beta	T stat	Sig.
1	Digital transformation	Financial Literacy	0,645	9,360	0,000
2	SMEs' sustainability	Financial Literacy	0,196	2,920	0,004
		Digital Transformation	0,684	10,204	0,000

Based on the results of the calculation of the equation above, the Financial Literacy regression value is 0.645, which means that Financial Literacy has a significant positive effect on digital transformation. The higher the understanding of financial literacy, the higher the digital transformation will be.

Based on the results of the calculation of the equation above, the regression value of Financial Literacy is 0.196, which means that Financial Literacy has a positive and significant effect on the sustainability of SMEs. The higher the knowledge of Financial Literacy on SMEs, the more SME sustainability will be.

Based on the results of the calculation of the equation above, the digital transformation regression value is 0.684, which means that digital transformation has a significant positive effect on the sustainability of SMEs. The higher the understanding of digital transformation, the higher the sustainability of SMEs will be.

The F test was conducted to determine the feasibility of the regression model used in the study. The following is the acquisition of the F test results:

Table 11: F-Test Results

Independent	Dependent	F	Sig.
Financial literacy	Digital transformation	87,602	0,000
Financial literacy	SMEs' sustainability	129,337	0,000

From the calculation results obtained a significance value of $F = 0.000$ ($p < 0.05$). This means that together the independent variables have a simultaneous effect on the dependent variable. Testing the coefficient of determination (r^2) aims to determine the size of the independent variable in influencing the dependent variable, it can be seen through the coefficient of determination indicated by the value of Adjusted R Square (R^2) (Ghozali, 2018). The following is the result of the coefficient of determination:

Table 12: Determination Coefficient

Independent	Dependent	R Square	Adjusted R Square
Financial literacy	Digital transformation	0,416	0,411
Financial literacy	SMEs' sustainability	0,680	0,674

Based on the results of the above calculations using the SPSS program, the coefficient of determination of equation I (Adjusted $R^2 = 0.411$) or 41.1%, which means that the coefficient on the Financial Literacy variable has an effect on and Digital transformation because it has a value of 59.4% while the rest ($100\% - 41.1\% = 58.9\%$) which is influenced by other variables not examined in this study.

Based on the results of the above calculations using the SPSS program, the coefficient of determination of equation II (Adjusted $R^2 = 0.674$) or 67.4%, which means that the coefficient on financial literacy variables and digital transformation affects the sustainability of SMEs because it has a value of 67.4% while the rest ($100\% - 67.4\% = 32.6\%$) which is influenced by other variables not examined in this study.

The Sobel test is carried out by testing the strength of the indirect effect of the independent variable (X1) on the dependent variable (Y2) through the intervening variable (Y1). The results of the Sobel test in this study are as follows:

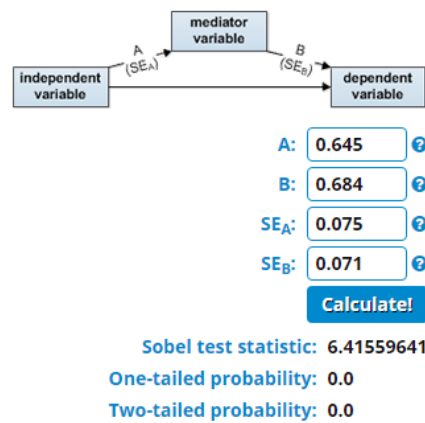


Figure 1: Sobel Test Results

Based on the results of Figure 4.1, it can be seen that the statistical Sobel test value is $6.415 > t\text{-count of } 1.985$ means that the Financial Literacy variable (X1) can indirectly affect the sustainability variable of SMEs (Y2) through the Digital transformation variable (Y1).

Discussion

The Effect of Financial Literacy on Digital Transformation

The hypothesis in this study is stated to be accepted, these results indicate that Financial Literacy affects digital transformation, the results of the study support previous research by Idawati & Pratama (2020) where financial literacy has a positive effect on digital transformation where digital transformation is very useful when businesses are forced to shift their literacy skills. finance and capabilities in online applications can solve two problems at once, namely sales and logistics. In line with the research results of Winarsih et al., (2021) where good financial literacy will support SMEs in digital transformation so that they can compete intensively.

SMEs need to recognize the importance of the innovation potential, struggling to understand what needs to be digitized, which technologies to use, how to prioritize goals, and which organizational changes (e.g. skills and roles) are required. Entrepreneurial skills that are supported by good financial literacy can build digital transformation capabilities that can help business people carry out and supervise their business and financial management starting from planning to getting maximum results, business actors must also be able to make decisions efficiently and effectively. The existence of digital transformation encourages entrepreneurs to use financial literacy collaboration with the use of technology to maximize revenue because according to business owners or managers it is closely related to complex and strategic financial decision making related to the success of achieving goals and agility in facing digital transformational change.

