

Does Capital Assistance and Financial Literacy Have an Impact on the Business Sustainability of MSMEs in Kediri City?

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ABSTRACT

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Introduction/Main Objectives: Economic development in Kediri cannot be separated from the country's micro, small, and medium enterprises (MSMEs). Kediri MSMEs are promising businesses to develop because they can support economic development at the micro and macro levels.

Background Problems: The problem MSME actors face in Kediri city is the lack of capital in their businesses. There is a gap in several studies because no one has directly examined the impact of capital assistance on three groups that receive capital assistance in Kediri City, namely the first is cigarette factory workers who have a business, the second is cigarette factory workers who have a business, and the third is entrepreneurs in the industrial and trade sectors. **Novelty:** Theoretical model of research on capital assistance and financial literacy on the sustainability of SMEs in the city of Kediri. **Research Methods:** The research approach used is a quantitative approach. The sampling technique used was a combination of stratified random sampling from Mojoroto sub-district, Kota sub-district, and Pesantren sub-district. Primary data collection was carried out on 100 respondents who received capital assistance in the city of Kediri.

Finding/Results: Capital assistance has a significant effect on business sustainability. Financial literacy has a positive and significant effect on business sustainability. Capital assistance and financial literacy together have a positive and significant effect on business sustainability. **Research limitation/implications:** This study provides an overview that Kediri City MSME business actors who receive capital assistance, namely first, cigarette factory workers who have businesses, second, cigarette factory workers who have businesses, and third, entrepreneurs in the industrial and trade sectors can use capital assistance wisely supported by financial literacy obtained from financial management training provided by the government or the existing MSME community.

1. Introduction

Economic development is very important in the city of Kediri, especially increasing economic income and the welfare of the citizens of Kediri (Hamida et al., 2023). In 2022, the Indonesia government declared the COVID-19 pandemic to be endemic (Resmi et al., 2020). However, the COVID-19 pandemic has impacted economic development in Kediri. Economic development in Kediri cannot be separated from the country's micro, small, and medium enterprises (MSMEs). Kediri MSMEs are promising businesses to develop because they can support economic development at the micro and macro levels.

Micro, Small, and Medium Enterprises (MSMEs) contribute considerably to economic movements (Natasya & Hardiningsih, 2021). MSMEs have played a very important role in driving the economy, increasing labor, and increasing income for low-income communities by creating large jobs and utilizing local raw materials to generate benefits for the community (Prasetyo et al., 2023). The development of MSMEs will expand the economic base and can significantly contribute to accelerating the structure, improving the regional economy and national economic resilience (Liani & Prawihatmi, 2017).

The definition of MSMEs is based on Law Number 20 of 2008 concerning MSMEs, which has been amended by Law Number 11 of 2020 concerning Job Creation and last amended by Law Number 6 of 2023 concerning the Stipulation of Government Regulations instead of Law Number 2 of 2022 explains that the definition of a micro business is a business that has a maximum wealth of Rp. 50 million with an annual sales turnover of at most Rp. 300 million. Meanwhile, small businesses are businesses that have more wealth than Rp. 50 million to Rp. 500 million with an annual sales turnover of more than Rp. 300 million to Rp. 2.5 billion. Medium businesses are businesses that have a wealth of more than Rp. 500 million to Rp. 10 billion with an annual sales turnover of more than Rp. 2.5 billion to Rp. 500 billion.

The contribution of MSMEs is very large for increasing income for low-income groups (Ullah et al., 2021). The MSME sector often utilizes agricultural, livestock, plantation, and trade resources (Cariola et al., 2020). The MSME sector is also called a symbol of the people's economy because the results of MSMEs are goods needed daily for every community (García-Pérez-de-Lema et al., 2021). Capital is the most important driver for MSME actors to purchase raw materials because the problems that are often faced by Micro, Small, and Medium Enterprises (MSMEs) are the lack of business capital they have and the need for additional funds from the government, as well as other financial institutions (You & You, 2020).

According to Amalia (2018), several important aspects in efforts to improve the sustainability of MSMEs include 1) aspects of Human Resources (HR) such as education and training; 2) the capital aspect, from its capital and there may be assistance from other parties; 3) aspects of business management, can be in the form of technical assistance in conducting company bookkeeping, guidance, and counseling on how to manage the company effectively and efficiently so that it is expected to optimize business revenue.

