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Financial Inclusion, MSME Digitalization, and Financial Reporting Quality as Determinants of Financial Performance among Food and Beverage MSMEs in Palembang

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Abstract

This study is urgent because financial inclusion, MSME digitalization, and financial reporting quality are increasingly essential for improving the financial performance and sustainability of food and beverage MSMEs in Palembang. Micro, small, and medium enterprises (MSMEs) play an important role in supporting local economic development, yet many businesses continue to face challenges in accessing formal financial services, adopting digital technologies effectively, and maintaining reliable financial records. This study examines the effects of financial inclusion, MSME digitalization, and financial reporting quality on the financial performance of food and beverage MSMEs in Palembang, Indonesia. A quantitative approach was employed using primary data collected from 100 MSME owners selected through purposive sampling. Data were obtained through questionnaires, supported by interviews and observations, and analyzed using multiple linear regression with SPSS. The results show that financial inclusion has a positive and significant effect on MSME financial performance ($\beta = 0.409$, $p < 0.001$). Financial reporting quality also has a positive and significant effect ($\beta = 0.417$, $p < 0.001$) and emerges as the strongest predictor in the model. In contrast, MSME digitalization shows a positive but statistically insignificant effect on financial performance ($\beta = 0.117$, $p = 0.132$). Simultaneously, the three independent variables significantly explain variations in MSME financial performance, with an adjusted R^2 of 0.779, indicating that 77.9% of the variation in financial performance is explained by the proposed model. These findings highlight the importance of strengthening MSMEs' access to financial services and improving the quality of financial reporting. Digital adoption should also be accompanied by stronger managerial and technological capabilities to generate more tangible financial benefits.

Keywords : *Financial Inclusion, Financial Performance, Financial Reporting Quality, MSME Digitalization, MSMEs.*

Introduction

Micro, small, and medium enterprises (MSMEs) play a strategic role in supporting economic growth, employment creation, and community welfare. Their ability to sustain business operations is particularly important in highly competitive sectors such as food and beverage (F&B), where firms must continuously respond to changing consumer preferences, technological developments, and increasingly dynamic market conditions. Under such circumstances, financial performance becomes an essential indicator of business sustainability because it reflects an enterprise's ability to manage financial resources, generate profits, maintain operational stability, and support future business development. For MSMEs, however, achieving strong financial performance remains challenging because business

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owners often operate with limited financial resources, relatively simple managerial systems, and varying levels of technological capability (Kasmita et al., 2026).

The F&B MSME sector in Palembang represents a business environment in which these challenges are particularly relevant (Rusliana et al., 2023). Although the sector continues to develop alongside increasing demand for food and beverage products, many business owners still face difficulties in managing their financial and operational resources effectively (Bhattacharyya et al., 2023). Some MSMEs have limited access to formal financial services, while others have not fully optimized digital technologies in their business activities (Frimpong et al., 2022; Indriastuti & Kartika, 2022). Financial reporting also remains a concern because financial records are not always prepared systematically or consistently (Lopung & Rulindo, 2023). These conditions may restrict business owners' ability to evaluate performance, control cash flows, obtain external financing, and make evidence-based business decisions (Chowdhury et al., 2022; Lopung & Rulindo, 2023). Consequently, improving MSME financial performance cannot be separated from the ability of business owners to access financial services, utilize digital technologies, and produce reliable financial information (Frimpong et al., 2022; Indriastuti & Kartika, 2022; Lopung & Rulindo, 2023.

Financial inclusion is one factor expected to improve MSME financial performance because it facilitates access to formal financial services, including savings, financing, and payment systems. Greater access to financial services can provide MSMEs with additional sources of working capital, improve cash-flow management, and support business expansion. Financial inclusion may also improve transaction efficiency through the use of formal and digital financial services. Previous studies have generally indicated a positive relationship between financial inclusion and MSME performance. For example, previous studied reported that financial inclusion contributes positively to MSME performance (Wulandari et al., 2024; Kosim et al., 2021). Nevertheless, the magnitude and consistency of this relationship may vary according to the characteristics of businesses, their ability to utilize financial products, and the financial ecosystem in which they operate.

