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# Smart Finance, Stronger Business: Digital Financial Management Impact On MSME Sustainability

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***Abstract:*** *The effect of digital financial management on the long-term viability of SMEs in Pangkalpinang City is examined in this study. This study looks at how business financial management and the sustainability of SMEs are affected by the use of digital financial technology, digital financial literacy, digital security awareness, and digital payment integration. Using a quantitative approach and survey methodology, the study aims to survey 389 MSME owners and managers in Pangkalpinang who were chosen by simple random sampling. Structural Equation Modeling-Partial Least Square (SEM-PLS) was used to analyze the data. The findings of the study indicate that the Adoption of Digital Financial Technology has the strongest influence on Business Financial Management (0.716) and MSME Sustainability (0.934), followed by Digital Financial Literacy which significantly affects Business Financial Management (0.603) and MSME Sustainability (0.735). Digital Security Awareness and Digital Payment Integration also show a positive influence on both variables. Business Financial Management has a positive effect on the Sustainability of SMEs (0.605), with an R Square value of 0.742 indicating that the research model has strong predictive capability. These findings imply the importance of digital transformation in supporting the sustainability of MSMEs through the enhancement of operational efficiency and the optimisation of financial resource management.*
***Keywords:*** *Digital Financial Technology; Digital Financial Management; MSME Sustainability; SEM-PLS; Pangkalpinang City*

## INTRODUCTION

Digital financial management has emerged as an important aspect supports the city of Pangkalpinang's MSMEs, particularly in improving their competitiveness and operational efficiency. Information from the MSME Office and Pangkalpinang Cooperative (2023) reveals that there are 13,426 registered MSMEs, with the majority still facing challenges in adopting digital financial technology. (Triwahyono et al., 2023) emphasise that technological innovation plays a crucial role in enhancing the operational efficiency of MSMEs through better digital financial management.

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The implementation of digital payment systems has facilitated easier access to financial services for SMEs in Pangkalpinang. (Ummasyroh et al., 2024) found that digital payments significantly contribute to the development of MSME businesses by increasing transaction efficiency and the accuracy of financial record-keeping. However, (Sonker & Agarwal, 2024) identified inadequate digital infrastructure as the main barrier to the adoption of financial technology among MSMEs.

The effective use of financial technology now depends heavily on digital financial literacy. (Mangawing et al., 2023) found that SMEs with higher levels of digital financial literacy demonstrate better business performance, particularly in cash flow management and financial decision-making. In Pangkalpinang, awareness of the importance of digital security in financial transactions has become a major concern, where (Zaky & Hamidi, 2022)) revealed that many SMEs are still worried about security risks in adopting digital financial solutions.

SMEs in Pangkalpinang face significant challenges in implementing effective digital financial management. The first issue relates to the Adoption of Digital Financial Technology, where inadequate digital infrastructure and financial constraints limit the ability of SMEs to implement technology. (Sinaga et al., 2023) identify that resource limitations hinder SMEs from investing in training and the development of digital financial technology systems. (Susilowati et al., 2023) added that technological readiness and user interface quality remain major obstacles in the adoption of financial technology.

Digital Financial Literacy emerged as the second challenge faced by MSMEs in Pangkalpinang. (Perwitasari, 2022) found that many MSME operators still lack understanding of the use of digital financial tools, which impacts their financial planning and decision-making abilities. (Edwy et al., 2023) revealed that limited financial knowledge leads to reluctance in adopting digital solutions for business financial management.

Digital security awareness has become the third critical issue. (Nawai, 2024) identified high concerns among SMEs in Pangkalpinang regarding the security of financial data in the use of digital platforms. (Zaky & Hamidi, 2022) add that the perception of risk and privacy concerns drivess SMEs to maintain traditional payment methods. (Aprialita et al., 2024) emphasise that the lack of understanding of protective measures in digital security hinders the effective integration of digital payment systems among SMEs.

Research on digital financial management for MSMEs in Pangkalpinang has revealed several significant gaps that require further investigation. First, although (Akhmadi et al., 2023) show that limited financial literacy impacts poor budgeting ability, there is still a gap in understanding how the Adoption of Digital Financial Technology, particularly ease of use and technology readiness, can enhance the financial management efficiency of MSMEs in Pangkalpinang.

