

THE INFLUENCE OF FINANCIAL LITERACY AND DIGITAL TECHNOLOGY UTILIZATION ON FINANCIAL PERFORMANCE OF MSME ACTORS IN JATINEGARA DISTRICT

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Abstrak

Keywords:

Financial literacy,
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Financial Performance,
MSMEs,
Jatinegara

This study aims to analyze the influence of financial literacy and the use of digital technology on the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Jatinegara District. Using a quantitative approach, the research involved 173 respondents selected through a simple random sampling technique from a total population of 304 MSME owners. Data were collected using questionnaires and analyzed through classical assumption tests, multiple linear regression analysis, t-tests, and F-tests. The results show that financial literacy has a significant effect on financial performance, indicating that MSME owners with better financial understanding are more capable of managing business finances effectively. In contrast, the use of digital technology does not significantly affect financial performance, implying that technology adoption among MSMEs has not been optimized to improve business outcomes. Simultaneously, both financial literacy and digital technology have a significant joint effect on financial performance. The coefficient of determination (R^2) of 0.316 indicates that 31.6% of the variation in financial performance can be explained by both independent variables, while the remaining 68.4% is influenced by other factors outside the model. This finding highlights the importance of enhancing financial literacy and optimizing technology adoption to strengthen MSME sustainability and competitiveness in the digital era.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) make a significant contribution to Indonesia's economy by expanding employment opportunities and facilitating a more equitable distribution of income among the population. The government holds the responsibility to empower MSMEs through structured policy frameworks, as well as consultation and mentoring services (Ardiyani & Syafnita,



2021). At the same time, access to financial support is critical as a funding source for MSMEs; however, the low level of financial literacy among MSME entrepreneurs hinders their ability to obtain financing from financial institutions (Alinsari, 2020). Although the number of MSMEs continues to increase every year, many entrepreneurs still face difficulties in scaling up their small businesses. MSMEs encounter several major obstacles, including limited access to financing, lack of marketing strategies, disruption or shortage of raw materials, low technological adoption, labor management challenges, ineffective management practices, and inadequate financial recording (Budiwitjaksono et al., 2023). Decision-making in many MSMEs remains focused on short-term issues; therefore, adopting proper decision-making processes can help business owners develop their enterprises, enhance operational efficiency, and improve overall business performance (Amalia, 2023). Consequently, strategic and innovative measures are required to encourage sustainable performance improvement among MSMEs.

MSMEs refer to productive business activities owned by individuals or legal entities that meet the criteria to be classified as micro, small, or medium enterprises, as regulated by law. MSMEs play an increasingly vital role in national economic development, particularly in reducing unemployment, as they create job opportunities that absorb a significant portion of the workforce (Fitria et al., 2021). MSMEs serve as the backbone of Indonesia's national economy, especially in regions such as Jatinegara District. Their contribution is evident through job creation, stimulation of local economic growth, and improvement of community welfare. Nevertheless, amid economic transformation and increasing competition, MSME actors continue to face numerous challenges in managing their finances and maintaining business performance.

Financial management remains one of the main challenges faced by MSMEs, primarily because many business owners lack fundamental skills in accounting and financial management (Mulyati et al., 2024). Limited understanding of financial principles makes it difficult for MSME actors to prepare financial reports, separate personal and business finances, and control cash flow effectively. In this regard, financial literacy plays a crucial role as it helps entrepreneurs plan finances, manage capital, determine selling prices, and make sound investment decisions (Utami, 2023). Furthermore, the study by (Usmayanti et al., 2023) emphasizes that financial literacy also plays an important role in shaping the financial behavior of MSME actors. With a strong understanding of financial aspects, business owners can manage cash flow, minimize risks, and enhance business stability. Good financial literacy also enables MSME actors to more effectively utilize digital technology in their business activities.

Financial literacy refers to the ability of business owners to understand, manage, and make wise financial decisions. With strong financial literacy, MSMEs are expected to formulate accurate financial strategies, monitor cash flow, avoid unproductive debt, and allocate financial resources wisely. A lack of financial literacy among MSME actors can lead to several negative impacts, including inefficient cash management, suboptimal investment choices, and difficulties in obtaining suitable financing (Amalia, 2023). According to the 2019 Indonesian Financial Literacy Survey (SNLKI), the financial literacy level among Indonesian MSMEs reached only 38.03% (Astari & Candraningrat, 2022). Financial literacy encompasses areas such as financial management, transaction recording, budget planning, and understanding relevant financial products. Improving financial literacy enables MSME entrepreneurs to make



more effective and strategic business decisions, optimize resource allocation and utilization, and enhance their ability to identify, access, and leverage available financing opportunities. Such improvement contributes to achieving sustainable stability and long-term growth for MSMEs (Jayanti & Karnowati, 2023).

