

## Improving MSME Performance in Mojokerto City: Contribution of Digital Payment Convenience, Accounting Understanding and Business Experience

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### ABSTRACT

MSMEs need to implement a digital payment strategy to make it easier for customers to transact online, allowing for quick payments that can be made in a short time, thereby becoming more effective and efficient. With digital payments, communication, and transactions can be done at any time and accessed from anywhere, thus providing ease of communication for business actors and consumers. Some strategies that MSMEs can employ to maintain their business include having an understanding of accounting, which enables them to track the flow of funds, expenditures, and income. Business actors are also better off having business experience, as this enables them to analyse MSMEs properly, as they are based on previous business experience. In addition to understanding accounting, the business experience of MSME actors is also no less important. The business experience of MSME actors is a key characteristic that can significantly impact the success of their businesses. Experienced MSME actors can overcome the problems that arise when conducting business. Entrepreneurs who have business experience will be more confident in running a business. This study aims to obtain information on how much 1) Understanding of accounting contributes significantly positively to the performance of MSMEs in Mojokerto City; 2) Business experience contributes significantly positively to the performance of MSMEs in Mojokerto City, and 3) The ease of digital payment contributes significantly positively to the performance of MSMEs in Mojokerto City. This type of research uses a quantitative method with an associative design. The population and sample in this study comprise MSME actors in Mojokerto City who are registered with the Mojokerto City Cooperatives and Micro Enterprises Office. The results of the study show that the ease of digital payment (X1) has a significant positive effect on the performance of MSMEs in Mojokerto City (Y), accounting understanding (X2) has no effect on the performance of MSMEs in Mojokerto City (Y), business experience (X3) has no effect on the performance of MSMEs in Mojokerto City (Y).

**Keywords:** digital payment, accounting understanding, business experience, performance

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) must develop effective strategies to ensure business sustainability and maximise profitability. Several challenges contribute to the relatively low performance of MSMEs, including limited quality resources and capacities, which act as significant barriers to growth. Many MSME actors lack adequate managerial skills and competencies in business management. Another pressing issue is the low level of financial literacy, which results in overly simplified financial record-keeping. In some cases, microfinance businesses do not require financial documentation, despite the fact that such information is essential when applying for loans from financial institutions (Hirawati et al., 2021; Rosyadah et al., 2022). Proper reporting practices, including financial statements, cash flow control, and an understanding of capital management, remain weak.

Additionally, MSMEs often face challenges in accessing sufficient capital and adapting to technological advancements, particularly in areas such as digital

marketing and digital payments. The rise of digital payment systems has transformed traditional business models into more modern, technology-driven forms. De la Torre and De la Vega (2025) emphasise that digital innovation reflects an enterprise's ability to adapt in times of uncertainty and economic disruption.

Young entrepreneurs, meanwhile, face challenges that require digital and online business skills. These include market competition on digital platforms, mobility restrictions, and the limited availability of high-quality internet infrastructure (Cueto et al., 2022). Financial management is a critical strategy that enables business owners to understand funding requirements and avoid unnecessary losses. However, many MSME actors continue to mismanage their finances, resulting in frequent business losses. MSMEs that are unable—or unwilling—to adopt digitalisation risk being placed at a disadvantageous market position, potentially losing revenue and facing bankruptcy (Becker & Schmid, 2020).

Beyond accounting knowledge, business experience also plays a vital role in shaping the success of MSME actors. Experience plays a critical role in determining business resilience. Entrepreneurs with prior business experience are better equipped to navigate challenges, demonstrate greater confidence in operations, and enhance business growth (Ilieva et al., 2018). Experienced entrepreneurs can also drive higher sales growth, as supported by Soriano and Castrogiovanni (2012), who argue that individuals with higher levels of education and business experience exhibit stronger business performance. Similarly, Prastya Nugraha and Wahyuastuti (2017) note that entrepreneurial experience helps business actors to become more adaptive in facing mistakes and setbacks. Against this backdrop, the present study seeks to investigate: (1) the extent to which accounting knowledge contributes positively and significantly to MSME performance in Mojokerto City; (2) the degree to which entrepreneurial experience positively and significantly affects MSME performance in Mojokerto City; and (3) the role of digital payment convenience in significantly enhancing MSME performance in Mojokerto City.