Second, the research by Septiani and Wuryani (2020) indicates that financial literacy can improve the performance of MSMEs, but there has not yet been a comprehensive study examining how digital financial literacy, particularly in the aspects of understanding digital tools and financial planning skills, affects the sustainability of MSMEs in Pangkalpinang. Risman et al. (2023) found that financial technology has a positive impact on the financial behaviourr of SMEs, but the specific mechanism of how digital security awareness affects the adoption of financial technology is still unclear.

Developing an integrated model that links digital financial technology adoption, digital financial literacy, digital security awareness, and digital payment integration in the context of financial management for SMEs in Pangkalpinang is what makes this study novel. Unlike the research by Gomber et al. (2017), which focuses on the general aspects of fintech, this study specifically analyses how the quality of user interfaces, security knowledge, and the usability

of payment systems affect business financial management and the sustainability of SMEs in Pangkalpinang. Sun and Jie (2024) emphasise the role of digital financial inclusion in driving SME innovation, but this research further explores how the integration of digital payments can enhance resource allocation efficiency and the sustainability of SMEs in the local context of Pangkalpinang.

The urgency of this research is based on several critical aspects faced by MSMEs in the city of Pangkalpinang. First, digital transformation has become an urgent necessity for the 13,426 registered MSMEs in Pangkalpinang to survive and thrive. (Rachinger et al., 2019) assert that digitalisation not only changes business models but also introduces new technologies that can significantly enhance the performance and operational scope of SMEs.

Second, financial digitalisation has become an important driver to enhance the competitiveness of SMEs in Pangkalpinang. (Mav\clutova et al., 2022) et al. (2022) revealed that digital transformation Through improved operational efficiency and financial inclusion, the financial sector is essential to promoting sustainable development. (Shiau et al., 2020) add that fintech can improve financial services accessibility for SMEs, lower costs, and increase transparency.

Third, the integration of financial technology is becoming increasingly important to drive the sustainability of MSMEs in Pangkalpinang. (Visconti et al., 2020) emphasize the role of fintech in supporting sustainable development goals through the facilitation of green finance and responsible consumption. (Widagdo & Sa'diyah, 2023) strengthen this argument by showing that financial behaviour, technology, and knowledge are essential to the long-term viability of MSME enterprises. The significance of implementing digital financial technology for the sustainability of MSMEs in Pangkalpinang is demonstrated by the analysis results, which indicate a significant positive relationship between the adoption of digital financial technology and business financial management (path coefficient 0.716) and MSME sustainability (path coefficient 0.934). This makes the research urgent.

## RESEARCH METHODS

The survey method based on Structural Equation Modelling Partial Least Square (SEM-PLS) is used in this study's quantitative approach to investigate the associations between variables. The versatility of the SEM-PLS method to analyze intricate interactions between latent and manifest variables led to its selection, as well as its effectiveness in handling relatively small sample sizes. This study adopts an explanatory approach to investigate the causal relationships between digital financial technology adoption, digital financial literacy, digital security awareness, digital payment integration, business financial management, and MSME sustainability.

In order to capture the circumstances of SMEs in Pangkalpinang with regard to the adoption of digital financial technology, this study uses a cross-sectional design, gathering data over a predetermined time period. This technique choice is in line with the study's goals of investigating how technology adoption affects MSMEs' performance and sustainability, as evidenced by the results of (Aeni et al., 2024) regarding the positive correlation between the use of financial technology and MSME performance.

The necessity to quantify the degree of adoption of digital financial technology and its effect on firm financial management objectively led to the selection of a quantitative approach. (Antoni et al., 2024) demonstrated that quantitative methods effectively measure the impact of financial literacy and technology adoption on the long-term viability of SMEs. This study

incorporates the theoretical framework of (Kaur et al., 2022) to analyse fintech adoption among SMEs, revealing that 70.9% of respondents acknowledge the potential of fintech in revolutionising their financial operations.

Using simple random sampling, this study selected 389 owners/managers of MSMEs in Pangkalpinang from a total population of 13,426 registered MSMEs at the Pangkalpinang Cooperative and MSME Office in 2023. The determination of the sample size follows Slovin's formula with a margin of error of 5%. The respondent profile shows a dominance of women (57%), with the majority aged 36-45 years (42%) and the highest education level being high school (45%). Business characteristics indicate that the majority of SMEs have been operating for 4-7 years (45%) with a monthly income of IDR 10-50 million (42%). The level of digital payment adoption reaches 75%, indicating the readiness of MSMEs for digital transformation.

