

# Expansion of Micro, Small and Medium Enterprises in Surabaya City: The Role of Financial Management and Digital Finance Inclusion

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**Abstract:** Micro, Small and Medium Enterprises (MSMEs) have an important role in local economic growth, including in the city of Surabaya. However, the expansion of MSMEs still faces challenges in terms of financial management and limited access to digital financial services. This study aims to analyze the influence of financial management and digital finance inclusion on the expansion of MSMEs in Kemayoran Village, Surabaya City. The research method used a quantitative approach by distributing questionnaires to 70 MSME respondents. Data analysis was carried out by partial least square regression (PLS) to test the influence of independent variables on dependent variables. The results of the study show that financial management has a positive and significant effect on the expansion of MSMEs, while digital finance inclusion also has a positive and significant effect. The novelty of this research lies in the combination of two key factors, namely financial management and digital finance inclusion, in one analysis model that was previously rarely studied in an integrated manner in the context of MSMEs at the village level. These findings confirm that strengthening financial management capacity and the use of digital financial services can encourage business expansion for MSMEs.

**Keywords:** financial management, digital finance inclusion, MSME expansion

## 1. Introduction

A country's economy cannot be separated from the strategic role of the Micro, Small, and Medium Enterprises (MSMEs) sector. Based on the Law of the Republic of Indonesia Number 20 of 2008 concerning MSMEs, micro businesses are defined as productive businesses owned by individuals and/or individual business entities that meet certain net worth and annual sales criteria. In addition, Government Regulation Number 7 of 2021 also regulates the facilitation, protection, and empowerment of MSMEs. The MSME sector in Indonesia has proven to be able to be the main buffer of the national economy, especially in a situation of global economic instability. MSMEs have a vital role in creating jobs, increasing people's income, and supporting local economic growth.

MSMEs in Indonesia have reached 64 million business units that contribute more than 60% to the Gross Domestic Product (GDP) and provide almost 97% of jobs (Kementerian Koperasi dan UKM, 2023). This shows that MSMEs play an important role as the main driver of the national economy. According to (Azzahra & Prasadha Wibawa, 2021) Even though MSMEs have a strategic role in supporting the national economy, efforts to improve business performance still face various challenges. One of the main obstacles faced by MSME actors is the difficulty in comprehensively evaluating performance. This is due to the tendency of most MSME actors to focus more on daily operational activities, thus ignoring other factors that also affect the success and sustainability of their business. In addition, the main problem that is often found is the difficulty in accessing formal financing from financial institutions due to the absence of adequate financial statements. Many MSMEs do not have a neat and organized recording system. This certainly hinders them from doing more strategic financial planning and management, which is very important for long-term business development (Tahir et al., 2025). In this case, good financial management is one of the key factors to support wider business expansion (Gifria & Indriani, 2023).

In the current era of digitalization, digital finance inclusion has become an alternative solution to overcome MSMEs' limited access to formal financial services. Digital finance inclusion refers to the ability of individuals and businesses to access and use digital financial services that are affordable, easy to use, and in accordance with their needs. This concept includes access to various digital financial products and services such as electronic payments, digital savings, online credit, digital insurance, and investment through financial technology platforms (Ozili, 2023).

Based on the 2024 National Survey on Financial Literacy and Inclusion (SNLIK), the national financial inclusion rate will reach 88.96% in 2024, an increase from 85.1% in 2022. However, the financial literacy rate is only at 55.33%, which means that there is a gap between access to financial services and the understanding of how to use them effectively. Meanwhile, Bank Indonesia noted that the value of digital payment transactions in 2023 reached IDR 7,805 trillion, a significant increase compared to the previous year, with MSMEs being one of the largest users. This increase is also reflected in the increasing number of MSMEs that utilize fintech lending, mobile banking, and digital wallet services to support their business activities. However, the Financial Services Authority (OJK) highlighted that there are still challenges in the form of low digital literacy among some MSME actors, transaction security issues, and limitations of technology-based financial education. This phenomenon emphasizes that the success of the use of digital finance inclusion to encourage business expansion is highly

dependent on the ability of MSME actors to manage finances effectively and utilize financial technology optimally. This condition shows that although access to digital financial services is getting wider, the success of MSMEs in utilizing them for business expansion is highly dependent on good financial management skills.

