

**Financial Management in Encouraging Digitalization of MSME Businesses**

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**Abstract**

Digital transformation is inevitable in the modern business landscape, including for Micro, Small, and Medium Enterprises (MSMEs). However, the adoption of digital technology by MSMEs in Indonesia is still relatively low; the APJII report (2023) shows that only around 34.6% of MSMEs fully utilize digital platforms. In fact, digitalization has been proven to increase operational efficiency, expand markets, and improve the quality of customer service. One important factor that is often overlooked is managerial ability, especially in financial management. Many MSMEs still record their finances manually, or even do not do it at all, making it difficult to make data-based decisions, access funding, or invest in technology. This shows that digitalization requires not only technological readiness, but also good financial management capacity. This study uses a descriptive quantitative approach with a survey method as the main data collection technique. The research population is MSME actors in urban and semi-urban areas that have been operating for at least two years. Sampling was conducted using the purposive sampling method, with the main criteria: (1) MSMEs that have financial bookkeeping activities, and (2) have or are using at least one digital application in business operations. Primary data were collected through a 1–5 Likert scale questionnaire measuring financial management variables (planning, recording, monitoring, and evaluation) and business digitalization variables (use of technology, process efficiency, and expansion of market access). Data were analyzed using descriptive statistics and multiple linear regression. The results of the study showed that good financial management practices contributed significantly to the level of MSME digitalization. MSMEs with a neat financial recording and planning system tend to be more financially ready to adopt digital technology. This finding is in line with the study of Setyawati et al. cite\_start which states that the success of adopting digital technology is also determined by internal readiness, including financial governance.

**Keywords:** Financial Management, Digitalization, MSMEs, Digital Transformation, Financial Readiness.

**INTRODUCTION**

Digital transformation becomes must in landscape modern business , including for Micro , Small, and Medium Enterprises (MSMEs) actors . However , the adoption digital technology by MSMEs in Indonesia is still classified as low . Based on report from Association Indonesian Internet Service Providers (APJII), only around 34.6% of MSMEs utilize digital platforms online full in operational business they (APJII, 2023). In fact , digitalization proven can increase efficiency operations , expanding markets, and improving quality service customer .

One of factor important that often ignored in the process of digitalization of MSMEs is ability managerial , especially in management finance . Many MSMEs still do recording finance manually or even No do recording The same once . As a result , they difficulty in make decision data- based , access funding , or do investment technology (Yulianto & Putra, 2022). This gap indicates that digitalization No only need readiness technology , but also capacity management good finances .

On the other hand , the policy government through MSME digitalization programs such as *National Proud Movement Made in Indonesia* ( Gernas BBI) has provide various facilities ,

but Not yet fully targeting the internal managerial aspects of MSMEs, including training management finance digital based . This condition show existence gap between macro strategies government and readiness micro UMKM in operate digital transformation in sustainable (Prabowo & Rahadi , 2021).

Researches previously has highlight importance digitalization in push performance MSME business . For example , a study by Susanti et al. (2021) concluded that use digital applications such as e-commerce, social media , and point-of-sale systems are capable of increase sales of UMKM in general significant . However , research the Not yet to elaborate more Far How capacity management finance become prerequisite success the digital transformation .

In addition , a study by Nugroho and Wibowo (2020) highlighted that literacy finance become factor key in MSMEs' ability to access digital financing such as *fintech* and crowdfunding. However , the study This No to hook in a way direct between practice management finance daily with success digitalization business , such as utilization of accounting software , budgeting tools, or analytic finance cloud based .

Study This offer novelty with combines two important domains — management finance and digitalization of MSMEs— in One framework conceptual . Focus study This No only on use digital technology in marketing or operational , but more in how practice management good finance can become *enabler* main in the process of digitalizing MSMEs. With Thus , research This expected fill in emptiness literature that still reviews very little relatedness direct between ability managerial finance and success digital transformation of MSMEs.

Study This aiming For analyze role management finance in push success digitalization UMKM business , as well as identify dimensions managerial finance What only the most influential in the process. Study This leave from assumption that digital transformation of MSMEs is not only need access technology , but also internal readiness in the form of management systematic , accurate , and adaptive finance . Without system management adequate finance , SMEs are at risk experience inefficiency investment technology , failure integration digital systems , up to stagnation growth .

