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Digital Readiness Moderation on the Influence of Financial Literacy and QRIS Utilization on the Performance of Micro and Small Enterprises

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ABSTRACT: Digital transformation is a strategic element in increasing the competitiveness of Micro and Small Enterprises (MSEs), especially through the adoption of digital payment systems such as QRIS. However, the low level of digital readiness and financial literacy is still the main obstacle in the use of financial technology in Indonesia. This study aims to analyze the influence of financial literacy and the use of QRIS on the performance of MSEs in Denpasar, as well as test the role of digital readiness as a moderation variable. The research method uses a quantitative approach with a survey of 95 MSE actors who use QRIS. Data analysis was carried out using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results of the study show that financial literacy has a positive and significant effect on the performance of MSEs, while the use of QRIS and digital readiness has a positive but not significant effect. Digital readiness negatively moderates the relationship between financial literacy and MSE performance, as well as moderates positively but not significantly the relationship between QRIS utilization and MSE performance. These results confirm that digital readiness that is not balanced with good financial literacy can weaken the positive influence on business performance.

KEYWORDS: Financial literacy; Digital Readiness; Utilization of QRIS; MSE Performance; Digital Economy.

I. INTRODUCTION

Digital transformation is driving significant changes in the global economic system. For Micro and Small Enterprises (MSEs), digitalization opens up great opportunities for efficiency, innovation, and market expansion. However, low financial literacy and digital readiness are still the main obstacles in optimizing the potential of financial technology, especially QRIS. Bank Indonesia (2023) notes that only about 45% of MSEs in Indonesia have adopted digital payment systems, while the rest still rely on cash transactions. This is exacerbated by the low level of technological understanding and the limitations of digital infrastructure in certain regions. In the digital era, financial inclusion is an important aspect in encouraging the growth of micro and small enterprises (MSEs). Financial literacy has a major role in increasing financial management capacity, especially in the adoption of digital payment systems such as QRIS (*Quick Response Code Indonesian Standard*). According to Rahman and Utami **(2021),** a good financial understanding can improve MSEs' financial decision-making, thereby having an impact on improving business performance. In Indonesia, the use of QRIS as a payment method continues to increase, driven by Bank Indonesia's policy to expand the digital ecosystem (Wijayanti & Nugroho, 2020). Chen and Huang's (2022) study shows that the adoption of a QR-based payment system is able to improve transaction efficiency and expand market access for MSEs. However, challenges are still faced by MSEs, especially in the low understanding of technology and financial management **(**Kurniawan & Setiawati, 2019**).**

In the context of Bali, MSEs play an important role in the local economy, especially the tourism and trade sectors. The study by Putra and Dewi (2021) found that although many MSEs in Bali have started using QRIS, there are still obstacles in financial literacy that affect the optimization of its utilization. This is in line with research by Sari and Widjaja (2023) which emphasizes that low financial literacy can hinder business sustainability, especially in the era of economic digitalization. In addition, Santoso and Yulia **(2020)** revealed that the use of digital payment systems such as QRIS can increase financial inclusion and support the growth of MSEs. However, a lack of understanding of the benefits of this technology is often the main inhibiting factor in its use **(**Prasetyo & Handayani, 2022**).** Thus, further studies on the relationship between financial literacy, QRIS utilization, and MSE performance are needed to provide more effective policy recommendations in increasing the competitiveness of MSEs **(**Lestari & Mahendra, 2019**).** There is a lack of research that examines the effect of the combination of Financial Literacy and QRIS on MSE Performance where most studies only examine the impact of financial literacy on MSEs (Lusardi & Mitchell, 2020) or the benefits of digital payment technology separately (Santoso & Sari, 2022). Lack of Empirical Data on MSEs in Denpasar. Studies on financial literacy and QRIS are mostly conducted at the national level or big cities such as Jakarta, but they are still minimal for MSEs in Denpasar.

