



UDC 332

**DIGITAL TRANSFORMATION AS MODERATION OF GOOD GOVERNANCE,
WORKFORCE AGILITY, AND SOCIAL CAPITAL ON THE FINANCIAL MANAGEMENT
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES THROUGHOUT
THE ISLAND OF LOMBOK**

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ABSTRACT

The purpose of this research is to analyze and provide empirical evidence regarding 1) The influence of *Good Governance* on the financial management performance of small and medium enterprises (UKM), 2) the Influence of *Workforce Agility* on the financial management performance of UKM, 3) Influence *Social Capital* on the financial management performance of UKM, 4) *Digital Transformation* moderates the influence of good governance on UKM (SMEs) financial management performance. 5) *Digital transformation* moderates the influence of *Workforce Agility* on UKM financial management performance. 6) *Digital transformation* moderates the influence of *Social Capital* on SME's (UKM) Financial management performance. The population in this study is there are 7.309 SMEs throughout the island of Lombok. Data was collected using a survey method in the form of a questionnaire, distributed to respondents selected using a purposive sampling method so that the sample totals 315 respondents. The data analysis method used in this research is the Structural Equation Modelling (SEM) – Partial Least Square method using the Smart PLS 4 tool. The Results of this research show that good governance and workforce agility have a significant positive effect, while social capital has no significant effect. In addition, this research provides evidence that digital transformation does not strengthen the influence of good governance, workforce agility, or SME's Social Capital on SME's Financial management performance.

KEY WORDS

Financial management performance sems, good governance, workforce agility, social capital, digital transformation.

The state of the world economy is still affected both in health, education, and the economy due to the COVID-19 pandemic, Indonesia wants to invite all countries to move together to achieve a stronger and more sustainable world recovery. Indonesia is working to achieve the true potential of global economic digitalization that requires a new landscape of cooperation between countries and all stakeholders to achieve shared prosperity. This is because Indonesia believes that digitalization is the key to restoring the post-pandemic global economic order, and can be leveraged for inclusiveness and collaboration in addressing humanity's problems.

The involvement of MSMEs is one of the factors that influence economic growth in Indonesia. Digital transformation and digital ecosystems are needed so that MSME players have wider marketing and access to resources. Digital transformation also brings some benefits to MSMEs, namely being able to reach a larger consumer base, increase revenue, facilitate monitoring of business activities, and reduce marketing, logistics, and shipping costs. SMEs as one of the business sectors affected by digitalization must be able to adjust to the changing times so that SMEs can maintain sustainability by having a competitive advantage. In addition, there is still limited internet access in rural areas and many are still not digital-literate, which is a major problem in some MSMEs in developing countries such as Indonesia. Agility is a must for a business so that it can still have continuous sustainability (Kusumawati & Anik, 2023). Organizational agility is a core competency, competitive advantage, and differentiator that requires strategic thinking, innovative thinking patterns,



exploiting changes, and the need to never stop adapting and being proactive (Kusumawati & Anik, 2023). A workforce that is ready to transform into the digital era is an asset to achieve organizational agility. Workforce transformation is needed especially for SMEs in the face of digitalization.

Research related to the influence of good governance that has been conducted by Aniza & Satriawan (2021) shows the results that good governance has a significant effect on performance with a probability value of $0.003 < 0.05$. This research is supported by Jaswadi's research (2016) which found 2 (two) patterns of SME tendencies in the implementation of good corporate governance in companies. Then, related research on the influence of organizational agility has been conducted by Kusumawati & Anik (2023) which states that the results of the study show that there is a positive and significant relationship between the five variables so that it can be accepted and proven correct.

Based on the description of the problem and the inconsistency of previous research above, this study intends to analyze the effect of Good Governance, Workforce Agility, and Social Capital on the performance of SMEs financial management and wants to see the role of Digital Transformation whether the development of digital transformation will strengthen or weaken the performance of SME financial management by involving the variables above. The novelty of this research is located in the addition of moderating variables, namely Digital Transformation. Then related to the location of the research focus on SMEs throughout Lombok Island.

