The Influence of Financial Inclusion, Financial Literacy and Digitalization on the Financial Performance of MSMEs in Pamekasan

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| ARTICLE INFO	ABSTRACT
	Madura has extraordinary potential in developing a creative economy, one of which is Pamekasan Regency which has a dynamic entrepreneurial spirit. This is proven by the existence of 195,554 Micro, Small and Medium Enterprises (MSMEs). Even so, many MSMEs still experience obstacles in obtaining financial support. The complexity and perception that financial products are inaccessible often makes it difficult for them to find the services that best suit their business needs. This research aims to determine the influence of financial inclusion, financial literacy and digitalization on the financial performance of MSMEs in Pamekasan. The research focuses on MSME actors in Pamekasan Regency with a sample of 100 respondents using a quantitative approach, data collected through questionnaires and interviews, then analyzed using instrument tests, classical assumption tests, and multiple linear regression techniques. The research results show that financial inclusion, financial literacy and digitalization have a positive and significant influence on the financial performance of MSMEs in Pamekasan, both partially and simultaneously. So it is important to strengthen aspects of financial inclusion, financial literacy, and the application of digital technology in running business in Pamekasan Regency. Keywords: Digitalization, Financial Inclusion, Financial Literacy, Financial Performance.

INTRODUCTION

Madura is an island in Indonesia which have a strong ability to become a driver of the creative economy, especially through Micro, Small and Medium Enterprises (MSMEs) which are the backbone of the economy. This is because of Madura has abundant natural wealth, deeply rooted traditions and a dynamic cultural heritage. So you can become the backbone of the economy and drive progress with impact and extraordinary energy.
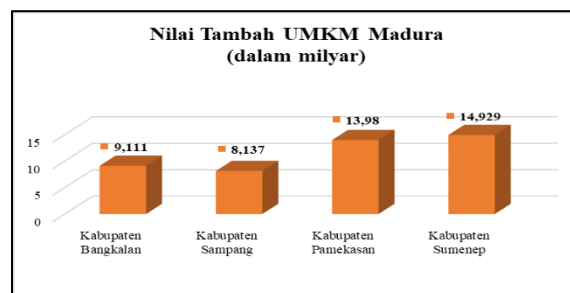
Figure 1. Added Value of Madura MSMEs
Source: East Java Province Department of Cooperatives and MSMEs (2023)

According to data from the East Java Province Cooperatives and MSMEs Service, Pamekasan Regency is ranked second in Madura with the highest value added contribution from MSMEs. This is me prove it exists great potential in Regency Pamekasan to become a center of economic growth and government gang key in advancing the development of MSMEs in the region. In Pamekasan Regency there are around 195,554 MSMEs, with 16,000 business actors having a Business Identification Number (NIB). This reflects the proactive role of the community in driving the local economy and overcoming poverty through entrepreneurship. Considering that the unemployment rate is still an important challenge in Indonesia, the government continues to intensify efforts to create new jobs and improve the quality of human resources (Syukriansyah et al., 2024).

MSMEs have a big contribution in facing these challenges by acting as the main driver of economic growth, so MSME players need to understand financial inclusion and financial literacy well (Hilmawati & Kusumaningtias, 2021). However, in their development, MSMEs often face obstacles in accessing funding sources compared to large companies (Maulana et al., 2022). This is due to limited knowledge about financial service products which are considered to be something complicated. Limited understanding hinders MSME actors in identifying what financial services the most suitable for their business, so financial solutions always designed to align with the specific characteristics and evolving demands of companies.

Apart from that, there are several other reasons why people, especially MSMEs, are not interested enough in using financial services. According to Anindyntha (2020) 72% of people do not have an account because they do not have enough money to save, where generally these people are classified as low income so their income is only enough for daily consumption, while 23% think that the distance to financial institutions is very far and 5% stated that this was caused by a lack of motivation and knowledge in using existing financial services. In running a business, understanding and being able to manage finances effectively is very important for MSMEs (Saputro et al., 2022). MSME actors who have high skills in financial management will be able to handle their business finances (Nurlianti & Qhodriyah, 2022). For MSMEs, having a solid understanding of financial literacy is crucial because it may enable them to manage their money wisely and maximize their contribution to the local economy.