At the regional level, East Java Province has recorded significant progress in financial inclusion—with the inclusion index reaching 92.99% in 2022, exceeding the national target, but financial literacy is still at 55.32%, indicating a gap between access and understanding. The digitization of financial services is also growing rapidly; until mid-2024, there are around 3.73 million merchants in East Java (63% of whom are micro MSMEs) transacting through QRIS, with a total transaction of IDR 22.6 trillion and 7.1 million users. In addition, digital education initiatives such as the "Cerdig" program for Islamic boarding school MSMEs, as well as digital education campaigns such as "Sinau Digital" in Surabaya, emphasize that access to digital services alone is not enough—MSMEs need adequate financial management and technology literacy so that digital finance can truly be a catalyst for business expansion.

In their research, Gifria & Indriani (2023) found that financial management has a significant effect on the growth and expansion of MSMEs. However, other research shows that financial management has no effect on the expansion of MSME businesses. The same thing also happens with the digital finance inclusion variable. Ozili (2023) stated that digital financial services have a positive effect on increasing access to financing and expanding the MSME market network, while Ranti & Sartika (2024) found that digital finance inclusion does not have a significant effect when the digital financial literacy of business actors is low. The difference in the results of this study shows that there is an inconsistency of the findings, so further studies are needed to test the two variables simultaneously in a local context, especially MSMEs in Kemayoran Village, Surabaya City.

The purpose of this study is to analyze the influence of financial management and digital finance inclusion on the expansion of MSMEs in Kemayoran Village, Surabaya City. A number of previous studies have shown mixed results. There are studies that have found that financial management has a positive effect on the development of MSMEs, but there are also those that show that financial management does not have a significant influence on business expansion. Likewise, several studies confirm that digital finance inclusion plays a role in increasing access to capital and expanding markets, but there are other studies that state that its influence is still limited due to the low digital financial literacy among MSME actors. The inconsistency of these findings shows that there is a research gap that needs to be investigated further, especially by testing the two variables simultaneously in a local context such as Kemayoran Village.

The findings of this study are expected to make a significant contribution in explaining the extent to which financial management and digital finance inclusion are able to encourage the expansion of MSMEs. This study seeks to fill the gap in the literature by examining both variables in a comprehensive analytical framework, so as to provide a clearer picture of internal and external factors that play a role in the growth of MSMEs. The results of the research are expected not only to enrich academic discourse, but also to provide practical recommendations for MSME actors, the government, and related institutions in developing strategies to strengthen financial management and the use of digital financial services.

#### The Influence of Financial Management on MSME Expansion

Financial management is a crucial aspect in the sustainability and development of MSMEs. By definition, financial management is the activity of planning, organizing, directing, and controlling financial resources to achieve business goals efficiently. Weaknesses in financial management are often the main cause of MSMEs' failure to expand, even when the market outlook looks promising, due to liquidity issues or misallocation of funds.

Based on research by Khair, Sale, Limoa, & Yuliana (2025), financial management practices have a positive effect on business growth, including expansion, in MSMEs in Makassar. These findings are in line with Pasiakan, Pompeng, & Palimbong (2025) which proves that effective financial management encourages the improvement of MSME business performance in the culinary sector in Tana Toraja. However, different results were shown by Tangga, Murni, & Wullur (2023) who found that financial management did not have a significant effect on the expansion of MSMEs in Mangaran Village, Talaud Islands.

H1: Financial management affects MSME Expansion

#### The Effect of Digital Finance Inclusion on MSME Expansion

Digital finance inclusion refers to the access and use of formal financial services based on digital technology by the public and business actors. For MSMEs, digital finance inclusion includes the use of services such as digital wallets (e-wallets), mobile banking, fintech lending, and electronic payments to support business activities

Research by Mali (2023) shows that digital financial inclusion has an effect on the expansion of MSMEs in accessing capital, accelerating transactions, and assisting business management, which ultimately has a positive impact on the development of business scale. Daud et al. (2022) also found that digital finance has a positive and significant influence on the financial performance of MSMEs in Indonesia, which is the foundation for growth and expansion. Meanwhile, in a study by Hilmawati & Rohmawati (2021), financial inclusion—which includes digital-finance services—has no effect on the performance or sustainability of

MSMEs in Surabaya. Research by Rochaida et al. (2024) shows that financial inclusion and economic development have a positive impact on the growth of MSMEs in East Kalimantan.

