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The Role Of Financial Literacy And Digital Innovation In Improving Business Performance And Sustainability Of Business Actors In Kampong Melayu Tourism Village Pontianak City

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Abstract: The purpose of this study is to determine how financial literacy and digital innovation contribute to business performance and sustainability. The number of samples taken using purposive sampling method using probability, and quota samples were used to divide 170 respondents into various businesses. SEM-PLS (Partial Least Square) analysis technique was used to analyze the data, which consists of flow analysis and descriptive analysis. The results show that financial literacy and digital innovation play an important role in improving business performance and business sustainability. Financial literacy has a positive impact on business performance (24.8%) and business sustainability (11.3%), while digital innovation has a greater impact, affecting business performance by 50.4% and business sustainability by 22%. In addition, financial literacy and digital innovation indirectly influence business sustainability

Keyword: Financial Literacy, Innovation Digital, Business Performance, Sustainability

INTRODUCTION

In the continually evolving digital era, a robust understanding of both finance and digital innovation is becoming increasingly crucial for business owners. Financial literacy, defined as the ability to comprehend and effectively manage financial resources, is paramount. Concurrently, digital innovation encompasses the integration of technology and digital solutions to enhance operational efficiency, reach broader market segments, and optimize overall business performance. However, the practical implementation of these concepts by businesses often lags.

National surveys indicate that the level of financial literacy in Indonesian society was relatively low in 2016, with only 29.70% of the population demonstrating comprehension of financial products and services. This figure increased to 38.03% in 2019 and further to 49.68% by 2022, signifying gradual improvement. The role of financial literacy in bolstering business performance cannot be overstated. By possessing a thorough understanding of fundamental financial concepts, such as cash management, investment strategies, budget planning, and financial statement analysis, business owners can make more informed decisions regarding the allocation of their financial resources. Consequently, strategic interventions are needed to improve business performance and ensure their sustainability. One such approach is to augment business owners' knowledge of finance, emphasizing effective management and accountability, which includes cultivating financial literacy, especially in the context of preparing financial statements. Such proficiency facilitates the pursuit of funding, which can, in turn, enable growth in micro, small, and medium enterprises (MSMEs) (Dahmen & Rodríguez, 2014; Mursalin et al., 2022; Pratiwi et al., 2022)

The competitive landscape in Indonesia compels business owners to adapt and thrive in the face of increasing competition. This necessitates the development of novel and differentiated business ventures, underpinned by strong business performance and sustainability (Fatimah & Azlina, 2021; Zalviwan et al., 2020). A solid grasp of financial literacy is therefore crucial, as it influences financial management, ultimately affecting business performance and sustainability (Desiyanti, 2016; Pratiwi, 2020). Furthermore, digital innovation plays a pivotal role in driving business performance and sustainability. Implementing technological solutions such as e-commerce platforms, automated inventory management systems, real-time business data analysis, and effective digital marketing can enable businesses to expand their market reach globally and enhance operational efficiency.

These innovations also contribute to business continuity by adapting to technological advancements and meeting increasingly high consumer expectations. Digital innovation, therefore, is a key performance enabler. Business owners, however, often demonstrate a short-term orientation in their decision-making processes (Pratiwi et al., 2022; Sari, 2020) This is often attributed to the absence of sustainable innovation strategies and inconsistent core business activities, leading to poorly directed long-term development. To achieve robust business performance and sustainability, businesses must integrate financial literacy and digital innovation as core strategies. By possessing a strong understanding of finance and implementing appropriate digital solutions, they can optimize business performance, bolster competitiveness, and ensure continued operation in the digital era.

