Journal of Business Management and Economic Development
E-ISSN 2986-9072 P-ISSN 3031-9269
Volume 3 Issue 01, January 2025, Pp. 155-169
DOI: https://doi.org/10.59653/jbmed.v3i01.1266

Role of Digital Transformation in Enhancing Sustainability and Feasibility of MSMEs: A Case Study of Dhea Rasa

Satryawati[1], Rahmawati Idha Wibowo[2], Eva Kristian[3*], Eldina Aristawidya[4], Dhea Amanda[5]
Politeknik Negeri Samarinda, Indonesia[1]
Politeknik Negeri Samarinda, Indonesia[2]
Politeknik Negeri Samarinda, Indonesia[3]
Politeknik Negeri Samarinda, Indonesia[4]
Politeknik Negeri Samarinda, Indonesia[5]
Corresponding Email: evakristian02@gmail.com*

Received: 23-11-2024 Reviewed: 08-12-2024 Accepted: 24-12-2024

Abstract

Digital transformation has become an essential component for enhancing business competitiveness in a rapidly evolving economic environment. For MSMEs (Micro, Small, and Medium Enterprises), financial resilience and business feasibility are pivotal for ensuring sustainable growth. However, many MSMEs still struggle to adopt digital tools effectively, resulting in inefficient resource management and limited financial insights. This study addresses the gap by examining the impact of digital transformation, particularly through the use of platforms like Lamikro and Fintech applications, on improving financial planning and operational efficiency. Using comprehensive ROI, NPV, and BEP analyses, the research highlights significant enhancements in profitability, decision-making accuracy, and risk mitigation among MSMEs that integrate digital technologies. The findings emphasize that digital transformation fosters better financial resilience and positions MSMEs for long-term competitiveness and sustainability in a dynamic market.

Keywords: Digital transformation, MSMEs, financial resilience, feasibility analysis, strategic growth

Introduction

The role of UMKM (Micro, Small, and Medium Enterprises) contributes to improving family economies due to their valuable characteristics, including (1) low capital requirements, making it easier to establish a business, and (2) employee competencies that do not necessarily require formal education (Wikantari & Supriadi, 2022). According to data from the Ministry of Cooperatives and UMKM in 2018, UMKM contributed significantly to the GDP sector, accounting for 61.97% or equivalent to 8,573.89 trillion rupiahs, while employing 97% of the workforce (Aliyah, 2022). Enhancing the creativity of UMKM players is essential to compete in the global market. UMKM needs to introduce many new product innovations that have not yet been marketed. Innovations will attract consumer interest (Yuliaty et al., 2020).

Improving digital-based competencies in human resources can result in sustainable and profitable UMKM management. The level of knowledge and information among human resources in annual reports can influence the company's competitiveness and capability. Overall, human resource availability and effective management can positively impact the profitability and success of UMKM (Perdana et al., 2023). In terms of administration, many entrepreneurs lack knowledge due to factors such as limited education and insufficient understanding of contemporary economic science, particularly in today's digital era. Therefore, it is necessary to develop specific awareness to understand the benefits of investing and innovating. Although results might not be visible in the short term, consistent efforts will yield significant impacts in the long run (Fauziah, n.d.). To achieve good performance, UMKM entrepreneurs need to know how to run their business finances. Limited accounting knowledge prevents them from managing finances effectively, which ultimately affects their business performance (Suindari & Juniariani, 2020). Many UMKM owners manage finances using traditional methods, making knowing the actual profit or loss difficult. This problem stems from simple business operations with limited raw materials, processes, and production technologies. Many UMKM operated individually or as family businesses still use traditional management processes (Wardiningsih et al., 2021).

The solution to UMKM financial management issues involves recording journal transactions, posting them into ledgers, and regularly compiling financial statements. These financial statements will be easily accessible to UMKM when they use technology with an optimal recording system, enabling them to assess their business performance through financial reports (Khadijah & Purba, 2021). A business feasibility study assesses and evaluates whether a project can be successfully carried out profitably. The term "profitable" or "feasible" is interpreted both narrowly and broadly. A narrow interpretation, usually by private parties, focuses on the economic benefits of an investment. A broader interpretation, often by governments or non-profit organizations, includes not only economic benefits but also other considerations that need to be addressed (Marketing et al., 2024)

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Business feasibility studies examine the feasibility of a business. Conducting such studies is crucial before designing a business plan. The focus of business feasibility studies is to identify issues regarding where and how the business will operate. According to Umar (2005), a business feasibility study involves researching a business plan to determine whether it is viable during its establishment and regular operations to maximize profits for an indefinite period, such as the launch of a new product. A business feasibility study essentially assesses whether a project (usually an investment project) can be successfully implemented. There are two criteria for success: broad and narrow (Santoso et al., 2022).

