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The Effect of Financial Technology and Financial Literacy on the Sustainability of MSMEs in Lhokseumawe City with Financial Inclusion as a Mediating Variable

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Abstract

A related phenomenon is the lack of knowledge of the community as MSME actors to use financial technology in managing their businesses, while the development of financial technology is always growing. The focus of this study is to see how financial technology, financial literacy affect the sustainability of MSMEs with financial inclusion as a mediating variable. The research population is the number of MSMEs in Lhokseumawe City of 2,352 obtained from the Office of Cooperatives and MSMEs of Lhokseumawe City in 2023. the sample was determined by the slopin formula and selected using random sampling. The results showed that in testing the direct effect, there were three variables that had a direct influence or were said to have an effect, namely the financial literacy variable had an effect on the sustainability of MSMEs, financial inclusion had an effect on the sustainability of MSMEs and financial technology had an effect on financial inclusion. Meanwhile, financial technology variables have no effect on the sustainability of MSMEs and financial literacy has no effect on financial inclusion. In indirect testing, there is one mediated variable and one unmediated variable, namely the financial inclusion variable mediates the effect of financial technology on the sustainability of MSMEs, and the financial inclusion variable does not mediate the effect of financial literacy on the sustainability of MSMEs.

Keywords: *Financial Technology, Financial Literacy, MSME Sustainability, Financial Inclusion.*

Introduction

In today's digital age, all activities of society cannot be separated from the use of technology. On average, all sectors have utilised technology to innovate, including the financial sector. Technology is a tool to make it easier for people to utilise the resources they need. Technology utilisation of resources becomes easier and more efficient. Making technology more and more enjoyed and utilised by the community. One of the technologies that has developed in society is the use of the internet. The rapid development of the internet has given birth to various innovations, including financial technology to meet the needs of the community. The use of technology makes financial services easier and more efficient. The application of technology in financial services is very helpful for community activities in transactions. The phenomenon of innovation in the financial services industry is currently changing the landscape of the financial services industry globally. All of these changes have led to the emergence of a new phenomenon called Financial Technology or Fintech. The development of financial technology in Indonesia has experienced a rapid increase. this can be seen from the number of Financial technology companies that have sprung up. In 2020 the number of members of the Indonesian Fintech Association has reached 369 compared to only 24 companies in 2016. (Yuningsih et al., 2022).

An innovation in the financial sector is financial technology. Fintech is a new financing model that is the result of a combination of financial services and technology (Singh et al., 2024). FinTech emerged along with changes in people's lifestyles which are currently dominated by users of information technology and the demands of a fast-paced life (Papadimitri et al., 2021; Wang et al., 2022). FinTech has changed the business model from conventional to moderate FinTech helps solve problems in buying and selling transactions and payments such as limited time to find products in the market, transfers to banks / ATMs, poor customer service and so on. FinTech was developed to meet the needs of a market that wants ease and speed of transactions in the financial sector. The presence of FinTech can move the Indonesian economy through the various innovations it offers. The rapidly growing technology in the financial sector

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has led to many star-up companies engaged in financial technology, the services provided by the company are easily accessible to consumers. (Ristati et al., 2022).

MSMEs (Micro, Small and Medium Enterprises) are the foundation of the Indonesian economy. Indonesia has a specificity in its economic system, namely an economic system based on economic democracy or people's economy. It can be interpreted that the Indonesian economic system has characteristics that distinguish it from other countries' economic systems (Nurrahman, 2017). MSMEs have a very important role in the economy in Aceh Province and MSMEs also absorb a lot of labour. (Pramono, 2020). Micro, Small and Medium Enterprises in Aceh Province consist of several sectors, namely the trade sector, agriculture sector, mining sector, industrial sector, fisheries sector, transport sector and livestock sector. (Kirilova, 2020). The following is the development of the number of MSMEs in districts in Aceh Province.