Conventional thinking must shift to embrace digital literacy. A lack of understanding regarding digital literacy among business owners can hinder their ability to adapt to the contemporary digital landscape (Adomako et al., 2016; Thabet et al., 2019; Zulfahmi et al., 2020) Research (Ayu Rumini & Martadiani, 2020) indicates financial literacy positively influence performance and sustainability of micro, small, and medium enterprises (MSMEs). Similarly, (Hilmawati & Kusumaningtias, 2021) conclude that financial literacy plays a positive role in the performance and sustainability of MSMEs. Conversely, (Fitriasari et al., 2021) posit that financial literacy and digital innovation do not influence the performance of MSMEs. In contrast, (Aulia et al., 2021) argue that digital literacy is crucial for business owners to achieve business performance and sustainability. Financial literacy and digital innovation, as they relate to business performance and sustainability, are key objectives for business owners. This understanding must be continually disseminated to a wide range of business owners to maintain or enhance business performance and sustainability. This study seeks to investigate the role of financial literacy and digital innovation in enhancing the business performance and sustainability of business owners in the Kampong Melayu Tourism Village (BML) in Pontianak City.

METHOD

This study focuses on business owners located in the Kampong Melayu Tourism Village in Pontianak City. Kampong Melayu, also known as Benua Melayu, has been designated as a tourism area within Pontianak City. The population of this study comprises all business owners operating within the Kampong Melayu Tourism Village (BML), Pontianak. The sampling technique employed was probability sampling, specifically using purposive sampling, which implies that the sample was selected based on predefined criteria relevant to the research. The sample size was determined using Hair's rule of thumb (Ferdinan, 2013), which suggests multiplying the number of indicators by a factor between 5 and 10. In this study, with 17 indicators, the target sample size was calculated as 17 x 10 = 170 respondents. This sample was further distributed across various business sectors using quota sampling to ensure representation from diverse business groups.

Data analysis was conducted in two stages: descriptive analysis and path analysis. Descriptive statistics were used to provide an overview and description of the data pertaining to the respondent sample (Hair, 2010) In this study, descriptive statistics were employed to obtain a descriptive overview of respondents' perceptions. Path analysis, on the other hand, was used to examine the comparative strength of direct and indirect relationships between variables. A series of parameters were estimated to solve one or more structural equations between two or more causal models. This data analysis technique, aimed at answering the research questions and testing the pre-formulated hypotheses, was implemented using a structural equation model. Specifically, the study utilized Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software for analysis. Wold, (1985) and (Ghozali, 2016) argue that the use of a structural model with PLS is a powerful analytical approach as it does not rely on restrictive assumptions and is variance-based. Finally, the formulation of the path analysis was adapted to the specific hypotheses used in this research.

RESULTS AND DISCUSSION

Outer Model

Convergent Validity Test

Validity was assessed by examining the correlation between indicator scores and their respective latent variable scores. In factor analysis, convergent validity is evaluated by observing the loading factors. An indicator is considered valid if its loading factor exceeds 0.70. The following table presents the results of the loading factor analysi

Table 1. Convergent Validity Test Results

Indicator	Laten Variabel			
	Financial literacy	Digital Innovation	Business Performance	Business Sustainability
1	0.794	0.843	0.907	0.933
2	0.863	0.903	0.897	0.924
3	0.782	0.916	0.924	0.909
4	0.876	0.910	0.876	0.863
5	0.900	0.926	0.640	
6	0.916	0.905	0.760	
7	0.848			
8	0.888			
9	0.872			
10	0.895			

Source: Data Processed, Smart-PLS 3.0, 2024

Based on the initial analysis, one indicator (BP.5) exhibited a loading factor below 0.70. Consequently, this indicator was removed from the outer model, and the analysis was re-executed. The factor loadings were then re-examined to determine if any remaining indicators had a loading factor below 0.70. This iterative process was continued until all loading factors were equal to or greater than 0.70. Upon the second iteration, no further indicators required elimination. All remaining indicators demonstrated loading factors exceeding 0.70. Therefore, convergent validity was established with the final set of 25 indicators. The results are presented in the following table:

Table 2. External Loading Factor Value After Trimming

Indicator	Financial literacy	Digital Innovation	Business Performance	Business Sustainability	AVE
FL.1	**0.794**				
FL.2	**0.863**				
FL.3	**0.781**				
FL.4	**0.877**				
FL.5	**0.900**				
FL.6	**0.916**				**0.747**
FL.7	**0.848**				
FL.8	**0.888**				
FL.9	**0.872**				
FL.10	**0.895**				
DI.1		**0.843**			
DI.2		**0.903**			
DI.3		**0.916**			**0.812**
DI.4		**0.910**			
DI.5		**0.926**			
DI.6		**0.905**			
BP.1			**0.919**		
BP.2			**0.905**		
BP.3			**0.928**		**0.706**
BP.4			**0.879**		
BP.6			**0.756**		
BS.1				**0.934**	
BS.2				**0.924**	**0,824**
BS.3				**0.909**	
BS.4				**0.862**	