This study aims to identify the extent to which financial literacy, QRIS utilization, and digital readiness affect MSE performance, as well as test how digital readiness plays a role as a moderation variable in this relationship. With the development of digital payment systems, a deep understanding of the relationship between financial literacy and business success is a crucial aspect **(**Wicaksono & Susanti, 2023**)**

II. THEORETICAL STUDIES AND HYPOTHESIS DEVELOPMENT

This research refers to the main theory of Resource-Based View (RBV) which states that unique resources such as financial literacy and digital readiness can be a competitive advantage (Barney, 1991). In addition, the Technology Acceptance Model (TAM) theory (Davis, 1989) explains how the perception of ease and usability of technology encourages the adoption of digital systems such as QRIS. The Theory of Planned Behavior (Ajzen, 1991) also supports this research by explaining how the behavioral intentions of business actors are formed from their digital literacy and readiness. In addition, the Technology Readiness Index (Parasuraman, 2000) is used to assess the level of readiness of MSE actors in adopting digital technology. From the perspective of this theory, it is formulated that financial literacy and the use of QRIS affect the performance of MSEs, with digital readiness as a moderation factor.

2.1 Financial Literacy

Financial literacy is an individual's ability to understand concepts, principles, and skills related to financial management effectively to achieve financial well-being. Lusardi and Mitchell (2020) stated that financial literacy includes three main aspects, namely financial knowledge, financial behavior, and financial attitude.

According to Rahman and Utami (2023), financial literacy for MSE actors plays a very important role in determining rational business decisions, controlling expenses, and managing business capital.

Financial Literacy Indicators (adapted from Lusardi & Mitchell, 2020; Rahman & Utami, 2023):

1. Understanding of basic financial concepts (such as interest, inflation, exchange rates).
2. Ability to record and plan business finances.
3. Ability to make strategic financial decisions for businesses.
4. A positive attitude towards long-term financial management.
5. Ability to use financial information in business decision-making.

Good financial literacy allows MSEs to manage risks and plan business growth more effectively, so that it has a positive impact on business performance.

2.2 Utilization of QRIS (Quick Response Code Indonesian Standard)

The use of QRIS is the level of acceptance and use of QR Code-based digital payment systems standardized by Bank Indonesia as an electronic transaction tool for business actors.

According to Wijayanti and Nugroho (2020), QRIS facilitates efficient, safe, and inclusive non-cash transactions for MSEs. Meanwhile, Widyawan (2024) emphasized that the use of QRIS can increase transaction transparency and expand the customer base.

QRIS Utilization Indicators (adapted from Wijayanti & Nugroho, 2020; Chen & Huang, 2022; Widyawan, 2024):

1. The intensity of the use of QRIS in business transactions.
2. Perception of the ease of use of QRIS by business actors and customers.
3. Perception of transaction security using QRIS.
4. Perception of the benefits of QRIS on increasing efficiency and number of transactions.
5. The influence of QRIS on modern image and business professionalism.

The use of QRIS can improve the operational efficiency of MSEs, accelerate cash flow, and expand access to the digital market.

2.3 Digital Readiness

Digital readiness is the ability of individuals or organizations to adopt, integrate, and optimize digital technology to achieve their business goals (Parasuraman, 2000).

According to Hidayat and Lestari (2023), digital readiness includes infrastructure readiness, human resource competence, and organizational commitment to carry out digital transformation.

In the context of MSEs, digital readiness plays an important role as an important factor that moderates the successful adoption of digital technology such as QRIS.

Digital Readiness Indicators (adapted from Parasuraman, 2000; Hidayat & Lestari, 2023; Anatan, 2023):

1. Adequate ownership of digital devices.
2. The ability of business actors/employees to use digital technology.
3. Availability of internet access and digital infrastructure.
4. Willingness to learn and adapt to new technologies.
5. Active efforts to seek information and technological innovation for business development.

High digital readiness will strengthen the effectiveness of the use of financial technology and contribute to increasing the competitiveness of MSEs.

2.4 Micro and Small Business Performance (MSE Performance)

MSE performance is a measure of the extent to which business actors achieve their business goals in terms of sales growth, profit, operational efficiency, and business sustainability.

According to Barney (1991) in the *Resource-Based View (RBV) theory*, business performance is influenced by internal capabilities in managing strategic resources such as finance, technology, and human resource competence. Putra and Dewi (2021) and Sari and Widjaja (2023) added that the performance of MSEs is not only seen from financial aspects, but also the ability to adapt and innovate to changes in the digital business environment.

