

THE INFLUENCE OF DIGITAL FINANCIAL LITERACY ON THE PROFITABILITY OF MSMEs IN KEMANG DISTRICT

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ABSTRACT

Digital transformation according to Micro , Small and Medium Enterprises (MSMEs) to participate with financial technology to maintain business continuity . This study aims to analyze the effect of digital financial literacy on increasing the profitability of MSMEs in Kemang sub-district . The research approach used is quantitative with a causal associative design . Data were collected through a questionnaire with a Likert scale of 1-5 to 100 MSME respondents selected using a *purposive sampling* technique . Data analysis was carried out using simple linear regression through SPSS software . The results of the study indicate that digital financial literacy has a positive and significant influence on the profitability of MSMEs, with a calculated t value of $13.791 > t$ table 1.984 and a significance value of $0.000 < 0.05$. The coefficient of determination (R^2) shows that the digital financial literacy variable contributes 66 % to the variation in profitability , while the remaining 34% is influenced by other factors outside the research model . This finding confirms that mastery of financial technology can improve operational efficiency and accuracy of financial management which has a direct impact on increasing the net profit of MSME actors .

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INTRODUCTION

In the era of rapidly developing digital transformation , Micro, Small and Medium Enterprises (MSMEs) play a vital role as the backbone of the national economy . However , the sustainability of MSMEs currently depends heavily on their ability to adapt to increasingly complex financial technology . One of the main pillars in this adaptation is digital financial literacy , namely the level of knowledge , skills , and confidence of individuals in using digital-based financial services effectively . Good literacy allows business actors to be more thorough in managing and checking financial data more accurately . (Fitriana, 2025) emphasized that the implementation of digital financial literacy has a positive and significant impact on the level of profitability of small businesses in suburban areas . According to research (Munadiyan, 2024) financial literacy is very important for MSMEs because it helps improve business performance , sustainability , and the welfare of business actors . Digital financial literacy allows them to

record transactions in *real time* through applications , which according to (Maufira, 2026). (Firdarini, 2025) in His latest research found that the integration of *digital payments* and good financial literacy can increase MSME profit margins due to reduced manual administration costs and the risk of losing physical cash .

Profitability reflects financial health and management 's ability to optimize resources . In the era of digital transformation , profitability is no longer solely influenced by physical sales volume , but also by the speed and turnover of capital driven by technology . (Mahfud, 2025) states that digitalization of financial reporting enables MSME owners to make faster and more accurate business decisions , which ultimately boosts profitability . MSMEs in Kemang district who are adept at using digital financial data tend to be more adaptive in adjusting selling prices and marketing strategies based on monthly profit and loss reports generated automatically by the system .

The causal relationship between digital financial literacy and profitability is reinforced by findings (Wediawati, 2025) which state that digital financial knowledge allows wider access to funding from the fintech sector . With easier access to capital , MSMEs in Kemang District can increase their production scale and achieve more profitable economies of scale . Therefore , the framework in this study places Digital Financial Literacy (X) as the main driving factor for increasing Profitability (Y). The higher the level of digital understanding of business actors , the greater their opportunity to achieve maximum profits through more effective operational processes .

Although digitalization offers efficiencies , many MSMEs still face obstacles in implementing it optimally . Common issues include limited understanding of digital security features , incompletely integrated transaction recording , and low trust in non- cash payment systems . In an operational context , mastery of supporting software such as Microsoft Office and online accounting systems is a fundamental competency essential for maintaining business transparency and accountability .

So far , the literature has discussed the relationship between financial literacy and business performance in general . However , there is a gap in in -depth studies at the *micro* - regional level . Previous research has not focused on MSMEs in Kemang District , which have unique local economic characteristics but are often overlooked in national digitalization mapping . This research gap results in a lack of a robust database for stakeholders to design targeted intervention policies in the region .

Therefore , this study was conducted to evaluate the real impact of financial technology understanding on business profit growth at the sub - district level . This study explicitly stated: "Does digital financial literacy affect the profitability of MSMEs in Kemang Sub - district ?" The results of this study are expected to provide a real contribution to developing the capacity of MSMEs to improve their financial performance amidst increasingly competitive market competition .

RESEARCH METHODS

This study uses a quantitative approach with a causal associative design that aims to analyze the cause-and-effect relationship between research variables . According to (Sugiono, 2019), quantitative methods are very appropriate for testing hypotheses through measurable statistical data in order to obtain generalizations of the phenomena being studied . The population in this

study includes all Micro, Small , and Medium Enterprises (MSMEs) in Kemang sub - district who have adopted digital technology in their business activities .

Considering the large population , the sample size was determined using the Slovin formula with an error rate of 5 %, resulting in a sample size of 100 respondents . The sampling technique used a purposive sampling method with certain criteria , namely MSMEs domiciled in Kemang sub-district , have been running their business for at least one year , and actively use digital financial services such as QRIS or electronic banking .

