Applied Management, Business and Finance
p-ISSN : XXXX-XXXX e-ISSN : XXXX-XXXX

FINANCIAL MANAGEMENT, TECHNOLOGY UTILIZATION, AND CAPITAL ACCESS ON MSME PERFORMANCE IN KADEMANGAN

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ARTICLE HISTORY

Received:
15 Juni 2026
Revised:
02 Juli 2026
Accepted:
31 Juli 2026

KEYWORDS

Access to Capital;
Financial Management;
Financial Performance;
MSMEs;
Technology Utilization

ABSTRACT

Micro, small, and medium enterprises (MSMEs) are the backbone of the Indonesian economy, yet many continue to face persistent weaknesses in financial performance caused by poor financial management, low technology adoption, and limited access to capital. This study examines the effect of financial management, technology utilization, and access to capital on the financial performance of MSMEs in Kademangan District, Blitar Regency, both simultaneously and partially. The research employs a quantitative associative approach. The population consisted of 1,953 MSMEs, and a sample of 332 respondents was determined using the Slovin formula with a proportionate stratified random sampling technique. Data were collected through questionnaires measured on a Likert scale and analyzed using multiple linear regression after fulfilling the classical assumption tests. The results show that financial management, technology utilization, and access to capital simultaneously have a significant effect on financial performance ($F = 44.101$; sig. < 0.001). Partially, financial management and access to capital have a positive and significant effect, whereas technology utilization has no significant effect. The three variables explain 28.1% of the variation in financial performance. The findings imply that strengthening financial management and expanding access to capital are priority strategies for improving MSME financial performance, while technology adoption requires accompanying digital-literacy support to become effective.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) constitute the backbone of the Indonesian economy. Data from the Ministry of Finance recorded a highly significant MSME contribution, reaching 61.07% of Gross Domestic Product (GDP) and absorbing 97% of the total national workforce (Kementerian Keuangan, 2024). This fact confirms the strategic role of MSMEs in macroeconomic stability, income distribution, and poverty alleviation.

According to the Financial Services Authority (OJK, 2026), the total capital absorbed by MSMEs from banks in Indonesia reached approximately IDR 1,496.93 trillion, equivalent to 18.61% of total national bank credit. This figure demonstrates the significant role of the banking sector in providing capital for MSMEs.

MSMEs are able to repay debt and generate profit when their financial management is well organized (Arifa et al., 2025). Preliminary field observations also show that many MSMEs remain in operation and are considered relatively resilient to economic shocks, as seen during the COVID-19 pandemic. Nevertheless, MSMEs still face increasingly complex global challenges, particularly in the era of globalization and post-pandemic recovery, which demand higher competitiveness and resilience.

MSMEs in Indonesia frequently encounter serious challenges in their financial performance. Bank Indonesia (2022) noted that around 60-70% of MSMEs close within two to five years of establishment. This is caused by financial problems such as a lack of working capital, unmanaged debt, and an inability to cope with economic fluctuations, compounded by weak financial management capabilities and low levels of technology adoption.

The Ministry of Finance (Kementerian Keuangan, 2024) revealed that many MSMEs keep records in a disorderly manner, that is, neither systematic nor well documented. MSMEs often rely on manual records or none at all, reflecting poor financial management. Moreover, many MSMEs have not separated personal finances from business finances, which creates difficulties in accessing credit and managing business risk.

In addition, the utilization of digital technology remains low; only about 32% of MSMEs use digital technology. Access to capital is also a major obstacle, as many MSMEs still struggle to obtain bank credit due to strict requirements and high credit risk. The Ministry of Finance (Kementerian Keuangan, 2024) reported that around 70% of MSMEs in Indonesia have no access to capital from formal financial institutions, mainly because of the absence of collateral and low financial literacy.

If these problems are not promptly addressed, the consequences will be highly detrimental, including rising unemployment that directly affects local communities such as farmers and small traders who lose their livelihoods. Economic growth may also be hampered through a declining MSME contribution to regional GDP, affecting local government revenue and development programs, as well as the national economy that depends on MSME stability to maintain global competitiveness.