MSE Performance Indicators (adapted from Putra & Dewi, 2021; Sari & Widjaja, 2023; Hair et al., 2021):

1. An increase in business sales in the past year.
2. Growth in the number of customers.
3. Improving business operational efficiency.
4. Sustainable growth of operating profits.
5. Ability to survive and adapt to market and technological changes.

Good MSE performance is the result of a combination of managerial competence, financial literacy, and adaptability to digital technology

HYPOTHESIS

1) *Financial literacy* has a positive and significant effect on the performance of MSEs in Denpasar City
2) The use of *QRIS* has a positive and significant effect on the performance of SMEs in Denpasar City
3) *Digital Readiness* has a positive and significant effect on the performance of SMEs in the city of Denpasar
4) *Digital Readiness* moderates the influence of *financial literacy* on the performance of SMEs in Denpasar City
5) *Digital Readiness* moderates the influence of *QRIS Utilization* on SME Performance in Denpasar City

III. RESEARCH METHODS

This study uses a quantitative approach with an explanatory survey method. The research population is MSE actors in Denpasar City who have used QRIS. A sample of 100 respondents was selected using purposive sampling techniques. The data collection instrument was in the form of a questionnaire with a Likert scale of 1–5. Data were analyzed using Partial Least Squares – Structural Equation Modeling (PLS-SEM) to test the validity, reliability, and relationships between variables.

Figure 1. Research Conceptual Model

The conceptual model of the study illustrates the relationship between financial literacy (X1), QRIS utilization (X2), digital readiness (M), and MSE performance (Y).

IV. RESULTS OF ANALYSIS AND DISCUSSION

Convergent Validity

The results of this study obtained an external load value above 0.60. Based on Table 1, all indicators reflecting each construct have an outer loading value of > 0.60 and significant at the level of 0.05, so all indicators are valid

Table 1 ***Estimated Outer Loading*** **Value After Execution**

Indicators	Digital Readiness	Performance Sme	Literacy Finance	Utilization Qris
X1.1			0,792	
X1.2			0,859	
X1.3			0,826	
X1.4			0,887	

X1.5			0,878	
X21				0,838
X22				0,884
X23				0,926
X24				0,882
Y.1		0,857		
Y.2		0,864		
Y.3		0,858		
Y.4		0,785		
Y.5		0,748		
Z.1	0,884			
Z.2	0,911			
Z.3	0,850			
Z.4	0,901			
Z.5	0, 608			

Source : Data Processed, 2025

Based on the results of data analysis, all indicators have a value above 0.6 and have met the convergent validity requirements

