

Financial Management Capability as a Foundation for the Digital Transformation of Enterprises and Business Organizations in Kendari City

Ridha Taurisma Lajaria^{1*}, Ilham², Lucia Evianti Patulak³

¹ Doctoral Program, Faculty of Economics and Business, Universitas Negeri Surabaya, Surabaya, Indonesia

² Management Study Program, Faculty of Economics and Business, Universitas Sulawesi Tenggara, Kendari, Indonesia

³ Digital Business Study Program, Faculty of Economics and Business, Universitas Sulawesi Tenggara, Kendari, Indonesia

Received: 17/07/2026

Accepted: 01/08/2026

Published: 30/09/2026

*Corresponding Author E-mail: ridhataurisma.mm@gmail.com

ABSTRACT

Digital transformation has become a strategic imperative for enterprises operating in an increasingly competitive business environment. Its success, however, depends not only on technological readiness but also on an organization's ability to manage internal resources, particularly its financial management capability. This article examines the role of financial management capability as a foundation for digital transformation among enterprises and business organizations in Kendari City, Indonesia. Using a systematic literature review approach, the study synthesizes scientific publications from 2021 to 2026 addressing financial literacy, financial technology, digital capabilities, and digital transformation. The reviewed literature indicates that financial recordkeeping, budget planning, access to financing, and the effective use of financial technology are important factors in strengthening organizational digital readiness. The findings suggest that digital transformation strategies in Kendari City should integrate the development of financial management capability with the enhancement of digital skills and organizational capabilities.

Keywords: Digital Transformation; Financial Literacy; Financial Management Capability; Kendari City, Micro Small and Medium Enterprises

I. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a central role in the Indonesian economy. The source manuscript reports that MSMEs represent approximately 99% of business units, contribute 60.5% of gross domestic product, and account for 96.9% of national employment. Nevertheless, a substantial gap persists between their economic potential and their readiness for digital transformation: approximately 90% of Indonesian MSMEs are described as still operating through conventional practices. Digital transformation has consequently become essential for business continuity and competitiveness in a rapidly changing environment.

Digital transformation cannot, however, be separated from a sound financial foundation. The source manuscript cites an Indonesian Financial Services Authority survey indicating that only 22% of the population possessed financial literacy, while many MSMEs exhibited limited business management capability, particularly in financial matters. These deficiencies also constrain access to finance. Enterprises that cannot prepare reliable financial statements often face difficulties obtaining commercial bank credit. Without adequate financial management capability, digital adoption—which commonly requires capital investment, orderly bookkeeping, and cash-flow planning—becomes considerably more difficult.

As a major center of economic activity in Southeast Sulawesi, Kendari City faces comparable challenges. Its entrepreneurs and business organizations need to recognize that investment in digital technologies is more likely to generate value when accompanied or preceded by improvements in financial management. Accordingly, this article synthesizes empirical evidence published between 2021 and 2026 to examine the relationship between financial management capability and digital transformation and to identify its implications for businesses operating in Kendari City.

The study addresses three research questions: (1) How are financial management capability and digital transformation conceptualized in contemporary scholarship? (2) Through which mechanisms, and to what extent, does financial management capability support digital transformation? (3) What practical implications can be derived for enterprises and business organizations in Kendari City?

II. LITERATURE REVIEW

2.1 Financial Management Capability and Digital Financial Literacy

Financial management capability refers to the ability of business owners and managers to maintain financial records, manage debt, and develop budgets (Gunawan et al., 2023). The capacity to process and apply financial information is an important determinant of MSME business performance (Wahyundaru et al., 2024). The concept has expanded to include digital financial literacy, which integrates financial and digital knowledge and skills while recognizing the distinctive features and risks associated with digital financial services (Kusumawardhani et al., 2023).