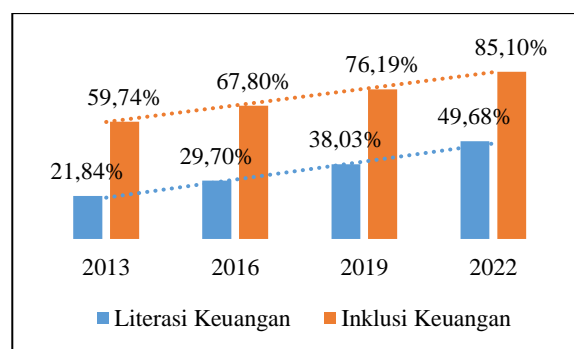


Figure 1. Financial Literacy Index and Financial Inclusion Index

The fourth National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK) in 2022, can be seen in Figure 1. It is known that the financial literacy index in Indonesia, which was previously 38.03% in 2019, increased to 49.68% in 2022, while the

financial inclusion index, which was previously 76.19% in 2019, increased to 85.10% in 2022.

In the Regulation of the Mayor of Kediri, Number 5 of 2023, concerning Technical Instructions for the Provision of Business Capital Assistance Sourced from the Tobacco Product Excise Revenue Sharing Fund in Article 5, paragraph 1 explains that 3 (three) groups are entitled to receive business capital assistance, namely the first is cigarette factory workers who have a business, the second is cigarette factory workers who have a business, and the third is entrepreneurs in the industrial and trade sectors.

In the Regulation of the Mayor of Kediri, Number 5 of 2023 concerning Technical Instructions for the Provision of Business Capital Assistance Sourced from the Tobacco Product Excise Revenue Sharing Fund in Article 5 paragraph 2 explains the provisions for recipients of business capital assistance including: a. Regional residents aged 18-64 years as evidenced by an Identity Card (KTP); b. Have a business in the Region as evidenced by the ownership of NIB; c. actively running a business, and d. 1 (one) Family Card (KK)/house gets 1 (one) recipient. The following are the main requirements to be able to get capital assistance from the City of Kediri: 1) RBA NIB document; 2) ID card document; 3) KK document; 4) Recipient photo (4X6 color); 5) RAB Document. The following supporting documents need to be prepared to get capital assistance from the City of Kediri (can be one of them): 1) PIRT document; 2) Halal Certification Document; 3) Trademark Rights Document; 4) Ready-to-Eat Food Safety Extension Officer Certificate (for ready-to-eat food/beverage businesses); 5) Other Business Standardization Certificates.

The problem MSME actors face in Kediri city is the lack of capital in their businesses (Hamida et al., 2023). The existing conditions show that the income obtained by MSME actors in Kediri city is still low. With capital assistance from the Kediri city government, it is hoped that it can help MSME actors increase their income. It is hoped that with capital

assistance, the business they are running will progress, business production will increase, and the amount of business capital will continue to increase; besides that, business income will also increase, the number of business ownership assets will increase, and also increase family welfare. This needs to be proven by conducting a research study in Kediri.

Research by Utomo et al. (2024) highlights the importance of supportive government interventions and capacity-building programs in encouraging MSME growth and economic development in East Java. Then, Prakoso Arum (2023) explained the need for assistance to MSMEs after receiving capital assistance from the government. The research of Liani & Prawihatmi (2017) shows that working capital assistance/loans for MSMEs stimulate efforts to develop their business performance, especially in adding equipment, innovating, and increasing workforce to market expansion efforts. Although not directly, loans/capital assistance has positively impacted the business performance of MSMEs. As for financial literacy, Susilawati and Puryandani (2020) stated that financial literacy affects the decision on the capital structure of MSMEs in the city of Semarang.

Based on the explanation of the results of various previous studies that have been inventoried above, the point is that two variables affect the sustainability of MSMEs. The first is capital assistance, and the second is financial literacy. The explanation above underlines that there is still a gap in several studies because no one has directly examined the impact of capital assistance on the three groups that receive capital assistance in Kediri City, namely the first is cigarette factory workers who have businesses, the second is cigarette factory workers who have businesses. The third is entrepreneurs in the industrial and trade sectors.