Primary data was collected through the distribution of questionnaires designed using a Likert scale of 1 to 5 to measure respondents' perceptions of variable indicators . The independent variable in this study is digital financial literacy which refers to the understanding and skills in using financial technology (Wediawat, 2025) , while the dependent variable is MSME profitability which is measured through increased profits and cost efficiency (Rini Wijayaningsih, 2024) . The independent variable in this study is Digital Financial Literacy (X) which refers to the understanding and skills in using financial technology , while the dependent variable is MSME Profitability (Y) which is measured through cost efficiency and increased profits . Before the main data analysis was carried out , the research instrument was tested for validity using *the Pearson Product Moment* technique and reliability testing with Cronbach's Alpha. Based on the criteria (Ghozali , 2018), an instrument is declared valid if the calculated r value is greater than the table r and is declared reliable if the Cronbach's Alpha value is greater than 0.60. The indicators used in this study are presented in detail in the following table:

Table 1. Variable Indicators and Measurement Scales

Variables	Indicator	Measurement Scale
Literasi Keuangan Digital (X)	1. Measurement of digital security features .	Liked (1-5)
	2. <i>Real-time</i> transaction skills .	
	3. Security of using digital <i>payments</i> (QRIS).	
	4. Mastery of online accounting / reporting systems .	
Profitability of MSMEs (Y)	1. Increased net profit	Liked (1-5)
	2. Operational cost efficiency	
	3. Capital turnover rate	
	4. Accuracy of monthly profit and loss reporting	

Source : Research data , 2026

The data analysis technology used includes simple linear regression analysis to test the magnitude of the influence of independent variables on the dependent variable . Hypothesis testing is carried out through a t-test with a significance level of 5% ($\alpha = 0.05$), where the Alternative Hypothesis (H_a) is accepted if the significance value is less than 0.05 . In addition, a coefficient of determination analysis is carried out to evaluate the extent to which digital financial literacy is able to explain variations in the increase in profitability of MSMEs in Kemang sub-district .

RESULTS AND DISCUSSION

In this study , the researcher used a 16 - question questionnaire as data management . The questionnaire was distributed and received by the researcher , representing a total of 100 respondents .

Validity Test

Validity testing was conducted to ensure that each question in the questionnaire was truly able to measure digital financial literacy variables accurately . According to (Ghozali , 2018), an instrument is said to be valid if the questions in the questionnaire are able to reveal something that will be measured . The testing technique was carried out by comparing the calculated *Corrected Item-Total Correlation* r value with the table r value at a significance level of 5%.

Table 2. Validity Test of All Variables

Item	R count	R table	Conclusion
X1	0,477	0,1966	Valid
X2	0,713	0,1966	Valid
X3	0,670	0,1966	Valid
X4	0,487	0,1966	Valid
X5	0,606	0,1966	Valid
X6	0,718	0,1966	Valid
X7	0,709	0,1966	Valid
X8	0,609	0,1966	Valid
Y1	0,438	0,1966	Valid
Y2	0,495	0,1966	Valid
Y3	0,682	0,1966	Valid
Y4	0,392	0,1966	Valid
Y5	0,512	0,1966	Valid
Y6	0,599	0,1966	Valid
Y7	0,676	0,1966	Valid
Y8	0,601	0,1966	Valid

Source : Data processed with SPSS, 2026

Based on the results of data processing using statistical software , a validity test was conducted to ensure that each item in the questionnaire was able to measure the variables of Digital Financial Literacy (X) and Profitability (Y) accurately . Based on statistical criteria , an instrument is declared valid if the calculated *Corrected Item -Total Correlation* r value is greater than the table r value . With a total of 100 respondents ($df = 98$) at a significance level of 5% ,

the table r value was 0.1966.

The test results show that all statement items , starting from indicators X1 to X8 for the digital financial literacy variable and Y1 to Y8 for the profitability variable , have calculated r values in the range of 0.392 to 0.718 because all calculated r values are significantly greater than the r table (0.1966), so all statement items in this research instrument are declared valid and suitable for use for further research data analysis .

Reliability Test

After all questions are declared valid, the next step is reliability testing to measure the instrument 's consistency . (Sugiono, 2019) states that a reliable instrument is one that , when used repeatedly to measure the same object , will produce consistent data . The standard used in this study is the *Cronbach's Alpha* coefficient with a minimum criterion of 0.60 .

Table 3. Reliability Test

Variables	Cronbach's Alpha	Conclusion
Digital Financial Literacy	0,861	Reliable
Profitability	0,823	Reliable

Source : Data processed with SPSS, 2026

Based on the results of data processing using statistical software , the *Cronbach's Alpha* value for the digital financial literacy variable was 0.861 and for the profitability variable was 0.823. Considering that both values far exceed the threshold of 0.60, this research instrument is declared reliable with a strong level of consistency . This proves that the questionnaire used has high reliability in collecting data from MSME actors consistently , so that the data is suitable for use in the next inferential statistical analysis stage .