From a broader entrepreneurial perspective, both financial and digital capabilities have significant relationships with business activity. Digital financial capability, in particular, has been associated with positive effects on enterprise ownership and innovation (Sari et al., 2023). Financial management capability should therefore be understood not merely as an administrative function but also as a strategic capability that helps businesses adapt to technological and market changes.

2.2 Digital Transformation and Organizational Capability

Digital transformation involves structural and organizational change that enables enterprises to respond more effectively to dynamic business environments (Saeedikiya et al., 2024). Its development is shaped by multiple internal and external factors. A study involving 324 Indonesian MSMEs reported that government support, digital orientation, and digital capability significantly influenced digital transformation, whereas community support was not statistically significant. The same study identified a strong positive correlation between digital transformation and improvements in financial performance (Alyani et al., 2023).

At the individual level, managerial digital literacy influences digital transformation through digital technology utilization. Managerial characteristics, including age, education, and gender, moderate these relationships (Destrian, 2025). These results suggest that digital transformation is a sociotechnical process: it encompasses changes in human capabilities and organizational processes rather than simply the acquisition of technological equipment.

2.3 Financial Access, Dynamic Capabilities, and Digital Adoption

The relationship between financial capability and digital adoption can be understood through two complementary mechanisms. The first is financial accessibility. In a study of MSMEs operating in Indonesian traditional markets, financial literacy significantly enhanced financial accessibility ($\beta = 0.727$; $T = 17.289$; $p = 0.000$), while accessibility, in turn, positively influenced digital adoption ($\beta = 0.256$; $T = 3.413$; $p = 0.000$). By contrast, financial risk did not have a statistically significant influence on digital adoption ($\beta = 0.001$; $p = 0.494$) (Kurniasari et al., 2023). These findings indicate that the capacity to access financial resources, rather than risk perceptions alone, constitutes a key pathway to technology adoption.

The second mechanism concerns dynamic capabilities. Under the resource-based view and dynamic capabilities theory, an organization's financial and digital capabilities determine its ability to navigate changing environments and reconfigure resources. Digital orientation and digital capability have been found to exert positive direct effects on digital transformation. Digital transformation also mediates the effects of digital orientation on revenue and business models and the effect of digital capability on revenue (Rupeika-Apoga et al., 2022). Digital technology capability further contributes to organizational agility, which supports financial performance, product innovation, and process innovation (Troise et al., 2021).

Financial management capability can also help alleviate financing constraints that inhibit digitalization. MSMEs commonly encounter three barriers: limited financial access, insufficient human capital, and difficulties scaling business models to capture digital opportunities (Barragan & Becker, 2024). Improved bookkeeping, budget preparation, and cash-flow management can help mitigate the first barrier and support investment in digital technologies. Consistently, financial behavior and financial technology have been shown to mediate the relationship between financial literacy and business sustainability. Financial technology facilitates transactions that are faster, more transparent, more accessible, and more flexible (Widagdo & Sa'diyah, 2023).

2.4 Conceptual Framework

Building on this synthesis, the article proposes a conceptual framework in which financial management capability supports digital transformation through financial accessibility and digital financial capability, alongside the contributions of digital orientation, digital capability, and government support. Digital transformation is subsequently linked to financial performance and business sustainability. The relationships are conceptual and are not presented as estimates derived from a field survey in Kendari City.