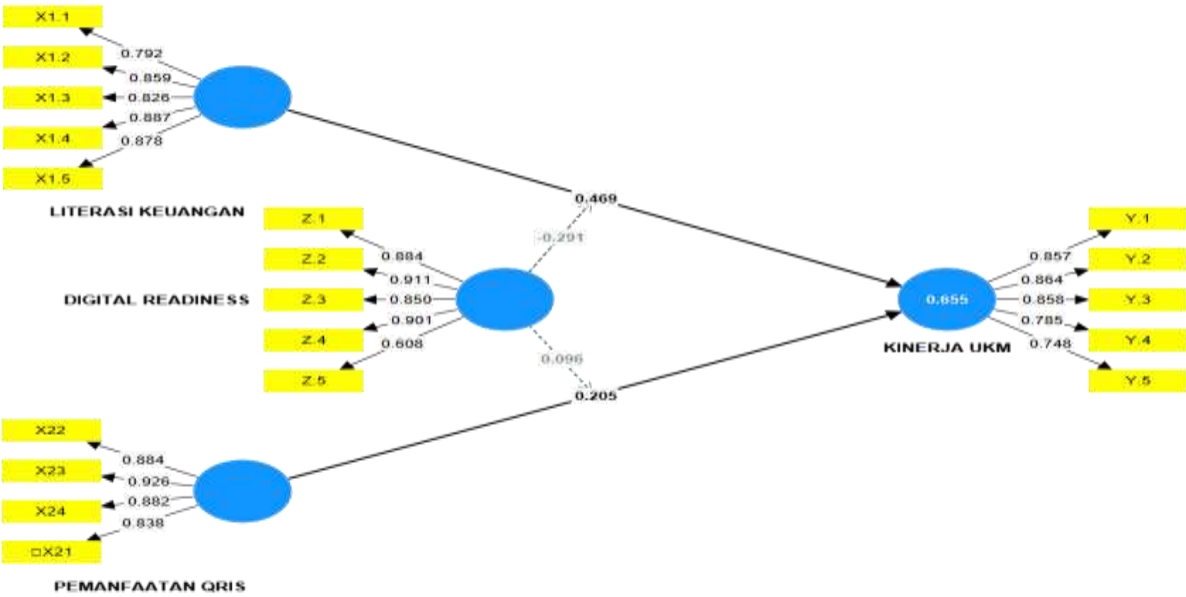

Figure 1 Outer Loading Structural Model After Execution

The results of the calculation of *the outer loading* value in Table 1. show that all indicators have met the valid requirements based on *the convergent validity* criterion , namely the outer loading value > 0.60. These results can be seen in Table 1 and Figure 1

Discriminatory Validity

Table 2 Discriminant Validity *Test*

	Digital Readiness	Performance SME	Literacy Finance	Utilization Qris
Digital Readiness	0,839	0,701	0,706	0,680
SME Performance	0,701	0,824	0,749	0,700
Financial Literacy	0,706	0,749	0,849	0,817
Utilization of Qris	0,680	0,700	0,817	0,883

Source : Data Processed, 2025

{1}. The value of the Digital Readiness construct √AVE of 0.839 is greater than the correlation value with other variables between 0.839 to 0.883

{2}. The value of the √AVE construct SME performance of 0.824 is greater than the correlation value with other variables between 0.700 to 0.749

{3}. The value of the √AVE construct of Financial Literacy of 0.849 is greater than the correlation value with other variables between 0.706 and 0.817

{4}. The value of the √AVE construct of the QRIS utilization of 0.883 is greater than the correlation value with other variables between 0.680 to 0.817

So that it can be concluded that it meets the valid requirements based on the discriminant validity criteria

Composite Reliability* and *Cronbach Alpha

A measurement can be said to be reliable, if *the composite reliability* and *cronbach alpha* have values greater than 0.60 - 0.70. *Composite reliability* and *Cronbach alpha* is a measure of reliability between indicator blocks in the research model

Table 3 Composite Reliability *and* Cronbach Alpha *Tests*

	Cronbach's Alpha	Composite Reliability
Digital Readiness	0,892	0,928
SME Performance	0,881	0,887
Financial Literacy	0,903	0,907
Utilization of Qris	0,906	0,908

Source : Data Processed, 2025

A measurement can be said to be reliable, if *the composite reliability* and *cronbach alpha* have values greater than 0.60 - 0.70. *Composite reliability* and *Cronbach alpha* is a measure of reliability between indicator blocks in the research model. Table C.10 shows that the *composite reliability* value and Cronbach Alpha of each construct have shown a value greater than 0.60 so that it qualifies for reliability based on *the composite reliability criterio*

Structural Model/*Inner Model* Evaluation

Structural Model Evaluation (*Structural Model/Inner Model*) is a measurement to evaluate the level of accuracy of the model in the research as a whole, which is formed through several variables along with their indicators.

1) Evaluation of Structural Models Through *R-Square (R2)*

Table 4 Test R Square

Construct	R-square	R-square adjusted
SME Performance	0,655	0,636

Source : Data Processed, 2025

The R square value of SME performance is 0.655 based on the Chin criteria (Ghozali, 2021), so the model includes strong model criteria, the R square value of SME performance of 0.655 indicates that Financial Literacy, Qris Utilization, and Digital Readiness have a strong influence of 0.655 or 65.50% on SME Performance

Table 5 F Square Test

Construct	SME Performance
Digital Readiness	0,069
Financial Literacy	0,173
Utilization of Qris	0,035
Digital Readiness X Financial Literacy	0,054
Digital Readiness X Qris Utilization	0,006

Source : Data Processed, 2025

1) Financial Literacy has a moderate (moderate) influence of 0.173 on SME Performance
2) The use of Qris has a weak influence of 0.035 on the performance of SMEs.