The Financial Services Authority (OJK) conducted a financial literacy study with 8,000 participants, and the results showed that Indonesians still have a very poor awareness of financial matters. Up to 21.84% of Indonesians fall into the well-literate category (having very good financial knowledge), 75.69% fall into the moderately-literate category (having sufficient financial knowledge), 2.06% fall into the less-literate category (having low financial knowledge), and 0.41% were not literate (not even slightly literate) (Adiki & Pramularso, 2023). It is clear that financial literacy in Indonesia is still at a low level, this shows that there is a need which is quite serious to make improvements, because there are still many Indonesian people who do not have adequate knowledge and skills to manage their finances effectively.

For business actors, a lack of understanding of financial management can hinder business growth. So one of the steps that MSMEs can take to develop good financial performance is to enrich their financial knowledge (Hartina et al., 2023). MSME players who have a deep understanding of finance will be able to make the right decisions to maintain the sustainability of the business they run (Assanniyah & Setyorini, 2024). Financial education through training programs, seminars and access to easy-to-understand financial information can also help Indonesians become more financially intelligent.

Figure 2. Number of MSMEs in the Digital Ecosystem in Indonesia
Source: Indonesian Chamber of Commerce and Industry, (2024)

Based on KADIN's observations, the involvement of MSMEs in digital continues to increase from year to year, and this shows a promising trend. It happened the surge in digital adoption has createdprovide support for MSMEs by increasing efficiency in marketing and sales, while strengthening their financial resilience. A strong understanding of digitalization equips MSMEs to thrive amidst economic challenges and ensures their long-term sustainability competition a market that continues to grow. Therefore, digitalization is a need and strategy for MSME players to expand market reach (Jayanti & Karnowati, 2023).

The integration of financial inclusion, literacy and digital technology is the basis for encouraging financial growth and success of MSMEs, so that it can significantly increase growth and success business especially on Madura Island (Kurniawan & Gitayuda, 2023). The expansion of MSMEs in Madura, especially in Pamekasan Regency, can help the community improve their economy (Rozalinda & Kurniawan, 2023). Therefore, it is very important for MSME players in Pamekasan Regency to be able to utilize existing opportunities wisely by increasing understanding of financial inclusion, financial literacy and digitalization. This will encourage increased competitiveness and a greater contribution to business sustainability in creating national economic growth.

In their research, Martono & Febriyanti (2023) there are different views regarding how financial inclusion, literacy and digitalization impact the financial performance of MSMEs. While other research such as Leatemia (2023) disagrees and does not find this effect. Know Hamidah (2024) research shows that financial literacy can improve financial performance, however, according to Rani & Desiyanti (2024), there is no positive relationship. Regarding digitalization, Jayanti & Karnowati (2023) observed the positive influence of digitalization on financial performance, in contrast to (Purnamasari & Asharie, 2024) who did not find any influence positive. This indicates a research gap, indicating that further investigation is needed to clarify whether these factors actually exist influence positive or not.

Financial Inclusion
Financial inclusion refers to the availability of a wide range of financial services, institutions and products that align with individuals' needs and enhance their well-being. Financial inclusion is present as a solution in the midst of conditions where not all people can access economic resources while they must continue to meet their needs (Listiani et al., 2022). In this case, financial inclusion

not only provides access to financial services but also ensures that these services can be used effectively by all levels of society. According to Nugraha Sugita & Seri Ekayani (2022), important aspects that must be considered in optimizing MSME financial inclusion are knowledge about financial institutions, the types of services provided, and the ability of MSMEs to utilize these services. Financial inclusion indicators according to Rizki Miftahur Rohmah (2021) dalam Putri et al. (2022), includes: Financial Access, Use of Financial Services, Quality of Financial Services and Welfare