Digitalization represents another increasingly important resource for MSMEs. The use of social media, electronic payment systems, digital marketplaces, accounting applications, and other technology-based business tools may enable MSMEs to improve operational efficiency, accelerate transactions, expand market reach, and reduce administrative burdens (A'yuni et al., 2025). From this perspective, digitalization is expected to strengthen business performance by transforming traditional business processes into more efficient and responsive operations. However, empirical findings regarding the financial benefits of MSME digitalization remain inconsistent. The previous studied found a positive contribution of digitalization to business-related outcomes (Asmira & Sulkiah, 2025). Whereas the another studied reported different results. Such differences indicate that the availability of digital technology alone may not automatically improve financial performance (Arifa & Alamsyah, 2023). Its effectiveness may depend on digital literacy, the intensity of technology use, the type of technology adopted, and the extent to which digital tools are integrated into core business processes.

In addition to financial access and digital capability, the quality of financial reporting is an important internal resource for MSMEs. High-quality financial reports provide relevant and reliable information that can support financial control, business evaluation, and managerial decision-making. Systematic financial records can help business owners identify revenues, expenses, profits, and financial risks more accurately while also increasing the credibility of

the business in the eyes of external financial institutions. Previous research has demonstrated the importance of financial reporting quality in MSME management, although empirical results are not entirely consistent across settings. The previous studied reported a positive role of financial reporting quality, whereas other studies have found insignificant relationships (Anggriani & Inapty, 2025). These differing findings suggest that the effect of reporting quality on MSME financial performance may depend on the extent to which financial information is actually used as a managerial resource rather than merely prepared as an administrative requirement (Hani et al., 2024).

These relationships can be understood through the Resource-Based View (RBV), which emphasizes that business performance is influenced by an enterprise's ability to acquire, organize, and utilize valuable internal and external resources effectively. Within this perspective, financial inclusion can be viewed as access to financial resources, digitalization as a technological capability, and financial reporting quality as an informational and managerial capability. The contribution of these resources to financial performance is therefore not determined solely by their availability, but also by how effectively they are utilized and integrated into business activities. For MSMEs with relatively limited resources, the combination of financial, technological, and information capabilities may be particularly important in strengthening performance and business sustainability.

Despite growing attention to these factors, the existing literature still presents inconsistent empirical findings concerning the effects of financial inclusion, digitalization, and financial reporting quality on MSME performance. Moreover, differences in business characteristics, levels of technological adoption, financial management practices, and regional conditions may lead to different outcomes across MSME populations. This creates a need for further empirical investigation in specific business contexts. The F&B MSME sector in Palembang provides a relevant setting because business owners operate in a market where direct transactions remain common while financial services and digital technologies are increasingly available. Examining the three factors simultaneously may therefore provide a more comprehensive understanding of the resources associated with MSME financial performance (Indriastuti & Kartika, 2022).

Accordingly, this study aims to examine the effects of financial inclusion, MSME digitalization, and financial reporting quality on the financial performance of food and beverage MSMEs in Palembang, Indonesia, both simultaneously and individually. The study contributes to the literature by integrating financial, technological, and informational resources within an RBV-oriented framework and by providing empirical evidence from F&B MSMEs in a specific local business environment. From a practical perspective, the findings are expected to assist MSME owners in identifying the capabilities that should be prioritized to improve financial performance and to provide insights for local government and supporting institutions in designing more targeted financial inclusion, digitalization, and financial management programs.

The novelty of this study lies in integrating financial inclusion, MSME digitalization, and financial reporting quality as interrelated determinants of financial performance, with a specific focus on food and beverage MSMEs in Palembang, a context that remains relatively underexplored. This approach provides a more comprehensive perspective on how financial access, digital adoption, and reporting practices jointly contribute to MSME financial performance.