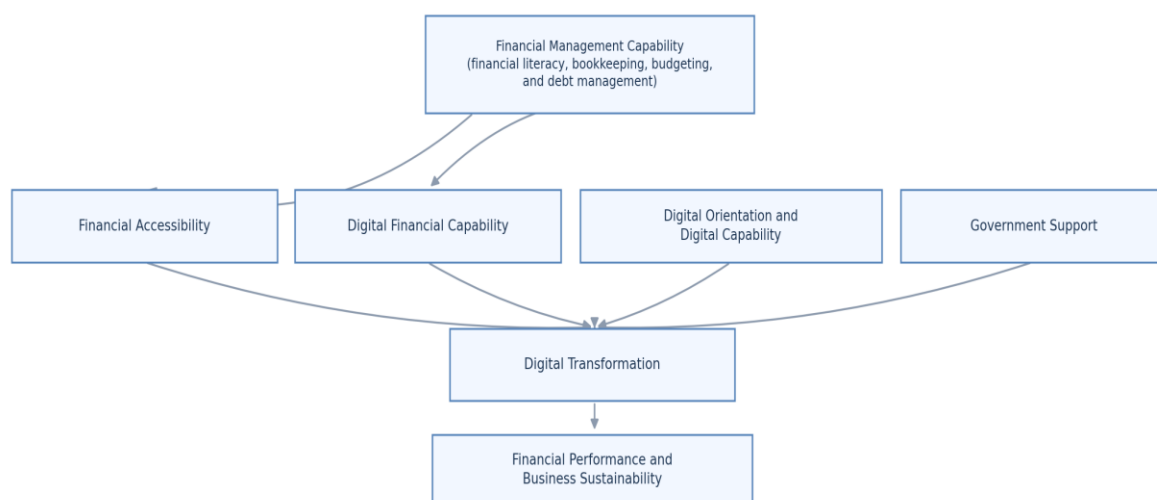


Figure 1. Conceptual framework (translated and redrawn from the source manuscript).

III. RESEARCH METHOD

This article adopts a systematic literature review (SLR) approach. Relevant scientific publications were identified through Google Scholar, Scopus, and ScienceDirect using the keywords “financial capability,” “financial literacy,” “digital transformation,” “SMEs,” and “digital adoption.” The review focuses on studies published from 2021 to 2026 that examine financial capability, organizational digitalization, and the adoption of digital technology. This approach is consistent with the use of systematic literature reviews to synthesize knowledge about the digital transformation of Indonesian MSMEs (Purnomo et al., 2024).

The analytical framework draws on the resource-based view and dynamic capabilities theory, which emphasize the role of organizational resources and capabilities, including digital technology, in generating competitive advantage and financial performance (Li & Ming, 2024). These perspectives are appropriate because they highlight the need for enterprises to develop adaptive capabilities as digital business environments evolve.

The study is a conceptual synthesis of existing literature. It does not involve the collection of primary data from business owners, managers, or organizations in Kendari City. Accordingly, the reported relationships and statistical estimates are drawn from the reviewed studies and should not be interpreted as empirical findings from a Kendari-based survey. The source manuscript does not report a formal PRISMA screening flow, a final study count, or a formal quality-appraisal matrix; those procedures are therefore not attributed to this review.

IV. RESULTS AND DISCUSSION

4.1 Principal Findings of the Literature Synthesis

The synthesis identifies four interrelated findings with implications for digital transformation among enterprises and business organizations in Kendari City. Table 1 summarizes these findings, which are discussed in detail below.

Table 1. Summary of the principal findings from the reviewed literature

Key finding	Synthesis of evidence	Implication for digital transformation
Financial management as an antecedent	Financial literacy increases accessibility to finance, which supports digital adoption (Kumiasari et al., 2023).	Strengthen financial recordkeeping and access to funding.
Complementary digital capabilities	Digital orientation, digital capability, and government support contribute to transformation (Alyani et al., 2023; Rupeika-Apoga et al., 2022).	Coordinate financial and digital capability development.
Financial performance benefits	Digital transformation is positively associated with performance outcomes (Alyani et al., 2023; Teng et al., 2022).	Evaluate technology investment through business outcomes.
Role of digital financial literacy	Financial behavior and technology mediate the relationship between literacy and sustainability (Widagdo & Sa'diyah, 2023).	Integrate digital finance into financial management practices.