Financial Literacy
Financial literacy refers to a person's skill in managing money and creating budget strategies to support healthy financial choices (Setiani et al., 2024). Fauziah et al. (2024) define it as the knowledge and abilities a person has in navigating various financial elements. MSMEs with high financial literacy tend to be better able to face various business challenges and contribute to sustainable economic growth. So increasing financial literacy among MSMEs becomes a necessity. Financial literacy indicators according to Bongomin & Muene (2017) dalam Nadia (2023), are: Financial Knowledge, Financial Behavior and Ability.

Digitalization
Digitalization is an effort to change the behavior of business actors in the sales and marketing process by utilizing technology such as social media or e-commerce which is used as a means of interaction between sellers and buyers without distance restrictions (Purnamasari & Asharie, 2024). Digitalization provides many benefits for MSMEs in improving their financial performance, one of which is increasing business efficiency and productivity (Halida & Wilantini, 2023;6). Digitalization indicators according to (Rasyid, 2017); Puspita (2019) dalam Naufalia (2022), is as follows: Use of Digital Technology, Internet Access and Benefits of Use.

MSME Financial Performance
According to Silalahi et al. (2024) Financial Performance is a key metric for evaluating how effectively a business generates profits. For MSMEs, maintaining strong financial performance is very important to ensure long-term sustainability and make a more significant contribution to economic growth. The more a lot of knowledge and the skill of the MSME manager, the better the financial results of the business (Putri et al., 2022). Alamsyah (2020) dalam Rochmah N et al. (2023); Winbaktianur & Siregar (2021) dalam Putri et al. (2022): Profit Growth and Level of Business Stability.

Hypothesis
H1: The financial performance of MSMEs in Pamekasan is positively impacted by financial inclusion. H2: The financial performance of MSMEs in Pamekasan is positively impacted by financial literacy. H3: The Financial Performance of MSMEs in Pamekasan is Improved by Digitalization H4: Digitalization, financial inclusion, and financial literacy all improve MSME financial performance in Pamekasan Regency at the same time.
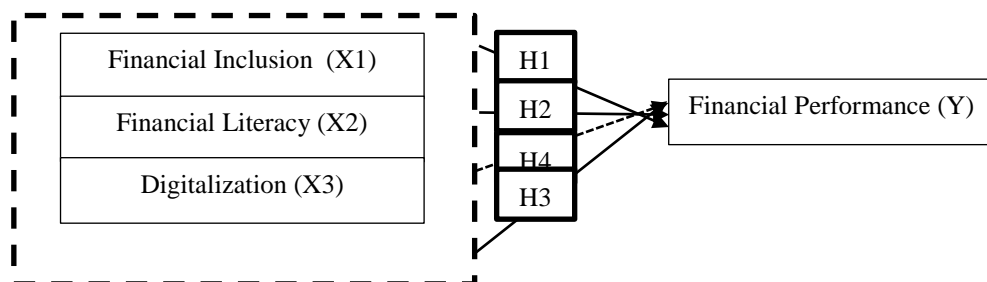
Figure 3. Conceptual Framework
Source: Data processed by researchers, (2024)

METHODS

This research adopts a quantitative methodology. The research was conducted in Pamekasan Regency with a focus on the MSME population in the area. The sampling technique applied is based on calculations using the Slovin formula df $= \frac{n}{1+n(0,1)^2}$ with n being the total population population for this study there were 195,554 MSME participants, with a precision level of 10%, so that a rounded result of 100 was obtained. This research examined the relationship between financial inclusion, financial literacy, and digitalization as independent factors, while the dependent variable was the financial performance of MSMEs. Data was collected through primary sources, including questionnaires, interviews and observations, as well as secondary sources such as library research and online studies. This research uses a comprehensive data testing approach, including instrument test, classical assumption test and multiple linear regression test.