Source: Data Processed, Smart-PLS 3.0, 2024

The preceding table demonstrates that the combined loading and cross-loading analysis, used to assess convergent validity, reveals that all indicators exhibit loading factors exceeding 0.70. This confirms that all variable indicators meet the criteria for convergent validity. Furthermore, convergent validity can also be evaluated by examining the Average Variance Extracted (AVE) values for each variable. An AVE value greater than 0.50 indicates satisfactory convergent validity, while an AVE value less than 0.50 suggests a lack thereof. As demonstrated in the table, all variables possess AVE values exceeding 0.50, thus providing further evidence that convergent validity is established.

Discriminant Validity Test

Discriminant validity, which assesses the distinctiveness of questionnaire data as a whole (across all indicators), can be evaluated using two primary methods. First, by comparing the loading factor of an indicator with its cross-loadings. If an indicator's loading factor on its intended construct is greater than its cross-loadings on other constructs, then discriminant validity is supported for that indicator. Conversely, if any cross-loading exceeds the indicator's loading factor, then discriminant validity is not met. Second, discriminant validity can be assessed by comparing the square root of the Average Variance Extracted (AVE) for each latent variable with its correlations with other latent variables.

Table 3. Combine Loading and Cross Loading Value

Indicator	Financial literacy	Digital Innovation	Business performance	Business sustainability
FL.1	**0.794**	0.548	0.558	0.572
FL.2	**0.863**	0.617	0.475	0.557

FL.3	**0.781**	0.557	0.551	0.649
FL.4	**0.877**	0.621	0.579	0.634
FL.5	**0.900**	0.550	0.425	0.506
FL.6	**0.916**	0.603	0.534	0.579
FL.7	**0.848**	0.553	0.451	0.538
FL.8	**0.888**	0.576	0.483	0.530
FL.9	**0.872**	0.493	0.432	0.479
FL.10	**0.895**	0.564	0.478	0.542
DI.1	0.640	**0.843**	0.451	0.530
DI.2	0.563	**0.903**	0.616	0.662
DI.3	0.620	**0.916**	0.607	0.658
DI.4	0.571	**0.910**	0.637	0.728
DI.5	0.639	**0.926**	0.585	0.654
DI.6	0.568	**0.905**	0.676	0.772
BP.1	0.561	0.559	**0.919**	0.794
BP.2	0.449	0.522	**0.905**	0.790
BP.3	0.545	0.616	**0.928**	0.837
BP.4	0.574	0.645	**0.879**	0.808
BP.6	0.415	0.593	**0.756**	0.680
BS.1	0.615	0.657	0.846	**0.934**
BS.2	0.646	0.687	0.822	**0.924**
BS.3	0.495	0.616	0.827	**0.909**
BS.4	0.614	0.760	0.738	**0.862**

Source: Data Processed, Smart-PLS 3.0, 2024

The output of the loading factor and cross-loading analysis for each indicator within their respective latent variables demonstrates that all variables exhibit loading factors that are greater than their corresponding cross-loadings (on other constructs). This confirms that discriminant validity has been established for each indicator.

Construct Reliability Test

The subsequent analysis involves testing the construct reliability, which can be evaluated using two criteria: composite reliability and Cronbach's alpha. This analysis aims to assess the consistency of responses to questionnaire items or statements if the same items or statements were used to measure the same phenomenon on two separate occasions. A construct is considered reliable if its composite reliability value exceeds 0.70 and its Cronbach's alpha value is equal to or greater than 0.5. The following presents the output of the latent variable coefficients to facilitate further analysis:

Table 4. Composite Reliability and Cronbach's Alpha Value

	FL	DI	BP	BS	Criteria	Explanation
Composite Reliability	0.967	0.963	0.930	0.928	> 0,7	Reliable
Cronbach's Alpha	0.962	0.954	0.925	0.928	≥ 0,5 is good and ≥ 0,3 sufficient	Reliable

Source: Data Processed, Smart-PLS 3.0, 2024

The results presented in the preceding table demonstrate that each construct exhibits a composite reliability value exceeding 0.7. This indicates that all constructs are reliable, fulfilling the construct reliability requirements for the outer model and demonstrating excellent reliability. Furthermore, the Cronbach's alpha values for all constructs are equal to or greater than 0.5, signifying excellent internal consistency reliability within the outer model.