4.2 Financial Management Capability as an Antecedent of Digital Adoption

Research on MSMEs in traditional markets in Indonesia found that financial literacy had a substantial positive influence on financial accessibility ($\beta = 0.727$; $T = 17.289$; $p = 0.000$), while financial accessibility had a smaller but statistically significant positive effect on digital adoption ($\beta = 0.256$; $T = 3.413$; $p = 0.000$; $f^2 = 0.073$). By contrast, the influence of financial risk on digital adoption was not statistically significant ($\beta = 0.001$; $T = 0.014$; $p = 0.494$).

(Kurniasari et al., 2023). These estimates support the proposition that access to financial resources is an important pathway linking financial capability to digital adoption.

4.3 Digital Orientation and Capability as Complementary Factors

Evidence from 246 Latvian SMEs indicates that digital orientation and digital capability both have direct positive effects on digital transformation. Furthermore, digital transformation mediates the relationships between digital orientation and revenue, between digital orientation and business models, and between digital capability and revenue (Rupeika-Apoga et al., 2022). A study of 324 Indonesian MSMEs likewise found significant effects of government support, digital orientation, and digital capability on digital transformation, while the influence of community support was not statistically significant (Alyani et al., 2023). Together, these findings show that access to financing must be reinforced by organizational readiness and digital skills.

4.4 Digital Transformation and Financial Performance

Digital transformation was strongly and positively correlated with improved financial performance in the Indonesian MSME study reported by Alyani et al. (2023). Research involving 335 Chinese SMEs found that digital technologies, employees' digital skills, and digital transformation strategies were positively associated with digital transformation, which was in turn positively associated with business performance (Teng et al., 2022). Evidence from Pakistani SMEs further suggests that high financial performance results from synergistic causal configurations rather than from any single factor considered in isolation (Ullah et al., 2023). These results imply that digital technology is most productive when incorporated into a coherent system of organizational capabilities.

4.5 Digital Financial Literacy as an Enabling Mechanism

Financial behavior and financial technology have been found to fully mediate the relationship between financial literacy and business sustainability, while financial literacy did not have a direct effect on sustainability in the same study (Widagdo & Sa'diyah, 2023). Research in Bojonegoro identified positive and significant relationships between innovation and MSME financial performance, alongside a positive influence of business owners' literacy on innovation (Rosyidiana & Narsa, 2024). In the post-pandemic context, financial literacy has also been found to strengthen MSME performance, whereas digital literacy was ineffective in moderating the effects of digital marketing implementation (Athia et al., 2023). Financial capability and digital tools therefore need to be translated into effective financial behavior and innovation to produce sustainable outcomes.

4.6 Integrated Discussion and Implications for Kendari City

The findings collectively establish financial management capability as more than a supporting administrative competence; it represents an enabling foundation for digital transformation. The principal mechanism operates through financial accessibility: financial literacy increases the ability of entrepreneurs to obtain financial resources, which in turn facilitates the adoption of digital technologies (Kurniasari et al., 2023). For enterprises in Kendari City, digitalization initiatives that neglect bookkeeping, budget planning, and an understanding of financial products may struggle to secure the investment resources and governance arrangements required for effective implementation.

The absence of a statistically significant relationship between perceived financial risk and digital adoption in the cited Indonesian study is particularly noteworthy. It suggests that adoption barriers may be more closely related to capacity—especially access to and the effective management of resources—than to financial risk perceptions alone. Capacity-building interventions may therefore be more consequential than programs that focus exclusively on communicating or mitigating perceived financial risks.

Financial capability nevertheless needs to develop in parallel with digital orientation and digital capability (Rupeika-Apoga et al., 2022). The finding that government support, but not community support, was statistically significant in one Indonesian MSME study (Alyani et al., 2023) also indicates a potential role for formal institutional support in accelerating transformation. In Kendari City, a coordinated strategy combining financial management capacity, digital capability, and the utilization of institutional assistance appears more promising than isolated technology procurement.