Table 1. Development of the Number of MSMEs in Districts in Aceh Province

No	Name of District/City	Number of MSMEs
1	Aceh Selatan	3.251 Unit
2	Aceh Tenggara	1.245 Unit
3	Aceh Timur	5.891 Unit
4	Aceh Tengah	2.719 Unit
5	Aceh Barat	2.011 Unit
6	Aceh Besar	4.456 Unit
7	Pidie	1.545 Unit
8	Aceh Utara	3.660 Unit
9	Simeulue	2.088 Unit
10	Aceh Singkil	1.474 Unit
11	Bireun	6.998 Unit
12	Aceh Barat Daya	2.262 Unit
13	Gayo Lues	996 Unit
14	Aceh Jaya	1.212 Unit
15	Nagan Raya	6.451 Unit
16	Tamiang	2.948 Unit
17	Bener Meriah	1.011 Unit
18	Pidie Jaya	5.579 Unit
19	Banda Aceh	9.591 Unit
20	Sabang	2.171 Unit
21	Lhokseumawe	2.352 Unit
22	Langsa	3.579 Unit
23	Subussalam	1.318 Unit
	Total	**74.810 Unit**

Source: (*Dinas Koperasi Dan UMKM 2023*)

Nagroe Aceh Darussalam Province has 23 districts in it, of the 23 districts the total number of Micro, Small and Medium Enterprises is 74,810 business units.

Seeing the economic conditions of Lhokseumawe city which are categorised as quite good, and the policies of the Lhokseumawe City government which are quite favourable to improving the people's economy. Thus, it can open opportunities for Micro, Small and Medium Enterprises in developing their business.

Based on data obtained from the Office of Cooperatives and MSMEs of Lhokseumawe City in 2024, the number of Micro, Small and Medium Enterprises Industries in the Districts in Lhokseumawe City in 2024 as shown in the following table:

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Table 2. Data on Micro, Small and Medium Enterprises in Sub-districts in Lhokseumawe City in 2023

No.	Name of sub-district	Number of MSMEs
1	Banda Sakti	1.616
2	Blang Mangat	114
3	Muara Dua	447
4	Muara Satu	175
	Total	**2.352**

Source: Dinas Koperasi dan UMKM 2023

Financial inclusion in MSME sustainability refers to efforts to ensure that MSMEs have adequate and affordable access to financial services that include savings, credit, insurance and other financial services. Effective financial inclusion enables MSMEs to manage risk, expand their businesses, access capital and grow their businesses sustainably. Financial inclusion is an institutional effort to remove all forms of price and non-price barriers in order to encourage public access to financial institution services. Financial inclusion is a manifestation that allows economic actors to easily access, use and utilise financial instruments such as credit and savings. With good access to capital loans, it is hoped that the obstacles that have been faced by MSMEs can be overcome. (Hilmawati & Kusumaningtias, 2021).

Findings

Inner Model

Inner model or structural model in PLS is seen based on R-Square. Where the R-Square value is used to measure the level of variation in changes in the independent variable on the dependent variable. The higher the R-Square value, the better the prediction model of the proposed research model. Inner model testing is done with the bootstrapping test. The following is a table of the results of testing the inner model through the bootstrapping test in this study:

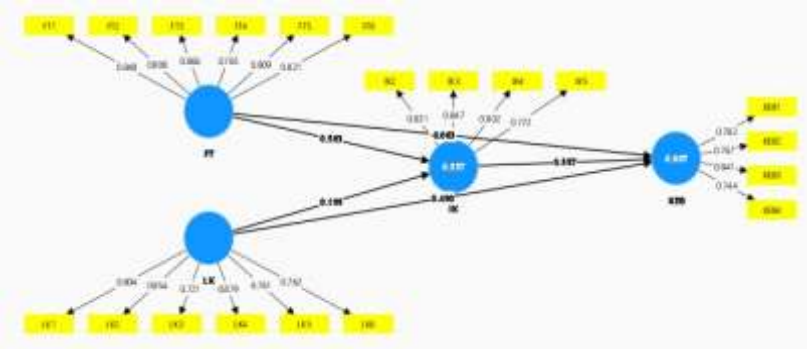

Figure 1 Inner Model (Structural Model)