H2: Digital Finance Inclusion Affects MSME Expansion

## 2. Research Methods

This study uses a quantitative approach. The data used in this study is primary data. The focus of the research is directed at testing the hypothesis regarding the influence of financial management and digital finance inclusion on the expansion of MSMEs. The population in this study includes all MSMEs that are actively operating in Kemayoran Village, Surabaya. With the number of samples obtained, 70 respondents were considered representative to represent the research population. The analysis technique in this study uses the Partial Least Squares (PLS) method with the help of SmartPLS software.

Financial Management variables are measured using indicators from the research (Supiandi & Widodo, 2022) that is:

- a. Financial Planning
- b. Financial Recording
- c. Financial Reporting
- d. Financial control

The variables of Digital Finance Inclusion are measured using indicators from the Financial Services Authority (2017), namely:

- a. Access
- b. Product availability
- c. Product usage
- d. Quality. Financial Services

Business expansion refers to the efforts of MSME actors in developing their business scale, both through increasing market coverage, increasing the number of customers, and increasing sales levels. MSME expansion variables are measured using indicators from the research (Ain, 2022):

- a. Increased sales volume
- b. Increased number of customers
- c. Addition of new business locations or branches
- d. Expansion of marketing areas

## 3. Results and Discussion

Data analysis was carried out to describe the results and responses of the respondents to each statement related to the research variable. A total of 70 respondents gave answers that

were analyzed based on the items of statements in the questionnaire representing the variables of Financial Management (X1), Digital Financial Inclusion (X2), and MSME Business Expansion (Y).

### 3.1. Description of Research Results

The data collection process was carried out through direct visits to the places where MSMEs operate to ensure that respondents understood the content of the questionnaire which was conducted from August 14 to August 15, 2025. The following is a breakdown of the return rate of the questionnaire that allows the data to be further processed by the researcher:

Table 1. Questionnaire Return Amount

Information	Sum	Percentage
Questionnaires shared	70	100%
Returned questionnaire	70	100%
Unfilled questionnaire	0	0%
Questionnaire Processed	70	100%

Source: Data processed by researchers (2025)

#### 3.1.1 Description of Financial Management Variables

Table 2 Financial Management Variable Answer Recapitulation

Pernyataan	1	2	3	4	5	Skor	Mean
	STS	TS	N	S	SS		
X1.1.1	0 <b>0%</b>	1 <b>1%</b>	7 <b>10%</b>	42 <b>60%</b>	20 <b>29%</b>	70 <b>100%</b>	4,15
X1.1.2	0 <b>0%</b>	2 <b>3%</b>	6 <b>9%</b>	36 <b>51%</b>	26 <b>37%</b>	70 <b>100%</b>	4,22
X1.2.1	1 <b>1%</b>	2 <b>3%</b>	12 <b>17%</b>	28 <b>40%</b>	27 <b>39%</b>	70 <b>100%</b>	4,11
X1.2.2	0 <b>0%</b>	1 <b>1%</b>	12 <b>17%</b>	31 <b>44%</b>	26 <b>37%</b>	70 <b>100%</b>	4,17
X1.3.1	3 <b>4%</b>	1 <b>1%</b>	6 <b>9%</b>	34 <b>49%</b>	26 <b>37%</b>	70 <b>100%</b>	4,12
X1.3.2	1 <b>1%</b>	0 <b>0%</b>	6 <b>9%</b>	30 <b>43%</b>	33 <b>47%</b>	70 <b>100%</b>	4,34
X1.4.1	0 <b>0%</b>	1 <b>1%</b>	9 <b>13%</b>	31 <b>44%</b>	29 <b>41%</b>	70 <b>100%</b>	4,25
X1.4.2	0 <b>0%</b>	0 <b>0%</b>	5 <b>7%</b>	32 <b>46%</b>	33 <b>47%</b>	70 <b>100%</b>	4,40
	5	8	63	264	220	560	