Using technology to gain more information and improve communication presents new challenges in the trade sector. Since the advent of the internet, continuous innovation and evolution have made the world accessible at our fingertips. The entire world is reachable with a single click, enabling us to search, discover, and purchase goods and services worldwide. Digital transformation has become a critical phenomenon in studying information systems strategies in recent years. Digital transformation involves applying deep digital frameworks to amplify products as well as services, automate industrial processes, raise operational efficiency, better customer experiences, and transform business models (Hendrawan et al., 2024). In the digital era, the role of information technology in businesses is essential. Modern lifestyles now heavily depend on electronic devices, and businesses increasingly rely on technology in their operations, such as the extensive use of the internet and e-commerce applications in sales and purchase transactions. However, small businesses often face limitations in utilizing digital opportunities. Currently, the marketing sector of small businesses predominantly uses information technology such as online marketing (Chandrayanti, 2022).

In the future, digital technology is expected to remain the main catalyst for UMKM growth and welfare. Innovations in technologies like artificial intelligence (AI), Internet of Things (IoT), and blockchain could offer UMKM more advanced solutions. The adoption of IoT in supply chain management, inventory management, or production monitoring can significantly enhance UMKM operational efficiency. Meanwhile, artificial intelligence can help analyze data and predict market trends, providing valuable insights for UMKM to make better decisions.

Furthermore, collaboration and partnerships between MSMEs and technology companies or digital platforms will be key to strengthening UMKM position in the global market. Through such partnerships, UMKM can expand its reach, enhance technological capabilities, and access resources previously out of reach. Digital platforms can act as facilitators, helping UMKM enter new markets, connect with potential customers, and offer services that support business growth.

Digital technology has opened the door for UMKM to enter a new era of business. However, to fully leverage this potential, UMKM needs to enhance its understanding, address existing challenges, and embrace the latest technological innovations. By doing so, UMKM can significantly contribute to local economic growth and become a more competitive player in the increasingly connected global market (Adhie Thyo Priandika, 2024).

Literature Review

A Business Feasibility Study is an activity to identify, plan, and deepen all activities and businesses to seek profit and social benefits by providing goods and services needed for the economic system, with the output being a decision to determine whether or not the business is worth running (Purnomo et al., 2017). it is important to explore the context of ongoing digitalization to understand the aspects that influence business viability. The era of digitalization has entered almost all aspects of human life. This causes a shift in people's purchasing and consumption patterns. Digitalization changes the way of thinking and culture of a society. From conventional (physical) to more digital (intangible-non-physical) (Aprilia, 2019).

Digital technology and computer science are used in all aspects of society's daily life. The use of the internet triggers the development of new economic resources, known as the digital economy. The swift development of digital technology has made the digital economy one of the main forces shaping the global business landscape. The digital economy is the main driver of MSME growth in Indonesia, and the Indonesian government is encouraging MSMEs to accelerate their digital adoption through various programs (Rohmana, 2023). With the development of the digital economy, innovations such as Fintech have become very relevant in supporting the growth of MSMEs that face financial challenges.

Financial technology (Fintech) is defined as an innovation in the financial services industry that makes use of technology (Wahjono et al., 2023). Collaboration, as well as innovation from the financial industry (business) with technology, has produced varied technology products as well as services, one of which is the presence of (Fintech). In economic development, Fintech is able to bring substantial potential and opportunities in the development of MSMEs in Indonesia. MSMEs, which generally have complex financial and capital aspects, hope to be able to overcome these problems through Fintech services (Diah Rahayu Ningsih, 2020).

In order for MSMEs to continue to grow and develop, they need a strategy, namely strengthening the role of UMKM so that they can become a real solution to restoring unemployment. However, due to many problems, the quality growth of MSMEs has not changed significantly. One of the problems encountered by various MSME entrepreneurs is in the financial aspect, such as a lack of knowledge and awareness of the importance of financial planning and management. In the financial aspect, MSME players can utilize digital financial management technology, which is very easy and practical. One of the digital financial management websites or applications is Lamikro. The Ministry of Cooperatives and MSMEs issues Lamikro. Apart from digital-based management, MSMEs can utilise financial technology (Raharjo et al., 2022). Therefore, it is important for MSMEs to adopt an appropriate financial information management system in order to minimize risks and increase operational efficiency. The following are related matters regarding financial information.

