

Analysis of financial management strategies on the growth of SMEs in the digital era

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Abstract

This study analyzes financial management strategies that support the growth and sustainability of Small and Medium Enterprises (SMEs) in the digital era. Using a qualitative research method with a literature study approach, the research reviews various academic and practical sources related to financial management, digitalization, and SME performance. The findings reveal that digital transformation plays a crucial role in improving efficiency, transparency, and data accuracy in financial operations. However, the adoption of digital systems is often hampered by organizational resistance and a lack of readiness in both infrastructure and human resources. Strengthening financial literacy among SME owners and managers is essential to ensure that digital tools and financial technologies are used effectively to manage risks, plan budgets, and control cash flow. Moreover, the study highlights that the integration of digital finance platforms facilitates broader access to funding, encourages innovation, and enhances competitiveness in both domestic and global markets. To ensure successful financial management, SMEs must adopt proactive strategies that combine technological adaptation, effective risk management, and leadership commitment. In conclusion, the synergy between digitalization and financial literacy not only strengthens financial performance but also promotes long-term business sustainability and resilience amid economic uncertainty.

Keywords: digitalization, digital literacy, financial management, SMEs growth

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1. Introduction

Digital transformation in financial management is crucial for enhancing efficiency and data accuracy in global competition. Additionally, resistance to change and organizational cultural barriers slow down technology adoption. The success of transformation depends on organizational readiness, top management support, and a well-prepared strategy to ensure effective technology implementation. (Sonjaya et al., 2024). The digital era has a significant impact on SMEs, bringing both opportunities and challenges in operational and financial management. Effective financial management is essential to support the performance and sustainability of SMEs. Company leaders are responsible for making strategic decisions related to investment and financing. Fund management must be conducted efficiently by applying management functions such as planning, directing, and controlling. Furthermore, financial managers are also responsible for managing investments, financing, and dividend policies (Adeliya et al., 2025).

Small and Medium Enterprises (SMEs) play a very important role in supporting the economy, both at the national and regional levels, including in Indonesia. SMEs contribute significantly to

increasing community economic activities. Based on Law No. 20 of 2008, SMEs are defined as productive business activities carried out independently by individuals or business entities, which are not subsidiaries or branches of medium or large businesses, and are not owned or controlled directly or indirectly by larger businesses, according to the established criteria (Punu et al., 2021).

SMEs have a very important role in Indonesia's economy, contributing more than 60% to the Gross Domestic Product (GDP) and absorbing around 97% of the total workforce (Yudianto, 2020). The development of SMEs in Indonesia shows a positive trend, driven by strong government support. Nevertheless, this rapid growth also faces various challenges, especially financial risks such as market fluctuations, economic uncertainty, changes in government policies, liquidity problems, and non-performing loans, which can hinder their operations (Reinaldi et al., 2024).

In the digital era, SMEs are required to adapt to changes, including in financial record-keeping, budget planning, and the utilization of digital platforms. Appropriate financial management strategies can help SMEs improve operational efficiency, maintain cash flow stability, and promote sustainable business growth. Therefore, effective financial risk management is essential to ensure business continuity and avoid losses that could threaten business survival. The economic growth of SMEs in Indonesia continues to develop, making a significant contribution to job creation and supporting the economy. SMEs also enhance competitiveness by introducing local products to the global market, although they still face challenges such as limited capital and financial risks. The aim of this article is to describe how efficient financial management and financial literacy can strengthen SME performance in the digital era, evaluate the role of digitalization and financial technology in improving efficiency, transparency, innovation, and access to funding, as well as identify challenges such as strict regulations and limited access to formal finance.

2. Research Design and Method

This research uses a qualitative approach with a literature study method. Data were collected through the analysis of various sources related to financial management strategies and their impact on the growth of SMEs in the digital era. Data sources include books, scientific journal articles, previous research reports, and official documents discussing financial management and SME development in the context of digitalization. Data analysis was conducted based on Miles and Huberman's theory, which includes three main stages: data condensation, data display, and conclusion drawing and verification. In the data condensation stage, information is selected, simplified, and summarized according to the research focus, namely financial strategies and business growth. The summarized data are then systematically arranged to facilitate understanding of the relationship between financial strategies and SME development in the digital era. The final stage is conclusion drawing and verification to ensure that the research results have a strong foundation and are relevant to the objectives of this literature review.(Pasaribu et al., 2022).

3. Results and Discussion

Efficient financial management is a key factor in supporting the performance of SMEs in the digital era. Improving financial literacy skills, such as understanding financial statements and making data-driven decisions, is a fundamental aspect of financial management. Digital technology adds value to SMEs through business process automation and operational efficiency. Amid fluctuating economic conditions, the ability to manage financial risks is also crucial. Actions such as diversifying income sources and managing credit wisely can strengthen business financial resilience. In addition, access to funding remains a challenge for many SMEs, even though various initiatives from the government and private sector have been introduced to expand financial inclusion. In this context, financial technology serves as an alternative that enables SMEs to obtain financing more quickly and flexibly(Adeliya et al.,

2025).

Effective financial management is essential to support the growth of SMEs in the digital era. By utilizing digital technology for marketing and promotion, SMEs can reach wider markets and increase sales. Moreover, sound financial strategies help SMEs manage expenditures for digital campaigns and maximize profits. Creativity and innovation driven by digitalization also strengthen SME competitiveness. Careful financial risk management, along with more flexible access to funding through financial technology, are key to driving the success and financial stability of SMEs (Zhahirah et al., 2023).