### **Theoretical Framework**

- 1. Kirznerian Entrepreneurship Theory:** This theory emphasises human performance, persistence, seriousness, and self-reliance in business endeavours. It posits that the success or failure of a business largely depends on the entrepreneur's effort and perseverance (Saadati, 2022). The theory further highlights intrinsic motivational factors underlying entrepreneurial behaviour. When motivation is nurtured from an early stage, individuals gradually develop greater awareness of workplace demands and responsibilities (Nuriah & Mayangsari, 2022).
- 2. Digital Payment Convenience:** The RBI Ombudsman Scheme (2019) defines digital payment as a transaction that does not require physical cash from either the payer or the receiver. This includes transactions conducted through digital platforms where both parties use digital media to send or receive money (Shree et al., 2021). In the context of this study, digital payment refers to transactions in which both payers and receivers utilise digital payment systems.
- 3. Accounting Knowledge:** Accounting knowledge refers to the skills required to manage financial resources effectively, ensuring that business planning is more efficient and goal-oriented. Accounting plays a crucial role in providing

organisational stakeholders with reliable information to support better decision-making and enhance operational efficiency (Drury, 2017).

4. **Business Experience:** Business experience encompasses the knowledge and competencies acquired through prior work engagements and entrepreneurial practices. Such experience has a positive impact on building successful business ventures. Scholars argue that strong functional skills in specific areas of business operations can lead to increased organisational productivity (Anderson et al., 2018). Unlike skills acquired through formal training programs, entrepreneurial experience provides practical insights and resilience, making it a significant asset in sustaining and expanding MSMEs.

## METHOD

**Types of research:** This study employs a quantitative method with an associative design to investigate the influence of convenience digital payment on the understanding of accounting and business experience, and its impact on the performance of MSMEs in Mojokerto City. **Instrument in study.** This is a questionnaire that uses a Likert scale to measure every statement, covering understanding of accounting, experience in business, digital payments, as well as the performance of MSMEs. Every answer connected with a form statement or support expressed attitude with words as follows: Strongly Agree (SS) = 5; Agree (S) = 4; Neutral (N) = 3; Disagree (TS) = 2; Strongly Disagree (STS) = 1. **Grid questions** that will be used in the study. This will be displayed in the table below. This :

**Table 1** Question Grid

| No | Variables Study   | Indicator   |
|----|---|---|
| 1. | Variable convenience <i>digital payment</i> ( $X_3$ ) (Sitinjak, 2019)                                | 1. Easy to learn<br>2. Controllable<br>3. Clear and can be understood ( <i>clear and understandable</i> )<br>4. Flexible<br>5. Easy to become skilled ( <i>easy to become skilful</i> )<br>6. Easy to use ( <i>easy to use</i> ). |
| 2. | Variables Understanding accounting ( $X_1$ ) (Jamil & Hidayat, 2022)                                  | 1. Understanding declarative<br>2. Understanding procedural   |
| 3. | Variables experience effort ( $X_2$ );  | 1. Level of education<br>2. Talents and interests<br>3. Attitudes and needs<br>4. Ability analytical and manipulative<br>5. Skills technique<br>6. Length of business previously  |
| 4. | Variables MSME performance (Y) (Alimudin et al., 2019) ; (Dhamayantie, 2017) ; (Subagyo et al., 2020) | 1. Profit level<br>2. Sales level<br>3. Efficiency cost<br>4. Growth customer   |

**Population in the study:** This is MSME actors in Mojokerto City who have registered with the Mojokerto City Cooperatives and Micro Enterprises Service. According to the number data population of MSMEs in the city of Mojokerto as of 2024, as many as 29,993 MSMEs ( <https://satudatapalapa.mojokertokab.go.id/> ),

**Method of retrieval samples** used in the study: This is a non-probability

sampling. The non-probability sampling technique is a sampling technique that does not provide equal opportunities to all members of the population, and its determination is not random, resulting in 82 research samples. In this study, validity and reliability tests were conducted to measure the feasibility of the research instrument for testing. As a requirement in conducting a regression test, a classical assumption test was first conducted. The classical assumption tests used in this study were the normality test, multicollinearity test, and heteroscedasticity test. To determine the magnitude of the influence of all independent variables (X), namely accounting understanding, business experience, and ease of digital payment, on the dependent variable (Y), namely MSME performance. The multiple linear regression equation model used in this study is as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3$$