3) Digital Readiness has a weak 0.069 against SME Performance
4) The interaction of Digital Readiness with Financial Literacy has a weak influence of 0.054 on the performance of SMEs
5) The interaction of Digital Readiness with the Utilization of Qris has a weak influence (there is no 0.006 on SME Performance)

Path Analysis and Hypothesis Testing

Test Path coefficient *Path* : Analysis and Testing The expected hypothesis is Ho rejected or a sig value < 0.05 (or a statistical t-value > 1.96 with a level of significant
0.05).

Table 6 Statistical Analysis and Testing Path

Path Analysis	Original Sample	T Statistics	P Values
Digital Readiness -> SME Performance	0,236	1,670	0,047
Financial Literacy - > SME Performance	0,469	3,071	0,001
Utilization of Qris -> SME Performance	0,205	1,533	0,063
Digital Readiness X Financial Literacy -> SME Performance	-0,291	1,990	0,023
Digital Readiness X Utilization of Qris -> SME Performance	0,096	0,689	0,246

Source : Data Processed, 2025

DISCUSSION

Based on the results of data processing shown in Table 6, the discussion of the results of the research is

1) The Influence *of Financial Literacy* on the Performance of SMEs in Denpasar City

Based on the results of data analysis, it was found that financial literacy has a positive and significant effect on the performance of SMEs in Denpasar City. The value of the path coefficient shown was 0.469 with a t-statistic of 3.071 > 1.96 and a significance value of 0.001 < 0.005. These results show that Hypothesis 1 (H1) is accepted, which means that the higher the level of financial literacy possessed by SMEs, the better their business performance. The findings of this study are in line with the results of Fitriana (2021) research which states that financial literacy has a positive and significant effect on the performance of MSMEs, where the ability of business actors to manage finances is proven to contribute to increasing business productivity and stability. The results of this study are also supported by Yunarni (2025) who found that financial literacy has an important role in improving the performance of SMEs, especially in making the right financial decisions, capital use efficiency, and the ability to anticipate business risks. Thus, the results of this study strengthen the empirical evidence that financial literacy is a key factor that can improve the performance and sustainability of SME

2) The Effect of *QRIS* Utilization on SME Performance in Denpasar City

Providing information that the use of *QRIS* shows a positive and insignificant influence on the performance of SMEs in Denpasar, where the path coefficient shown is 0.205 with a t-statistic of 1.533 > from 1.96 with a significant 0.063 greater than 0.005. The results of this test show that Hypothesis 2 (H_2) is rejected This means that the use of *QRIS* has a positive effect that is not significant on the performance of SMEs. The use of *QRIS* does not necessarily improve the performance of SMEs. This is in accordance with the results of respondents' answersThe performance of SMEs is included in the sufficient category. These findings are in line with studies that show that the adoption of QRIS and digital payment systems has the potential to improve the performance of MSMEs, but the significance of their influence can vary depending on the context, adoption rate, digital literacy, and other moderation factors (Fauziah et al., 2024; Safitria et al., 2024). For example, Safitria et al. (2024) noted that although the use of digital payments (QRIS) in their sample has a positive influence on the performance of MSMEs, other factors such as digital marketing and entrepreneurial leadership also determine how much of an effect it has. Meanwhile, research by Utami & Uli (2025) in the context of Denpasar City found that the use of QRIS combined with digital marketing strategies and entrepreneurial leadership has a significant positive effect on SME income, but cannot automatically guarantee overall performance without the support of other factors. Thus, the results of this study confirm that while QRIS provides a non-cash payment infrastructure that supports transaction efficiency, improving the performance of SMEs does not solely depend on the adoption of QRIS alone supporting factors such as digital literacy, marketing, and internal management are still important. Therefore, the recommendation that can be given is that SMEs and stakeholders in Denpasar not only encourage the installation of QRIS, but also improve digital literacy/payment, as well as integrate it with broader marketing and business management strategies.