Test Instrument
1. Test Validity
   This inspection is carried out to verify that the measuring instrument meets the required standards to be considered valid (Sugiyono, 2020;176).
2. Test Reliability
   A method used to assess the same subject under different circumstances or at different times, ensuring the accuracy and reliability of the results (Sugiyono, 2020;185).

Test Classical Assumptions
1. Normality Test
   Test to assess whether the data follows a normal distribution. Data is said to be normal if the histogram appears mountain-shaped, the points on the p-p plot are parallel to the diagonal line, and the Kolmogorov-Smirnov test produces a significance value above 0.05 (Fajri et al., 2023).
2. Multicollinearity Test
   Test to assess whether there is a relationship between variables. Symptoms of Multicollinearity are demonstrated when the tolerance falls below 0.1 or the Variance Inflation Factor (VIF) exceeds 10 (Martono & Febriyanti, 2023).
3. Heteroscedasticity Test
   Estimations were carried out to assess whether residual fluctuations in the linear regression model differed between observations, using the Scatterplot and Spearman rho methods (Fauziah, 2024).

Test Multiple Linear Regression
1. T Test
   The impact of each independent variable on the dependent variable is evaluated through analysis. If the t value of an independent variable is greater than the crucial t value with a significance level of less than 0.05 then it is considered influential (Adiki & Pramularso, 2023).
2. F Test
   Test to measure all independent variables against the dependent variable. If the significance level is at or below 0.05, or if the calculated F value reaches or exceeds the F significance value from the table, then the hypothesis is considered correct (Adiki & Pramularso, 2023).
3. Test the coefficient of determination
   To find out how much influence the independent variable has on the dependent variable, testing Test is carried out (Saputro et al., 2022).

RESULTS AND DISCUSSION

Results Test Instrument
Test Validity

Table 1. Results Test Validity of Financial Inclusion

Statement Items	R Count	Table R	Information
1	0,669	0,1654	Valid
2	0,506	0,1654	Valid
3	0,496	0,1654	Valid
4	0,596	0,1654	Valid
5	0,637	0,1654	Valid
6	0,610	0,1654	Valid
7	0,472	0,1654	Valid

Source: Processed data (SPSS Output), 2024

Using a one-sided test with a 5% significance level or 0.05, the r-table value in the validity test of the Financial Inclusion variable instrument (X1), based on the data in the table, is 0.1654, which was computed from a sample of 100 respondents minus 2 (df = n-2). The instrument's nine statement items, which are based on four indications, are all legitimate since the computed r value is higher than the table r value.

Table 2. Results Test Validity of Financial Literacy

Statement Items	R Count	Table R	Information
1	0,860	0,1654	Valid
2	0,783	0,1654	Valid
3	0,648	0,1654	Valid
4	0,620	0,1654	Valid

Source: Processed data (SPSS Output), 2024

The r-table value for evaluating the validity of the Financial Literacy variable instrument (X2) is 0.1654, which is based on the information in the preceding table. This figure was derived using a one-sided test with a significance level of 5% (0.05) from a sample of 100 respondents, minus 2 (df = n-2). Four statement items on three indicators make up the variable, and since the computed r value is greater than the table r value, all of the statement items are legitimate.

Table 3. Results Test Validity of Digitalization

Statement Items	R Count	Table R	Information
1	0,705	0,1654	Valid
2	0,717	0,1654	Valid
3	0,746	0,1654	Valid
4	0,743	0,1654	Valid
5	0,659	0,1654	Valid

Source: Processed data (SPSS Output), 2024

According to the table above, the validity test instrument's r-table value for the Digitalization variable (X3) is 0.1654, which was derived from a one-sided test with a sample size of 100 respondents, minus 2 (df = n-2), and a 5% significance level (0.05). The instrument has five statement items on three indicators, and all of the statement items need validation since the computed r value is higher than the table r value.