Kademangan District is one area with considerable economic potential, with MSMEs as its backbone. Known as an agrarian region, it has MSME potential in agriculture, crafts, and trade. As one of the districts with a relatively large MSME population in the regency, Kademangan has a growing and diverse number of MSME actors, which makes it representative of the real conditions of micro, small, and medium enterprises in rural areas. MSME actors in this region also face various challenges, such as limited and still-basic financial management, suboptimal use of digital technology, and uneven access to capital.

Research conducted by Yuliani et al. (2024) showed that access to capital has a positive and significant effect on the financial performance of MSMEs. In contrast, Hamdani et al. (2025) found that access to capital had no significant effect on MSME financial performance. This gives rise to a research gap, namely an empirical gap indicated by the inconsistency of these findings. Therefore, further research is required.

This study introduces a novelty by re-examining the effect of access to capital on MSME financial performance, while adding two variables—financial management and technology utilization—within the context of Kademangan District, Blitar Regency. Beyond replicating access to capital in a new site, this study contributes by testing financial management and technology utilization jointly within an agrarian MSME context, offering evidence on how resource constraints interact with digital adoption outside urban settings.

The urgency of this study lies in the importance of understanding how sound financial management, technology utilization, and access to capital can improve MSME financial performance, so that the findings can serve as a basis for local government policy to encourage local economic growth. This research is needed to identify specific solutions appropriate to the agrarian and social context of Blitar Regency. Accordingly, this study examines the effect of financial management, technology utilization, and access to capital on the financial performance of MSMEs in Kademangan District, Blitar Regency.

LITERATURE REVIEW

This section synthesizes the relevant theories and empirical studies underpinning the research.

Theoretical Framework

Financial Management

According to Brigham and Houston, financial management is a process of planning, organizing, controlling, and supervising financial resources to maximize firm value, helping MSMEs allocate capital for investment. Van Horne states that financial management involves investment, financing, and dividend decisions to optimize shareholder wealth—applied in MSMEs when deciding between bank loans and own capital. Gitman defines financial management as a decision-making process involving investment and financing with an emphasis on risk analysis (Jirwanto et al., 2024). Thus, financial management encompasses planning, budgeting, auditing, managing, controlling, sourcing, and safeguarding the funds owned by a firm.

Resource-Based View

The Resource-Based View (RBV) emerged as a derivative of strategic management theory, explaining that an organization's competitive advantage stems from its internal resources rather than solely from external factors such as the market or competition. Developed by Jay Barney in 1991 in his article "Firm Resources and Sustained Competitive Advantage" published in the Journal of Management, this theory represents an evolution of the classical management theories of Fayol and Drucker (Dasuki, 2021). Internal resources capable of providing sustained advantage must meet the VRIO criteria (Valuable, Rare, Imperfectly imitable, and Organized).

MSME Financial Performance

MSME financial performance is an evaluation of the ability of micro, small, and medium enterprises to generate profit, manage assets, and meet financial obligations, based on indicators such as financial statements and financial ratios (Rahyono et al., 2022). It indicates not only an entity's ability to earn profit but also the effectiveness and efficiency of its operational activities. MSMEs with good financial performance are generally able to generate profit consistently, maintain cash-flow stability, and increase asset value over time.

Financial Management (MSME Practice)

Financial management is a process of planning, controlling, and supervising financial resources to achieve a firm's objectives (Jirwanto et al., 2024). It includes activities such as transaction recording, cash-flow analysis, budgeting, and financial risk management, adapted to the often resource-constrained operational scale of MSMEs. The main objectives of MSME financial management are to improve the efficiency of fund use, minimize the risk of bankruptcy, and maximize long-term profitability.

Technology Utilization

Technology utilization is the process of integrating digital tools, applications, and systems into business operations to improve efficiency, market access, and competitiveness, including e-commerce, social media, and data analytics (Saputra et al., 2023). MSMEs are no longer confined to local markets but can compete nationally and internationally through online platforms. This transformation requires digital literacy among MSME owners.