Method

Research Method

This study employed a quantitative research approach to examine the effects of financial inclusion, MSME digitalization, and financial reporting quality on the financial performance of food and beverage MSMEs in Palembang, South Sumatra, Indonesia. The study used an explanatory design because it aimed to test the relationships between three independent variables financial inclusion (X_1), MSME digitalization (X_2), and financial reporting quality (X_3) and the dependent variable, MSME financial performance (Y). Multiple linear regression analysis was applied to estimate both the simultaneous and partial effects of the independent variables on financial performance.

Population and Sample

The population comprised food and beverage MSMEs registered with the Palembang City Office of Cooperatives and Small and Medium Enterprises. The unit of analysis was the MSME owner or operator representing the business being studied. A non-probability sampling technique with purposive sampling was used to select respondents based on criteria determined by the researchers. This procedure resulted in a final sample of 100 food and beverage MSME operators in Palembang.

Purposive sampling was selected because the study required respondents who were directly involved in operating food and beverage MSMEs and were therefore able to provide information regarding access to financial services, the use of digital technologies, financial reporting practices, and business financial performance. However, the current manuscript does not specify the detailed inclusion criteria used during respondent selection; these criteria should be explicitly stated in the final manuscript to strengthen the transparency and reproducibility of the sampling procedure.

Data Collection

The study used primary data collected directly from MSME operators. Data collection was conducted through questionnaires, interviews, and observations. The questionnaire served as the main instrument for obtaining quantitative information related to the research variables, while interviews and observations were used to support information concerning business practices and conditions among the participating MSMEs.

The research instrument consisted of items representing four constructs. Financial inclusion was measured using six items, MSME digitalization using eight items, financial reporting quality using ten items, and MSME financial performance using eight items. Accordingly, a total of 32 questionnaire items were evaluated through validity and reliability testing before being used for hypothesis testing.

Research Variables

The dependent variable in this study was MSME financial performance (Y), which reflects the ability of MSMEs to manage their financial resources and maintain satisfactory business performance. Three independent variables were examined. Financial inclusion (X_1) refers to MSMEs' access to and utilization of formal financial services. MSME digitalization (X_2) represents the use of digital technologies to support business activities, including digital transactions and technology-enabled business processes. Financial reporting quality (X_3)

reflects the ability of MSMEs to prepare financial information that is relevant, reliable, and useful for business decision-making.

The relationship among the variables was expressed through the following multiple linear regression model:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

Where Y represents MSME financial performance, X_1 financial inclusion, X_2 MSME digitalization, X_3 financial reporting quality, α the constant, β2-β3 the regression coefficients, and ε the error term.

Instrument Testing

Instrument validity was assessed by examining the correlation between individual questionnaire items and their respective variables. An item was considered valid when its calculated correlation coefficient exceeded the critical value of 0.196 and its significance value was below 0.05. Reliability was evaluated using Cronbach's alpha, with a coefficient greater than 0.70 indicating adequate internal consistency. The instrument demonstrated satisfactory reliability for all variables, with Cronbach's alpha values of 0.851 for financial inclusion, 0.911 for MSME digitalization, 0.946 for financial reporting quality, and 0.941 for MSME financial performance.

Data Analysis

The collected data were processed using SPSS. Data analysis consisted of instrument testing, classical assumption testing, multiple linear regression analysis, and hypothesis testing. Classical assumption tests included normality, multicollinearity, and heteroskedasticity assessments. Residual normality was evaluated using the Kolmogorov–Smirnov test, with a significance value greater than 0.05 indicating normally distributed residuals. Multicollinearity was examined using tolerance and Variance Inflation Factor (VIF) values, with tolerance values above 0.10 and VIF values below 10 indicating the absence of problematic multicollinearity. Heteroskedasticity was evaluated using a scatterplot of standardized residuals and predicted values.