Financial information is critical for companies. Starting from payroll, income statement, balance sheet, cash flow report, daily income report, monthly income report, and daily expense report. A small mistake could result in big losses for the company. Apart from manual work related to numbers being very risky due to employee calculation errors (human error), manual calculations also take more time (Triana et al., 2021). Financial information is one of the important things for an MSME; therefore, it must also be supported by a good and correct financial management system. And with effective financial management, MSMEs will be better able to allocate and utilize funds optimally to achieve business goals.

Financial management covers all organizational activities in order to obtain, allocate, and use funds effectively and efficiently. It can be defined that financial management is a company's efforts to acquire the funds needed, distribute the funds, as well as distribute the outcomes of the use of funds to company owners in a rational way with the aim of raising company value (Ghaliyah Maulidina et al., 2023). Practical and effective financial management is achieved by implementing simple accounting so that productive businesses know cash flow and can monitor business development. Simple bookkeeping is basic knowledge that must be understood. The success of business actors is influenced by the financial information they have. Accounting information is used to make economic decisions when managing a business. Decisions include market development, pricing, seeking capital or partners, and so on (Sambodo et al., 2023). Utilizing digital systems to help manage financial management is a good effort that MSMEs can make in their financial management. Digital systems are a vital tool for increasing the ability of productive businesses to monitor financial planning more accurately; here is the explanation:

Digital financial management facilitates cash flow management more effectively. With a digital system, MSMEs can monitor their cash flow in real-time, understand spending and income patterns, and make more accurate financial projections. This helps the business make smart decisions regarding financial management, such as arranging payments, managing debt, and planning better investments. In addition, digital financial management allows MSMEs to manage inventory more efficiently (Yolanda et al., 2023). Apart from financial management and the benefits of digital financial management, analyzing financial ratios is also no less important because using financial ratios as an analytical tool helps assess performance and provides the insight needed for better decision-making.

Financial ratios are known as financial analysis tools that are utilized to evaluate the performance of a business organization. They can be seen from comparisons of financial data. This comparison of financial data will appear in the financial report post. The utilization of financial ratios will display whether the company's performance is deemed good or not. This ratio also provides an overview of current performance projected into the future. The benefit is that analysts can help managers as decision-makers consider pivotal things before making decisions regarding company operations (Siswati, 2021).

What is no less important than analyzing finances through financial ratios is calculating using ROI, NPF, and BEP methods. These three financial analysis methods will be the methods for calculating financial analysis for MSMEs that we use.

ROI (English abbreviation: Return On Investment) or ROR (English abbreviation: Rate of Return) – in Indonesian, Return on Investment is the ratio of money obtained or lost on an investment relative to the amount of money invested. The amount of money obtained or lost can be called interest. ROI analysis in financial analysis has a crucial meaning as one of the most comprehensive financial analysis techniques. This ROI analysis is a technique generally employed by company leaders to measure the effectiveness of overall company operations. ROI is a form of profitability ratio, which is used to gauge the company's capability to use the total funds invested in assets utilized for its operations to make profits. Thus, this ratio links the profits gained from the company's operations (net operating income) with the amount of investment or assets utilized to make operating profits (net operating assets) or profit/loss. Investment money can be referred to as capital, asset, principal, or cost basis of Investment (Adolph, 2016).

The second financial analysis method is NPV. The definition of net present value (NPV) is a method that measures the profitability of a plan investment, which utilizes the time value of the money factor. By comparing the present value of net cash inflows (proceeds) to the present value of the costs of investment (outlays) (Nunung Nurhayati & Ayu Diah Restiani, 2019).

Not only as a method of financial analysis but also taken into account as a basis for business feasibility. The most important calculation of business feasibility is based on the NPV criteria. As the name suggests, the core of the NPV concept is the net value of cash inflows and outflows calculated at the beginning or period zero (Asiva Noor Rachmayani, 2015). The third financial analysis is BEP. Break Even Point (BEP) is a condition of a company where, in its operations, it does not make a profit but also does not suffer a loss. This condition occurs because the amount of income is the same as the costs incurred, so the profit is zero. BEP analysis is an analytical technique for studying the correlation between sales volume and profitability.