3) The Influence of *Digital Readiness* on SME Performance in Denpasar City

Based on the results of the analysis**,** the Digital Readiness variable has a positive influence coefficient of 0.236 on SME Performance with a p-value = 0.047 < 0.05 and a t-statistical value = 1.670, which is still smaller than the t-table (1.645). This shows that Digital Readiness has a positive but not significant effect on the performance of SMEs in the city of Denpasar. Thus, Hypothesis 3 (H_3) is rejected. These results indicate that although the digital readiness of SMEs shows the direction of influence that supports the improvement of business performance, the influence is not statistically strong enough. These findings are consistent with several previous studies that show that digital readiness has not fully had a real impact on improving the performance of SMEs because most business actors are still in the early stages of digital technology adoption. Rafiah et al. (2022) found that the level of digital readiness of SMEs in Indonesia is still relatively low, especially due to the limitations of digital literacy, infrastructure, and technology integration in business processes. Similar results were revealed by Anatan (2023) who explained that the *level of digital maturity* of MSMEs in Indonesia is still in the initial adoption phase so it has not been able to produce a significant increase in performance. In addition, Iskandar et al. (2023) added that the positive impact of digital technology on business performance will only be optimal if it is accompanied by the readiness of human resources and a planned digital transformation strategy. Thus, the results of this study strengthen the empirical evidence that although digital readiness has a positive influence on SME performance, these factors are not significant enough without the support of digital literacy, adaptive organizational culture, and an adequate digital ecosystem.

4 *Digital Readiness* moderates the influence of *financial literacy* on SME Performance in Denpasar City

The results of the analysis showed that the interaction between Digital Readiness and Financial Literacy had a negative effect of 0.291 on SME Performance**,** with a p-value of 0.023 < 0.05 and a t-statistic of 1.990 > t-table of 1.645. This means that Digital Readiness moderates significantly but in a negative direction, thereby weakening the influence of Financial Literacy on SME Performance**.** Managerially, these results indicate that high digital readiness does not necessarily increase the effectiveness of financial literacy in encouraging business performance. SMEs that have high digital readiness but are not balanced by a strong financial understanding have the potential to make inappropriate financial decisions. Therefore, increasing financial literacy needs to go hand in hand with strengthening digital capabilities so that technology really has a positive impact on the performance of SMEs. These findings show that the interaction between digital readiness and financial literacy does not always result in positive synergies, but can have a debilitating effect if the two are not aligned. This result is different from the findings of Kusumawardhani et al. (2023) who stated that *digital financial literacy* has a significant positive effect on the performance of SMEs in Indonesia, and Sakti (2025) who found that financial literacy and digital literacy together increase the productivity of SMEs. In addition, Frimpong et al. (2022) also emphasized that financial literacy and access to digital finance have a positive impact on the performance of SMEs in Ghana. However, the results of this study are in line with the findings of Dewi and Khotmi (2025) who found that financial literacy does not always positively moderate the relationship between digital activities and the performance of MSMEs. Angeles (2022) research also shows that the interaction between digital literacy and financial literacy does not necessarily strengthen the financial behavior of MSMEs**,** because the adoption of digital financial services without strong financial competence can lead to ineffective financial decisions. Thus, the results of this study reinforce the view that high digital readiness does not automatically have a positive impact, especially if it is not accompanied by adequate financial literacy. In the context of SMEs in Denpasar City, the increased level of digital readiness without strengthening financial understanding actually has the potential to reduce the effectiveness of financial management and business performance. Therefore, SME performance improvement programs need to integrate financial literacy training with strategies to increase digital readiness so that both can optimally support each other

***5) Digital Readiness* moderates the influence of *QRIS Utilization* on SME Performance in Denpasar City**

The results of the analysis showed that the interaction between Digital Readiness and QRIS Utilization had a positive effect of 0.096 on SME Performance**,** with a p-value of 0.246 which was greater than the significance level of 0.05, and a t-statistical value of 0.689 which was smaller than the t-table value (1.645). This shows that the interaction between Digital Readiness and the Utilization of QRIS has a positive but not significant influence on SME Performance. In other words, when Digital Readiness increases along with a high rate of QRIS utilization, the performance of SMEs tends to increase, but the influence is not statistically strong enough to be declared significant. Managerially, these results illustrate that the digital readiness of SMEs can strengthen the positive impact of the use of QRIS on business performance**,** but this support is not optimal. This condition can be caused by the uneven ability to adapt digital technology among SMEs**,** as well as the low utilization of QRIS digital features to the maximum. For example, transaction recording, integration with financial systems, or digital sales analysis. Thus, increasing the digital readiness of business actors needs to be accompanied by adequate technical assistance and digital literacy so that the adoption of QRIS can truly make a significant contribution to improving the performance of SMEs. These findings are in line with research by Kusumawardhani et al**.** (2023) who explain that digital literacy and the use of financial technology have a positive relationship with SME performance, but the effects can vary depending on the digital readiness of each business actor. Frimpong et al. (2022) also found that access to and adoption of digital financial services contribute positively to the performance of SMEs in developing countries, but the results are influenced by the level of technological readiness and user capacity.