Access to Capital

Access to capital is the ability of a business entity—particularly an MSME—to obtain funds or working capital from various formal and informal sources to support its operations and development (Mubarok et al., 2019). It concerns not only the amount of funds obtained but also how quickly, accurately, and appropriately those funds can be processed, including alternative sources such as fintech financing, peer-to-peer (P2P) lending, and crowd-funding. MSMEs with good access to capital tend to show higher revenue growth, lower operating costs, and improved market competitiveness.

Previous Studies and Hypotheses

Drawing on the theoretical framework and prior empirical evidence above, this study proposes that financial management, technology utilization, and access to capital influence MSME financial performance both simultaneously and partially. The inconsistent findings of earlier studies—particularly regarding access to capital—motivate the re-testing of these relationships within the specific agrarian context of Kademangan District.

- H1: Financial management has a positive and significant effect on MSME financial performance.
- H2: Technology utilization has a positive and significant effect on MSME financial performance.
- H3: Access to capital has a positive and significant effect on MSME financial performance.
- H4: Financial management, technology utilization, and access to capital simultaneously have a significant effect on MSME financial performance.

RESEARCH METHODS

This study employs a quantitative approach grounded in the philosophy of positivism (Sugiyono, 2023). It applies associative research, aiming to identify associative relationships between the independent variables (financial management, technology utilization, and access to capital) and the dependent variable, MSME financial performance. As this study uses a cross-sectional design, the results indicate association rather than causation; causal inference should be treated as a limitation of this study.

Research Location

The study was conducted in Kademangan District, located in Blitar Regency, East Java Province. Kademangan plays an important role in MSME development within Blitar Regency, situated in the southern part of the regency with relatively varied terrain.

Data Sources and Measurement

This study uses primary and secondary data. Primary data were obtained directly from respondents—MSME actors domiciled in Kademangan District—through the distribution of questionnaires. Secondary data were obtained from documents, scientific journals, and internet resources. The study uses a Likert scale (Sugiyono, 2023).

Population, Sampling, and Sample

The population comprises all MSMEs operating in Kademangan District, totaling 1,953 enterprises (Sugiyono, 2023). This study uses probability sampling, specifically proportionate stratified random sampling.

The sample size was determined using the Slovin formula, yielding 332 respondents, comprising 43 in food and beverage, 100 in crafts, 166 in trade, and 23 in services.

Research Instrument

The instrument used is a questionnaire. Before distribution, it was tested for validity and reliability. Validity and reliability were pre-tested on a pilot sample of 30 respondents (df = 28), separate from the main sample of 332.

Data Collection Technique

Data collection began with direct observation at the research site. The questionnaire was distributed online via WhatsApp, Instagram, and other social media. This online-only distribution may bias the sample toward digitally active MSMEs, noted as a sampling limitation in the Discussion. Documentation included prior research and MSME data from the Office of Cooperatives and Micro Enterprises.

Data Analysis

The analysis used is multiple linear regression. Before analysis, the data had to satisfy the classical assumption tests: normality, multicollinearity, and heteroscedasticity.

RESULT AND ANALYSIS

Results

Instrument Test Results

Table 1. Validity Test Results

Variable	Item	r-count	r-table	Description
Financial Management (X1)	X1.1	0.662	0.361	Valid
	X1.2	0.882	0.361	Valid
	X1.3	0.748	0.361	Valid
	X1.4	0.598	0.361	Valid
Technology Utilization (X2)	X2.1	0.822	0.361	Valid
	X2.2	0.847	0.361	Valid
	X2.3	0.775	0.361	Valid
Access to Capital (X3)	X3.1	0.842	0.361	Valid
	X3.2	0.813	0.361	Valid
	X3.3	0.822	0.361	Valid
	X3.4	0.713	0.361	Valid
Financial Performance (Y)	Y.1	0.673	0.361	Valid
	Y.2	0.912	0.361	Valid
	Y.3	0.882	0.361	Valid

Table 1 shows that all statement items in both the independent and dependent variables are valid, since the r-count values exceed 0.361.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Standard	Description
Financial Management (X1)	0.704	0.70	Reliable (borderline)
Technology Utilization (X2)	0.715	0.70	Reliable
Access to Capital (X3)	0.810	0.70	Reliable
Financial Performance (Y)	0.771	0.70	Reliable

Table 2 shows that all variables are reliable, since the Cronbach's Alpha values are ≥ 0.70. The value for Financial Management (X1) of 0.704 is only marginally above the threshold, indicating borderline internal consistency; future studies should consider revising the X1 items.