Multiple linear regression was subsequently performed to estimate the magnitude and direction of the relationships between the three independent variables and MSME financial performance. The F-test was used to determine whether financial inclusion, MSME digitalization, and financial reporting quality jointly affected financial performance, while the t-test was used to assess the partial effect of each independent variable. Statistical significance was evaluated at the 5% significance level (α = 0.05). The coefficient of determination () and adjusted were used to evaluate the proportion of variation in financial performance explained by the proposed model.

Result

Instrument Validity

The validity test was conducted to determine whether the questionnaire items adequately measured the intended constructs. An item was considered valid when its calculated correlation coefficient exceeded the critical value of 0.196 and its significance level was below 0.05. Based on the reported results, all items measuring MSME financial performance (Y), from P01 to P08, had correlation coefficients greater than 0.196 and significance values below

0.05. Therefore, the reported items met the validity criteria and were considered appropriate for further statistical analysis.

Reliability Test

Reliability was assessed using Cronbach's alpha to evaluate the internal consistency of the measurement instruments. A construct was considered reliable when its Cronbach's alpha coefficient exceeded 0.70. The results are presented in Table 1.

Table 1. *Reliability Test Results*

No.	Variable	Cronbach's Alpha	Number of Items	Interpretation
1	Financial Inclusion (X_1)	0.851	6	Reliable
2	MSME Digitalization (X_2)	0.911	8	Reliable
3	Financial Reporting Quality (X_3)	0.946	10	Reliable
4	MSME Financial Performance (Y)	0.941	8	Reliable

As shown in Table 1, all constructs achieved Cronbach's alpha coefficients above the recommended threshold of 0.70. Financial inclusion recorded an alpha value of 0.851, while MSME digitalization, financial reporting quality, and MSME financial performance obtained values of 0.911, 0.946, and 0.941, respectively. These results indicate satisfactory to high internal consistency across all constructs, confirming that the measurement instruments were sufficiently reliable for subsequent analysis.

Classical Assumption Tests

Normality Test

The normality of the regression residuals was examined using the Kolmogorov–Smirnov test. Residuals were considered normally distributed when the significance value exceeded 0.05. The results are reported in Table 2.

Table 2. *Normality Test Results*

Kolmogorov–Smirnov Statistic	Asymp. Sig.	Criterion	Interpretation
0.074	0.199	> 0.05	Normally distributed

Table 2 shows an asymptotic significance value of 0.199, which is greater than 0.05. Therefore, the residuals were normally distributed, indicating that the regression model satisfied the normality assumption.

Multicollinearity Test

Multicollinearity was assessed using tolerance and Variance Inflation Factor (VIF) values. The model was considered free from problematic multicollinearity when tolerance values exceeded 0.10 and VIF values were below 10.

Table 3. *Multicollinearity Test Results*

Independent Variable	Tolerance	VIF	Interpretation
Financial Inclusion (X_1)	0.262	3.811	No multicollinearity
MSME Digitalization (X_2)	0.375	2.670	No multicollinearity
Financial Reporting Quality (X_3)	0.275	3.634	No multicollinearity

As presented in Table 3, all tolerance values were above 0.10, ranging from 0.262 to 0.375, while the VIF values ranged from 2.670 to 3.811. These values indicate that no problematic multicollinearity existed among the independent variables. Thus, financial inclusion, MSME digitalization, and financial reporting quality could be included simultaneously in the regression model.

Heteroskedasticity Test

Heteroskedasticity was evaluated using a scatterplot of standardized residuals against standardized predicted values.