Table 4. Results Test Validity of Financial Performance

Statement Items	R Count	Table R	Information

1	0,708	0,1654	Valid
2	0,708	0,1654	Valid
3	0,813	0,1654	Valid
4	0,755	0,1654	Valid

Source: Processed data (SPSS Output), 2024

The Financial Performance variable instrument (Y) r table value of 0.1654 is displayed in the table. With four statement items reflecting two indicators of r-value count exceeding the r-table value to verify each statement item, this value is based on a sample of 100 respondents, minus two (df = n 2), at a significance level of 5% (0.05).

**Test Reliability**

Table 5. Results Test Reliability

Variable Items	Cronbach's Alpha	Information
Financial Inclusion (X1)	0,711	Reliable
Financial Literacy (X2)	0,705	Reliable
Digitalization (X3)	0,759	Reliable
Financial Performance (Y)	0,735	Reliable

Source: Processed data (SPSS Output), 2024

According to the information supplied, each variable's Cronbach's alpha value is more than 0.6, suggesting that the questionnaire has excellent internal consistency and is trustworthy for assessing the variables under investigation. These results show that respondents consistently answered statements pertaining to each variable, demonstrating the validity and use of this tool.further analysis.
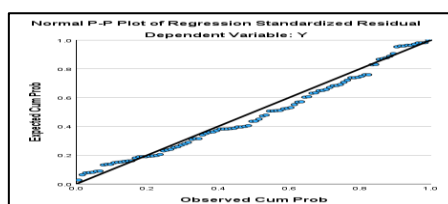
Classical Assumption Test Results
Test Normality
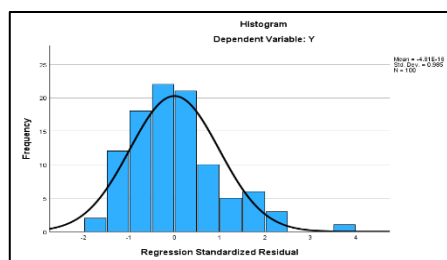
Figure 4. Histogram Analysis for Normality Test
Source: Processed data (SPSS Output), 2024

Based on the data above, the histogram shows a mountain-like shape with a peak in the middle and symmetrical slopes on both sides, indicating that the data follows a normal distribution.

Figure 5. Evaluation of P-P Plot for Normality Test
Source: Processed data (SPSS Output), 2024

Data shows that the points on the p-p plot follow a diagonal line parallel to its direction. This

shows that the data is normally distributed, because it conforms to the expected normal distribution pattern.

Table 6. Normality Test Results with Kolmogorov-Smirnov Test

Significance Value	Information
0,062	Normally Distributed

Source: Processed data (SPSS Output), 2024

The normality test, which was conducted using a p-p plot and a histogram, was further supported by the Kolmogorov-Smirnov test. The information is regarded as regularly distributed if the significance value is greater than 0.05. Given the data, the study data is regularly distributed, as indicated by the significance value of 0.062, which is higher than 0.05.

Multicollinearity Test

Table 7. Multicollinearity Test Results

Variable	Tolerance	VIF
Financial Inclusion	0,845	1.183
Financial Literacy	0,930	1.076
Digitalization	0,790	1.265

Source: Processed data (SPSS Output), 2024

The financial inclusion variable has a VIF of 1.183, significantly below 10, and a tolerance of 0.845, over 0.1, according to the data. The financial literacy variable has a VIF of 1.076, which is likewise less than 10, and a tolerance of 0.930, which is more than 0.1. Similarly, the digitalization variable has a VIF of 1.265, which is less than 10, and a tolerance of 0.790, which is more than 0.1. Thus, it may be said that there are no indications of multicollinearity in any of these three variables.

Heteroscedasticity Test
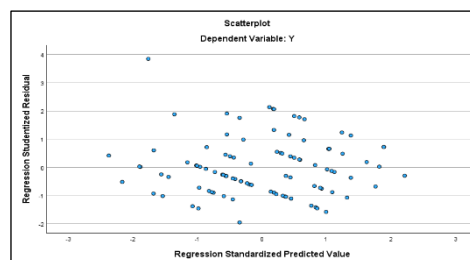
Figure 6. Results of Heteroscedasticity Analysis via Scatterplot
Source: Processed data (SPSS Output), 2024

Based on the data provided, the points on the p-p plot appear to be distributed randomly, without a clear pattern. Thus, it can be concluded that there is no evidence of heteroscedasticity.