The research uses a structured questionnaire with a 1-5 Likert scale measurement for six main variables. Adoption of Digital Financial Technology (X1) tests ease of use, technology readiness, user interface quality, and system reliability. Digital Financial Literacy (X2) assesses financial knowledge, understanding of digital tools, financial planning skills, and financial decision-making skills. Digital Security Awareness (X3) evaluates risk perception, security knowledge, privacy concerns, and protective measures. Digital Payment Integration (X4) measures the usability of payment systems, transaction convenience, cost-effectiveness, and integration capability. Business Financial Management (Y) evaluates cash flow management, budget control, accuracy of financial records, and efficiency of resource allocation. The sustainability of SMEs (Z) measures business continuity, financial stability, growth potential, and market competitiveness.

Data collection was conducted through online and offline surveys during the period of January-March 2024, targeting MSME owners/managers in Pangkalpinang. The process begins with obtaining informed consent and providing an explanation of the research objectives as well as a guarantee of data confidentiality. Digital platforms distribute questionnaires to respondents who are familiar with technology, while face-to-face approaches serve respondents who need guidance. The research team conducted follow-up phone calls and direct visits to increase the response rate. Prior to the questionnaire's widespread distribution, a pilot test of the instrument's validity and reliability was conducted with 30 MSME respondents. A screening procedure is applied to the gathered data to guarantee the accuracy and completeness of the answers.

The research model is tested through data analysis utilizing the Structural Equation Modelling with a Partial Least Square (SEM-PLS) technique. Indicators' reliability is assessed using the outer loading criterion (>0.7), internal consistency is assessed using Composite Reliability and Cronbach's Alpha (>0.7), convergent validity is assessed using Average Variance Extracted (>0.5), and discriminant validity is assessed using the Fornell-Larcker and HTMT criteria. R-squared analysis is used to assess the structural model's predictive power, using criteria of 0.75 (strong), 0.50 (moderate), and 0.25 (weak). The assessment of predictive relevance uses Q-Square with a threshold >0, while path coefficients undergo significance testing through a bootstrapping procedure with 5000 subsamples. Mediation and moderation analysis tests the indirect effects and interactions of variables. Handling missing data uses mean replacement for cases with <5% missing value, while outlier identification uses z-score analysis with a threshold of ±3.29.

## RESULTS AND DISCUSSIONS

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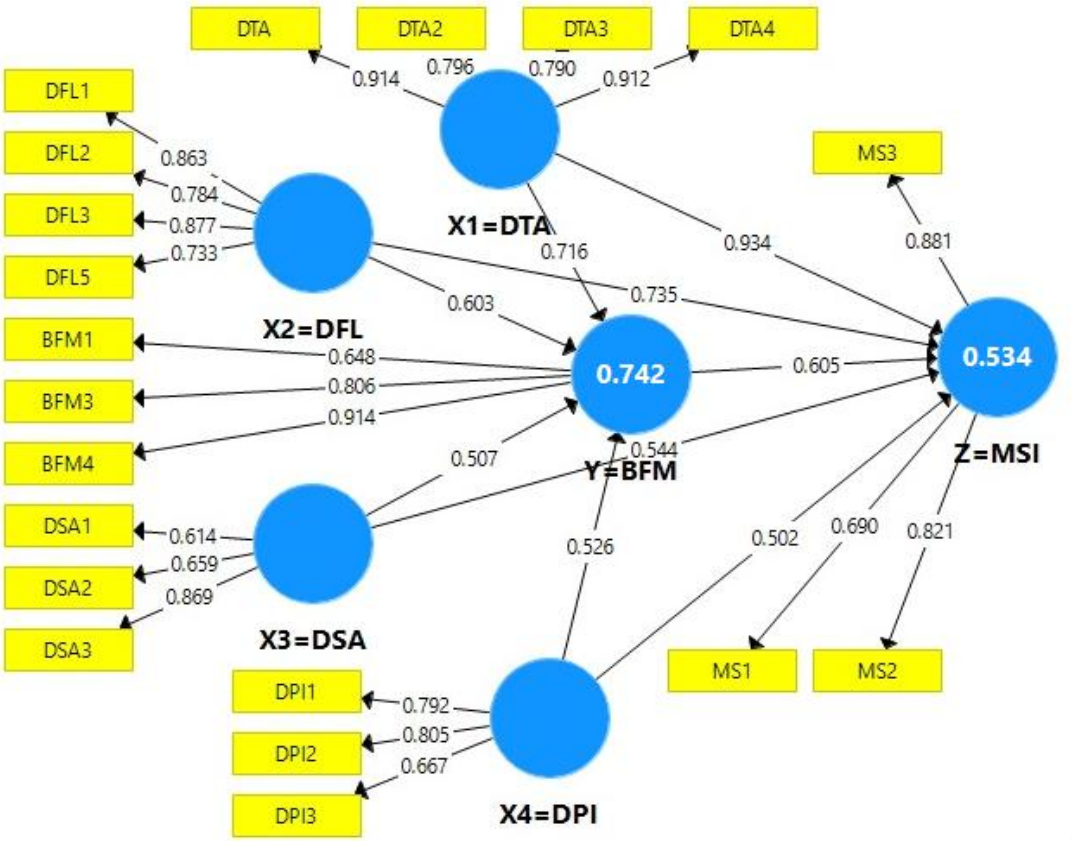