Source: Primary data processed, SEM-PLS 2024

In hypothesis testing, the level of significance is indicated by the path coefficient or inner model value. Based on the figure, it shows that the largest path coefficient value is shown by the financial literacy variable on the sustainability of MSMEs, which is 0.490, while the smallest path coefficient value is shown by financial technology expectations on the sustainability of MSMEs with a value of -0.063. then the variables used in this research model are positive and negative where the greater the path coefficient value on one independent variable on the dependent variable, the stronger the influence between the independent variables on the dependent variable and if the smaller the path coefficient value, the weaker the influence provided.

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R-Square Value

To find out the value of the inner model in PLS, it can be seen in the R-Square for the dependent and mediating constructs. The following table is the result of the R-Square estimation using SmartPLS 4.0:

Table 3 R-Square Value Table

	R-square	Adjusted R-square
Keberlanjutan UMKM (Y)	0.807	0.801
Inklusi Keuangan (Z)	0.557	0.548

Source: Primary data processed, SEM-PLS 2024

Based on the table, the sustainability of MSMEs has an R-Square value of 0.807 or 80.7%, indicating that the variables of financial technology, financial literacy, and financial inclusion can explain 80.7% of the sustainability intentions of MSMEs, while the remaining 19.3% suggests that other variables may explain MSME sustainability. Furthermore, financial inclusion has an R-Square value of 0.557 or 55.7%, showing that financial inclusion can be explained by financial technology and financial literacy by 55.7%, while the remaining 44.3% can be explained by other variables.

Effect Size Value F2

The f-square or effect size f-square is used to quantify the influence between variables on one another when it is deemed significant, and to determine the magnitude of its effect at the structural level, which can be categorized as low, moderate, or high. According to Hair, et al. (2017), an f-square value of 0.02 is considered low, 0.15 is moderate, and 0.35 is large. This test is conducted to assess the goodness of the model and to explore whether Y is strongly influenced by variable X (Ghozali, 2016).

Table 4 F- Square Value Results

	FT (X1)	**LK (X2)**	**KEB (Y)**	**IK (Z)**
FT (X1)			0.007	0.321
LK (X2)			0.501	0.037
KEB (Y)				
IK (Z)			0.711	

Source: Primary data processed, SEM-PLS 2024

From the output above, the following can be observed:

The financial technology variable on MSME sustainability has an f-square value of 0.007, indicating that the variable has a small effect.

The financial literacy variable on MSME sustainability has an f-square value of 0.501, indicating that the variable has a large effect.

The financial inclusion variable on MSME sustainability has an f-square value of 0.711, indicating that the variable has a large effect.

The financial technology variable on financial inclusion has an f-square value of 0.321, indicating that the variable has a large effect.

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The financial literacy variable on financial inclusion has an f-square value of 0.031, indicating that the variable has a small effect.

Hypothesis Testing

Direct Effect

The basis used in hypothesis testing to show the level of significance is by examining the path coefficient or inner model values. The following table presents the output results of the inner model or structural model testing:

Table 5 Path Coefficient

	(O)	(M)	(STDEV)	(|O/STDEV|)	(P values)
FT -> KEB	-0.063	-0.063	0.078	0.818	0.413
LK -> KEB	0.490	0.486	0.097	5.049	0.000
IK -> KEB	0.557	0.563	0.096	5..823	0.000
FT -> IK	0.583	0.579	0.115	5.077	0.000
LK -> IK	0.199	0.203	0.121	1.639	0.101