2. Literature Review

2.1. Resource-based View (RBV)

The Resource-based View (RBV) theory explains how business actors find and identify the characteristics of internal resources that can be used

to develop and maintain a competitive advantage by using skills, resources, and processes to increase the value of their business (Hossain, 2020; Hossain et al., 2020). The assumption underlying this theory is that each business unit is fundamentally different because it has a unique set of resources in the form of tangible and intangible assets and organizational capabilities to utilize those assets. The combination of assets and capabilities will create a unique business competency that will give it a competitive advantage.

2.2. Capital Assistance

In the Great Dictionary of the Indonesian Language, capital is the main fund or monetary resource used as the basis for commercial transactions, investments, and other financial activities. Capital refers to any wealth that can be used either directly or indirectly in the production process to increase output. Capital, in economic terms, refers to goods or money, and when combined with elements of production such as land and labor, it is used to create new goods and services. Capital or cost is a very important determining factor for every MSME, regardless of its size, whether small, medium, or large-scale.

According to Prakoso & Arum (2023), there are at least three indicators: 1) Capital as a condition for business capital is necessary to carry out business activities. Without business capital, it will be difficult for every MSME to operate. Therefore, a certain amount of funds is needed to form a business; 2) The use of additional capital obtained by the company is very important, especially if MSMEs can receive additional funds to increase their production activities. 3) The amount of capital is a business factor that MSMEs must have before carrying out operational activities. The size of capital will affect the size of operational activities and the income of MSMEs.

Capital assistance is defined as a capital loan whose conditions are soft such as being able to be without collateral, interest on a capital loan whose conditions are soft, such as being without collateral, lower loan interest, easier procedures and

requirements, and longer repayment time. Usually, the selection to obtain capital assistance is stricter than the selection to obtain a capital loan.

Access to financing is critical to the growth of MSMEs, but limited collateral and high costs hinder access to formal financial services. Capital assistance programs, including microfinance and venture capital, aim to reduce these constraints and foster inclusive growth. Research shows increased access to finance can encourage investment, technology adoption, and MSME expansion, thereby increasing competitiveness. These programs target marginalized groups such as women entrepreneurs and rural businesses, which promote inclusive development. By providing capital for working capital, technology adoption, and expansion projects, these initiatives empower MSMEs to capitalize on growth opportunities and increase productivity.

According to Ulfah et al., indicators of the Capital Assistance variable consist of 6 (six) indicators, namely MSMEs getting information from the government regarding capital assistance, the speed of completing capital assistance management, the ease of managing capital assistance, the ease of disbursement of capital assistance, the adequacy of the amount of capital assistance obtained, the suitability of the amount and capital assistance with business needs.

2.3. Financial Literacy

Based on a survey by the Financial Services Authority (OJK) in 2022, the financial literacy index of the Indonesia community has only reached 49.68%, meaning that financial literacy or financial literacy is still minimal—moreover, financial literacy for MSMEs. One of the factors that supports the sustainability of MSME businesses is financial literacy. However, the fact is that in the field of MSMEs, they initially developed but were unable to survive over time because they did not manage capital assistance properly. Financial literacy is an important thing that MSMEs must have. Financial literacy combines knowledge, attitudes, and behaviors in financial decision-making. Financial

literacy helps MSME actors make better decisions regarding financing sources and business capital structures. Financial literacy is believed to maintain business sustainability.

According to Paraboni et al. (2020), Financial literacy combines knowledge, behavior, and attitudes in decision-making and financial management. Findings from Rahim and Balan (2020) show that financial literacy allows MSME actors to make financial decisions concerning cash management and investments related to their businesses. Aryani et al. (2020) also found that financial literacy helps MSME actors make better decisions about financing sources and analyze the capital structure for their businesses.

MSME businesses initially developed but were unable to survive over time. One reason is that the recording or bookkeeping of business finances is not optimal. This needs to be done so that MSMEs can account for their finances better, just as large companies do. However, many MSME actors still do not pay attention to managing their business finances by combining their personal and business money.

According to Idris et al. (2023), There are 6 (six) indicators of financial literacy, namely 1) recording every business transaction, 2) using a financial app even though it is simple, 3) separating business and personal assets, and liabilities, income, and expenses; 4) making periodic financial reports; 5) financial statements are made properly and correctly; and 6) financial statements are useful in business decision-making.