Classical Assumption Test Results

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	Value
Asymp. Sig. (2-tailed)	0.071

Table 3 shows that the Asymp. Sig. (2-tailed) value of 0.071 > 0.05, indicating that the tested data are normally distributed.

Table 4. Heteroscedasticity Test Results

Model	Sig.
(Constant)	0.540
Financial Management	0.064
Technology Utilization	0.916
Access to Capital	0.527

Based on Table 4, none of the variables exhibit heteroscedasticity, as all significance values exceed 0.05 (Glejser test).

Table 5. Multicollinearity Test Results

Model	Tolerance	VIF
Financial Management	0.985	1.051
Technology Utilization	0.998	1.002
Access to Capital	0.983	1.018

Table 5 shows that the tolerance value of each variable is > 0.10 and the VIF of each variable is < 10, meaning no multicollinearity occurs among the variables.

Multiple Linear Regression Test

Table 6. Multiple Linear Regression Test Results

Model	B
(Constant)	5.936
Financial Management	0.211
Technology Utilization	0.029
Access to Capital	0.197

Based on the multiple linear regression analysis using the unstandardized coefficients, the following interpretation is obtained:

- The constant of 5.936 indicates that if financial management, technology utilization, and access to capital are zero, MSME financial performance equals 5.936.
- The regression coefficient of financial management of 0.211 indicates that each one-unit increase in financial management raises MSME financial performance by 0.211, assuming other variables remain constant.
- The regression coefficient of technology utilization of 0.029 indicates that each one-unit increase in technology utilization raises MSME financial performance by 0.029.
- The regression coefficient of access to capital of 0.197 indicates that each one-unit increase in access to capital raises MSME financial performance by 0.197, assuming other variables remain constant.

Hypothesis Testing

Table 7. Simultaneous Test Results (F-Test)

Model	F	Sig.
Regression	44.101	<0.001
Residual	–	–
Total	–	–

The significance value of <0.001 and F-count 44.101 > F-table 2.100 indicate that financial management, technology utilization, and access to capital simultaneously have a significant effect on MSME financial performance, supporting H4.

Table 8. Partial Test Results (t-Test)

Model	t	Sig.
(Constant)	8.362	<0.001
Financial Management	7.587	<0.001
Technology Utilization	0.789	0.430
Access to Capital	7.556	<0.001

Financial Management (X1): significance <0.001, t-count 7.587 > t-table 1.649, indicating a positive and significant effect on MSME financial performance, supporting H1.

Technology Utilization (X2): significance 0.430 > 0.05, t-count 0.789 < t-table 1.649, indicating no significant effect on MSME financial performance; H2 is not supported. Access to Capital (X3): significance <0.001, t-count 7.556 > t-table 1.649, indicating a positive and significant effect on MSME financial performance, supporting H3.

Coefficient of Determination (R^2)

Table 9. Coefficient of Determination Results

Model	R	R Square	Adjusted R Square
1	0.536	0.287	0.281

The R Square value is 0.287 and the Adjusted R Square is 0.281, indicating that 28.1% of the variation in MSME financial performance can be explained by financial management, technology utilization, and access to capital — a modest explanatory power that points to omitted variables such as financial literacy, HR competence, and marketing strategy (see Suggestions), while the remaining 71.9% is influenced by other variables outside the research model.

