Does Financial Literacy Contribute to the Increased Utilization of Digital Transactions by MSMEs?

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Introduction: In the current era, the use of digital transactions is increasingly promoted across various sectors. Therefore, it is important to understand the behavior of Micro, Small, and Medium Enterprises (MSMEs) in utilizing digital transactions to support their business development. Financial knowledge is one of the key factors required by MSME actors in adopting financial technologies, particularly in conducting digital transactions. Sound financial literacy is believed to optimize the use of digital transactions in driving MSME business growth.

Methodology: The objective of this study is to determine whether MSME actors with a high level of financial literacy are more likely to utilize digital transactions compared to those with a low level of financial literacy. This study involved a sample of 100 MSME actors located in Bali. The data analysis technique used to examine the influence of financial literacy on the use of digital transactions is the Mann-Whitney U test.

Results: Based on the analysis results, it can be concluded that MSME actors with high financial literacy levels tend to make greater use of digital transactions compared to those with lower literacy levels ($U = 806.500$; $p = 0.03$).

Conclusion: These findings indicate that MSMEs with higher financial literacy better understand how to use digital transactions and recognize their benefits for business development. They also have a greater awareness of the risks associated with digital transactions, making them more confident in utilizing such technologies.

Practical Value: This research provides practical insights into how financial literacy levels influence the use of financial technology, particularly in digital transactions among MSMEs (Micro, Small, and Medium Enterprises). The findings highlight the need to improve financial literacy as a key step toward encouraging MSMEs to adopt digital transaction methods more effectively and efficiently. By enhancing their understanding of financial concepts and digital tools, MSME owners can make better financial decisions, streamline their operations, and increase their competitiveness in the digital economy.

Direction for Future Research: Future research could expand the sample size and cover a wider geographical area to improve the generalizability of the findings. Additionally, the use of more advanced statistical methods, such as regression analysis or structural equation modeling (SEM), could provide deeper insights into the causal relationships between financial literacy and the use of financial technology. Further studies might also explore additional variables, such as digital infrastructure, user attitudes, or training programs, to better understand the factors influencing digital transaction adoption among MSMEs.

Keywords: financial literacy, digital transactions, financial technology, business growth

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