2.4. Business Sustainability

Business sustainability integrates social, economic, and environmental principles into business (Zvarikova et al., 2024). Business sustainability is the ability of a business to continue to run its business (Yang & Jang, 2020). A business will run well when it can create value from a financial/profit perspective and a non-financial perspective, such as the environment and society (Beccacece, 2024). The term sustainability or

sustainable development is a term for companies. However, this concept of sustainability should also be applied to MSMEs, especially the creative economy. From the explanation above, sustainability is the ability of a company to continue to run its business.

Business sustainability is an interesting topic to research, especially the sustainability of creative economy businesses. According to Garbie (2014) and Muslimat et al. (2020), sustainability includes economic, environmental, and social aspects. According to Hudson et al. (2001), a business runs well when it can create value from a financial perspective regarding profit and non-finance, such as environmental performance and social responsibility.

According to Prasetyo et al., the business sustainability variable consists of six indicators: namely, MSME businesses have progressed after receiving capital assistance, business income has increased after receiving capital assistance, MSME business production has increased, family welfare levels have increased, the number of business asset ownership continues to increase, and the required production equipment has been met.

2.5. Capital Assistance with Business Sustainability

Prakoso and Arum's research (2023) shows an influence between capital assistance and the sustainability of MSMEs. The results of this study follow research conducted by Amalia (2018) that shows that capital assistance provided by the government or obtained from soft loans from banks or other institutions can affect the sustainability of MSMEs. Other research also conducted by Ulfah et al. (2022) shows that MSME financial assistance significantly influences the sustainability of MSMEs.

The findings show that capital assistance programs play an important role in improving the sustainability of MSMEs by providing access to financial resources for investment, expansion, and working capital. Access to finance is often cited as a major obstacle for MSMEs, especially in developing

countries. Therefore, initiatives that aim to improve access to capital and financial services can significantly impact the sustainability of MSMEs and economic development.

H1: The Effect of Capital Assistance on the Sustainability of MSME Businesses

2.6. Financial Literacy with Business Sustainability

The opinion of Cole et al. (2011) is that the fastest way to drive the economy in emerging markets is to focus on the development of the informal sector (MSMEs), which has an impact on increasing the income level of the middle class. MSMEs, the largest driver of the informal sector in Indonesia with the largest number of workers, have an important role in the economic system. Business sustainability in MSMEs is seen in the success of MSMEs in innovating, managing employees and customers, and returning their initial capital.

Adomako et al. (2016) believe that financial literacy is needed to manage and make effective decisions regarding financial management, such as budgeting, bookkeeping, and financial decisions. The same thing was expressed by Muraga and John (2015): with good financial literacy, entrepreneurs can use their financial skills to make the right company decisions. From the literature above, it is concluded that MSMEs with good financial literacy can achieve their company goals, have a business development orientation, and survive difficult economic conditions.

RBV (Resource based-view) explains that financial literacy is a unique, rare, and unchanging resource that allows businesses to achieve sustainability. Some of the results of research, such as those conducted by Kulathunga et al. (2020), Sohilauw & Nohong (2020), Arum (2021), and Krechovská (2015) showed that financial literacy affects business sustainability. This relationship is logically applied to MSMEs with good financial literacy, who can strategically identify and respond to changes in the business, the economy, and the financial climate so that decisions are well-directed

for business sustainability. Good financial planning and management in the form of good business profit reserves and management is expected to affect business sustainability.

H2: The Effect of Financial Literacy on the Sustainability of MSME Businesses

2.7. Capital Assistance and Financial Literacy for Business Sustainability

Capital assistance programs and financial literacy are very important to improve the sustainability of MSMEs. These initiatives provide essential skills for aspiring entrepreneurs and existing entrepreneurs when it comes to financial management. Evidence shows that such training increases revenue growth and operational efficiency, contributing to MSMEs' sustainability. In Indonesia, various entities implement these programs to foster an entrepreneurial mindset, offer practical skills, and provide guidance. Equipping entrepreneurs with the necessary tools, knowledge, and capital assistance supports the development of MSMEs, encourages economic empowerment, and increases the possibility of business survival and prosperity.

The results of Hamida et al. (2023) research highlight the importance of entrepreneurship training in equipping MSME owners/managers with the knowledge, skills, and resources necessary to start and develop a successful business.