Study This important For enrich literature and practice policy development of MSMEs in Indonesia. With identify role strategic management finance in digitalization , research This can become reference for preparation of a more comprehensive MSME mentoring and training program holistic , no only focus on aspects technology but also strengthening managerial

## RESEARCH METHODS

Study This use approach quantitative descriptive with method survey as technique main data collection . Population in study This is MSME actors in urban and semi- urban areas who have operate minimum two years of business . The technique of taking sample done with method purposive sampling , with criteria Main : (1) MSMEs that have activity bookkeeping finance ; and (2) has or currently use at least one digital applications in operational business , such as application cashier , marketplace, or application digital accounting . Primary data is collected through questionnaire Likert scale 1–5 which measures variable management finance ( planning) finance , recording , monitoring and evaluation ) and variable digitalization business ( use technology , process efficiency , and expansion market access ) . Data then analyzed use

technique statistics descriptive and analytical multiple linear regression For see influence significant between variables ( Sugiyono , 2021).

Validity and reliability instrument tested moreover formerly using the Pearson Product Moment validity test and the Cronbach Alpha reliability test . For ensure data is free from bias and representativeness , carried out triangulation with interview deep to part Respondent selected . The software used in data processing is SPSS version 25. In addition , the research This also refers to the framework model. influence management finance to adaptation technology from study previously by Al- Okaily et al. (2020), who mentions that management finance play a role as *enabler* in readiness digitalization UMKM business . Research This designed For give description empirical that can made into base in formulation policy digital- based MSME development

## RESULTS AND DISCUSSION

Research result show that practice management good finance contribute significant to level digitalization of MSMEs. MSME actors who have system recording and planning neat finances tend more Ready in a way financial For adopt digital technology in operational his business . Findings This in line with study by Setyawati et al. (2022) which states that success adoption digital technology does not only determined by availability devices , but also by internal readiness , including governance finance . In the context of this , management finance become *enabler* For taking decision strategic like purchase application cashier , integration digital payments , and management inventory based on system .

Furthermore , the use of digital technology in management finance , such as application accountancy cloud based and system reporting automatic , proven increase efficiency and accuracy of financial processes . MSMEs that utilize these digital tools own time more fast in compile report finance and can access financial data in real-time for taking decision . A study by Kusnadi et al. (2021) stated that use technology digital accounting also improves transparency and ease access to formal financing from institution finance . This is important remember limitations access to capital is one of the constraint main UMKM in increase scale his efforts .

However Thus , the challenge main Still be at the bottom literacy finance and capability adoption technology . Many MSME players are still consider bookkeeping and record keeping finance as burden additional , not as needs . In fact , management solid finances allow more digitalization measurable , structured , and sustainable . Therefore that , is needed intervention from various parties — government , institutions finance , up to provider service technology — for strengthen capacity digital finance for MSMEs through ongoing training and mentoring (Tambunan, 2020) . This will enlarge opportunities for MSMEs to move up a class and become empowered compete in the digital economy era.

## CONCLUSION

Based on results research , can concluded that management finance play role crucial in push digitalization MSME business . MSME actors who have practice management good finances , such as recording transaction routinely , planning budget , and evaluation finance periodic , shows more readiness tall in adopt digital technology . Management systematic finance become base taking decision strategic , including in determine investment technology and integration digital system in operational business .

In addition , adoption technology finance like application accountancy cloud based and system proven digital reporting capable increase efficiency as well as transparency in management UMKM business . Ability access financial data real -time help perpetrator business in respond market dynamics with more fast and accurate . Findings This confirm that digitalization and management finance No can separated , because both of them each other strengthen and contribute to growth sustainable business .

However Thus , research this also reveals that Still there is challenge significant , especially in the aspect literacy finance and readiness source Power human UMKM in adopt technology . Therefore that , is needed effort collaborative between government , sector private , and institutions finance For increase capacity management UMKM finance , both through training , mentoring , and provision easy digital infrastructure accessible and affordable . With proper support , digitalization of MSMEs based on management strong finances can become booster main growth economy national

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