Evaluation of The Inner Model

Model FIT

To determine whether a research model demonstrates adequate fit, one can examine the loading factors of each indicator or whether the model passes validity and reliability tests. Model fit can also be assessed using the Standardized Root Mean Square Residual (SRMR) value. A SRMR value greater than 0.10 indicates that the model fit criteria are not met, whereas a SRMR value less than or equal to 0.10 suggests adequate model fit.

Table 5. Model Fit Test

	Saturated Model	Estimated Model
SRMR	0,070	0,070
Chi-Square	1421,255	1421,255

Source: Data Processed, Smart-PLS 3.0, 2024

The Standardized Root Mean Square Residual (SRMR) value presented in the preceding table indicates strong model fit, as the SRMR for this study is 0.070 (0.070 < 0.10). Furthermore, the Chi-Square value is 1421.255. To further assess model fit, particularly the fit of both the outer and inner models, the Goodness of Fit (GoF) index can be utilized. The GoF analysis results, presented in the table, demonstrate a "strong" fit for both the outer and inner models.

Multicollinearity test/VIF

A key assumption, or prerequisite, for the analysis of the inner model using Partial Least Squares (PLS) is the absence of multicollinearity. Multicollinearity is considered absent within a model if the Variance Inflation Factor (VIF) values are less than 5. Conversely, if any VIF value exceeds 5, it indicates the presence of multicollinearity between constructs.

Table 6. Multicolliniearity Test

	Results	Explanation
Financial literacy (FL)	1,898	There is no multicollinearity
Digital Innovation (DI)	2,268	There is no multicollinearity
Business performance (BP)	1,928	There is no multicollinearity

Source: Data Processed, Smart-PLS 3.0, 2024

Based on the table above, it can be seen that each variable has a VIF value <10, meaning that in this test there is no multicollinearity.

Coefficient of Determination (R^2)

The determination coefficient test aims to identify how much proportion or influence the exogenous latent variable has in explaining the endogenous latent variable. In addition, the determination coefficient value can also see how accurate the model is in predicting a variable. The following results of the determination coefficient value can be seen in the table below:

Table 7. Coefficient Determination Test (R^2)

	R-square	Explanation
Business Performance	0,481	Weak Effect
Business Sustainability	0,843	Strong Effect

Source: Data Processed, Smart-PLS 3.0, 2024

The table above demonstrates that the structural model examining the influence of Financial Literacy and Digital Innovation on Business Performance yields an R-squared (R^2) value of 0.481. This indicates that the combined effect of these variables accounts for 48.1% of the variance in Business Performance, which is categorized as a "weak" effect size. Furthermore, the structural model examining the influence of Financial Literacy, Digital Innovation, and Business Performance on Business Sustainability has an R^2 value of 0.843. This signifies that the combined influence of these variables explains 84.3% of the variance in Business Sustainability, which is categorized as a "strong" effect size.

Predictive Relevance (Q^2) and Effect Size (F^2) Analysis

The predictive relevance value (Q^2) is employed to evaluate the quality of the observed data and to assess the structural relevance of the model. A predictive relevance value (Stone-Geisser's Q^2) greater than 0 indicates that the observed data are of good quality and the model exhibits adequate structural relevance. Conversely, a Q^2 value less than 0 suggests that the observed data are not of good quality and the model lacks sufficient structural relevance. The f^2 value, on the other hand, depicts the effect of the exogenous latent variables on the endogenous latent variables within the structural model, with the following criteria:

1. F^2 value of 0.02 indicates a weak effect.
2. F^2 value of 0.15 indicates a moderate effect.
3. F^2 value of 0.35 indicates a strong effect.