H3: The Effect of Capital Assistance and Financial Literacy on the Sustainability of MSME Businesses

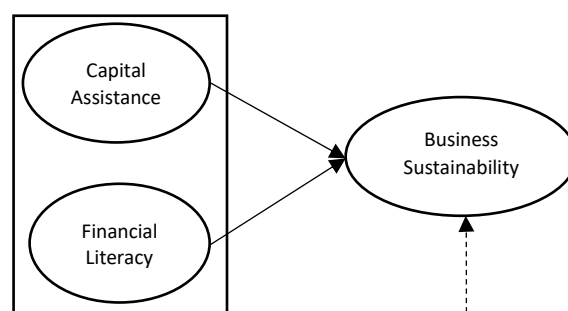


Figure 2. Research Model

3. Research Methodology

3.1. Research Design

The research approach used is quantitative. The quantitative approach itself is defined as an approach based on the philosophy of positivism, which is carried out to research a specified population, data collection using research instruments, and quantitative/statistical data analysis with the aim of testing predetermined hypotheses.

This study uses the multiple linear regression analysis method because the independent variable is more than one. This study consists of two independent variables, namely Capital Assistance (CA) and Financial Literacy (FL), while the bound variable dependent is Business Sustainability (BS).

3.2. Sampling Techniques

The sample is part of the number and characteristics that a population has. The sampling technique used is a combination of stratified random sampling. Stratified random sampling because the population consists of several sub-districts, namely Mojoroto sub-district, Kota sub-district, and Islamic boarding school sub-district so that the sample can represent the entire population area. The data collected is primary because it is directly taken in the field.

Primary data was collected from 100 respondents who received capital assistance in Kediri. The researcher gave a questionnaire directly to 100 (one hundred) respondents in Kediri, hoping that the questionnaire filled out would follow the number of samples needed. In addition, the provision of questionnaires directly will provide several advantages, including the researcher can provide explanations about the purpose of the survey and questions that the respondents poorly understand, and responses to the questionnaire can be collected directly by the researcher after the respondents have completed filling it out.

Based on the measurement scale, the scale of this study is an interval scale. An interval scale results

from a measurement in which it is assumed that there is the same unit of measurement. The measurement scale is an agreement used as a reference to determine the interval length in the research measuring instrument. With the measurement scale, the value of variables measured with certain instruments can be expressed in numbers to make the results more accurate, efficient, and communicative.

The indicators in the operational definition of the variables below are measured using a 5-point Likert scale. Likert scale The Likert scale used is 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree) (Widoyoko, 2020).

3.3. Variable Operational Definition

The variables that will be analyzed in this study must be defined first so that the measurements are accurate and understood. Then, it is identified by the indicators that form it and are obtained from literature studies or previous research.

Capital Assistance (CA) indicators from Ulfah et al. (2022) consist of 6 indicators, namely MSMEs getting information from the government related to capital assistance, speed in completing capital assistance management, ease in managing capital assistance, ease in the process of disbursing capital assistance, adequacy of the amount of capital assistance obtained, and the appropriateness of the amount and capital assistance with business needs.

Financial Literacy (FL) indicators from Idris et al. (2023) consist of 6 indicators, namely recording every business transaction; using financial applications even though it is simple; separating business and personal assets, obligations, income, and expenses; making periodic financial reports; making financial statements properly and correctly; and financial reports are useful in making business decisions.

Business Sustainability Indicators (BS) from Prasetyo et al. (2023) consists of 6 indicators, namely MSME businesses have progressed after receiving capital assistance; business income has increased

after receiving capital assistance; MSME business production has increased; family welfare levels have increased; the number of business asset ownership continues to increase; and the required production equipment has been met.

3.4. Data Analysis Techniques

The data analysis process in this study is adjusted to the research objectives to be solved or the solution sought. The above operational definition is an input or input in data processing in this study.

3.4.1 Instrument Quality Test

Before the questionnaire is used as a research instrument, a test of the instrument is first carried out with validity and reliability tests. Validity testing is a process that determines the extent to which a measuring instrument can measure precisely. An item is considered valid if it correlates significantly with a total score 0.05. If the calculated r value is greater than or equal to the r table in a double-sided test with a significance level of 0.05, then the item or instrument is considered valid. Reliability test if Cronbach's Alpha value is greater than 0.6; conversely, it is considered unreliable if it is less than 0.6.