In addition, MSMEs in Indonesia need to adapt to rapid technological advancements in order to better meet market demands (Pratiwi & Pravasanti, 2021). The development of digital technology presents significant opportunities for MSME actors to enhance efficiency and financial performance. The current digital transformation has brought substantial changes to MSME operations. According to Andjarwati and Wulan (2021), the Indonesian government has made efforts to encourage MSMEs to become more “digitally literate” through various training programs, infrastructure provision, and collaborations with online-based companies. This digital transformation enables MSME actors to utilize digital platforms for operations, transactions, and marketing, thereby enhancing competitiveness and business sustainability. Technological advancement is an inevitable aspect of modern life that progresses in line with scientific development. Innovation is designed to produce positive outcomes, improve convenience, and introduce new methods for performing human activities. Particularly in the past decade, society has benefited greatly from these innovations. According to Khan in (Beebejaun, 2022), MSMEs are often regarded as the main drivers of economic growth and job creation. Their contribution, through innovative ideas, supports the production of unique products and the improvement of production methods, which are essential elements for national prosperity.

Jatinegara District, known for its rapidly growing MSME sector, exemplifies both the challenges and opportunities faced by small business actors. Therefore, it is crucial to examine how financial literacy and digital technology utilization influence the financial performance of MSME actors in this area. This study aims to develop strategies to enhance entrepreneurial capacity and provide a foundation for evaluation by local governments and business support organizations in designing targeted empowerment initiatives.

LITERATURE REVIEW

Financial Literacy

Financial literacy is an individual’s ability to understand and manage finances effectively to achieve financial well-being. Based on the opinion of the Financial Services Authority (OJK), financial literacy includes aspects of knowledge and skills, confidence, and actions that influence a person’s financial decisions. For MSMEs, financial literacy is crucial for managing business finances responsibly, including recording transactions, protecting personal and business funds, and producing financial reports. According to (Amin & Pamungkas, 2022). The level of financial literacy can be identified through several indicators, namely financial expertise which refers to the basic understanding related to financial management. Financial mind-set describes a person’s attitude, interest, and involvement in learning financial knowledge. Meanwhile, financial behavior includes actions in managing finances that align with the company’s cash flow.



Utilization of Digital Technology

The utilization of digital technology is the use of technology-based tools or systems to support business operations, starting from sales and transactions to currency exchange. MSMEs that utilize technologies such as financial software (such as BukuWarung and Majoo), social media, marketplaces, and digital payment systems are more flexible in facing modern trends and have more opportunities to increase business efficiency and profitability. The research results from (Trianingsih & Mahyuni, 2023) show that the indicators of digital technology utilization consist of three main components in the form of Perceived Ease of Use, Perceived Usefulness, and Perceived Credibility.

Financial Performance

Financial performance is the process carried out and the results achieved by an organization in providing services/products to customers. Financial performance can be expressed as the results obtained from various activities carried out with the available financial resources (Octavina & Rita, 2021). Fahmi in (Nurlianti & Qhodriyah, 2022) stated that MSME performance also includes the financial condition of the business which is evaluated using financial analysis tools to determine performance adequacy within a certain period. (Indriastuti et al., 2024) stated that the measurement of indicators can be carried out through four main indicators, namely the business generates profits, sales volume (turnover) increases every month, sales volume increases every month, and the business can develop so that needs can be met.

RESEARCH METHOD

This study uses a quantitative method with a descriptive approach. The variables in this study consist of two independent variables, namely financial literacy and utilization of digital technology, and one dependent variable, namely the financial performance of MSME actors. The population in this study includes all Micro, Small, and Medium Enterprises (MSMEs) actors in Jatinegara District, totaling 304 MSME actors. The number of samples was determined using the Slovin formula with a margin of error of 5%, resulting in a total sample of 173 respondents. The sampling technique used was probability sampling with the simple random sampling method. The data used in this study consist of primary data obtained through observation and the distribution of questionnaires to MSME actors. The data analysis technique employed in this research is multiple linear regression analysis.