Total            1%            1%            11%            47%            39%            100%

Source: Processed by Researcher (2025)

Based on the recapitulation table of financial management variable answers, it is known that the smallest mean value is found in the second indicator, namely Financial Recording precisely in statement X1.2.1 with a mean value of 4.11. Meanwhile, the highest mean value was found in the X1.4.2 statement in the Financial Control indicator, with a mean of 4.40. This shows that the Financial Control aspect is considered the best by the respondents, while the Financial Recording aspect is still considered relatively lower. In general, most of the respondents' answers were in the Agree (S) category, which was 264 answers (47.%) and the lowest answer was Strongly Disagree (STS), which was 5 answers (1%).

### 3.1.2 Description of Digital Finance Inclusion Variables

Table 3 Recapitulation of Answers to MSME Expansion Variables

Statement	1	2	3	4	5	Skor	Mean
	STS	TS	N	S	SS		
X2.1.1	0 0%	6 9%	11 16%	36 51%	17 24%	70 100%	3,91
X2.1.2	0 0%	3 4%	11 16%	34 49%	22 31%	70 100%	4,07
X2.2.1	0 0%	1 1%	15 21%	36 51%	18 26%	70 100%	4,01
X2.2.2	0 0%	3 4%	11 16%	36 51%	20 29%	70 100%	4,04
X2.3.1	1 1%	1 1%	8 11%	35 50%	25 36%	70 100%	4,17
X2.3.2	1 1%	0 0%	5 7%	31 44%	33 47%	70 100%	4,35
X2.4.1	1 1%	1 1%	14 20%	26 37%	28 40%	70 100%	4,12
X2.4.2	0 0%	1 1%	7 10%	28 40%	34 49%	70 100%	4,35
<b>Total</b>	3 1%	16 3%	82 15%	262 47%	197 35%	560 100%	

Based on the recapitulation of the answers to the digital finance inclusion variable, it is known that the smallest mean value is found in the first indicator, namely Access precisely in the X1.1.1 statement with a mean value of 3.91. Meanwhile, the highest mean value was found in statement X1.3.2 in the Product Usage indicator, with a mean of 4.35 and the same as the statement X2.4.2 in the Financial Services Quality indicator with a mean of 4.35. This shows that the aspects of Product Use and Quality of Financial Services are rated the best by

respondents, while the Access aspect is still rated relatively lower. In general, most of the respondents' answers were in the Agree (S) category, which was 262 answers (47.%) and the lowest answer was Strongly Disagree (STS), which was 3 answers (1%).

### 3.1.3 Description of MSME Expansion Variables

Table 4. Recapitulation of MSME Expansion Variable Answers

Statement	1	2	3	4	5	Skor	Mean
	STS	TS	N	S	SS		
Y1.1.1	0	1	9	35	25	70	4,20
	<b>0%</b>	<b>1%</b>	<b>13%</b>	<b>50%</b>	<b>36%</b>	<b>100%</b>	
Y1.1.2	0	1	5	31	33	70	4,37
	<b>0%</b>	<b>1%</b>	<b>7%</b>	<b>44%</b>	<b>47%</b>	<b>100%</b>	
Y1.2.1	0	2	6	30	32	70	4,31
	<b>0%</b>	<b>3%</b>	<b>9%</b>	<b>43%</b>	<b>46%</b>	<b>100%</b>	
Y1.2.2	0	0	12	30	28	70	4,22
	<b>0%</b>	<b>0%</b>	<b>17%</b>	<b>43%</b>	<b>40%</b>	<b>100%</b>	
Y1.3.1	0	0	7	33	30	70	4,32
	<b>0%</b>	<b>0%</b>	<b>10%</b>	<b>47%</b>	<b>43%</b>	<b>100%</b>	
Y1.3.2	0	1	10	26	33	70	4,30
	<b>0%</b>	<b>1%</b>	<b>14%</b>	<b>37%</b>	<b>47%</b>	<b>100%</b>	
Y1.4.1	0	2	6	26	36	70	4,37
	<b>0%</b>	<b>3%</b>	<b>9%</b>	<b>37%</b>	<b>51%</b>	<b>100%</b>	
Y1.4.2	0	3	11	28	28	70	4,15
	<b>0%</b>	<b>4%</b>	<b>16%</b>	<b>40%</b>	<b>40%</b>	<b>100%</b>	
Total	0	10	66	239	245	560	
	<b>0%</b>	<b>2%</b>	<b>12%</b>	<b>43%</b>	<b>44%</b>	<b>100%</b>	