Simple Linear Regression Analysis

Simple linear regression analysis is used to test the magnitude of the influence of independent variables on dependent variables . The summary test results are presented in Table 3 below :

Table 4. Simple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.801	1.730		2.197	.030
	Digital financial literacy	.818	.059	.812	13.791	.000

Source : Data Processed with SPSS, 2026

Based on the test results in the simple linear regression test table , a simple linear regression equation $Y = 3.801 + 0.818X$ is obtained . The equation shows a constant value of 3.801, which

means that if the digital financial literacy variable has a fixed value or zero, then the level of profitability of MSMEs is at 3.801 units . The regression coefficient of the digital financial literacy variable is positive at 0.818 , which indicates that every one unit increase in digital financial literacy will be followed by an increase in profitability of 0.818 units. Statistically , the results of the t test show a calculated t value of 13.719 with a significance level of 0.000 . Because the significance value is much smaller than 0.05 ($0.000 < 0.05$) , the research hypothesis is accepted . This proves that digital financial literacy has a positive and significant influence on increasing the profitability of MSMEs in Kemang sub-district .

Hypothesis Test (t-Test)

Based on the test results in the simple linear regression test table , the digital financial literacy variable shows a calculated t value of 13.791. This value is then compared with the t table at a significance level of 5% ($\alpha = 0.05$) and degrees of freedom (df) of 98 ($n - 2$), where the t table value is 1.984 . The comparison results show that the calculated t value is much greater than the t table ($13.791 > 1.984$). In addition , the significance figure obtained is 0.000 , which is far below the specified significance threshold ($0.000 < 0.05$). Based on these decision -making criteria , the Null Hypothesis (H_0) is rejected and the Alternative Hypothesis (H_a) is accepted . These findings provide empirical evidence that digital financial literacy has a positive and significant influence on the profitability of MSMEs in Kemang sub-district . Theoretically , these results confirm that mastery of technology - based financial instruments by business actors is able to encourage operational efficiency which is directly correlated to a stable increase in net profit .

Coefficient of Determination Test

Table 5. Test of the Coefficient of Determination (R^2)				
Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 ^a	.660	.656	3.674

Source : Data Processed with SPSS, 2026

Based on the test results in the coefficient of determination test table , a correlation value (R^2) of 0.812 was obtained , indicating a strong and positive relationship between the digital financial literacy variable and the profitability of MSMEs. The coefficient of determination or *R Square* value was recorded at 0.660. This figure means that the digital financial literacy variable contributes 66 % of the influence on the variation in the rise and fall of MSME profitability in Kemang District . Meanwhile , the remaining 34% is explained by other factors outside this research model , such as government policies , macroeconomic conditions , or conventional marketing strategies . This high determination figure confirms that the regression model used has a good level of accuracy in predicting the phenomenon of increasing profits through the adoption of financial technology .

Discussion

Based on the results of a simple linear regression analysis , it was found that digital financial literacy has a positive and significant influence on the profitability of MSMEs in Kemang District . This is evidenced by the calculated t value of 13.791, which is much greater than the

t table of 1.984 , and a significance value of 0.000, which is below the 0.05 threshold. These findings indicate that any increase in business actors' understanding and skills in managing financial technology will be followed by a significant increase in net profit and operational efficiency .

The influence of digital financial literacy on profitability in this study was recorded at 66%, as indicated by a coefficient of determination of 0.660. This high determination figure explains that the majority of variations in MSME profitability in Kemang District are driven by the ability of business actors to adopt digital instruments . This is in line with the theory put forward by (Bidasari, 2023) , which states that digitalization of financial reporting enables faster and more accurate business decision- making , thereby directly boosting financial performance .

The results of this study confirm the findings (Safira, 2022) that the implementation of digital financial literacy has a significant impact on business profitability in suburban areas . In Kemang sub-district , MSMEs that are able to integrate digital payment systems such as QRIS and record transactions in *real time* tend to have more accurate cash management . This efficiency arises from reduced manual administration costs and minimized risk of cash loss , in line with the argument (Arifwangsa Adiningrat, 2022) regarding the benefits of *digital payment* integration .

Practically , digital financial literacy serves as a pillar of adaptation for MSMEs to survive in the era of economic transformation . The ability to use financial applications not only simplifies record-keeping but also expands access to funding in the fintech sector . With easier access to capital , MSMEs can increase production scale and achieve more profitable economies of scale, ultimately maximizing profitability , as found in this study . However , there are 34 % other factors that influence profitability outside this research model , such as macroeconomic conditions and conventional marketing strategies , which still need to be considered by business actors .

Conclusion

Based on the results of data analysis and discussion , it can be concluded that digital financial literacy has a positive and significant influence on increasing the profitability of MSMEs in Kemang sub-district . The results of hypothesis testing show a calculated t value of 13.791 which is greater than the t table of 1.984 with a significance level of 0.000. This finding proves that mastery of financial technology , starting from the use of digital payments to application-based financial reporting , can encourage operational efficiency and accuracy of cash management which leads to increased business profits .

The coefficient of determination analysis shows that digital financial literacy contributes 66 % to the variation in MSME profitability at the research location . This confirms that digital literacy is a crucial factor for business sustainability in the era of economic transformation . However , there is a 34% influence from other variables not studied , such as government policies or conventional marketing strategies . Therefore , it is recommended for MSMEs to continue improving their digital competencies and for the local government to expand access to financial technology training to optimize the local economic potential in Kemang sub-district.

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