Discussion

The Simultaneous Effect of Financial Management, Technology Utilization, and Access to Capital on MSME Financial Performance

The simultaneous hypothesis test shows that financial management, technology utilization, and access to capital jointly affect the financial performance of MSMEs in Kademangan District, Blitar Regency (H4 supported). Financial management is an internal factor related to the owner's ability to manage business funds; technology utilization relates to the ability to use technology to improve efficiency and sales; and access to capital is an external factor related to obtaining additional capital to develop the business.

These findings support the Resource-Based View theory, in which MSMEs that manage their resources well possess sustained competitive advantage (Dasuki, 2021). The results align with Sidabutar et al. (2025), who found that financial management and access to capital affect MSME financial performance, and with Adrian et al. (2025), who found that technology utilization affects MSME financial performance.

The Effect of Financial Management on MSME Financial Performance

The partial hypothesis test shows that financial management affects the financial performance of MSMEs in Kademangan District, Blitar Regency, supporting H1. Sound financial management helps MSME actors understand their business's financial condition—profit or loss, assets, debt, and capital—so that they can make appropriate decisions for business development. These findings support the Resource-Based View theory (Reta & Indriastuti, 2025) and are consistent with Reta and Indriastuti (2025), who found that good financial management increases business efficiency, strengthens cost control, and raises profit.

The Effect of Technology Utilization on MSME Financial Performance

The partial hypothesis test shows that technology utilization does not affect the financial performance of MSMEs in Kademangan District, Blitar Regency; H2 is not supported. Most MSME actors use technology only for communication, basic promotion, or simple record-keeping, so its use has not generated significant efficiency or sales growth. Questionnaire distribution was limited to online channels (WhatsApp, Instagram), which may have biased the sample toward already digitally active MSMEs; this range restriction is a plausible additional explanation for the null effect and should be read as a sampling limitation.

These findings are arguably still consistent with the Resource-Based View: basic, non-VRIO technology use is not expected to generate sustained competitive advantage, so the null effect of X2 reflects a boundary condition of the theory rather than a refutation of it. The findings are consistent with Pratama and Hasin (2025), who likewise found no significant effect of technology utilization on MSME financial performance, attributing this to limited education, restricted business turnover, and a lack of training and mentoring in technology use.

The Effect of Access to Capital on MSME Financial Performance

The partial hypothesis test shows that access to capital affects the financial performance of MSMEs in Kademangan District, Blitar Regency, supporting H3. Capital is used to purchase raw materials, add equipment, expand the business, hire labor, and increase production capacity. These findings support the Resource-Based View theory (Yuliani et al., 2024) and are consistent with Yuliani et al. (2024), who found that access to capital improves revenue and business performance.

CONCLUSIONS

Based on the research findings and discussion concerning the effect of financial management, technology utilization, and access to capital on the financial performance of MSMEs in Kademangan District, Blitar Regency, the following conclusions are drawn:

- Financial management, technology utilization, and access to capital simultaneously affect MSME financial performance, indicating that financial performance is influenced jointly by internal and external business factors (H4 supported).
- Financial management has a significant effect on MSME financial performance, indicating that the better the financial management performed by MSME actors—such as financial recording, planning, control, and reporting—the higher their financial performance (H1 supported).
- Technology utilization has no significant effect on MSME financial performance, indicating that MSME actors' use of technology has not yet produced a direct impact on revenue or profit, because the technology used remains basic (H2 not supported).
- Access to capital has a significant effect on MSME financial performance, indicating that the easier the access to capital obtained by MSME actors, the more the business can develop, thereby improving financial performance (H3 supported).

Suggestions

- For Academics: this study is expected to serve as a reference in the field of financial management. Future studies are encouraged to add other variables—such as financial literacy, marketing strategy, and human-resource competence—to use larger samples, and to apply qualitative or mixed methods. As this study is cross-sectional, causal claims should be tested in future longitudinal or experimental designs.
- For Institutions: this study is expected to encourage training for MSME actors on financial management, digital technology use, and easier access to capital, supported by government mentoring programs.

p-ISSN : XXXX-XXXX e-ISSN : XXXX-XXXX

- For Other Parties: MSME actors are advised to be more disciplined in recording and managing business finances, to enhance the use of digital technology, and to actively seek information on available sources of capital.

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