The results for predictive relevance (Q^2) and F^2 values are presented in the table below:

Table 8. Predictive Relevance (Q^2) and Effect Size (f^2) Value

	Q^2	f^2	Category
Financial literacy → Business performance		0,067	Weak Effect
Financial literacy → Business sustainability		0,043	Weak Effect
Digital Innovation → Business performance		0,275	Moderat
Digital Innovation → Business sustainability		0,137	Weak Effect
Business performance → Business sustainability		1,523	Strong Effect
Business performance	0,365		Good
Business sustainability	0,689		Good

Source: Data Processed, Smart-PLS 3.0, 2024

The preceding table reveals that the influence of financial literacy and digital innovation on both business performance and sustainability is not as substantial compared to the influence of business performance on business sustainability, which is categorized as a strong effect.

Goodness of Fit PLS (GoF PLS)

Goodness of Fit (GoF) is a measurement of the suitability of a model, the overall suitability of the model, both the outer model and the inner model, whether or not the observed value matches the expected value in the model. To find the GoF value, use the formula:

$$\text{GoF} = \sqrt{Average\ AVE\ x\ Average\ R\ Square}$$

The greater the GoF value, the more appropriate the model depiction is. The GoF value category is divided into 3 (three), namely:

1. 0.00 – 0.24: Small effect
2. 0.25 – 0.37: Medium effect
3. 0.38 – 1.00: Large effect

The results of the Goodness of Fit (GoF) index are presented in the table below:

Table 9. Goodness of Fit (GoF) Test

Variable	AVE	Average AVE	R^2	Average R^2	Goodness of Fit (GoF)	Category
Financial literacy	0,747	0,789		0,662	**0,722**	Large Effect
Digital Innovation	0,812					
Business performance	0,774		0,481			
Business sustainability	0,824		0,843			

Source: Data Processed, Smart-PLS 3.0, 2024

Based on the data presented, the Goodness of Fit (GoF) index value obtained is 0.722, which falls into the "large" effect category. This indicates that the overall model fit, for both the outer and inner models, between the observed values and the expected (predicted) values within the model is categorized as strong.

Hypothesis Testing

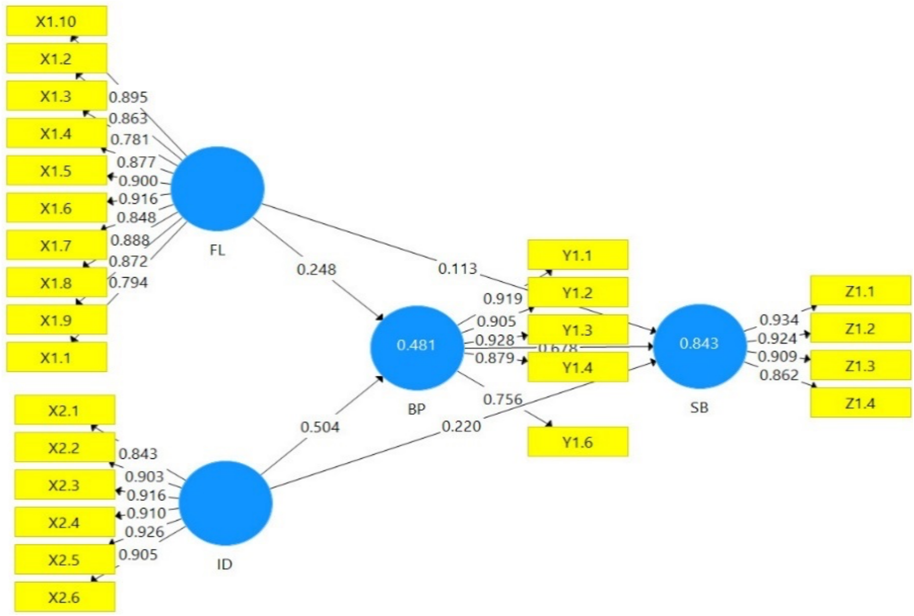
The hypotheses in this study were tested by analyzing the correlations between constructs, which were measured by examining the path coefficients and their corresponding levels of significance, and subsequently comparing them with the established research hypotheses. The significance level employed in this study was set at 5%, or 0.05. The path coefficient values obtained in this study are presented in the table below:

Table 10. Coefficients Path Test

Hypotheses	*Path*	*Coefficients Path*	*p-value*	**Explanation**
H_1	Financial literacy → Business performance	0,248	0,000	Accepted
H_2	Financial literacy → Business sustainability	0,113	0,010	Accepted
H_3	Digital Innovation → Business performance	0,504	0,000	Accepted
H_4	Digital Innovation → Business sustainability	0,220	0,000	Accepted
H_5	Financial literacy → Business performance → Business sustainability	0,168	0,000	Accepted
H_6	Digital Innovation → Business performance → Business sustainability	0,342	0,000	Accepted
H_7	Business performance → Business sustainability	0,678	0,000	Accepted

Source: Data Processed, Smart-PLS 3.0, 2024

The preceding table reveals that the path coefficient for financial literacy on business performance is 0.248, with a p-value of 0.000, which is less than 0.05. This indicates a statistically significant positive influence of financial literacy on business performance, thus supporting Hypothesis 1 (H1). The positive path coefficient suggests that an increase in the financial literacy of business owners is associated with an increase in their business performance. Conversely, a decrease in financial literacy is likely to lead to a decrease in business performance. Furthermore, the direct effect of financial literacy on sustainability shows a path coefficient of 0.113, with a p-value of 0.010, which is less than 0.05. This signifies a statistically significant positive influence of financial literacy on sustainability, supporting Hypothesis 2 (H2). The path coefficients for digital innovation on business performance and sustainability are 0.504 and 0.220, respectively, with corresponding p-values of 0.000, which are less than 0.05. This indicates statistically significant positive influences of digital innovation on both business performance and sustainability, thus supporting Hypotheses 3 and 4 (H3 and H4). The indirect effects of financial literacy and digital innovation on sustainability, mediated by business performance, have path coefficients of 0.168 and 0.342, respectively, with p-values of 0.000, which are less than 0.05. These findings indicate that both financial literacy and digital innovation indirectly influence sustainability through business performance, supporting Hypotheses 5 and 6 (H5 and H6). Finally, the path coefficient for business performance on sustainability is 0.678, with a p-value of 0.000, which is less than 0.05. This indicates a statistically significant positive influence of business performance on the sustainability of business owners, supporting Hypothesis 7 (H7). The positive path coefficient demonstrates that as business performance increases, so does the sustainability of business owners in the Kampong Melayu Tourism Village (BML), Pontianak City.



Source: data processed by researchers, 2024
Figure 1. Result of structural equation model

The Influence of Financial Literacy on Business Performance Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

This section of the study addresses Hypothesis 1, which examines whether financial literacy influences the business performance of business owners in the Kampong Melayu Tourism Village (BML), Pontianak City. Financial literacy is defined as the knowledge and understanding of financial concepts and risks, encompassing skills, motivation, self-confidence, and competence, that are beneficial for making effective financial decisions. This proficiency is essential for enhancing the financial well-being of individuals and enabling their active participation in economic life, fostering self-assurance in financial management (Goyal & Kumar, 2021; OJK, 2021; Suhasti et al., 2022; Thomas & Subhashree, 2020) The results of the data analysis, using SmartPLS3, indicate that the exogenous construct of financial literacy has a significant positive influence (p-value 0.000 < 0.05) on business performance, with a path coefficient of 0.248. This finding demonstrates that financial literacy plays a crucial role in enhancing the business performance of business owners in the Kampong Melayu Tourism Village, Pontianak City. This result aligns with the findings of (Daulay et al., 2023) who demonstrated that fintech and financial literacy positively impact the performance of MSMEs. Conversely, these results contradict the findings of (Fitriasari et al., 2021), who reported that financial literacy does not influence MSME performance. This discrepancy can be explained by the fact that an increase in financial literacy, as reflected by business owners, is likely to directly enhance their business performance in the Kampong Melayu Tourism Village, Pontianak City.