Table 8. Heteroscedasticity Test Results Using RHO Sperm

Variable	Significance Value	Information
Financial Inclusion (X1)	0,181	Heteroscedasticity does not occur
Financial Literacy (X2)	0,900	Heteroscedasticity does not occur
Digitalization (X3)	0,916	Heteroscedasticity does not occur

Source: Processed data (SPSS Output), 2024

To further validate the normality test via scatterplot, the Spearman's rho method was used. From the data presented, the significance values for the variables financial inclusion (0.181), financial

literacy (0.900), and digitalization (0.916) are all greater than 0.05. Thus, it can be concluded that these three variables do not show any evidence of heteroscedasticity.

Multiple Linear Regression Test Results

Table 9. Results Multiple Linear Regression Test

Model	B
Constant	3.323
Financial Inclusion (X1)	0,138
Financial Literacy (X2)	0,349
Digitalization (X3)	0,149

Source: Processed data (SPSS Output), 2024

From the data presented, the following equation formula can be derived to draw conclusions:

$$Y = 3.323 + 0.138 \, X_1 + 0.349 \, X_2 + 0.149 \, X_3 + e$$

A constant value of 3.323 indicates that in the absence of the variables Financial Inclusion (X1), Financial Literacy (X2) and Digitalization (X3) the level of Financial Performance (Y) remains at 3.323. The Financial Inclusion regression coefficient (X1) is 0.138, indicating that an increase in Financial Inclusion (X1) by 1 will cause an increase in Financial Performance (Y) by 0.138. Likewise, if Financial Inclusion (X1) decreases by 1, Financial Performance (Y) will decrease by 0.138. With a regression coefficient of 0.349 for Financial Literacy (X2), this means that increasing Financial Literacy (X2) by 1 will encourage Financial Performance (Y) to increase by 0.349. On the other hand, the decrease in Financial Literacy (X2) was 1 will cause Financial Performance (Y) to decrease by 0.349. And the Digitalization regression coefficient (X3) is 0.149, which indicates that an increase in Digitalization (X3) by 1 will increase Financial Performance (Y) by 0.149. Conversely, a decrease in Digitalization of 1 (X3) will cause a decrease in Financial Performance (Y) of 0.149

T Test Results

Table 10. T Test Results

Variable	Sign Meaning	Side Words	T Count	Table T
Financial Inclusion (X1)	0,015	0,05	2.470	1.661
Financial Literacy (X2)	0,001	0,05	5.413	1.661
Digitalization (X3)	0,014	0,05	2.491	1.661

Source: Processed data (SPSS Output), 2024

According to the information provided above, at a significance threshold of 0.015 < 0.05, the Financial Inclusion variable (X1) has a T value of 2.470 that is higher than the T table value of 1.661. The findings of this t test provide credence to the validity of H1, confirming that financial performance is positively and significantly impacted by financial inclusion. At a significance threshold of 0.001 < 0.05, the Financial Literacy variable (X2) has a T value of 5.413 that is higher than the T table value of 1.661. The findings of the t test support hypothesis H2, which states that financial performance is positively and significantly impacted by financial literacy. At a significance threshold of 0.014 < 0.05, the Digitalization variable (X3) yields a T value of 2.491, which is higher than the T table value of 1.661. H3 is approved based on the t test findings, indicating digitalization.