Table 1 – Number of small and medium enterprises across the island of Lombok

District/City	Small	Medium	Number of SMEs in the District/city
Mataram City	650	20	670
West Lombok	630	0	630
Central Lombok	505	15	520
East Lombok	589	11	600
North Lombok	448	2	450
Amount	2.822	48	2.870

Source: Data Processed (2023).

LITERATURE REVIEW

SME Financial Management Performance

According to Wibowo (2013) in Aniza and Satriawan (2021) performance is defined as what is done and how to do it. The performance of a business is the ability of a business to manage existing resources so that it can provide value to the business. In addition, performance also refers to the level of achievement of the company in a certain period. Performance is a measure of the success of a business entity in achieving its objectives. From a financial perspective, good financial management is needed, from how a business unit seeks sources of funds and how to allocate these funds which in turn can increase the value of its business and can prosper its owners. In a business, good financial management is needed to create good performance. To produce good performance, MSME actors must know how to manage their business finances.

Digital Transformation

MSMEs that can carry out digital transformation are more able to minimize problems during this pandemic and will be better able to utilize digital technology to help their daily performance (Kusumawati, 2022). The stages of digital transformation are divided into 6 (six) stages, namely (1) Understanding digital literacy, the transformed aspects are aspects of human resources; (2) Planning the resources needed and analyzing the needs of digital consumers, the transformed aspects are aspects of management and target markets; (3) Redesigning, namely making new designs from traditional to digital, the transformed aspects are product aspects; (4) Preparing the budget, the transformed aspects are financial aspects; (5) Conducting partnerships in technical/operational aspects, the transformed aspects are



technical/operational aspects; and the last stage is (6) Implementation, which is implementing digital transformation following the planning made, the transformed aspects are marketing, promotion, and payment aspects (Verhoef et al., 2014). , 2021).

Good Governance

Organization For Economic Cooperation and Development (2004) defines Good Governance as the conditions under which companies are operated and controlled, which involves a series of relationships between company management, boards, shareholders, and other stakeholders. According to the Organization for Economic Co-operation and Development (OECD), the indicators that influence good governance are (1) fairness, (2) transparency, (3) accountability, and (4) responsibility.

Workforce Agility

Agility is likened to two sides of a coin, namely the ability to react quickly on one side and the ability to act proactively on the other (Griffin, Smith, & Luscombe, 2011: 1). Agile leadership is a leadership style that has agility with skills, flexibility, and speed in providing guidance and influencing teams to provide values for customers to achieve organizational success in facing a challenge (Kusumawati & Anik, 2023).

Social Capital

Social capital owned by MSMEs is a characteristic of social network life, norms, and trust that allows members of MSME organizations to act together so that they can more effectively achieve common goals (Elistia et al. (2022)). According to Karmilah et al, (2014) in Wusko and Alfianto (2022), the elements of social capital refer to three elements of social capital, namely: (1) Trust; (2) Social Networks; and (3) Norms.

HYPOTHESIS DEVELOPMENT

The Impact of Good Governance on the Financial Management Performance of Small and Medium Enterprises (SMEs)

According to the results of Jaswadi's research (2016) found that there are 2 (two) patterns of SME tendencies in the implementation of good corporate governance in the company. First, Micro Companies (with sales < IDR 300,000,000 / year) tend to pay more attention to business survival than implementing governance mechanisms. Second, the larger the size of the company (small and medium) the greater the tendency to implement governance. The second pattern is supported by the implementation of formal managerial practices in the company. Based on the description above, the hypothesis that can be built is as follows:

H1: Good Governance has a positive effect on the Financial Management Performance of Small and Medium Enterprises (SMEs).

The Effect of Workforce Agility on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Workforce agility is a stimulator of employees' ability to solve everyday problems (Muduli, 2013). This variable shows the ability to respond and cope quickly and flexibly to unexpected changes in the internal and external environment. Based on research conducted by Kusumawati & Anik (2023), the results of the study show that organizational agility is something that needs to be considered and has an important role in MSMEs in responding quickly to changes that occur such as circumstances, culture, and the environment, especially in the current era of digitalization. MSMEs that have organizational agility will grow competitive advantages in both the national and global markets. Based on the description above, the hypothesis that can be built is as follows:

H2: Workforce Agility has a positive effect on the Financial Management Performance of Small and Medium Enterprises (SMEs).