*Figure 1. Path Diagram*

The analysis reveals strong loading factor values for the measurement indicators across all research variables. Digital Financial Technology Adoption (X1=DTA) shows very strong loading values for all its indicators, with DTA reaching 0.914, DTA2 at 0.796, DTA3 at 0.790, and DTA4 at 0.912, indicating significant contributions from ease of use, technology readiness, user interface quality, and system reliability towards the adoption of digital financial technology.

*Table 1. Outer Loading Value*

| | X1=DTA | X2=DFL | X3=DSA | X4=DPI | Y=BFM | Z=MSI |
|---|---|---|---|---|---|---|
| BFM1 | | | | | 0,648 | |
| BFM3 | | | | | 0,806 | |
| BFM4 | | | | | 0,914 | |
| DFL1 | | 0,863 | | | | |
| DFL2 | | 0,784 | | | | |
| DFL3 | | 0,877 | | | | |
| DFL5 | | 0,733 | | | | |
| DPI1 | | | | 0,792 | | |
| DPI2 | | | | 0,805 | | |
| DPI3 | | | | 0,667 | | |
| DSA1 | | | 0,614 | | | |
| DSA2 | | | 0,659 | | | |
| DSA3 | | | 0,869 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| DTA | 0,914 | | | | | |
| DTA2 | 0,796 | | | | | |
| DTA3 | 0,790 | | | | | |
| DTA4 | 0,912 | | | | | |
| MS1 | | | | | | 0,690 |
| MS2 | | | | | | 0,821 |
| MS3 | | | | | | 0,881 |

Digital Financial Literacy (X2=DFL) shows high loading factors, with DFL1 reaching 0.863, DFL2 at 0.784, DFL3 at 0.877, and DFL5 at 0.733, proving the importance of financial knowledge, understanding of digital tools, financial planning skills, and decision-making skills in digital financial literacy.

Digital Security Awareness (X3=DSA) shows a variation in loading values, with DSA1 at 0.614, DSA2 at 0.659, and DSA3 reaching 0.869, indicating the different roles of risk perception, security knowledge, and privacy concerns in shaping digital security awareness. Digital Payment Integration (X4=DPI) shows good loading factors for DPI1 at 0.792 and DPI2 at 0.805, while DPI3 has a value of 0.667, indicating a greater contribution from the usability of the payment system and transaction convenience compared to integration capability.

Business Financial Management (Y=BFM) shows an increasing loading factor from BFM1 at 0.648, BFM3 at 0.806, to BFM4 reaching 0.914, indicating a greater contribution from the accuracy of financial records and the efficiency of resource allocation compared to cash flow management. MSME Sustainability (Z=MSI) shows a progressive loading factor from MS1 at 0.690, MS2 at 0.821, to MS3 reaching 0.881, indicating a higher significance of growth potential and market competitiveness compared to business continuity.