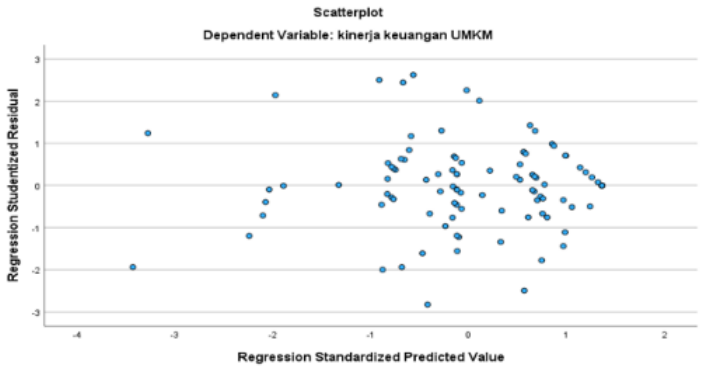

Figure 1. *Scatterplot for Heteroskedasticity Test*

The scatterplot in Figure 1 shows that the residual points were distributed randomly above and below the zero line without forming a systematic pattern. This distribution suggests that the variance of the residuals remained reasonably constant across predicted values. Therefore, no indication of heteroskedasticity was detected, and the regression model satisfied the homoscedasticity assumption.

Multiple Linear Regression Analysis

Multiple linear regression analysis was performed to examine the effects of financial inclusion, MSME digitalization, and financial reporting quality on MSME financial performance. The regression results are summarized in Table 4.

Table 4. *Multiple Linear Regression Results*

Predictor	B	Std. Error	Standardized Beta	t	p-value
Constant	2.957	1.634	—	1.810	0.073
Financial Inclusion (X_1)	0.532	0.120	0.409	4.434	<0.001
MSME Digitalization (X_2)	0.108	0.071	0.117	1.518	0.132
Financial Reporting Quality (X_3)	0.335	0.073	0.417	4.620	<0.001

Dependent variable: MSME Financial Performance (Y)

Based on Table 4, the estimated multiple regression equation is:

$$Y = 2.957 + 0.532X1 + 0.108X2 + 0.335X3 + \varepsilon$$

The interpretation of the multiple linear regression results is as follows: where Y represents MSME financial performance, X_1 represents financial inclusion, X_2 represents MSME digitalization, and X_3 represents financial reporting quality. The coefficient for financial inclusion was positive at 0.532, indicating that higher financial inclusion was associated with higher MSME financial performance when the other predictors were held constant. MSME digitalization also had a positive coefficient of 0.108, although its statistical effect was not significant. Financial reporting quality had a positive coefficient of 0.335, indicating a positive association with MSME financial performance after controlling for the other predictors. The standardized coefficients further show that financial reporting quality had the largest relative contribution to the regression model (β=0.417), closely followed by financial inclusion (β=0.409). MSME digitalization had the smallest standardized coefficient (β=0.117).

Simultaneous Test

The simultaneous significance of the regression model was evaluated using the F-test. The test determined whether financial inclusion, MSME digitalization, and financial reporting quality collectively explained significant variation in MSME financial performance.

Table 5. *Simultaneous Regression Test*

Test	F	p-value	Decision
Regression model	117.062	<0.001	Significant

Predictors: Financial Inclusion, MSME Digitalization, and Financial Reporting Quality.
Dependent variable: MSME Financial Performance.

Table 5 shows an F-statistic of 117.062 with a significance level below 0.001. Since the significance value was lower than 0.05, the regression model was statistically significant. This result indicates that financial inclusion, MSME digitalization, and financial reporting quality collectively had a significant relationship with MSME financial performance. Therefore, the hypothesis proposing a simultaneous effect of the three predictors was supported.

Partial Hypothesis Testing

The partial effects of the independent variables were assessed using t-tests. A predictor was considered statistically significant when its p-value was below 0.05.

Table 6. *Partial Hypothesis Testing*

Hypothesis	Relationship	B	β	t	p-value	Decision
H2	Financial Inclusion → Financial Performance	0.532	0.409	4.434	<0.001	Supported
H3	MSME Digitalization → Financial Performance	0.108	0.117	1.518	0.132	Not supported
H4	Financial Reporting Quality → Financial Performance	0.335	0.417	4.620	<0.001	Supported

As shown in Table 6, financial inclusion had a positive and statistically significant effect on MSME financial performance (B=0.532, β=0.409, t=4.434, p<0.001). Therefore, H2 was supported. This finding indicates that greater access to and utilization of financial services were associated with improved financial performance among F&B MSMEs in Palembang.