Source: Researcher-processed data (2025)

Based on the recapitulation table of the MSME Expansion variable, it is known that the smallest and largest mean value is found in the fourth indicator, namely Marketing Area Expansion, precisely in statement Y1.4.2 with a mean value of 4.15, then the largest is located in statement Y1.4.1 with a mean value of 4.37 and the same amount as statement Y1.1.2 in the indicator of Increase in sales volume, with a mean of 4.37. This shows that the Increase in sales volume aspect is rated the best by respondents, while the Marketing Area Expansion aspect is still rated relatively lower. In general, most of the respondents' answers were in the category of Strongly Agree (SS) which was as many as 245 answers (44.%) and the lowest answer was Strongly Disagree (STS) which was as many as 0 answers (0%).

### 3.1.4 Model Measurement Results (Outer Model)

Table 5. Validitas Convergence (convergent validity)

	Financial management	Inclusive Finance	Digital	MSME Expansion
X1.1.1	0.902			
X1.1.2	0.826			
X1.2.1	0.685			
X1.2.2.	0.757			
X1.3.1	0.613			
X1.3.2	0.567			
X1.4.1	0.716			
X1.4.2	0.691			
X2.1.1		0.786		
X2.1.2		0.834		
X2.2.1		0.842		
X2.2.2.		0.826		
X2.3.1		0.855		
X2.3.2		0.72		
X2.4.1		0.773		
X2.4.2		0.724		
Y1.1.1				0.761
Y1.1.2				0.785
Y1.2.1				0.728
Y1.2.2.				0.752
Y1.3.1				0.763
Y1.3.2				0.808
Y1.4.1				0.844
Y1.4.2				0.731

Source: Data processed by researchers (2025)

Based on the table, it can be seen that all indicators in the research variables are declared valid, because each indicator has an Outer Loadings value of more than 0.60. Therefore, the items in the questionnaire are suitable for use in the next stage of analysis. In addition, the validity of the convergence is also tested through the Average Variance Extracted (AVE) value, where a construct is categorized as valid if the AVE value exceeds 0,5.

Tabel 6. Average Variance Extracted

Variable	Average Variance Extracted (AVE)
Financial management	0.597
Inclusive Digital Finance	0.634
MSME Expansion	0.528

**Source: Researcher-processed data(2025)**

Based on the table, the entire Average Variance Extracted (AVE) value is greater than 0.50. These results show that each indicator has met the conditions for convergent validity, so it can be said to be able to represent the construct that is well researched. Thus, research instruments can be declared feasible, valid, and can be used for the next stage of analysis, including testing relationships between variables and testing hypotheses.

Table 7. Discriminant Validity

Variabel	Financial Management (X1)	Inclusive Digital Finance (X2)	MSME Expansion (Y)
X1-1	0,902	0,748	0,808
X1-2	0,826	0,704	0,763
X1-3	0,685	0,620	0,530
X1-4	0,757	0,639	0,629
X1-5	0,613	0,518	0,471
X1-6	0,567	0,455	0,456
X1-7	0,716	0,579	0,677
X1-8	0,691	0,471	0,627
X2-1	0,616	0,786	0,540
X2-2	0,706	0,834	0,680
X2-3	0,661	0,842	0,620
X2-4	0,656	0,826	0,571
X2-5	0,716	0,855	0,594
X2-6	0,645	0,720	0,647
X2-7	0,569	0,773	0,608
X2-8	0,639	0,724	0,747
Y1	0,684	0,721	0,761
Y2	0,559	0,668	0,785
Y3	0,645	0,582	0,728
Y4	0,647	0,583	0,752
Y5	0,689	0,525	0,763
Y6	0,693	0,596	0,808
Y7	0,762	0,655	0,844
Y8	0,651	0,585	0,731

Source: Researcher-processed data (2025)

Based on the table, it is known that each indicator has a higher loading factor value to its own variable compared to other variables. These findings indicate that the validity of the discriminant through the cross loading test has been achieved.