*Table 2. Construct and Reliability Value*

| | **Cronbach's Alpha** | **rho_A** | **Composite Reliability** | **Average Variance Extracted (AVE)** |
|---|---|---|---|---|
| X1=DTA | 0,876 | 0,883 | 0,916 | 0,731 |
| X2=DFL | 0,832 | 0,841 | 0,888 | 0,667 |
| X3=DSA | 0,766 | 0,758 | 0,762 | 0,522 |
| X4=DPI | 0,762 | 0,702 | 0,769 | 0,532 |
| Y=BFM | 0,759 | 0,754 | 0,809 | 0,595 |
| Z=MSI | 0,720 | 0,757 | 0,842 | 0,642 |

Digital Financial Technology Adoption has the best reliability (Cronbach's Alpha 0.876, rho_A 0.883, Composite Reliability 0.916, AVE 0.731), according to the reliability and construct validity analysis results. Its indicators also exhibit high consistency. Strong reliability (Cronbach's Alpha 0.832, rho_A 0.841, Composite Reliability 0.888, AVE 0.667) and good measurement consistency are demonstrated by digital financial literacy.

Cronbach's Alpha 0.766, rho_A 0.758, Composite dependability 0.762, AVE 0.522 and Cronbach's Alpha 0.762, rho_A 0.702, Composite Reliability 0.769, AVE 0.532 are the dependability scores for Digital Security Awareness and Digital Payment Integration, respectively. Both MSME Sustainability and Business Financial Management exhibit strong dependability (Cronbach's Alpha 0.720, rho_A 0.757, Composite dependability 0.842, AVE 0.642 for MSI and 0.759, rho_A 0.754, Composite Reliability 0.809, AVE 0.595 for BFM).

*Table 3. R Square Value*

| | R Square | R Square Adjusted |
|---|---|---|
| Y=BFM | 0,742 | 0,778 |
| Z=MSI | 0,534 | 0,567 |

R Square analysis shows that Business Financial Management has a value of 0.742 (Adjusted R Square 0.778), indicating that 74.2% of the variation in business financial management can be accounted for by the independent factors. The model explains 53.4% of the variation in MSME sustainability, according to MSME Sustainability's R Square of 0.534 (Adjusted R Square 0.567).

With Composite Reliability values above 0.7 and AVE values above 0.5 for every construct, the study model exhibits significant predictive power. These findings demonstrate that digital financial literacy and the use of digital financial technologies, digital security awareness, and digital payment integration significantly contributes to improving the effectiveness of business financial management and supporting the sustainability of MSMEs in Pangkalpinang.

*Table 4. Path Coefficient Value*

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P Values |
|---|---|---|---|---|---|
| X1=DTA -> Y=BFM | 0,716 | 0,711 | 0,059 | 12,069 | 0,000 |
| X1=DTA -> Z=MSI | 0,934 | 0,950 | 0,044 | 9,946 | 0,000 |
| X2=DFL -> Y=BFM | 0,603 | 0,604 | 0,035 | 5,810 | 0,000 |
| X2=DFL -> Z=MSI | 0,735 | 0,735 | 0,025 | 2,994 | 0,024 |
| X3=DSA -> Y=BFM | 0,507 | 0,505 | 0,038 | 3,176 | 0,000 |
| X3=DSA -> Z=MSI | 0,544 | 0,540 | 0,037 | 4,189 | 0,005 |
| X4=DPI -> Y=BFM | 0,526 | 0,529 | 0,032 | 3,883 | 0,000 |
| X4=DPI -> Z=MSI | 0,502 | 0,501 | 0,030 | 3,400 | 0,001 |
| Y=BFM -> Z=MSI | 0,605 | 0,618 | 0,039 | 3,051 | 0,060 |

H1: Adoption of Digital Financial Technology in Business Financial Management

With a p-value of 0.000 and a path coefficient of 0.716, empirical findings demonstrate that the implementation of digital financial technology significantly improves firm financial management. Ease of use, technological readiness, user interface quality, and system reliability contribute to the improvement of cash flow management, budget control, and resource allocation efficiency. (Daud, 2022) demonstrated that by enhancing process efficiency and expanding access to financial services, the use of digital financial technology has a favorable impact on SMEs' financial performance. (Ummasyroh et al., 2024) add that the implementation of financial technology facilitates better financial management by simplifying transactions and improving the accuracy of financial record-keeping.

H2: Digital Financial Literacy in Business Financial Management

With a path coefficient of 0.603 and a p-value of 0.000, the analysis's findings demonstrate that digital financial literacy significantly improves firm financial management. Financial knowledge, understanding of digital tools, and financial planning skills contribute to

the improvement of business financial management effectiveness. (Eniola & Entebang, 2017) assert that high financial literacy among SME managers encourages more effective utilisation of financial services. (Mangawing et al., 2023) found that digital financial literacy significantly affects the performance of MSMEs through improved financial decision-making capabilities.