The Influence of Financial Literacy on Business Sustainability Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

This section of the study addresses Hypothesis 2, which examines whether financial literacy influences the sustainability of business owners in the Kampong Melayu Tourism Village (BML), Pontianak City. It is imperative that individual financial literacy be enhanced to enable sound financial decision-making and the optimal management of personal finances (Harli et al., 2015). Business sustainability, in turn, is defined as the consistent state of a business, representing its ongoing operations and development, all of which contribute to the resilience and longevity of the enterprise (Marwati et al., 2017). The results of the data analysis using SmartPLS3 indicate that the exogenous construct of financial literacy has a statistically significant positive influence (p-value 0.000 < 0.05) on sustainability, with a path coefficient of 0.113. This finding demonstrates that financial literacy plays a crucial role in enhancing the sustainability of business owners in the Kampong Melayu Tourism Village, Pontianak City. This aligns with prior research, demonstrating a positive and significant relationship between financial literacy and the sustainability of MSMEs (Mufidah et al., 2023). According to (Yunita et al., 2023), intangible resources such as financial literacy are considered to enable MSME owners to be more adept at managing and making financial decisions, thereby influencing business sustainability. It can be inferred that an increase in financial literacy, as understood and applied by business owners, will directly contribute to increased sustainability among businesses in the Kampong Melayu Tourism Village, Pontianak City.

The Influence of Digital Innovation on Business Performance Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

This section addresses Hypothesis 3, which investigates whether digital innovation influences the business performance of business owners in the Kampong Melayu Tourism Village (BML), Pontianak City. In the realm of digital innovation, solutions often simultaneously manifest characteristics of both products and services, often being described as service innovations or product-service systems (Matzner et al., 2018) According to (Wheelen et al., 2014) business performance can be measured through sales, market share, and profitability. Innovation encompasses creativity and experimentation with new products, services, and technological leadership through research and development (Nizam et al., 2020). The data analysis using SmartPLS3 indicates that the exogenous construct of digital innovation has a statistically significant positive influence (p-value 0.000 < 0.05) on business performance, with a path coefficient of 0.504. This result demonstrates that digital innovation plays a crucial role in enhancing the business performance of business owners in the Kampong Melayu Tourism Village, Pontianak City. This finding contrasts with the results of (Fitriasari et al., 2021) who reported that digital innovation does not influence the performance of MSMEs. Furthermore, (Aulia et al., 2021) posited that digital literacy is essential for business owners to achieve performance and sustainability. Research by (Fitriasari et al., 2021) indicated that during the pandemic, MSME owners in Balikpapan City did not consider digital innovation to be crucial for improving business performance. It can be inferred that an increase in digital innovation, as implemented by business owners, is likely to directly enhance the business performance of businesses in the Kampong Melayu Tourism Village, Pontianak City.

The Influence of Digital Innovation on Business Sustainability Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

This section addresses Hypothesis 4, which explores whether digital innovation influences the sustainability of business owners in the Kampong Melayu Tourism Village (BML), Pontianak City. Innovation, in this context, drives change and the means by which to achieve it. Digital transformation, at its core, fundamentally revises how companies operate, design, develop, produce, sell products, and provide services (Egor, 2020). An organization's focus on continuous improvement directly relates to its openness to innovation and the ability to develop sustainably(Medne & Lapina, 2019). From a corporate perspective, sustainability is a balance between numerous economic, social, and environmental factors that affect a company and its performance, ensuring sustainable development (Beltrami et al., 2021). The results of the data analysis using SmartPLS3 indicate that the exogenous construct of digital innovation has a statistically significant positive influence (p-value 0.000 < 0.05) on sustainability, with a path coefficient of 0.220. This finding demonstrates that digital innovation plays a crucial role in enhancing the sustainability of business owners in the Kampong Melayu Tourism Village, Pontianak City. This aligns with research by (Mila et al., 2022) which found that digital innovation has a positive effect on the sustainability of MSMEs. According to (Robertsone & Lapiņa, 2023), a framework was developed and confirmed outlining the relationship between digital transformation, open innovation, and sustainability, indicating that digital transformation enables and promotes sustainability and open innovation. Simultaneously, digital transformation may have a negative impact on sustainability, particularly affecting the environmental dimension. The hope is that good business performance can create customer loyalty (Ariffin et al., 2023). It can be inferred that an increase in digital innovation, as practiced by business owners, will directly contribute to increased sustainability among businesses in the Kampong Melayu Tourism Village, Pontianak City.