Source: Primary data processed, SEM-PLS 2024

To see the significant level of hypothesis support, a comparison of the T-table and T-statistic values can be used, where if the T-statistic value is higher than the T-table value, it means that the hypothesis is supported. With a confidence level of 95 per cent (alpha 5 per cent or 0.05), the T-table value for the hypothesis is ≥ 1.98. Based on the table, the test results are obtained using the bootstrapping method using PLS and the hypothesis test results are as follows:

Test the first hypothesis, namely financial technology on the sustainability of MSMEs. From the hypothesis testing carried out, the results show that the path coefficient is negative, namely -0.063 and the P-Values value that forms the influence between the financial technology variable on the sustainability of MSMEs is 0.413 and the T-Statistc value obtained a value of 0.818. These results are in accordance with the rule of thum where the P-Values value is 0.413> 0.05, and the T-Statistc 0.818 < T-Table 1.98. So it can be concluded that financial technology has a negative but insignificant effect or it can be said that it has no effect, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value < T- Table and P-Values > 0.05.

Test the second hypothesis, namely financial literacy on the sustainability of MSMEs. From the hypothesis testing carried out, the results show that the path coefficient is positive, which is 0.490 and the P-Values value that forms the influence between the financial literacy variable on the sustainability of MSMEs is 0.000 and the T-Statistc value obtains a value of 5.049. These results are in accordance with the rule of thumum. These results are in accordance with the rule of thum where the P-Values value is 0.000 <0.05, and the T-Statistc is 5.049> T-Table 1.98. So it can be concluded that financial literacy has a positive and significant effect or can be said to have an effect, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value> T-Table and P-Values <0.05.

Test the third hypothesis, namely financial inclusion on the sustainability of MSMEs. From the hypothesis testing carried out, the results show that the path coefficient is positive, which is 0.557 and the P-Values value that forms the influence between the financial inclusion variable on the sustainability of MSMEs is 0.000 and the T-Statistc value gets a value of 5.823. These results are in accordance with the rule of thum where the value of P-Values 0.000 < 0.05, and T-Statistc 5.823 > T-Table 1.98. So it can be concluded that financial inclusion has a positive and significant effect on the sustainability of MSMEs or it can be said to be influential, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value> T-Table and P-Values <0.05.

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Test the fourth hypothesis, namely financial technology on financial inclusion. From the hypothesis testing carried out, the results show that the path coefficient is positive, which is 0.583 and the P-Values value is <0.05.

Indirect Effect

In this analysis, it will be seen the high coefficient of influence, both direct and indirect. Testing through mediation to explore more deeply whether the mediating variable has successfully mediated the effect of the independent variable on the dependent or not, can be described in the Indirect Effect output, if the P value is less than 0.05, the independent variable affects the dependent variable through the mediating variable. The results of path analysis at the Indirect Effect output, if the P value is less than 0.05 then there is a mediating effect (Maiti, 2022). Here's a table of specific indirect effects

Table 6. Specific Inderect Effects

	(O)	(M)	(STDEV)	(|O/STDEV|)	P values
FT -> IK -> KEB	0.325	0.326	0.090	3.627	0.000
LK -> IK-> KEB	0.111	0.114	0.070	1.577	0.115

Source: Primary data processed, SEM-PLS 2024

Based on the indirect testing or testing through the mediation variable, the following results were obtained:

The effect of financial technology on MSME sustainability, before the inclusion of the mediation variable, showed a negative but insignificant value, indicating no effect. However, after the inclusion of the financial inclusion mediation variable, the effect of financial technology on MSME sustainability showed a positive path coefficient of 0.325, with a P-Value of 0.000 and a T-Statistic of 3.627. This result is in line with the rule of thumb where the P-Value of 0.000 is less than 0.05, and the T-Statistic of 3.627 is greater than the T-Table value of 1.98. Therefore, it can be concluded that financial inclusion can mediate the effect of financial technology on MSME sustainability.