H3: Digital Security Awareness in Business Financial Management

Digital Security Awareness shows a significant positive influence on Business Financial Management with a path coefficient of 0.507 and a p-value of 0.000. Risk perception, security knowledge, and privacy concerns influence financial management practices. (Zaky & Hamidi, 2022) emphasise the importance of security awareness in the adoption of financial technology. (Aprialita et al., 2024) added that understanding digital security risks influences SMEs' decisions in adopting digital financial solutions.

H4: Digital Payment Integration in Business Financial Management

With a p-value of 0.000 and a path coefficient of 0.526, digital payment integration significantly improves firm financial management. The usefulness of the payment system, transaction convenience, and integration capability contributes to financial management efficiency. (Ummasyroh et al., 2024) prove that the integration of digital payments enhances the operational efficiency of MSMEs. (Daud, 2022) show that digital payment systems contribute to the improvement of the financial performance of Indonesian SMEs.

H5: Business Financial Management on MSME Sustainability

Business Financial Management shows a positive influence on MSME Sustainability with a path coefficient of 0.605 and a p-value of 0.060. Cash flow management, budget control, and resource allocation efficiency influence MSME sustainability. (Zuo et al., 2021) found that effective financial management practices support the sustainability of MSMEs during the pandemic. (Sinaga et al., 2023) emphasise the importance of digital financial management in supporting the sustainability of SMEs.

H6: Digital Financial Technology Adoption on MSME Sustainability

A path coefficient of 0.934 and a p-value of 0.000 indicate that the use of digital financial technology significantly improves MSME sustainability. Digital financial technology solutions' dependability and simplicity of use promote MSMEs' sustainability. (Triwahyono et al., 2023) demonstrate how technological innovation improves MSMEs' operating efficiency. (Susilowati et al., 2023) added that the digitisation of financial reports supports the sustainability of MSMEs.

H7: Digital Financial Literacy and MSME Sustainability

With a p-value of 0.024 and a path coefficient of 0.735, digital financial literacy significantly improves MSME sustainability. Planning skills and knowledge of digital finance promote the sustainability of businesses. (Akhmadi et al., 2023) discovered that MSMEs' performance throughout the epidemic was enhanced by digital financial literacy. (Suryanto, 2020) emphasise the role of fintech in enhancing financial literacy and the sustainability of SMEs.

H8: Digital Security Awareness towards MSME Sustainability

Digital Security Awareness shows a significant positive influence on MSME Sustainability with a path coefficient of 0.544 and a p-value of 0.005. Digital security awareness supports the sustainability of MSMEs. (Nawai, 2024) revealed that security awareness affects the adoption of digital financial technology. (Zaky & Hamidi, 2022) emphasise the importance of security understanding in supporting the sustainability of MSMEs.

H9: Digital Payment Integration on MSME Sustainability

With a p-value of 0.001 and a path coefficient of 0.502, digital payment integration significantly improves MSME sustainability. Integration of digital payments promotes MSMEs' sustainability. (Ummasyroh et al., 2024) prove that digital payments contribute to the development of MSME businesses. (Perwitasari, 2022) shows that the integration of digital payments increases the intention to use fintech by Indonesian SMEs.

## DISCUSSION

This research provides a significant theoretical contribution to the development and application of the Innovation Diffusion Theory (IDT) and the Dynamic Capabilities Theory in relation to Pangkalpinang's MSMEs. The SEM-PLS analysis's findings demonstrate that the use of digital financial technology significantly and strongly affects business financial management (path coefficient 0.716) and MSME Sustainability (path coefficient 0.934). These findings substantially reinforce the IDT proposition put forward by (Kee, 2017) regarding the vital role of ease of use and technology readiness in the process of adopting digital financial innovations. (Li, 2017) deepened this understanding by showing that SMEs that successfully integrate digital financial technology into their business models achieve significant improvements in operational capabilities and responsiveness to market dynamics.

In the perspective of Dynamic Capabilities Theory, research reveals that Digital Financial Literacy has a significant impact on Business Financial Management (path coefficient 0.603) and MSME Sustainability (path coefficient 0.735). Zomer et al. (2020) reinforce these findings by demonstrating how digital transformation capabilities contribute to improved company performance through a better understanding of digital tools and financial planning skills. The R-squared value of business financial management reaching 0.742 provides empirical validation that the independent variables effectively explain the variation in MSME financial management practices.