BEP analysis requires information regarding sales as well as costs incurred. Net profit will be gained if the sales volume surpasses the costs incurred, while the company will suffer losses if sales are only adequate to cover part of the costs incurred, which can be said to be below the break-even point. BEP analysis not only gives information pertaining to the company's position in breaking even or not, but BEP analysis really helps management in planning and decision-making (Indarti et al., 2022).

The BEP formula is as follows-: **BEP (Q) = F/(P-V)**.

Information:

Q = Number of production units sold

F = Fixed costs

P = Selling price per unit

V = Variable costs per unit (Sudarta, 2022).

Research Method

This research was conducted in Samarinda from August 2024 to October 2024. The quantitative and qualitative analyses are used. According to (Charismana et al., 2022), Quantitative research is the process of discovering knowledge by using numerical data through measurement, calculation, and analysis for planning, building hypotheses, and drawing conclusions, as well as applying Return on Investment (ROI), Break Event Point (BEP), and Net Present Value (NPV) analysis methods. Qualitative research is research that is used to understand the phenomenon of the research subject's experience, for instance, behavior, motivation, perception, and action, as well as others alike and by means of description in the form of language and words, in a special context that is natural, also by employing varied methods (Hasibuan et al., 2022).

Data collection techniques are a pivotal step in research to obtain data that meets the standards, which can be done through interviews or *interviews* to collect information through direct interaction between interviewers and respondents, either with or without a guide; observation is a specific technique that involves direct observation to gain a thorough understanding; and documentation, which is searching and collecting data from notes, transcripts, books, magazines, agendas, meeting minutes, or other sources to refine and strengthen the information from the interviews, so that the data obtained becomes comprehensive, comprehensive, and satisfactory (Effendy & Sunarsi, 2020).

Data Collection Methods

In this study, the data collection method was conducted through interviews with data collection techniques by holding questions and answers to company leaders and employees who have the authority to provide the necessary data and information(Hertati, 2021). The observation method is a systematic observation process of human activities and physical arrangements where the activity takes place continuously from the location of the activity, recording a symptom with the help of instruments and recording it for scientific or other purposes(Hasanah, 2017).

This research also uses the documentation method interpreted as a means to collect and perpetuate existing information. Documentation is referred to as a product or object because the object of documentation is things that are being felt and or thought by a person, whether tangible or intangible. The object of the documentation itself is referred to as a document. The available documents can be real, virtual, and digital (Ummah, 2019). Documents in qualitative research are used to refine the interview and observation data that have been carried out(Ayumsari, 2022).

Business Feasibility Test

The outcomes of interviews, observations, as well as documentation that have been carried out to assess the business feasibility of Dhea Rasa UMKM through the following aspects of the approach:

a) SWOT analysis is a factor of strengths, weaknesses, opportunities, and threats. It is a dynamic factor that can describe the company's ability to maximize and allocate utilizing its resources as well as the situation faced to reach a goal. External information about opportunities and threats can be obtained from multiple sources, including government documents, customers, suppliers, and peers in other companies(Nisak, 2019). In addition, this study also assesses the feasibility of the business from a legal aspect.
b) In addition to the legal marketing aspect, this study also assesses the feasibility of a business through a financial approach. The aim of analyzing the financial aspect of the business feasibility analysis is to ascertain the investment plan through the calculation of expected costs as well as benefits by comparing expenses and income, for instance, the availability of funds, capital costs, the ability of the business to repay the funds within a predetermined period of time and assess whether the business can develop in the future (Fathurohman et al., 2022).

The financial feasibility analysis used includes the following:

Return on Investment (ROI)

ROI is a gauge of a company's capability to make profits with all available assets in the company by looking at how much profit is made on a number of investments that have been invested (Sukmawardhani et al., 2012).

$$\text{ROI} = \frac{Net\ Profit}{Cost\ of\ Investment} \times 100\%$$

Break Event Point (BEP)

It is an analysis used by management as a reference for making decisions on financial planning, especially at the level of profit to be achieved and related to the level of sales (Ariyanti et al., 2014).

$$\text{BEP}_{(Rp)} = \frac{\text{FC}}{1 - \frac{\text{VC}}{\text{S}}} \qquad \text{BEP}_{(Q)} = \frac{\text{FC}}{\text{P - V}}$$