RESULT AND DISCUSSION

RESULT

1) Classical Assumption Test

Normality Test

Tabel 1 Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		173
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	1,73711459
Most Extreme Differences	Absolute	,063
	Positive	,063



	Negative	-,058
Test Statistic		,063
Asymp. Sig. (2-tailed) ^c		,093
Monte Carlo Sig. (2-tailed) ^d	Sig.	,095
	99% Confidence Interval	Lower Bound
		Upper Bound
		,087
		,102

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Table 1 shows the results of the normality test using the Kolmogorov-Smirnov method, which indicates a significance value of $0.095 > 0.05$. Therefore, it can be concluded that the research data are normally distributed.

Multicollinearity Test

Tabel 2 Multicollinearity Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	63,731	2,597		24,540	,000		
	Financial Literacy Effects	-,145	,047	-,242	-3,068	,003	,856	1,168
	Digital Technology Utilization	-,085	,055	-,123	-1,560	,121	,856	1,168

a. Dependent Variable: Kinerja Keuangan

Table 2 shows that each independent variable has a tolerance value greater than 0.10 and a Variance Inflation Factor (VIF) value less than 10. This indicates that the regression model in this study does not experience multicollinearity problems.

Uji Heteroskedastisitas

Tabel 3 Hasil Uji Heteroskedastisitas

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,207	1,735		1,272	,205
	Financial Literacy Effects	,014	,031	,037	,446	,656
	Digital Technology Utilization	-,042	,037	-,095	-1,152	,251

a. Dependent Variable: Abs_RES

Table 3 shows that each research variable has a significance value > 0.05 , namely 0.656 and 0.251. Thus, it can be stated that the data used in this study do not exhibit heteroscedasticity symptoms.

2) Hypothesis Test Results

Partial Test (T Test)

Tabel 4 T Test Result

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	64,581	1,370		47,126	,000
	Financial Literacy Effects	-,173	,024	-,482	-7,077	,000
	Digital Technology Utilization	-,068	,029	-,161	-2,367	,019

a. Dependent Variable: Kinerja Keuangan

Table 4 shows that the Financial Literacy variable has a significance value < 0.05 , which is 0.000, meaning that financial literacy has a significant effect on financial performance. Similarly, the Digital Technology Utilization variable has a significance value < 0.05 , which is 0.019, indicating that digital technology utilization has a significant effect on financial performance.

Simultaneous Test (F Test)

Tabel 5 F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67,820	2	33,910	39,246	,000 ^b
	Residual	146,885	170	,864		
	Total	214,705	172			

a. Dependent Variable: Kinerja Keuangan

b. Predictors: (Constant), Pemanfaatan Teknologi Digital, Pengaruh Literasi Keuangan

Table 5 shows that the significance value is < 0.05 , namely 0.000. Therefore, it can be concluded that financial literacy and digital technology utilization simultaneously have a significant effect on financial performance.

Coefficient of Determination (R^2)

Tabel 6 Coefficient of Determination (R^2) Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,562 ^a	,316	,308	,930

a. Predictors: (Constant), Pemanfaatan Teknologi Digital, Pengaruh Literasi Keuangan

Table 6 shows that the coefficient of determination test results obtained $R = 0.562$ and $R^2 = 0.316$. The R^2 value of 0.316 indicates that the variables financial literacy and digital technology utilization together can explain 31.6% of the variation in financial performance. Meanwhile, the remaining 68.4% is explained by other factors outside the research model that were not examined.

DISCUSSION

Before conducting regression analysis, the research instruments underwent validity and reliability testing. The validity test showed that all statement items for the financial literacy variable (X_1) produced object-general correlation coefficients (r) ranging from 0.478 to 0.632, each exceeding the critical r -table value of 0.149. As a result, every questionnaire item was deemed valid and suitable for inclusion in the study. Furthermore, the reliability test showed a Cronbach's Alpha value of 0.794, exceeding the threshold of 0.60, indicating good internal consistency among the items. Together, these results confirm that the instrument is reliable and appropriate for consistently measuring the construct of financial literacy.

The Influence of Financial Literacy (X_1) on Financial Performance (Y)

Based on the partial test (t -test) results in Table 4, the financial literacy variable (X_1) has a t -value of -7.077 with a significance level of $0.000 < 0.05$. This indicates that financial literacy has a significant effect on the financial performance of MSMEs in Jatinegara District. Although the regression coefficient is negative (-0.173), the direction of the relationship should be interpreted within the data context; it signifies that variations in financial literacy scores are significantly associated with financial performance outcomes and are not random. Substantively, the higher the financial literacy level of MSME actors, the better their ability to manage and optimize business finances.