Digital Security Awareness shows a consistently positive influence on Business Financial Management (path coefficient 0.507) and MSME Sustainability (path coefficient 0.544). These results support the Resource-Based View (RBV), which was created by (Yang, 2024), which depicts digital security awareness as A strategic asset capable of generating long-term competitive advantage. Digital Payment Integration also shows a significant influence on Business Financial Management (path coefficient 0.526) and MSME Sustainability (path coefficient 0.502), in line with (Zhu, 2019) argument about the fundamental role of information technology capabilities in digital transformation.

The high Composite Reliability values for all research constructs (DTA=0.916; DFL=0.888; DSA=0.762; DPI=0.769; BFM=0.809; MSI=0.842) provide a strong empirical foundation for the theoretical framework used. These findings enrich the understanding of the application of IDT and Dynamic Capabilities Theory in the context of the MSME sector's use of digital banking technology. Overall, by showing how the incorporation of digital financial technology can improve financial management capacities and the sustainability of MSMEs, this research significantly advances theory development.

The analysis results in several crucial managerial implications for the development of digital financial management for MSMEs in Pangkalpinang. In the context of Digital Financial Technology Adoption, which shows a strong influence on Business Financial Management (path coefficient 0.716), MSME owners need to prioritise enhancing technology readiness and user interface quality. (Daud, 2022) recommend investing in staff training to improve system

usability and reliability. The high loading factor values for DTA (0.914) and DTA4 (0.912) emphasise the importance of focusing on the aspects of system usability and reliability.

Digital Financial Literacy, which has a significant influence on Business Financial Management (path coefficient 0.603), necessitates the development of a comprehensive digital financial literacy program. (Mangawing et al., 2023) suggest a structured approach in developing financial planning and decision-making skills. The high loading factors on DFL1 (0.863) and DFL3 (0.877) indicate a priority on financial knowledge and financial planning.

Regarding digital security awareness that affects business financial management (path coefficient 0.507), SMEs need to adopt comprehensive security protocols. (Prasetyo, 2022) emphasise the importance of a deep understanding of security risks and the implementation of data protection measures. The high loading factor of DSA3 (0.869) indicates a primary focus on managing privacy concerns in digital security.

Digital Payment Integration, which shows a significant influence on Business Financial Management (path coefficient 0.526), requires a holistic integration approach. (Teker et al., 2022) suggest optimising the payment system functions and user experience. Loading factor DPI1 (0.792) and DPI2 (0.805) emphasise the importance of system usability and transaction convenience.

The high R-squared value for business financial management (0.742) confirms that the implementation of these recommendations can significantly improve the effectiveness of MSME financial management. To improve MSME sustainability (R Square 0.534), focus needs to be given to the development of business continuity and financial stability. The high loading factors for MS2 (0.821) and MS3 (0.881) underscore the importance of developing growth potential and market competitiveness in the sustainability strategies of MSMEs in Pangkalpinang.

## CONCLUSION

Research on 389 MSMEs in Pangkalpinang shows that Digital Financial Technology Adoption has the strongest influence on Business Financial Management (0.716) and MSME Sustainability (0.934), followed by Digital Financial Literacy, which significantly affects Business Financial Management (0.603) and MSME Sustainability (0.735). Digital Security Awareness and Digital Payment Integration also show a positive influence on both variables, while Business Financial Management has a positive effect on MSME Sustainability (0.605), with an R Square of 0.742 indicating a strong predictive capability of the research model. Digital financial management has proven to be a key factor in supporting the sustainability of MSMEs in Pangkalpinang, especially in terms of business continuity, financial stability, growth potential, and market competitiveness. The integration of SMEs may optimize their financial resource management and increase operational efficiency with the use of digital financial technology, which is bolstered by security awareness and digital financial literacy. These results highlight how important digital transformation is to bolstering the financial foundation and competitive position of local MSMEs. The research findings highlight the relationship between digital financial adoption and business sustainability, indicating that a comprehensive digital transformation strategy must consider aspects of technology and human resource development. The high predictive strength of the research model indicates that investments focused on digital financial capabilities can significantly enhance the performance and sustainability of MSMEs in the digital economy. Future studies should examine the contextual elements, such as cultural and legislative elements, that affect SMEs in Pangkalpinang's use of digital financial technology. To comprehend the long-term effects of

digital transformation on the viability of SMEs in the local economic context, longitudinal studies are also required.

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