The effect of financial literacy on MSME sustainability, before the inclusion of the mediation variable, showed a positive and significant value, indicating an effect. However, after the inclusion of the financial inclusion mediation variable, the effect of financial literacy on MSME sustainability showed a positive path coefficient of 0.111, with a P-Value of 0.115 and a T-Statistic of 1.577. This result is in line with the rule of thumb where the P-Value of 0.115 is greater than 0.05, and the T-Statistic of 1.577 is less than the T-Table value of 1.98. Therefore, it can be concluded that financial inclusion does not mediate the effect of financial literacy on MSME sustainability.

Discussion

The Effect of Financial Technology on MSME Sustainability

Based on the research results from the path coefficient test, it shows a negative path coefficient of -0.063, and the P-Value representing the effect between the financial technology variable on MSME sustainability is 0.413, with a T-Statistic value of 0.818. This result aligns with the rule of thumb, where the P-Value of 0.413 is greater than 0.05, and the T-Statistic of 0.818 is less than the T-Table value of 1.98. Therefore, it can be concluded that financial technology has a negative but insignificant effect, or in other words, no effect. Hence, it can be stated that Hypothesis 1 (Ho) is accepted, and Ha is rejected because the T-Statistic < T-Table and P-Value > 0.05.

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This research is in line with the study conducted by Budyastuti (2021) The research results show that there is no effect of fintech and financial literacy on business sustainability. This signals the need for the government as a regulator, academics as educators, the private sector as a catalyst, and the community as a driver to promote and develop fintech and financial literacy among MSMEs, particularly in Kelurahan Sudimara Timur. MSMEs are not widely adopting financial technology or utilizing it optimally. Some MSMEs may still rely on traditional methods for financial management, such as cash transactions and manual bookkeeping. When MSMEs do not use or integrate financial technology effectively, its potential benefits in improving business efficiency and growth become limited. In certain regions or countries, the technological infrastructure may not yet be mature enough to support the widespread adoption of FinTech among MSMEs. Issues such as unstable internet access or high infrastructure costs can hinder MSMEs from maximizing the use of financial technology. Some MSMEs may also have concerns about data security or the risks associated with using FinTech platforms, such as potential identity theft or financial fraud. With these concerns, MSMEs may be more inclined to stick with traditional methods they perceive as safer or more reliable.

The Influence of Financial Literacy on MSME Sustainability

Based on the path coefficient test results, the path coefficient is positive at 0.490, and the P-Value representing the effect of financial literacy on MSME sustainability is 0.000, with a T-Statistic value of 5.049. This result aligns with the rule of thumb, where the P-Value of 0.000 is less than 0.05, and the T-Statistic of 5.049 is greater than the T-Table value of 1.98. Therefore, it can be concluded that financial literacy has a positive and significant effect, or in other words, has an influence. Hence, it can be stated that Hypothesis 1 (Ho) is accepted, and Ha is rejected, because the T-Statistic > T-Table and the P-Value < 0.05. This research is in line with the study conducted by Wuryani (2019) Based on the results and discussion described in the previous chapter, the following conclusions can be drawn: There is an effect of financial literacy on the performance of MSMEs in Surabaya City. And there is an effect of financial literacy on the sustainability of MSMEs in Surabaya City.

Financial literacy helps MSME owners to understand basic concepts such as cash flow management, good bookkeeping, and long-term financial planning. With this understanding, MSMEs can manage their finances more effectively and avoid financial problems that could threaten their sustainability. MSMEs with good financial literacy tend to be better able to access different types of capital, both from banks and from investors. They can prepare clear and convincing financial statements and better manage risks, thereby increasing their attractiveness to lenders or investors.

Financial literacy helps MSMEs to understand market trends, calculate risks and new business opportunities, and make timely financial decisions. Thus, they can be more responsive to market changes and remain relevant in business competition. MSMEs with strong financial literacy tend to grow faster and can better manage the business expansion process. They can identify opportunities to develop new products or services, explore new markets or improve operational efficiency. Overall, financial literacy contributes to the long-term sustainability of MSMEs by ensuring they can survive in the long term, manage financial risks and develop sustainable growth strategies. As such, financial literacy plays a critical role in improving the sustainability of MSMEs, both in terms of their financial stability, access to financial resources, and ability to adapt to market changes.