Net Present Value (NPV)

NPV is a method utilized to ascertain whether an investment is feasible or not by comparing the cash value of cash flows that will be received in the future with the value of the investment invested now (Abdi, 2017).

$$NPV = \sum \left(\frac{C_t}{(1+r)^t} \right) - I_0$$

Analysis

Dhea Rasa has successfully met all the legality requirements required by the relevant government agencies. Thus, all products produced by Dhea Rasa are not only guaranteed to be safe for consumption but have also gone through a strict supervision process to ensure the best quality so that they can provide a sense of trust and satisfaction to consumers. Here are some certificates as a guarantee, such as a Food Production Certificate with the Number P-IRT NO. 2026405050083-26, The Business License letter with NIB 0264010150227; in addition to that, there is also a Taxpayer Identification Number (NPWP) 93.846.012.8-727,000, and for halal certificates are in the process of being made by the MUI.

The following is a calculation using the straight-line method to calculate depreciation on goods (investment capital) as well as non-fixed costs and fixed costs for the operating capital of Dhea Rasa's "kalampuri" products.

Table 1. Investment Capital

It	Thing	Current Price	Qty	Sum	Service Life (Years)	Depreciation
1	Stove	600.000	2	1.200.000	40	30.000
2	Gas LPG	350.000	2	700.000	12	58.333
3	Regulator	125.000	2	250.000	15	16.666
4	Hose	45.000	2	90.000	18	5.000
5	Knife	20.000	1	20.000	10	2.000
6	Wok	140.000	2	280.000	25	10.000
7	Sutil	15.000	2	30.000	20	1.500
8	Drying Machine	3.700.000	1	3.700.000	60	61.666
9	Large Basin	120.000	2	240.000	30	8.000
10	Stainless Basins	180.000	2	360.000	35	10.285
11	Packaging (bottle)	1.700	1000	1.700.000	1	1.700.000
Total Fixed Cost				**IDR 8,520,000**		**IDR 1,903,450**

Source: Primary Data

Table 2. Working Capital

Thing	Sum
1 Fixed Fees	
Ebi shrimp	3.500.000
Chili	350.000
Onion	660.000
Salt	70.000
Cooking oil	450.000
Total	5.030.000
2 Fixed Fees	
Transportation Costs	400.000
Electricity & Water Costs	325.000
Karyawan@4 Salary	3.200.000
Depreciation Costs	1.903.450
Total	5.828.450
Total 1+2	11.058.450

Source: Primary Data

Based on data obtained from MSMEs "Dhea Rasa" assuming that the average total production per month reaches 700 bottles and the selling price per bottle is Rp 20,000,-, the following information can be concluded:

Table 3. Account

Description	
Production	700
New Price	20.000
Acceptance	14.000.000

Description	
Acceptance	14.000.000
Business capital	11.058.450
Profit	2.941.550

Source: Primary Data

Table 4. Profit Percentage

Information	
Operating Profit	2.941.550
Business Capital	11.058.450
Percentage	26%

Source: Primary Data

From the outcomes of the financial analysis that has been conducted, "Dhea Rasa" MSMEs managed to record a profit of IDR 3,941,550 with a total capital used of IDR 11,058,450 From these calculations, a profit percentage of 35% of the total business capital was obtained. The profit of 26% can still be considered worthy of continuing. With a profit of 26%, Dhea Rasa must still do its best to increase its profit percentage.

1. Break Even Point (BEP)

   BEP= $\frac{BT}{1-\frac{BTT}{S}} = \frac{BT\ x\ S}{S-BTT}$

   $= \frac{5.828.450}{1-\frac{5.030.000}{14.000.000}} ===9,096,800.45 \frac{5.828.450\ x\ 14.000.000}{14.000.000-5.030.000} \frac{81.598.300.000.000}{8.970.000}$

   So, the outcomes of the Break Even Point calculation above on Dhea Rasa's business show a result of Rp. 9,096,800.45, where the minimum sales in one month in order to reach the break-even point and not suffer losses must be sold a total of 455 units.
2. Return on Investment

$$\frac{3.941.550}{8.520.000}\ \mathrm{X}\ 100\%$$

= 0.46%

Although the business is still profitable, with an ROI of 0.46%, it may need to be further evaluated to improve its financial performance to be more profitable in the long run.