The Effect of *Social Capital* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Social capital is the ability of companies to benefit based on membership in social networks. Reciprocal relationships are very important in developing social capital (Lee & Jones, 2015). Research conducted by Wusko & Alfianto (2022) states the test results that social capital variables partially have a significant positive effect on the performance of MSMEs. However, research by Elistia et al. (2022) that Social Capital is not significant. It is possible that Social Capital owned by MSMEs will not have a direct impact on Innovation Capabilities. So, it can be said that high SC does not necessarily have an impact on ensuring high Entrepreneurial Orientation and Innovation Capabilities. Based on the description above, the hypothesis that can be built is as follows:

H3: Social Capital has a positive effect on the Financial Management Performance of Small and Medium Enterprises (SMEs).

The Effect of *Good Governance* Moderated by *Digital Transformation* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

The implementation of good governance in SMEs will increase the professionalism of managers in running the business. In addition, the application of good governance also includes establishing good relationships with all stakeholders. When this relationship is well established, it will bring benefits from stakeholders, there will be a lot of support for SMEs which will be able to improve the performance of these SMEs (Mustofa, 2019). Research conducted by Noviyana & sitorus (2023) found that competitive advantage has a positive and significant effect on financial performance managerial capability has a positive and significant effect on financial performance, and operational capability has a positive and significant effect on financial performance. On the other hand, digital marketing can moderate the influence of managerial capability on financial performance. Based on the description above, the hypothesis that can be built is as follows:

H4: Digital Transformation Moderates the Effect of Good Governance on the Financial Management Performance of Small and Medium Enterprises (SMEs).

The Effect of *Workforce Agility* Moderated by *Digital Transformation* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Digital transformation is a process and a company's efforts to establish relationships with customers by simplifying various processes by changing business models through the application of technology that continues to grow. Kusumawati & Anik (2023) state that organizational agility is something that needs to be considered and has an important role in MSMEs in responding quickly to changes that occur such as circumstances, culture, and the environment, especially in the current era of digitalization. MSMEs that have organizational agility will foster competitive advantages in both the national and global markets. In increasing the agility of MSME organizations, it can be done through several variables such as digital transformation. Research conducted by Kusumawati & Anik (2023) found that digital skills and agile leadership play a role in increasing the agility of MSME organizations in Central Java. Based on the description above, the hypothesis that can be built is as follows:

H5: Digital Transformation Moderates the Effect of Workforce Agility on the Financial Management Performance of Small and Medium Enterprises (SMEs).

The Effect of *Social Capital* Moderated by *Digital Transformation* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Social Capital theory refers to the human capability to benefit from social structures, social networks, and membership (Portes, 2000). Social capital is embedded and defined as a set of real and potential resources available from networks owned by individuals or groups (Nahapiet & Ghoshal, 1998). Research conducted by Noviyana and Sitorus (2023) found that digital marketing can moderate the influence of managerial capability on financial performance. This research is supported by the research of Wusko & Alfianto (2022) which



states the test results that social capital variables partially have a significant positive effect on the performance of MSMEs. Based on the description above, the hypothesis that can be built is as follows:

H6: Digital Transformation Moderates the Effect of Social Capital on the Financial Management Performance of Small and Medium Enterprises (SMEs).