The Effect of Financial Inclusion on MSME Sustainability

Based on the research results from the path coefficient test, it shows that the path coefficient is positive, which is 0.557 and the P-Values value that forms the influence between the financial inclusion variable on the sustainability of MSMEs is 0.000 and the T-Statistc value gets a value of 5.823. These results are in accordance with the rule of thum where the P-Values value is 0.000 <0.05, and the T-Statistc is 5.823> T-Table 1.98. So it can be concluded that financial inclusion has a positive and significant effect on the sustainability of MSMEs or it can be said to be influential, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value> T-Table and P-Values <0.05.

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This research is in line with research conducted by Kusuma et al (2022) The results showed that financial inclusion affects business sustainability and financial performance of MSMEs, and financial literacy affects financial performance in MSMEs in Solo Raya.

Financial inclusion allows MSMEs to access capital and credit more easily. Through formal financial institutions or FinTech platforms, MSMEs can obtain business loans that can be used for development, inventory purchase, or expansion. This helps MSMEs to manage their liquidity and expand their operations without relying too much on internal capital or informal credit with high interest rates. Financial inclusion helps MSMEs to improve their financial management. With access to bank accounts, digital payment services, and other financial instruments, MSMEs can improve transparency and control over their cash flows. This reduces financial risk and improves their ability to plan and manage their finances over the long term. Access to efficient financial services, such as digital payments and intermediary banks, helps MSMEs to reduce administrative costs and improve their operational efficiency.

The Effect of Financial Technology on Financial Inclusion

Based on the research results from the path coefficient test, it shows that the path coefficient is positive, which is 0.583 and the P-Values value that forms the influence between the financial technology variable on financial inclusion is 0.000 and the T-Statistc value gets a value of 5.077. These results are in accordance with the rule of thum where the value of P-Values 0.000 <0.05, and T-Statistc 5.077> T-Table 1.98. So it can be concluded that financial technology has a positive and significant effect on financial inclusion or can be said to have an effect, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value> T-Table and P-Values <0.05.

FinTech removes traditional barriers in access to financial services. Through digital banking apps, peer-to-peer lending (P2P lending) platforms, and digital payment systems, FinTech enables individuals and businesses, including MSMEs, to open accounts, apply for loans, and conduct transactions more easily, even in areas that are remote or underserved by financial institutions. FinTech drives innovation in financial products and services. For example, blockchain technology enables the development of digital currencies and more efficient international payment systems.

In addition, there are also developments such as robo-advisors for investments or micro-insurance for affordable insurance coverage. FinTech not only provides access, but also promotes financial literacy. Digital banking apps often provide financial education and training features that help users to understand how to use financial services more wisely. This is important to help individuals and MSMEs improve their financial management and make better decisions financially. FinTech supports MSMEs by providing access to venture capital through P2P lending or crowdfunding platforms. MSMEs that previously found it difficult to get loans from traditional banks due to strict credit policies, now have the opportunity to grow their business with the help of individual or institutional investors who are interested in their growth potential.

The Effect of Financial Literacy on Financial Inclusion

Based on the research results from the path coefficient test, it shows that the path coefficient is positive, which is 0.199 and the P-Values value that forms the influence between the financial literacy variable on financial inclusion is 0.101 and the T-Statistc value gets a value of 1.639. These results are in accordance with the rule of thum where the value of P-Values 0.101> 0.05, and T-Statistc 1.639 < T- Table 1.98. So it can be concluded that financial technology has a positive but insignificant effect or it can be said that it has no effect, so it can be stated that hypothesis 1 Ho is accepted and Ha is rejected because the T-Statistc value < T- Table and P-Values > 0.05.