F Test Results

Table 11. F Test Results

Variable	Significance Value	Taraf Say	F Count	F Table
Financial Inclusion (X1), Finance Literacy (X2) and Digitalization (X3)	0,001	0,05	20.660	2,70

Source: Processed data (SPSS Output), 2024

The computed F value of 20.660 is greater than the F table value of 2.70, while the significance value of 0.001 in the table is less than the 0.05 cutoff. Based on these findings, it can be said that digitization, financial inclusion, and financial literacy all improve the financial performance of MSMEs in Pamekasan.

Coefficient of determination test results
Table 12. Test Results for Coefficient of Determination

Variable	Ajusted R Square
Financial Inclusion (X1), Financial Literacy (X2) and Digitalization (X3)	0,373

Source: Processed data (SPSS Output), 2024

According to the above table, the Adjusted R-squared value of 0.373, or 37.3%, shows that digitalization, financial inclusion, and financial literacy all have an impact on 37.3% of financial performance. Other factors not covered in this research make up the remaining 62.7%.

DISCUSSION
Influence Financial Inclusion on the Financial Performance of MSMEs
Analysis of the financial inclusion variable (X1) shows that financial inclusion plays a significant and positive role in improving the financial performance of MSMEs in Pamekasan. These findings support the acceptance of the first hypothesis (H1), which states that financial inclusion encourages an increase in MSME financial results. Financial inclusion involves initiatives designed to expand access to financial services and funding, especially for MSMEs in Pamekasan Regency.   This is in line with research by Martono & Febriyanti (2023) which highlights that increasing MSMEs' access to financial services can improve their financial performance, which is supported by the Resource-Based View (RBV) theory. According to this theory, leveraging information and access to financial services as strategic assets is key to improving business financial results. With accurate data on financial inclusion, MSMEs will gain access to essential services, improve decision-making and enable entrepreneurs to make financial choices that align with their needs and maximize profits.

Financial inclusion is very important for MSMEs in Pamekasan Regency because it provides access to important financial resources such as capital, insurance, savings and other services. As financial inclusion becomes more widespread, this will benefit MSMEs by enabling them to adapt, expand and increase their competitiveness in a difficult market. As financial inclusion grows, this opens up new opportunities for MSME owners, resulting in better financial results for their businesses (Ramadhan & Indrayeni, 2024).

A survey conducted on 100 participants found that the majority of MSMEs in Pamekasan Regency have access to formal financial services and a strong understanding of financial inclusion, thus having a positive impact on their business performance. However, some MSME owners still struggle to improve their financial results due to a lack of trust and fear of financial services, which they perceive as complicated. As a result, many owners choose to rely on their limited capital, limiting their ability to obtain broader and more profitable financing options for business growth and better financial results. This research highlights that effective financial inclusion can have a large and positive influence on the financial performance of MSMEs in Pamekasan Regency.

This is consistent with research showing that financial inclusion significantly and favorably affects MSMEs' financial performance Hertadiani & Diyan (2021), Farhani & Taufiqurahman (2022), Mali (2023), Yuniarti et al. (2023), Daud et al. (2023). The findings indicate that while MSMEs' financial performance tends to increase when financial inclusion rises, their financial outcomes tend to decline when financial inclusion falls. For MSMEs to expand and be able to make a greater

contribution to the local economy, financial inclusion must be strengthened.

Influence Financial Literacy Against KMSME Financial performance

The financial performance of MSMEs in Pamekasan is positively and significantly impacted by financial literacy, according to the results on the financial literacy variable (X2). Consequently, the second hypothesis (H2) was confirmed, emphasizing how financial literacy may enhance MSMEs' financial performance.

A strong understanding of financial literacy empowers MSMEs to make the right choices and devise creative strategies for business management (Monica & Ruzikna, 2024). When MSMEs' financial literacy increases, their financial results also increase (Nugraha Sugita & Seri Ekayani, 2022). This is in line with the RBV theory which states that financial knowledge and skills are important resources for business success.

A study involving 100 respondents in Pamekasan Regency revealed that many MSMEs lack the skills needed to manage their business finances. There is no difference between business income and personal funds, making it difficult for MSME owners to evaluate and understand the financial status of their business. This situation can hinder business growth and long-term sustainability. Therefore, it is important to implement training and mentoring programs aimed at improving the financial management skills of MSME owners. Financial literacy plays an important role in driving business success and performance, resulting in better financial results.