In today's digital era, business actors must leverage technology to improve efficiency in financial management. The use of smartphone-based financial applications allows for real-time monitoring of income and expenses, helping to maintain financial balance and prevent budget deficits. Additionally, understanding and education on digital-based financial management are very important to support business growth, especially in increasing revenue and achieving more stable cash flow (Elven & Margaretha, 2025).

Many SME actors still use very basic financial records, limited to income and expenses only. Some even neglect to record fixed costs such as rent, resulting in financial statements that appear to show high profits. In reality, several important business expenses are not included, causing the presented financial information to not reflect the actual business condition (Rohmayanti et al., 2023). This issue is closely related to effective financial management. Without accurate records, SME actors find it difficult to fully understand their financial performance. Therefore, it is important for them to implement a more comprehensive recording system, covering not only basic transactions but also all business expenses. This enables more informed and strategic decision-making for business growth and allows them to utilize financial data to better plan future steps. Digitalization in financial management can help achieve this, thus supporting business sustainability and development.

Digitalization in accounting plays a vital role in improving SME financial performance by increasing financial management efficiency and promoting transparency. However, successful digitalization requires support in the form of digital literacy training and affordable access to technology. With these strategic steps, SMEs will be better prepared to compete in both local and global markets. Digital literacy training enables SME actors to understand and maximize the use of technology, thus enhancing their financial management capabilities. Affordable access to technology is also crucial so that all SME actors, including those in remote areas, can utilize the necessary digital tools (Wahyudi et al., 2025). With the combination of efficiency and transparency resulting from digitalization, SMEs can gain better insights into their financial conditions. This facilitates more accurate decision-making and supports sustainable growth plans, thereby strengthening their position in an increasingly competitive market.

However, strict regulations, especially in the financial and banking sectors, often become obstacles to technology adoption among SMEs. Companies in this sector must ensure that the technology used complies with existing regulations, which can be complex and require extra attention. The evaluation process to ensure regulatory compliance can slow down digital transformation. Some regulations may even hinder technological innovation, causing companies to delay or limit the use of certain technologies. To overcome these challenges, companies that have successfully adopted digital technology generally develop comprehensive employee training and development programs. Large companies can more easily allocate budgets for training and technology infrastructure development, while SMEs with limited budgets tend to be more creative, such as using community-based training or more affordable online platforms. This helps improve employees' technical skills while reducing resistance to change. Additionally, companies that succeed in digital transformation often make organizational culture adjustments, creating a work environment that supports collaboration and

innovation. These adjustments include changes in organizational structure and communication patterns, which strengthen employee engagement in the change process and help increase the adoption rate of technology (Sonjaya et al., 2024).

Improving financial literacy among SMEs is very important, as many business actors still lack an understanding of basic financial management concepts. With better knowledge of financial management, SME actors can keep accurate records, plan budgets, and manage risks more effectively (Rahmawati et al., 2024). This will improve their financial performance and enable them to compete better in the market. In addition, financial literacy programs also help students and people with disabilities prepare for future economic challenges. By increasing financial understanding from an early age, they can make wiser decisions regarding investments and money management. Thus, efforts by the Financial Services Authority (OJK) and the government to improve financial literacy have a positive impact not only on individuals but also on the overall economic improvement of a region. A more financially literate society will contribute to economic stability and growth, creating a better environment for businesses, including SMEs, to thrive.

The level of financial literacy in Indonesia is still relatively low, especially among women. Although OJK data cited by Darmansyah et al. show an increase since 2013, the literacy gap between men and women remains significant. Financial literacy includes knowledge, skills, and attitudes in making appropriate financial decisions to achieve well-being. Low financial literacy leads to poor financial management, such as uncontrolled spending and the risk of debt. Financial literacy is a crucial key for SME actors to manage their businesses wisely, avoid losses, and support business growth and sustainability amid the challenges of digitalization (Darmansyah et al., 2023).

Furthermore, access to formal financial services remains limited, especially in rural areas. Many SMEs end up relying on informal funding sources that are less secure and more expensive. Other challenges include the high cost of financial services, including collateral requirements that are difficult for SMEs to meet. The available financial products are often not suitable for SMEs because they are generally designed for larger businesses. To address this issue, it is recommended to improve financial literacy, develop financial products tailored to SMEs such as microloans, and reduce collateral requirements. The government is also expected to be more active in providing support, especially in areas with limited access to finance (Ningsih et al., 2023).

In facing challenges and opportunities in the digital era, SMEs need to adapt quickly. Improving financial literacy and access to technology are crucial steps to support sustainable growth. With well-prepared financial management strategies and adequate support, SMEs can strengthen their market position, increase competitiveness, and contribute to broader economic growth.

4. Conclusions

Good financial management is a crucial aspect to support the growth and sustainability of small and medium enterprises (SMEs) in the digital era. Enhancing financial literacy serves as an essential foundation for SME actors to understand financial statements, plan budgets, manage risks, and make accurate data-driven decisions. The utilization of digital technology, such as financial applications and fintech platforms, can increase operational efficiency, expand access to funding, and provide competitive advantages. However, challenges such as low financial literacy, limited access to technology, and strict regulations remain obstacles to the digital transformation of SMEs. Therefore, support in the form of digital literacy training, development of appropriate financial products, and inclusive policies from the government and private sector is highly needed. With sound financial management strategies, optimal use of technology, and a strong supporting ecosystem, SMEs can grow more resilient, competitive, and contribute significantly to the national economy.

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