The Effect of Digital Transformation on the SMEs' Sustainability

The hypothesis in this study is stated to be accepted, these results indicate that digital transformation affects business sustainability, the results of the study support the previous research of Oktavenus (2019) which states that digital transformation provides an alternative as a product marketing medium for small businesses and SMEs who understand the role of digital transformation of E-commerce and apply it in business activities, the sustainability of their business will increase. This is also in line with Purwana et al (2017) where digital platforms can facilitate access to product marketing so that business activities can continue.

With the existence of digital transformation in SME activities, it can provide cost savings, increase interaction with customers and provide convenience. As SMEs, it is necessary to pay attention to effective marketing processes used at this time such as updating information through social media, websites, marketplaces, special customer groups and so on, on average they update information once a day because it is to retain old customers and attract new consumers to continue buying their product. With the digital transformation, SME players can save costs for promotion, because when they use social media they only need internet quota and those who have a special budget for digital advertising can take advantage of Google Adsense, Facebook Ads, Instagram Ads and so on.

The Effect of Financial Literacy on the SMEs' Sustainability

The hypothesis in this study is stated to be accepted, these results indicate that financial literacy influences business sustainability, the results of the study support the previous research by Widayanti et al (2017) who stated that financial literacy will support decision making. Financial literacy is one of the supports in maintaining the sustainability of its business. The results of this study also support research conducted by Aribawa (2016) where with good financial literacy it is hoped that SMEs will be able to make the right management and financial decisions to improve performance and business sustainability.

Financial knowledge possessed by business actors is an important aspect in managing finances, according to Fitria et al., (2018) explaining that financial literacy is a very important element, in some cases for individuals who have a basic financial knowledge or financial literacy will be able to go through the ages. Financial difficulties can also arise if there is an error in financial management, such as misuse of credit, absence of financial planning, so that the ability of financial knowledge will assist individuals in managing personal financial planning, which in turn can maximize the time value of money in their investment. and the benefits obtained also further increase the standard of living.

Digital transformation mediates the relationship between Financial Literacy and SMEs' Sustainability

The hypothesis in this study is stated to be accepted, these results indicate that financial literacy has a positive effect on the sustainability of SMEs with digital transformation as an intervening. The results of the study support previous research conducted by (Oktavenus, 2019) where financial knowledge can encourage the willingness of SME players to implement digital transformation in their business activities so that they can be maximized in pursuing business continuity. The research by Aribawa (2016); Widayanti et al (2017) shows that financial knowledge is important for SMEs to support SMEs' sustainability.

Increased business growth requires mature financial decisions including the selection of alternative funding, so that business owners must have good financial literacy to know how to manage money and external information related to funding. According to Aqida & Fitria (2019) increasing public financial literacy can encourage people to implement digital transformation in their business because they can easily access information to increase their business growth. With the existence of sufficient financial literacy coupled with the willingness of the community to change the business model that was originally offline, now it is online as proof of digital maturity. Businesses that can adapt to these changes will have a good impact on the sustainability of their business.

Conclusions and Recommendations

Based on the results of research on the effect of financial literacy, digital transformation on the sustainability of culinary SMEs in Semarang, it can be concluded that first, financial literacy has a significant positive effect on digital transformation. This means that when SME business owners understand knowledge about finance, it will be easy for SME players to implement digital transformation to increase profits, the number of customers, and business turnover. Second, financial literacy has a significant positive effect on sustainability. This means that knowledge, understanding, high financial confidence can maintain total turnover, product quality, and several customers in the long run. Third, digital transformation has a significant positive effect on sustainability. This means that when digital transformation is applied to a business, it will make it easier for business actors to make transactions. Also, digital transformation can strengthen protection for buyers, because there is no need to meet face to face when making payment transactions.

Meanwhile, the suggestions of this study are first, owners of culinary SMEs in Semarang are expected to increase their understanding, knowledge, confidence in the use of financial products and services and take advantage of access to financial institutions to improve financial performance and sustainability in the long term. Second, the Semarang SMES Office is expected to be able to guide financial literacy, digital transformation, and sustainable SMEs so that they can be maximized. Third, for further researchers, it is hoped that they can classify culinary SMEs that they want to study, such as western food, fast food, or so on. The last, for further researchers, it is hoped that it can be carried out in other cities or districts such as Kendal, Demak, Tegal, Surakarta, and so on.

The limitations of this study are first, this research is limited to the area of Semarang which is the capital city of Central Java. Second, this research is only limited to culinary SMEs in Semarang. It is expected that future research will be able to research other types of businesses such as convection, furniture, handicrafts, and so on. Third, respondents in this study were obtained through information from friends, Facebook groups, and on-site surveys.

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