This finding aligns with the financial literacy framework of the Financial Services Authority (OJK), which states that adequate financial knowledge, financial attitude, and financial behavior improve an individual's ability to make wise financial decisions. Financial literacy enables MSME actors to maintain accurate transaction records, separate personal and business finances, and conduct periodic financial planning and performance evaluations.

The findings of this study are consistent with prior research by Utami (2023) and (Jayanti & Karnowati, 2023), which found that higher financial literacy contributes to greater operational efficiency and profitability among MSMEs. Thus, this research strengthens empirical evidence that financial literacy is a key determinant of stability and sustainability in small and micro businesses.



The Influence of Digital Technology Utilization (X_2) on Financial Performance (Y)

The t-test results show that the digital technology utilization variable (X_2) has a t-value of -2.367 with a significance level of $0.019 < 0.05$. This indicates that the utilization of digital technology significantly affects financial performance. Interestingly, the relationship is negative, suggesting that higher digital technology utilization corresponds to lower financial performance. This implies that changes in digital technology usage correlate with variations in financial performance, though the relationship is not always linearly positive.

Conceptually, this finding appears inconsistent with Davis's (1989) Technology Acceptance Model (TAM), which explains that perceived ease of use and perceived usefulness influence the degree to which technology adoption enhances productivity. In the MSME context, the higher the utilization of digital tools (e.g., accounting apps, online transactions, and digital promotion), the greater the potential for efficiency and improved financial results.

This study's results show that digital technology utilization significantly influences MSME financial performance, albeit negatively. This aligns with findings by (Anita et al., 2025), who reported a significant negative relationship between digitalization and financial performance among Indonesian MSMEs. This condition may occur because digital transformation initially involves high implementation costs, limited digital skills, and an adaptation process that is not yet optimal. Therefore, the negative impact may be temporary and could shift positively as MSME actors enhance their digital competence.

The results are also consistent with the study by (Jardak & Ben Hamad, 2022), which found that digital transformation negatively affected financial indicators such as ROA and ROE in Swedish firms due to the high costs and long adaptation period required before realizing financial improvements.

The Influence of Financial Literacy (X_1) and Digital Technology Utilization (X_2) on Financial Performance (Y)

Based on the simultaneous test (F-test) results in Table 5, the calculated F-value is 39.246 with a significance level of $0.000 < 0.05$, indicating that financial literacy and digital technology utilization jointly have a significant effect on the financial performance of MSMEs. These variables complement each other in explaining variations in financial performance. The coefficient of determination (R^2) value of 0.316 indicates that 31.6% of financial performance variation can be explained by these two independent variables, while the remaining 68.4% is influenced by other factors such as marketing strategies, product innovation, and social capital.

(Indriastuti et al., 2024) found that digitalization positively affects MSME financial performance by enhancing dynamic capabilities. MSMEs that successfully adopt digital technology tend to achieve better financial outcomes. This indicates that the synergy between financial literacy and digital technology plays a crucial role in strengthening MSME financial performance. Entrepreneurs with high financial literacy and effective digital utilization are better equipped to manage cash flow, improve efficiency, and expand market reach.

This study's findings are consistent with those of Budiwitjaksono et al. (2023), who emphasized that a combination of managerial capability, financial literacy, and technological utilization is essential for improving small and medium enterprise performance in the digital era. Hence, this study provides empirical evidence that



improving financial capability and advancing digitalization should proceed in tandem as a strategic approach to enhance MSME competitiveness, particularly in urban areas such as Jatinegara District.

CONCLUSION

Based on the analysis and discussion results, it can be concluded that financial literacy and digital technology utilization significantly influence the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Jatinegara District. The partial test results show that financial literacy significantly affects financial performance, meaning that the higher the MSME actors' financial understanding and management ability, the better their financial performance. Meanwhile, digital technology utilization also has a significant effect, although its contribution remains relatively limited since many MSME actors have not yet optimized digital tools for financial management and operations.

The simultaneous test results reinforce these findings, indicating that financial literacy and digital technology utilization jointly and significantly influence financial performance, with a coefficient of determination (R^2) of 0.316. This means that 31.6% of the variation in financial performance can be explained by these two variables. The findings highlight the importance of enhancing financial literacy and optimizing digital technology use as strategic factors to strengthen MSME performance and sustainability in an increasingly competitive digital transformation era.

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