Table 8. Composite Reliability Test

Variabel	Composite Reliability	Cronbach Alpha	Average Variance Extracted (AVE)
Financial management	0,898	0,868	0.597
Inclusive Digital Finance	0,933	0,917	0.634
MSME Expansion	0,922	0,903	0.528

Source: Data processed by researchers (2025)

The results of reliability testing through Composite Reliability and Cronbach's Alpha show good results. All latent variables are declared reliable, as each has a Composite Reliability and Cronbach's Alpha values that exceed.

### 3.1.5 Hasil Uji Model Struktural (Inner Model)

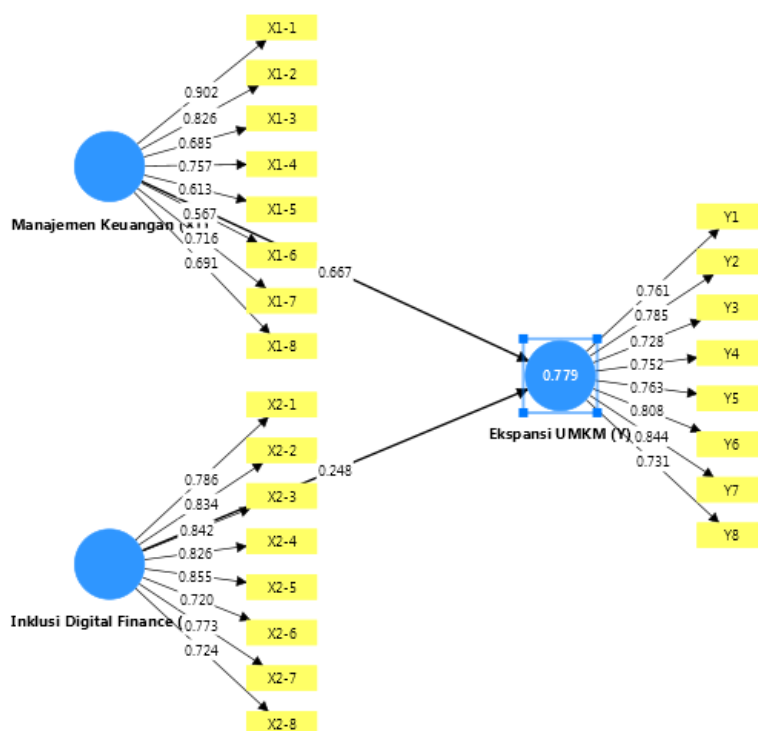


Figure 1. Test Inner Model

After testing the outer model to ensure the validity and reliability of the instrument, the next stage is to test the inner model or structural model. The internal testing of the model aims to assess the relationships between latent constructs in the research model, which includes an analysis of the path coefficient, the level of significance (p-value or t-statistic), and the R-Square value ( $R^2$ ) which describes how much influence independent variables have on dependent variables.

Table 9. Coefficient of Determination Test ( $R^2$ )

Variable	R-square	R-square adjusted
MSME Expansion	0,779	0,773

Source: Data processed by researchers (2025)

The R-Square value for the MSME Expansion variable is 0.773, with the Adjusted R-Square value of 0.779. This shows that 77.9% of the variability of MSME Expansion can be explained by independent variables in the model, while the remaining 22.1% is explained by other factors outside the model. With an  $R^2$  value of 0.779, the model's ability to explain dependent variables is in the strong category, according to the general interpretation of the R-Square value in the PLS analysis.