On the other hand, the results of this study are different from Dewi and Khotmi (2025) who found that financial literacy does not significantly moderate the relationship between digital activities and MSME performance, showing that the effect of moderation of digital readiness on the use of financial technology has not always been significant**.** This indicates that digital transformation in the SME sector is still in the development stage**,** so continuous efforts are needed to increase the readiness and confidence of SMEs in utilizing digital payment systems such as QRIS. Thus, it can be concluded that Digital Readiness plays a role in strengthening the influence of QRIS Utilization on SME Performance**,** but the effect is still not statistically significant**.** Increasing digital readiness more evenly, technology literacy training, and strong digital ecosystem support are expected to optimize the role of QRIS in encouraging the growth and performance of SMEs in Denpasar City.

V CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

Based on the results of the analysis on the influence of Financial Literacy, QRIS Utilization, and Digital Readiness on SME Performance in Denpasar City, it can be concluded that the level of SME performance is not only determined by financial ability and the use of technology, but also by the extent to which these two aspects can be integrated in a balanced manner in business activities.

1) Financial Literacy has been proven to have a positive and significant effect on SME Performance, showing that the ability of business actors to understand, manage, and make financial decisions is a key factor that significantly improves business efficiency and sustainability.

2) The use of QRIS has a positive but not significant effect on SME performance, which means that the adoption of digital payment systems has provided convenience and efficiency, but has not had enough impact on increasing income or productivity because it has not been strategically optimized by SMEs.

3) Digital Readiness has a positive but insignificant effect on SME performance, indicating that digital readiness has not fully become the main driving factor for performance improvement. Although most SMEs already have access to digital devices, they have not been maximized in utilizing technology to develop business strategies.

4) Digital Readiness moderates significantly but with a negative direction the relationship between Financial Literacy and SME Performance. This indicates that increasing digital readiness without being balanced with good financial ability can weaken the effect of financial literacy on business performance.

5) Digital Readiness moderates positively but not significantly the relationship between QRIS Utilization and SME Performance. The positive direction shows that digital readiness has the potential to strengthen the use of QRIS to improve performance, although the impact is not significant due to the limitations of digital literacy and technology adoption among SMEs.

Overall, the results of this study confirm that financial literacy skills are still the dominant factor in encouraging SME performance, while digital transformation is still in its early stages and requires continuous support to have a significant impact on business performance.

5.2 Suggestions

a. Managerial Implications

1. For SMEs, these results show the importance of improving financial and digital competence in a balanced manner. Integrated training that combines financial literacy and the use of digital technology, including the optimization of QRIS features, needs to be carried out on an ongoing basis so that business actors are able to make smart and data-driven decisions.
2. For local governments and SME support institutions, these results emphasize the need for financial digitalization assistance programs that are applicative, such as the integration of QRIS with simple financial recording, e-commerce training, and MSME-based digital accounting systems. This is important so that digital readiness is not only technical, but also has a direct impact on improving business performance and efficiency.

b. Theoretical Implications and Research Development

1. Theoretically, this study contributes to enriching the study of the role of Digital Readiness as a moderation variable in the relationship between financial literacy and SME performance. Negative results on the moderation effect show the existence

of *the digital paradox* phenomenon, which is a condition when high digital skills are not always followed by performance improvements due to lack of financial ability.

For further research, it is recommended to use additional control variables, such as entrepreneurial orientation, innovation ability, or government policy support, to gain a more comprehensive understanding of the factors that affect the performance of SMEs in the era of digital transformation. In addition, the scope of the research can be extended to other regions in Bali or different provinces to obtain a more representative comparison

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