Information :

Y = MSME Performance

a = Constant

b = Coefficient regression

X<sub>1</sub> = Ease *Digital Payment*

X<sub>2</sub> = Understanding accountancy

X<sub>3</sub> = Business Experience

## RESULTS AND DISCUSSION

### Result

#### 1. Instrument Test

Validity test results in research done on every variable. Validity test performed on variables ease of digital payment, understanding accounting, experience, effort and performance of MSMEs. In the study, this significance test was carried out by comparing the calculated r value with the r table. For the *degree of freedom* ( df ) = n-2, where n is the number of sample respondents, at a level of significance 5% (α=0.05), then df = 20 – 2 or df = 18, so that r table is 0.4438. Validity test in the study. This uses *Pearson correlation*.

A reliability test was done on every variable in the study, that is, variables understanding accounting, variables experience effort, variables convenience of digital payments, and variables MSME performance. Reliability test in research. This can be seen in the table below:

**Table 2 Results Test Reliability**  
 Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .627             | 36         |

Based on the table above, it can be known that every statement in the instruments used is reliable. This can be known by comparing every Cronbach's Alpha value, and the results show that Cronbach's Alpha value is 0.0627 > 0.60.

#### 2. Respondent Overview

Respondents in the study: This is 100 respondents from MSME actors in the Mojokerto City area. Each respondent will fill in questionnaires distributed by researchers , as well as list their identity in the column of questionnaires distributed. The identity of respondents will be kept secret in the study, for the convenience of

respondents. Type-managed business MSMEs in Mojokerto City can be seen from the table below:

**Table 3** Characteristics of MSMEs

| Classification            | Amount    |           |           |           |
|---------------------------|-----------|-----------|-----------|-----------|
| <b>Gender</b>             |           |           |           |           |
| Man                       | 33        |           |           |           |
| Woman                     | 49        |           |           |           |
| <b>Age</b>                |           |           |           |           |
| 21-30 Years               |           | 18        |           |           |
| 31-40 Years               |           | 39        |           |           |
| > 41 Years                |           | 25        |           |           |
| <b>Length of Business</b> |           |           |           |           |
| 0-5 Years                 |           |           | 25        |           |
| 5-10 Years                |           |           | 39        |           |
| > 10 Years                |           |           | 18        |           |
| <b>Type of business</b>   |           |           |           |           |
| Service                   |           |           |           | 25        |
| Trade                     |           |           |           | 39        |
| Manufacturing             |           |           |           | 18        |
| <b>Amount</b>             | <b>82</b> | <b>82</b> | <b>82</b> | <b>82</b> |

Based on Table 3 above, it can be seen that the types of MSME businesses run in Mojokerto City are very diverse. The type of business based on the research sample is a service business, amounting to 25 businesses, trading amounting to 39 businesses, and in the manufacturing sector, amounting to 18 businesses. Furthermore, the majority of these business activities are over 5 years old, which shows business resistance.

### 3. Classical assumption test

The significance level of the calculation results is 0.200. In test data, normality can be determined using the *one-sample Kolmogorov-Smirnov test*, namely, with the condition that the data is normally distributed if the significance value is greater than 5%. Furthermore, in the multicollinearity test, the tolerance value for the digital payment convenience variable is  $0.942 > 0.1$  and the VIF value is  $1.062 < 10$ ; understanding of accounting as big as  $0.795 > 0.1$  And mark VIF  $1.258 < 10$ ; and the business experience variable is  $0.796 > 0.1$  And mark VIF  $1.256 < 10$ ; then it can be said that there is no multicollinearity in multiple linear regression. Heteroscedasticity testing is used to determine whether there is any or whether there is any deviation. Heteroscedasticity testing in this study uses a *scatterplot test*.