This research is not in line with research conducted by P. Kusuma (2019) The results showed that financial literacy affects financial inclusion. This shows that the higher the financial knowledge, the better the financial behaviour and financial attitude of a person will increase the use, utilization and

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understanding of financial products and services. This is reinforced by the answers of respondents who have the highest scores related to financial literacy where MSMEs in Bandar Lampung City already believe and also understand about investment in the form of rates of return and investment risks, so that these MSME business actors by investing as early as possible are expected to provide benefits for them in the future.

However, in some regions or communities, especially in rural or remote areas, access to digital infrastructure and technology may be a major barrier. Although individuals have knowledge of financial literacy, they may not be able to access digital financial services such as banking apps or investment platforms due to slow or non-existent internet connections. Although individuals have an understanding of financial literacy, they may not fully realise the benefits of using formal financial services. This could be due to a lack of adequate education or information on how to use financial services effectively to increase financial security and access to better services.

Some individuals or communities may have a negative perception of formal financial institutions such as banks or financial institutions. This could be due to previous bad experiences, distrust of the financial system, or lack of transparency in financial service offerings. These perceptions may deter them from using financial services, even if they have good financial literacy. While the importance of financial literacy is recognised, the implementation of financial literacy education is often uneven across communities. Some individuals may not have access to useful financial literacy training or programmes, which may hinder their ability to understand and use financial services wisely.

Financial Inclusion Positively Mediates the Effect of Financial Technology on MSME Sustainability

Based on the research results from the Inderect Effect test, it shows that the path coefficient is positive, namely 0.325 and P-Values 0.000 and ¬T-Statistic 3.627. . These results are in accordance with the rule of thum where the P-Values value of 0.000 <0.05, and T-Statistc 3.627> T-Table 1.98. It can be stated that financial inclusion can mediate financial technology on the sustainability of MSMEs.

This research is not in line with the research conducted by Astohar et al (2023) The results showed that the financial inclusion variable was not able to mediate the effect of financial technology (fintech) on the performance of MSMEs in Semarang City. These results indicate that the existence of usability, ease of use and risk perception has no impact on profitability, growth will increase, which in turn will increase employees.

Financial Inclusion Positively Mediates the Effect of Financial Literacy on MSME Sustainability

Based on the research results from the Inderect Effect test, it shows that the path coefficient has a positive sign, namely 0.111 and P-Values 0.115 and ¬T-Statistic 1.577. . These results are in accordance with the rule of thum where the P-Values value is 0.115> 0.05, and the T-Statistc 1.577 < T-Table 1.98. It can be stated that financial inclusion cannot mediate financial literacy on the sustainability of MSMEs.

This research is not in line with research conducted by Astohar et al (2023) The results showed that financial inclusion was proven to mediate the effect of financial literacy on the performance of MSMEs in Semarang City. Owners or actors of MSMEs who have basic financial skills will be able to choose which financial products are the safest and most profitable, so that there can be an increase in profitability (Putra Nainggolan, 2023). The selection of investments and the balance between savings and loans make the quality of financial use more optimal and this will make MSMEs grow and indirectly increase the number of employees.

Conclusion

This study aims to determine the effect of financial technology and financial literacy on the sustainability of MSMEs with financial inclusion as a mediating variable in Lhokseumawe City. The results of the analysis and hypothesis testing can be concluded as follows. In testing the direct effect, there are three

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variables that have a direct effect or are said to have an effect, namely the financial literacy variable affects the sustainability of MSMEs, financial inclusion affects the sustainability of MSMEs and financial technology affects financial inclusion. Meanwhile, financial technology variables have no effect on the sustainability of MSMEs and financial literacy has no effect on financial inclusion. In indirect testing, there is one mediated variable and one unmediated variable, namely the financial inclusion variable mediates the effect of financial technology on the sustainability of MSMEs, and the financial inclusion variable does not mediate the effect of financial literacy on the sustainability of MSMEs.

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