3.4.2 Classical Assumption Test

The Classical Assumption Test is intended to meet several elements of unbiased parameter predictability to see the level of accuracy that will reflect the efficiency level of the analysis results and the persistence (consistency) of the results obtained so that the resulting regression equation is trusted to predict. The Classic Assumption Test used is the Normality Test and the Multicollinearity Test.

3.4.3 Multiple Linear Regression Test

Multiple linear regression analysis was used to determine the magnitude of the influence of capital assistance and financial literacy variables on business sustainability. The analysis tool used is multiple linear regression with the help of SPSS software version 25. The regression equations in this study are as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2$$

Information:

Y = Business Sustainability

a = Constant

$\beta_1 \beta_2$ = Regression coefficients

X_1 = Capital Assistance

X_2 = Financial literacy

3.4.3 Hypothesis Test

In hypothesis testing, it is carried out using the Sig. t Test and the Sig. F . Test. The Sig. t -test shows how much influence one independent variable can show with its bound variable. This test criterion is seen from the value of Sig. $t < 0.05$, then H_0 is rejected, and H_a is accepted, which explains that the independent variable or X significantly influences the bound variable or Y . While the Sig. The f test is a test that shows the independent variables together and their influence on the bound variable. The test criteria for this test are the value of Sig. $F < 0.05$, then H_0 is rejected, and H_a is accepted, explaining that the variables X_1 and X_2 significantly influence the Y .

4. Results and Discussion

4.1. Descriptive Statistical Test Results

4.1.1 Respondent Description

The research questionnaire was given directly to Kediri City MSME actors as respondents so that the questionnaire could be collected immediately. The research provided a questionnaire to 100 MSME actors. The questionnaire-giving activity was carried out for 3 (three) months, namely October, November, and December 2024. The return rate of the questionnaire is quite high because the researcher comes directly to the respondent's place, in this case, the MSME business place. This was done to provide an explanation of the purpose of the *survey* and to respond to questionnaire questions that respondents poorly understood.

Table 1 shows that respondents by gender are dominated by female respondents, with as many as 62 respondents. Respondents based on age were dominated by respondents aged 31-40 years, which was 62 respondents. Respondents based on

education were dominated by respondents with high school education, which was 86 respondents. Respondents based on the length of effort were dominated by respondents with a business duration of 0-5 years, as many as 61 respondents. Respondents based on the number of employees were dominated by respondents, with the number of employees being as many as 1-4 people and as many as 70 respondents. Respondents based on sales were dominated by respondents with a total of 0 to Rp. 300 million sales, as many as 69 respondents.

Table 1. Respondent Description

Characteristic	Sum	(%)
Gender:		
Man	38	38,00
Woman	62	62,00
Age:		
20-30 years old	28	28,00
31-40 years old	62	62,00
> 40 years	10	10,00
Education:		
Senior High School	86	86,00
College	14	14,00
Length of Business:		
0-5 years	61	61,00
> 5 – 10 years	11	11,00
> 10 years	28	28,00
Number of Employees:		
1-4 people	70	70,00
5-19 people	27	27,00
> 20 people	3	3,00
Sales:		
0 to Rp. 300 million	69	69,00
> Rp. 300 million – Rp. 2.5 billion	31	31,00
> Rp. 2.5 billion – Rp. 50 billion	0	0,00

4.1.2 Variable Description

The description of the variables in this study uses five categories, with each having a mean limit, namely Very High (4.2 – 5.00), High (3.4 – 4.19), Medium (2.6 – 3.39), Low (1.8 – 2.59), and Very Low (1.0 – 1.79). The following are the categories for each variable. Table 2 shows that the Capital Assistance

variable is in the medium category, Financial Literacy is in the high category, and Business Sustainability is in the medium category.