Table 10. Hypothesis Test Results

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistic (O/STDEV)	P values
Financial Management (X1) = MSME Expansion (Y)	0,667	0,677	0,102	6,531	0,000
Digital Finance Inclusion (X2) = MSME Expansion (Y)	0,248	0,243	0,101	2,453	0,014

Source: Data processed by researchers (2025)

Based on the following table, it can be explained that:

The first hypothesis test in this study tests whether Financial Management has an effect on MSME Expansion. Based on the test results in table 4.13, a beta coefficient value of 0.667 with a t-statistical value of 6.531, and a p-value of 0.000 was obtained. From these results, it was stated that the influence was statistically significant, because the t-statistical value was  $< 1.96$  and the p-value  $> 0.05$ . Thus, the first hypothesis is accepted, which means that Financial Management is proven to have an influence on the Expansion of MSMEs

The second hypothesis in this study tests the effect of Digital Finance Inclusion on MSME Expansion. The test results in table 4.13 show a beta coefficient value of 0.248 with a t-statistic of 2.453 and a p-value of 0.014. From these results, it is stated that the influence of Digital Finance Inclusion on MSME Expansion is statistically significant because the t-value is  $> 1.96$  and the p-value is  $< 0.05$ . Thus, the second hypothesis is accepted, which shows that the Influence of Digital Finance Inclusion is proven to have an influence on MSME Expansion.

### 3.2. Discussion

#### **The Influence of Financial Management on the Expansion of MSMEs.**

The results of the study show that financial management has a positive and significant effect on the expansion of MSMEs in Kemayoran Village, Surabaya. The implementation of good financial management, including budget planning, record-keeping, cost control, and cash flow management, has been proven to encourage an increase in sales volume, customer addition, and the opening of new branches. MSMEs with an organized financial system are able to take advantage of market opportunities more optimally compared to MSMEs that still mix personal and business finance. These findings support a business development theory that emphasizes the importance of internal resource management for business growth, while reinforcing the results of previous research that stated that effective financial practices improve the performance and expansion capacity of MSMEs. Thus, financial management not only maintains financial stability, but also becomes the main foundation in business expansion strategies and increasing the competitiveness of MSMEs.

#### **The Influence of Digital Finance Inclusion on MSME Expansion.**

The results of the study show that digital finance inclusion has a positive and significant effect on the expansion of MSMEs. Access and utilization of digital financial services, such as mobile banking, e-wallets, QRIS, and fintech platforms, encourage operational efficiency, expand market networks, and increase the competitiveness of MSMEs. The presence of digital financial technology not only serves as a means of transactions, but also as a strategic instrument in accelerating business expansion. These findings are in line with previous research that confirmed the positive influence of digital finance, financial literacy, and financial inclusion on the performance and sustainability of MSMEs. However, obstacles are still encountered, such as low understanding of technology, security issues, and limited education. Therefore, digital finance inclusion needs to be supported by good financial management so that the benefits can be optimal for the growth and expansion of MSMEs.

### 4. Conclusion

This research was conducted on MSMEs in Kemayoran Village, Surabaya City, with the aim of analyzing the influence of financial management and digital finance inclusion on business expansion. The results of the study show that financial management has a positive and significant effect on the expansion of MSMEs, where structured financial management ranging from planning, recording, reporting, to control is able to support the expansion of business capacity. In addition, digital finance inclusion also has a positive and significant effect on the expansion of MSMEs, through ease of transactions, access to financing, and expansion of

marketing networks through the use of digital financial services. These findings confirm that the combination of internal capabilities in managing finances and the use of modern financial technology can be an important driver for the growth of MSMEs.

However, this study has limitations in the questionnaire instruments used. Because it is self-reported, respondents' answers are highly dependent on individual perceptions and interpretations so that they may not fully reflect the actual conditions. Therefore, the next research is expected to complement the questionnaire method with in-depth interviews or direct observation and expand the number of respondents so that the results are more representative. From a practical perspective, MSME actors are advised to improve their financial management skills, especially in recording and control, as well as maximize the use of digital finance services to support transactions and access to financing. Meanwhile, the government and related institutions are expected to provide intensive training and assistance on digital financial literacy, so that MSMEs are able to manage finances while utilizing technology optimally to encourage business expansion.

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