According to research by Leatemia (2023), Barus et al. (2024), Hamidah (2024), Nurul Nuraeni et al. (2024), Widadi & Yuttama (2024), financial literacy has a significant favorable impact on MSMEs' financial performance. Successful financial literacy implementation can help entrepreneurs handle their money more skillfully, particularly when it comes to planning, budgeting, cash flow management, and investment selection. To be competitive in a business environment that is becoming more and more demanding, MSMEs in Pamekasan must thus keep enhancing their financial literacy.

Influence Digitalization On the Financial Performance of MSMEs

Digitalization has a strong and positive influence on the financial performance of MSMEs in Pamekasan so that the third hypothesis (H3) is supported. By utilizing digital financial platforms and services, MSME owners in Pamekasan Regency can improve their business operations, expand market reach, and interact more effectively with consumers. This shows that the greater the technological advances adopted by business owners, the greater the possibility of improving their business performance (Amaliani & Mulyani, 2024).

This is supported by the view that technology adoption is an important strategy to strengthen the growth of financial performance and sustainability of MSMEs in the current digital era, strengthened by *theory RBV* which assumes that unique, hard-to-imitate resources such as technology can provide a sustainable competitive advantage.

With digitalization, it can provide significant benefits and increase the understanding of each individual, thereby ultimately boosting the financial performance of MSMEs in Pamekasan. Based on research conducted on 100 respondents, the majority of MSMEs in Pamekasan Regency have adopted technology in their business operations. This can be seen from the many MSME owners who have implemented QRISS for digital payments and utilized social media platforms such as Facebook, Instagram and WhatsApp for marketing and sales. The application of this technology increases business efficiency and expands market reach, thereby having a positive impact on the financial performance of MSMEs. This finding is in line with research by Asisa et al. (2022), Jayanti & Karnowati (2023), Wulandari & Paramita (2023), Adriani & Yuniar (2023), Rani & Desiyanti (2024), who highlight the positive and significant impact of digitalization, including digital payments and e-commerce, on MSME financial performance.

Influence Financial Inclusion, Financial Literacy, and Digitalization of KFinancial performance MSMEs

The calculation results show that financial inclusion, literacy and digitalization together have a positive and meaningful influence on the financial performance of MSMEs in Pamekasan. This conclusion is in line with research by Ramadhan & Indrayeni (2024) which states that these factors are very important in supporting the growth of MSME financial performance. The results show a simultaneous impact, consistent with RBV theory, which underlines the importance of internal resources as a key force for achieving competitive and sustainable advantage.

Research conducted by Lestari & Hwihanus (2023) revealed that financial inclusion, financial literacy and technology collectively and positively influence the financial performance of MSMEs. This shows that a strong understanding of financial literacy empowers MSME owners to make the right choices in managing their finances. Additionally, financial inclusion facilitates easy access to essential financial services, while digitalization serves as a key tool to improve business operations, enabling wider market reach and more efficient financial management. Therefore, it is important for MSME owners, especially in Pamekasan, to continue to increase their knowledge regarding financial inclusion, financial literacy and digitalization to ensure their business performance remains competitive and optimal.

CONCLUSION

From the analysis and discussion presented in this research, it can be concluded that the financial performance of MSMEs in Pamekasan is improved by financial inclusion. A thorough understanding of financial literacy can also improve the financial performance of MSMEs in Pamekasan. Apart from that, the use of digitalization has greatly encouraged the financial expansion of MSMEs in Pamekasan. So that the collaboration of financial inclusion, financial literacy and digitalization has a strong and synergistic influence on the financial success of MSMEs in Pamekasan. This shows how these MSMEs can manage their operations efficiently, optimize financial tools, and adopt technology, resulting in real improvements in their financial condition.

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