Table 2. Variable Categories

Variable	Mean	Category
Capital Assistance (CA)	2,95	Medium
Financial Literacy (FL)	3,47	High
Business Sustainability (BS)	2,83	Medium

4.2. Instrument Quality Test Results

4.2.1 Validity Test Results

Table 3. Capital Assistance Validity Test Results

Indicator	Pearson Correlation	Sig. (2-tailed)	Information
CA1	0,886	0,000	Valid
CA2	0,850	0,000	Valid
CA3	0,944	0,000	Valid
CA4	0,897	0,000	Valid
CA5	0,896	0,000	Valid
CA6	0,858	0,000	Valid

From Table 3 above, the validity test of the Capital Assistance variable for the indicators CA1, CA2, CA3, CA4, CA5, and CA6 has a Sig. (2-tailed) < 0.05 so that these indicators can measure the validity or validity of the Capital Assistance variable.

Table 4. Financial Literacy Validity Test Results

Indikator	Pearson Correlation	Sig. (2-tailed)	Keterangan
FL1	0,891	0,000	Valid
FL2	0,830	0,000	Valid
FL3	0,885	0,000	Valid
FL4	0,819	0,000	Valid
FL5	0,899	0,000	Valid
FL6	0,815	0,000	Valid

From Table 4 above, the validity test of the Financial Literacy variable for the indicators FL1, FL2, FL3, FL4, FL5, and FL6 has a Sig. (2-tailed) < 0.05 so that these indicators can measure the validity or validity of the Financial Literacy variable.

From Table 5 above, the validity test of the Business Sustainability variable for the indicators

BS1, BS2, BS3, BS4, BS5, and BS6 has a Sig. (2-tailed) < 0.05 so that these indicators can measure the validity or validity of the Business Sustainability variable.

Table 5. Business Sustainability Validity Test Results

Indicator	Pearson Correlation	Sig. (2-tailed)	Information
BS1	0,899	0,000	Valid
BS2	0,896	0,000	Valid
BS3	0,831	0,000	Valid
BS4	0,857	0,000	Valid
BS5	0,854	0,000	Valid
BS6	0,870	0,000	Valid

4.2.2 Reliability Test Results

Table 6. Results of Capital Assistance, Financial Literacy, and Business Sustainability Reliability Tests

Variable	Cronbach's Alpha	Information
CA	0,946	Reliable
FL	0,927	Reliable
BS	0,934	Reliable

From Table 6 above, the reliability test of the Capital Assistance variable has a Cronbach's Alpha value of 0.946, the Financial Literacy variable has a Cronbach's Alpha of 0.927, and Business Sustainability has a Cronbach's Alpha of 0.934. The Cronbach's Alpha value of the three variables is > 0.60, so it was concluded that the instruments/indicators used in this study can be trusted as a data collection tool and can reveal actual information in the field.

4.3. Results of the Classic Assumption Test

4.3.1 Normality Test Results

Table 7. Normality Test Results

	Unstandardized Residual
Test Statistic	0,070
Asymp. Sig. (2-tailed)	0,200

Table 7 above, with Unstandardized Residual data, shows the Asymp value. Sig. (2-tailed) of 0.200 is more than 0.05, so it is concluded that the data of the three variables are normally distributed.

4.3.2 Multicollinearity Test Results

Table 8. Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
Capital Assistance	0,795	1,258
Financial Literacy	0,795	1,258

From Table 8 above, a Tolerance value of 0.795 is obtained more than 0.10, and a VIF value of 1.258 is less than 10, so it can be concluded that there is no colinearity between the Capital Assistance and Financial Literacy variables.

4.3.3 Heteroscedasticity Test Results

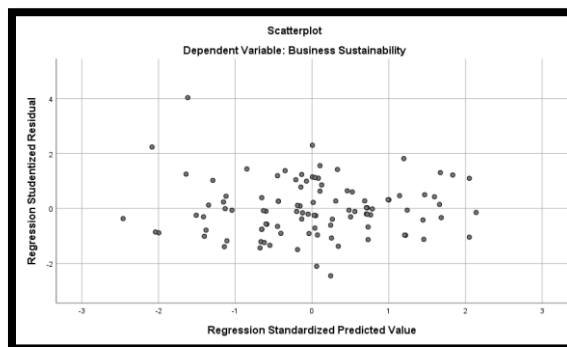


Figure 3. Scatter Plot Results

The display on the scatterplot shows that the plot is randomly spread above and below the number 0 on the Regression Standardized Predicted value axis. Therefore, based on the picture, it is stated that there are no symptoms of Heteroscedasticity.