MSME digitalization produced a positive coefficient but did not reach statistical significance (B=0.108, β=0.117, t=1.518, p=0.132). Consequently, H3 was not supported. Although the direction of the relationship was positive, the evidence was insufficient to conclude that digitalization independently contributed to differences in financial performance within the sample. Financial reporting quality had a positive and statistically significant effect on MSME financial performance (B=0.335, β=0.417, t=4.620, p<0.001). Therefore, H4 was supported. Moreover, its standardized coefficient was the largest among the three independent variables, indicating that financial reporting quality was the strongest predictor of financial performance in the estimated model.

Model Explanatory Power

The explanatory power of the regression model was assessed using the multiple correlation coefficient, coefficient of determination, and adjusted coefficient of determination.

Table 7. *Model Summary*

R	R^2	Adjusted R^2	Std. Error of the Estimate
0.886	0.785	0.779	2.77234

Predictors: Financial Inclusion, MSME Digitalization, and Financial Reporting Quality.
Dependent variable: MSME Financial Performance.

As shown in Table 7, the multiple correlation coefficient was 0.886, indicating a strong overall association between the set of predictors and MSME financial performance. The coefficient of determination () was 0.785, meaning that 78.5% of the variation in MSME financial performance was explained collectively by financial inclusion, MSME digitalization, and financial reporting quality. The remaining 21.5% was attributable to factors outside the estimated model. After adjustment for the number of predictors and sample size, the Adjusted was 0.779, indicating that the model explained approximately 77.9% of the variation in financial performance after adjustment. Overall, these values demonstrate substantial explanatory power for the proposed regression model.

Discussion

The Effect of Financial Inclusion, MSME Digitalization, and Financial Reporting Quality on MSME Financial Performance

The simultaneous test results indicate that financial inclusion, MSME digitalization, and financial reporting quality jointly have a significant effect on the financial performance of food and beverage MSMEs in Palembang. Therefore, H1 is supported. This finding suggests that these three factors collectively contribute to improving MSME financial performance through better management of financial resources, the utilization of digital technologies, and the preparation of higher-quality financial reports. This result is consistent with the Resource-Based View (RBV), which emphasizes that business performance and competitive advantage depend on an enterprise's ability to manage and utilize its resources effectively. Within this perspective, access to financial services, technological capabilities, and financial information can be viewed as complementary resources that support business operations and decision-making. When these resources are managed in an integrated manner, they can strengthen the overall financial capability of MSMEs.

The finding is also consistent with, who reported that financial inclusion and the effective utilization of financial resources contribute positively to MSME performance (Kosim et al., 2021; Hilmawati & Kusumaningtias, 2021). However, the result differs from another previous studied, whose findings suggest that the simultaneous effects of similar factors are not always statistically significant (Kusuma et al., 2022; Ayem et al., 2024). Such differences may be associated with variations in respondent characteristics, research variables, and the readiness of MSME operators to utilize formal financial services and digital technologies.

The Effect of Financial Inclusion on MSME Financial Performance

The partial test results show that financial inclusion has a positive and significant effect on the financial performance of food and beverage MSMEs in Palembang. Therefore, H2 is supported. The regression coefficient of 0.532 indicates that a one-unit increase in financial inclusion is associated with a 0.532-unit increase in MSME financial performance, assuming that the other variables remain constant. This finding indicates that greater access to and utilization of formal financial services, such as savings facilities, financing, and digital payment systems, are associated with better financial performance. Access to formal financial services can support working-capital availability, facilitate transactions, and improve financial management, thereby helping MSMEs maintain and develop their business activities.

From the RBV perspective, financial inclusion can be regarded as an important financial resource that supports business development. The ability to access and effectively utilize formal financial services enables MSMEs to strengthen their financial capacity and support operational

activities. This finding is consistent with the previous studied, which indicate that financial inclusion positively contributes to MSME performance (Wulandari et al., 2024; Kosim et al., 2021; SNKI, 2025). The difference may be related to variations in respondent characteristics, the extent to which financial services are actually utilized, and differences in the financial ecosystems of the respective study areas (Normawati et al., 2025).