From the dynamic capabilities perspective, constraints on financing and human resources are important obstacles to MSME digitalization (Barragan & Becker, 2024). Strengthening financial management therefore serves two purposes: it improves core functional competence and helps mitigate resource constraints. This interpretation is consistent with evidence that financial and digital capabilities contribute to business adaptability (Sari et al., 2023), and that organizational agility grounded in technological, relational, and innovative capabilities contributes to financial performance and innovation (Troise et al., 2021).

Digital transformation is not uniform across organizations. Managerial characteristics—including age, educational attainment, and gender—can moderate the use of digital technologies (Destrian, 2025), while combinations of organizational factors may generate different performance outcomes across settings (Ullah et al., 2023). Accordingly, financial and digital capability-building initiatives in Kendari City should be tailored to the demographic characteristics, business sectors, resources, and operational conditions of the enterprises concerned. These are context-based implications of the literature rather than results of primary empirical testing in Kendari.

V. CONCLUSION AND RECOMMENDATIONS

This review concludes that financial management capability has a strategic role in supporting the digital transformation of enterprises and business organizations. It contributes principally by expanding financial accessibility, which facilitates the adoption of digital technology, and by strengthening financial behavior and the use of financial technology, which are associated with business sustainability. Digital transformation, in turn, is positively correlated with financial performance in the reviewed literature.

Three practical implications can be identified for businesses operating in Kendari City. First, improvements in bookkeeping, budgeting, debt management, and cash-flow planning should precede or accompany investments in digital technologies. Second, financial management capability should be reinforced by digital orientation, digital skills, and organizational digital capabilities to ensure an integrated transformation process. Third, enterprises should seek to optimize the use of formal institutional support rather than relying exclusively on community-based assistance.

In the Kendari context, digital transformation should be understood as a process of strengthening business capabilities, not merely increasing the use of digital devices or applications. Businesses should improve digital financial recordkeeping, adopt appropriate digital financial services, and plan technology investments carefully to support long-term continuity and competitiveness.

The principal limitation of the study is its conceptual nature and reliance on a synthesis of published literature rather than primary data collected in Kendari City. Future research should survey local entrepreneurs and business organizations and empirically test the proposed relationships among financial management capability, financial accessibility, digital capability, digital transformation, and financial performance. Such evidence would provide a stronger basis for assessing the applicability of the framework to the local business environment.