### 4. Test Regression Linear Multiple

This Multiple Linear Regression Test aims to determine the influence of all independent variables (X), namely accounting understanding, business experience, and ease of digital payments, on the dependent variable (Y), namely MSME performance. Next, a multiple linear regression test was conducted. The test results show:



**Table 4 Results Test Regression Multiple Linear Coefficients <sup>a</sup>**

| Model                       | Unstandardised Coefficients |            | Standardised Coefficients | t     | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                             | B                           | Std. Error | Beta                      |       |      |
| 1 (Constant)                | 20,074                      | 4,197      |                           | 4,783 | .000 |
| Convenience Digital Payment | .275                        | .111       | .246                      | 2,475 | .015 |
| Understanding Accounting    | -.051                       | .114       | -.049                     | -.450 | .653 |
| Experience Business         | -.059                       | .097       | -.065                     | -.604 | .547 |

1. Dependent Variable: Performance of MSMEs

In the *unstandardised coefficients column*, the *constant* value is 20.074, and the regression direction coefficient for the accounting understanding variable is -0.051; the business experience variable is -0.059; and the digital payment convenience variable is 0.275. Therefore, the following equation can be written:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3$$

$$Y = 20,074 + 0.275 + (-0.051) + (-0.059)$$

## 5. Hypothesis Test

On the variable understanding accountancy, it can be seen from the table that the obtained t count value = -0.450, which means t count < t table. Then H<sub>0</sub> is accepted and H<sub>1</sub> rejected, which means variables understanding accounting (X<sub>1</sub>) have no influence on variables MSME performance (Y). Next, the variables' experience in business can be seen from the table, the obtained calculated t value = -0.604, which means calculated t < t table or -0.604 < 1.984) with mark significance as big as 0.547 > 0.05. Then H<sub>0</sub> is accepted and H<sub>2</sub> rejected, which means variables experience effort (X<sub>2</sub>) have no influence on variables MSME performance (Y). Next, on the variable convenience digital payment can be seen from the table, the obtained t count value = 2.475, which means t count > t table or 2,197 > 1,984) with mark significance of 0.015 < 0.05. Then H<sub>0</sub> rejected and H<sub>3</sub> accepted, which means variables the ease of digital payment (X<sub>3</sub>) has an influence positive and significant to variables MSME performance (Y).

## Discussion

1. The Influence of Digital Payment Convenience on MSME Performance in Mojokerto City: The influence of digital payment convenience on the performance of MSMEs in Mojokerto City was found to be 27.5%. This result indicates a positive and significant relationship, meaning that as the ease of digital payments increases, MSME performance also improves. Conversely, a decline in digital payment convenience results in lower MSME performance. These findings

suggest that the availability and usability of digital payment systems play a crucial role in enhancing business outcomes for MSMEs in Mojokerto City.

2. The Influence of Accounting Understanding on MSME Performance in Mojokerto City: The results of the t-test showed that the beta value for the accounting understanding variable was  $-0.051$  or  $-5.1\%$ . This negative Coefficient indicates that a higher level of accounting understanding is associated with a decrease in MSME performance, although the effect is minimal. These findings align with Sovia (2022), who argued that accounting knowledge does not significantly affect MSME performance. This may be due to the fact that many MSME actors are still capable of running their businesses effectively despite having limited accounting knowledge. Hence, accounting understanding does not yet play a substantial role in the operational success of MSMEs in Mojokerto City.
3. The Influence of Business Experience on MSME Performance in Mojokerto City: The analysis revealed that the influence of business experience on MSME performance was  $-5.9\%$ , which also shows a negative relationship. This suggests that greater business experience is not directly correlated with better performance among MSMEs in Mojokerto City. In fact, the results imply that increases in entrepreneurial experience may coincide with decreases in performance, and vice versa. One possible explanation is that many MSME actors in Mojokerto City still lack sufficient entrepreneurial experience, and the knowledge gained through experience has not yet translated into improved performance. This highlights the need for better integration of experiential knowledge with managerial and financial practices in MSME operations.

### CONCLUSION

Based on the findings of this research, it can be concluded that:

1. Digital payment convenience (X3) has a positive and significant effect on the performance of MSMEs in Mojokerto City (Y).
2. Accounting understanding (X1) has no significant effect on the performance of MSMEs in Mojokerto City (Y).
3. Business experience (X2) also has no significant effect on the performance of MSMEs in Mojokerto City (Y).

The positive impact of digital payments on MSME performance supports prior studies, confirming that electronic payment systems facilitate transactions and enhance business efficiency. However, contrary to several theoretical expectations, neither accounting knowledge nor business experience significantly contributes to MSME performance in Mojokerto City. These results imply that the adoption of digital financial technologies provides more immediate benefits to MSMEs than traditional managerial competencies.

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