The Influence of Financial Literacy and Digital Innovation on Business Performance and Sustainability Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

This section addresses Hypotheses 5 and 6, which examine the influence of financial literacy and digital innovation on business performance and sustainability among business owners in the Kampong Melayu Tourism Village (BML), Pontianak City. Financial literacy enables individuals to easily understand and recognize financial matters and potential risks, thus mitigating various financial issues (Gustika & Yaspita, 2021). Business performance is defined as a company's ability to create desired actions and results, thus requiring a well-defined and measurable operational concept and system as a benchmark for performance (Anggadwita & Mustafid, 2014). Business sustainability is a business strategy in which long-term value is derived from considering how organizations operate within an ecological, social, and economic environment (AlQershi et al., 2023). The results of the data analysis using SmartPLS3 indicate that the exogenous constructs of financial literacy and digital innovation have a statistically significant positive influence (p-value $0.000 < 0.05$) on both business performance and sustainability, with path coefficients of 28.2% and 56.2%, respectively. Furthermore, the business performance mediation test demonstrated a path coefficient of 67.8%. These findings demonstrate that both financial literacy and digital innovation play a crucial role in enhancing sustainability. The mediation of business performance also influences the sustainability of business owners in the Kampong Melayu Tourism Village, Pontianak City. These findings are both in alignment with and in contrast to prior research. According to (Mila et al., 2022), financial literacy does not influence the sustainability of MSMEs but does influence their performance. They also found that digital innovation influences the sustainability of MSMEs but not their performance, and that the performance of MSMEs does influence their sustainability. They also found that the performance of MSMEs does not mediate the relationship between digital innovation and sustainability, but does mediate the relationship between financial literacy and sustainability.

The Influence of Business Performance on Sustainability Among Business Owners in the Kampong Melayu Tourism Village (BML), Pontianak City

The Kampong Melayu Tourism Village (BML) in Pontianak City has become a leading tourist destination in West Kalimantan. As a tourism village, BML plays a crucial role in enhancing the local economy and well-being of the community. Strong business performance is key for business owners to maintain and develop their enterprises in the long term. According to (Wheelen et al., 2014) business performance can be measured through sales, market share, and profitability. Alternatively, some argue that business performance is the output or outcome of the implementation of all activities related to business operations. Business sustainability is a business strategy in which long-term value is derived from considering how organizations operate within an ecological, social, and economic environment (AlQershi et al., 2023). The data analysis using SmartPLS3 indicates that the exogenous construct of business performance has a statistically significant positive influence (p-value $0.000 < 0.05$) on sustainability, with a path coefficient of 67.8%. This finding demonstrates that business performance plays a crucial role in enhancing the sustainability of business owners in the Kampong Melayu Tourism Village, Pontianak City. This aligns with research by (Mila et al., 2022) which found that MSME performance influences their sustainability. According to (Deu, 2022), it is important to innovate business models in order to increase profits and value creation, enabling startups to be sustainable in a dynamic business environment. It can be inferred that an increase in business performance, as implemented by business owners, will directly contribute to increased sustainability of businesses in the Kampong Melayu Tourism Village, Pontianak City, further enhanced by the understanding and implementation of financial literacy and digital innovation.

CONCLUSION

Based on the findings of this study, it can be concluded that financial literacy and digital innovation play a significant role in enhancing both business performance and sustainability among business owners in the Kampong Melayu Tourism Village, Pontianak City. Specifically, financial literacy has a positive influence on business performance, accounting for 24.8% of its variance, and on business sustainability, accounting for 11.3% of its variance. Digital innovation demonstrates a stronger influence, accounting for 50.4% of the variance in business performance and 22% of the variance in business sustainability. Furthermore, financial literacy and digital innovation also indirectly affect business sustainability through the mediation of business performance, with mediation effects of 16.8% and 34.2%, respectively. These findings highlight that enhancing financial literacy and promoting the adoption of digital innovation are key factors that warrant attention to support the sustainability of business owners in the Kampong Melayu Tourism Village.

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