REFERENCES

- Alyani, I., Saptono, I. T., & Jahroh, S. (2023). Digital transformation drivers for Indonesian MSMEs. *Indonesian Interdisciplinary Journal of Sharia Economics (IJSE)*, 7(1), 423–441. <https://doi.org/10.31538/ijse.v7i1.4374>
- Athia, I., Soetjipto, B. E., & Efendi, E. (2023). The improvement of MSMEs' business performance during the COVID-19 pandemic through financial and digital literacy. *Jurnal Ekonomi Bisnis dan Kewirausahaan*, 12(1). <https://doi.org/10.26418/jebik.v12i1.58984>
- Barragan, K. E., & Becker, F. S. R. (2024). Keeping pace with the digital transformation—Exploring the digital orientation of SMEs. *Small Business Economics*, 64(3), 1361–1385. <https://doi.org/10.1007/s11187-024-00947-7>
- Destrian, O. (2025). The influence of manager's digital literacy on SMEs' digital transformation in Indonesia: A microfoundational context. *IEEE Transactions on Engineering Management*, 72, 4237–4249. <https://doi.org/10.1109/TEM.2024.3467925>
- Gunawan, A., Jufrizen, J., & Pulungan, D. R. (2023). Improving MSME performance through financial literacy, financial technology, and financial inclusion. *International Journal of Applied Economics Finance and Accounting*, 15(1), 39–52. <https://doi.org/10.33094/ijaefa.v15i1.761>
- Kurniasari, F., Lestari, E. D., & Tannady, H. (2023). Pursuing long-term business performance: Investigating the effects of financial and technological factors on digital adoption to leverage SME performance and business sustainability—Evidence from Indonesian SMEs in the traditional market. *Sustainability*, 15(16), 12668. <https://doi.org/10.3390/su151612668>
- Kurniawati, E., Idris, I., Handayati, P., & Osman, S. (2021). Digital transformation of MSMEs in Indonesia during the pandemic. *Journal of Entrepreneurship and Sustainability Issues*, 9(2), 316–331. [https://doi.org/10.9770/jesi.2021.9.2\(21\)](https://doi.org/10.9770/jesi.2021.9.2(21))
- Kusumawardhani, R., Ningrum, N. K., & Rinofah, R. (2023). Investigating digital financial literacy and its impact on SMEs' performance: Evidence from Indonesia. *International Journal of Professional Business Review*, 8(12). <https://doi.org/10.26668/businessreview/2023.v8i12.4097>
- Li, Y., & Ming, C. W. (2024). Digital transformation and its effects on the financial performance of Malaysian SMEs. *Journal of Digitainability, Realism & Mastery (DREAM)*, 3(8), 21–32. <https://doi.org/10.56982/dream.v3i08.263>
- Purnomo, S., Nurmalitasari, N., & Nurchim, N. (2024). Digital transformation of MSMEs in Indonesia: A systematic literature review. *Journal of Management and Digital Business*, 4(2), 301–312. <https://doi.org/10.53088/jmdb.v4i2.1121>
- Rosyidiana, R. N., & Narsa, I. M. (2024). Micro, small, and medium-sized enterprises (MSMEs) during the post-pandemic economic recovery period: Digitalization, iteration, innovation, and its impact on financial performance. *Econstor*, 11(1). <https://doi.org/10.1080/23311975.2024.2342488>
- Rupeika-Apoga, R., Petrovska, K., & Буле, Л. (2022). The effect of digital orientation and digital capability on digital transformation of SMEs during the COVID-19 pandemic. *Journal of Theoretical and Applied Electronic Commerce Research*, 17(2), 669–685. <https://doi.org/10.3390/jtaer17020035>
- Saeedikiya, M., Salunke, S., & Kowalkiewicz, M. (2024). Toward a dynamic capability perspective of digital transformation in SMEs: A study of the mobility sector. *Journal of Cleaner Production*, 439, 140718. <https://doi.org/10.1016/j.jclepro.2024.140718>
- Sari, Y. W., Nugroho, M., & Rahmiyati, N. (2023). The effect of financial knowledge, financial behavior and digital financial capabilities on financial inclusion, financial concern and performance in MSMEs in East Java. *Uncertain Supply Chain Management*, 11(4), 1745–1758. <https://doi.org/10.5267/j.uscm.2023.6.016>
- Teng, X., Wu, Z., & Yang, F. (2022). Research on the relationship between digital transformation and performance of SMEs. *Sustainability*, 14(10), 6012. <https://doi.org/10.3390/su14106012>

- Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2021). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. *Technological Forecasting and Social Change*, 174, 121227. <https://doi.org/10.1016/j.techfore.2021.121227>
- Ullah, M. R., Tahir, S. H., Shahzadi, H., & Kamran, H. W. (2023). Digital pathways to success: The transformative power of digitalization and digital capabilities on SMEs' financial performance. *iRASD Journal of Economics*, 5(2), 465–485. <https://doi.org/10.52131/joe.2023.0502.0140>
- Wahyundaru, S. D., et al. (2024). Linking the role of e-commerce and financial literacy on MSME's sustainability performance during the digital era. *International Journal of Data and Network Science*, 8(4), 2651–2662. <https://doi.org/10.5267/j.ijdns.2024.4.013>
- Widagdo, B., & Sa'diyah, C. (2023). Business sustainability: Functions of financial behavior, technology, and knowledge. *Problems and Perspectives in Management*, 21(1), 120–130. [https://doi.org/10.21511/ppm.21\(1\).2023.11](https://doi.org/10.21511/ppm.21(1).2023.11)