4.4. Multiple Linear Regression Test Results

Table 9. Regression Results

Model	Unstandardized B
1 (Constant)	0,978
Capital Assistance	0,572
Financial Literacy	0,283

From Table 9 above, the regression equation model is informed: $Y = 0.978 + 0.572X_1 + 0.283X_2$, meaning that if X_1 experiences an increase of 1 unit, Y experiences an increase of 0.572 units. If X_2 experiences an increase of 1 unit, then Y experiences an increase of 0.283 units. Positive values describe a relationship in one direction.

4.5. Hypothesis Test Results

Table 10. Hypothesis Test Results

Variable	t	Sig.
Capital Assistance	8,072	0,000
Financial Literacy	3.215	0,002
F	62.238	0,000

From Table 10, it is known that Capital Assistance has a value of Sig. $0.000 > 0.05$, so it is concluded that Capital Assistance has a significant positive effect on Business Sustainability, so H_1 is accepted. Then, for Financial Literacy, it has a value of Sig. $0.002 < 0.05$, so it is concluded that Financial Literacy has a significant positive effect on Business Sustainability, so H_2 is accepted. Together, Capital Assistance and Financial Literacy for Business Sustainability obtained a Sig. Value of $0.000 < 0.05$, so it was concluded that H_3 was accepted.

4.5.1 The Effect of Capital Assistance on the Sustainability of MSME Businesses

The findings of this study are that capital assistance significantly affects the sustainability of MSME businesses in Kediri City. Capital assistance is very helpful for the sustainability of MSME businesses in Kediri city. Capital assistance is used mainly for working capital, such as production tools, production sites, product packaging, equipment, and raw material supplies. This study's results align with Liani Prawihatmi's (2017), Natasya & Hardiningsih (2021) and Prakoso & Arum's (2023) research on Kediri city government policies related to capital assistance should be carried out continuously so that they participate in maintaining the sustainability of MSME businesses.

4.5.2 The Effect of Financial Literacy on the Sustainability of MSME Businesses

The findings of this study are that financial literacy has a positive and significant effect on the sustainability of MSME businesses in Kediri City. This study explains that MSME business actors in Kediri city have adequate financial literacy skills so that the business decisions taken are towards business development that continues to improve from time to time and improve the business ability to survive during a crisis and ultimately will make the business have long-term business sustainability. This finding aligns with Babajide et al. (2023), Dahlima et al. (2024), Jati et al. (2021), Kandpal et al. (2023), Lontchi et al. (2022), Luo and Cheng (2023), Meressa (2023), Sumastuti et al. (2024), Idawati and Pratama (2020) and Dyah et al. (2021) research

Kediri City MSME business actors, namely first, cigarette factory workers who have businesses, second, cigarette factory workers who have businesses, and third, entrepreneurs in the industrial and trade sectors, will be better off continuing to hone their financial literacy by participating in financial management training either held by the government or the MSME community.

4.5.3 The Effect of Capital Assistance and Financial Literacy on the Sustainability of MSME Businesses

The findings of this study are that capital assistance and financial literacy together have a positive and significant effect on the sustainability of MSME businesses in Kediri City. This is in line with the research of Hamida et al. (2023), Dahlima et al. (2024), Lontchi et al. (2022), Rosyadah et al. (2022), and Sumastuti et al. (2024) also RBV's theory that internal resources such as financial literacy if trained, will become a competitive advantage for MSMEs and encouraged by the capital assistance provided by the government, they will become integrated resources that can improve and maintain the sustainability of MSME businesses.

5. Conclusion

The capital assistance provided by the government of Kediri has a significant and positive effect on business sustainability. Likewise, financial

literacy has a significant and positive effect on business sustainability. The combination of capital assistance and financial literacy has been proven to maintain the sustainability of MSME businesses in Kediri. This study provides an overview of Kediri City MSME business actors who receive capital assistance, namely first, cigarette factory workers who have businesses, second, cigarette factory workers who have businesses, and third, entrepreneurs in the industrial and trade sectors can use capital assistance wisely supported by financial literacy obtained from financial management training provided by the government or the existing MSME community.

The future suggestion is that research with a mediation model, namely financial literacy as a mediating variable, is needed so that the next research model emerges. Likewise, it provides other variables that have not been researched, such as business performance. The coverage of the area can also be expanded, like East Java, so that the next research can be generalized to a wider area.

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