The Effect of MSME Digitalization on MSME Financial Performance

The partial test results indicate that MSME digitalization does not have a statistically significant effect on the financial performance of food and beverage MSMEs in Palembang. Therefore, H3 is not supported. Although the regression coefficient is positive, its statistical significance is insufficient to demonstrate an independent effect on financial performance. This finding suggests that the use of digital technologies among the participating MSMEs may not yet have reached a level capable of generating substantial financial benefits. Based on the conditions described in the study, many MSME operators primarily use social media and digital payment systems, while the adoption of accounting applications and integrated business management systems remains relatively limited. In addition, limited digital literacy and the characteristics of F&B businesses, which still rely heavily on direct transactions with customers, may help explain why digitalization has not yet translated into significant financial improvements.

From the RBV perspective, technological resources do not automatically generate superior performance merely because they are available. Their contribution depends on how effectively they are integrated with other business resources and capabilities. In this context, digital technology may provide greater value when supported by adequate financial resources, information management, and managerial capability. This finding is consistent with the previous studied (Patmawati & Karyadi, 2025; Farhat et al., 2025). But differs from the another studied (Wahyono et al., 2023). The variation in findings may be explained by differences in the level of technology adoption, respondent characteristics, the types of digital tools used, and the business environment in each research location.

The Effect of Financial Reporting Quality on MSME Financial Performance

The partial test results show that financial reporting quality has a positive and significant effect on the financial performance of food and beverage MSMEs in Palembang. Therefore, H4 is supported. This result indicates that better financial reporting quality is associated with better MSME financial performance. The finding suggests that systematic and reliable financial reporting can assist MSME operators in monitoring revenues and expenses, evaluating business performance, controlling financial activities, and making more informed business decisions. The study also indicates that many MSME operators have routinely maintained financial records and used financial information as a basis for business decision-making.

From the RBV perspective, financial reporting quality represents an informational and managerial resource that supports business control, evaluation, and development. Financial information becomes valuable when it enables business owners to understand their financial position and use that information to guide operational and strategic decisions. In this study, financial reporting quality also emerged as the strongest predictor of MSME financial performance, as indicated by the highest standardized coefficient among the independent variables. The finding differs from the results reported in studies conducted in Yogyakarta and by previous studied, which found that financial reporting quality did not significantly affect MSME performance (Albar et al., 2024). These differences may be associated with variations in MSME owners' financial reporting capabilities, their awareness of the importance of financial

records, and the consistency with which financial reports are prepared and used in business decision-making.

Conclusion

This study finds that financial inclusion, MSME digitalization, and financial reporting quality simultaneously influence the financial performance of food and beverage MSMEs in Palembang. Financial inclusion has a positive and significant effect, indicating that greater access to and utilization of formal financial services can strengthen MSMEs' financial capacity. MSME digitalization has a positive but insignificant effect, suggesting that basic digital technology adoption has not yet been sufficiently integrated into business processes to generate measurable financial benefits. Financial reporting quality has a positive and significant effect and represents the strongest predictor of financial performance. These findings support the Resource-Based View by demonstrating that financial, technological, and informational resources contribute differently to performance depending on their effective utilization. Practically, MSMEs should prioritize systematic financial reporting, strengthen the use of formal financial services, separate personal and business finances, and strategically integrate digital tools into accounting, transactions, and marketing. Government and supporting institutions should enhance financial literacy, digital assistance, and SAK EMKM-based reporting training. The study is limited to 100 purposively selected food and beverage MSMEs in Palembang and three explanatory variables. Future research should examine broader sectors and regions, incorporate factors such as financial literacy and government support, and investigate moderating factors such as digital literacy and business age. Mixed-method approaches are also recommended for deeper insights into MSME management practices.

Acknowledgment

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