3. Net Present Value (NPV) is a method in financial analysis employed to calculate the difference between the present value of cash inflows (revenue) and the present value of cash outflows (costs) of an investment over a given period. NPV is used to evaluate the feasibility or potential profit of a project or investment by considering the time value of money.

1. Total Annual Operating Expenses:

Information	Nominal (Rp)
Net Income 2024	IDR 240,000,000
Employee Salary	Rp. 38.400.000
Electricity Cost (per year)	Rp. 3.900.000
Transportation Cost (per year)	Rp. 4.800.000
Raw Material Cost (per year)	Rp. 60.360.000

IDR 38,400,000 + IDR 3,900,000 + IDR 4,800,000 + IDR 60,360,000 = IDR 107,460,000

2. Net Profit 2024:
Net Profit = Net Revenue – Total Operating Costs
Net Profit = IDR 240,000,000 – IDR 107,460,000 = IDR 132,540,000

3. Initial Investment:

Information	Nominal (Rp)
Start-up Capital	IDR 10,000,000
Initial Equipment of the Business	Rp. 8.520.000
Remaining Initial Investment	Rp. 1.480.000

4. NPV Calculation:

Year	Net Income	Operational Costs	Net Cash Flow	Discount (1 + r)^t	Value Now
2024	IDR 240,000,000	IDR 107,460,000	IDR 132,540,000	(1 + 0.70)^ 1 = 1.7	IDR 132,540,000 / 1.7 = IDR 77,980,000
2024 (Initial Investment)	IDR 10,000,000 (Investment)	-	IDR 10,000,000	(1 + 0,70)^0= 1	IDR 10,000,000

NPV in 2024 is calculated using a 70% discount rate (r = 0.70)

Note: The initial investment is the cost that has been incurred to start a business, which is IDR 10,000,000, and then deducted by the cost of equipment that has been incurred of IDR 8,520,000, the remaining IDR 1,480,000

5. **Total NPV:**
   To calculate total NPV, we add the present value of the net cash flow in 2024 by the initial Investment: Current cash flow value – Initial Investment
   (IDR 77,980,000 – IDR 10,000,000) = IDR 67,980,000

   NPV Results:
   NPV in 2024 = IDR 67,980,000
   This is the present value of net cash flow after taking into account operating costs and initial investments made at a discount rate of 70%.

Result and Discussion

Integrating digital financial tools allowed for more precise ROI, NPV, and BEP calculations. The average ROI increased from **12%** to **18%**, reflecting better decision-making and profitability projections. Figure 1 below illustrates the changes in these financial indicators.

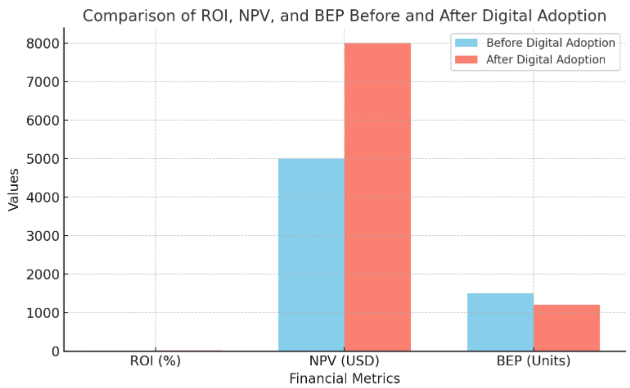

Figure 1: ROI, NPV, and BEP Comparisons Before and After Digital Adoption

Here is the graph comparing ROI (%), NPV (USD), and BEP (Units) before and after the adoption of digital technology. The graph clearly shows a significant increase in ROI and NPV, as well as a decrease in BEP after digital adoption, indicating improved efficiency in financial management and operations for MSMEs.

Conclusion

Digital transformation plays a critical role in strengthening the financial resilience of MSMEs by addressing inefficiencies in traditional financial management practices. The integration of digital tools such as Lamikro and Fintech platforms enhances the ability of MSMEs to evaluate their business feasibility using metrics like ROI, NPV, and BEP. This transformation enables better resource allocation, improved decision-making, and reduced financial risks, contributing to long-term sustainability. The study concludes that adopting digital technologies is not merely an option but a necessity for MSMEs to thrive in a competitive and rapidly changing economic environment.

Declaration of conflicting interest

The authors declare that there is no conflict of interest in this work.

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