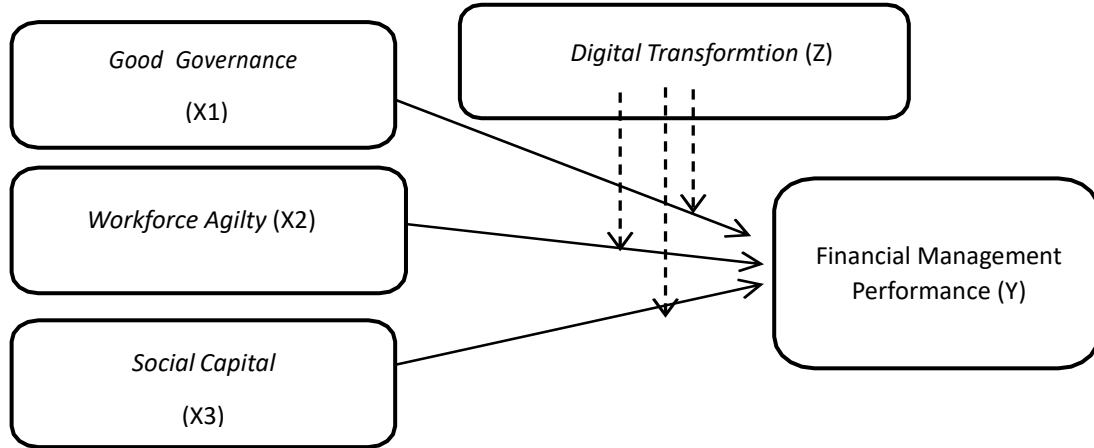


Figure 1 – Conceptual Framework

METHODS OF RESEARCH

This research is associative research with a quantitative approach. Associative research is research that aims to determine the relationship between two or more variables (Sugiyono, 2018: 234). According to Sugiyono (2018: 7), quantitative research is a research method based on the philosophy of positivism, as a scientific or scientific method because it has fulfilled scientific rules concretely or empirically, objectively, measurably, rationally, and systematically.

The population in this study was 2870 SMEs, consisting of 450 SMEs in North Lombok, 600 SMEs in East Lombok, 520 SMEs in Central Lombok, 630 SMEs in West Lombok, and 670 SMEs in Mataram City. So the sample in this study based on the Slovin formula amounted to 351 SMEs. By using the purposive sampling method, the sample is determined by certain criteria. Where the sample criteria in this study are SME managers. Selection of these criteria because the party understands the financial condition of SMEs and understands the management.

Table 2 – Varibel Definition Operational

Variable	Indicator
Independent Variable	Justice Transparency Accountability Accountability
<ul style="list-style-type: none"> • <i>Good Governance</i> 	
<ul style="list-style-type: none"> • <i>Workforce Agility</i> (Sherehiy, 2008) 	Roasting Adaptability, and Resilience
<ul style="list-style-type: none"> • <i>Social Capital</i> (Karmilah et al, 2014) 	Trust Social Networking Rules of Social Capital
Moderating Variable	Digital Marketing Digital Payment
<i>Digital Transformation</i> (Nurita and Lundia, 2018) and (Yutavindo, 2019)	

The variables formulated in this study are SME Financial Management Performance (Y) as the dependent variable, while as independent variables in this study are Good Governance (X1), Workforce Agility (X2), and Social Capital (X3). Then the moderating variable in this study is Digital Transformation (Z).



RESULTS OF STUDY

Model evaluation in PLS consists of evaluating the measurement model, evaluating the structural model, and evaluating the goodness and fit of the model. Outer model evaluation to assess the validity and reliability of the model, while inner model evaluation is carried out to predict the relationship between latent variables (Ghozali & Latan, 2015: 73). the measurement model equation used in this study is as follows:

Good Governance (GG):

$$GG_1 = \lambda_{1.1}GG + \delta_1$$

$$GG_2 = \lambda_{1.2}GG + \delta_2$$

$$GG_3 = \lambda_{1.3}GG + \delta_3$$

$$GG_4 = \lambda_{1.4}GG + \delta_4$$

$$GG_5 = \lambda_{1.5}GG + \delta_5$$

$$GG_6 = \lambda_{1.6}GG + \delta_6$$

$$GG_7 = \lambda_{1.7}GG + \delta_7$$

Workforce Agility (WA):

$$WA_1 = \lambda_{2.1}WA + \delta_8$$

$$WA_2 = \lambda_{2.2}WA + \delta_9$$

$$WA_3 = \lambda_{2.3}WA + \delta_{10}$$

$$WA_4 = \lambda_{2.4}WA + \delta_{11}$$

$$WA_5 = \lambda_{2.5}WA + \delta_{12}$$

$$WA_6 = \lambda_{2.6}WA + \delta_{13}$$

Social Capital (SC):

$$SC_1 = \lambda_{3.1}SC + \delta_{14}$$

$$SC_2 = \lambda_{3.2}SC + \delta_{15}$$

$$SC_3 = \lambda_{3.3}SC + \delta_{16}$$

$$SC_4 = \lambda_{3.4}SC + \delta_{17}$$

$$SC_5 = \lambda_{3.5}SC + \delta_{18}$$

$$SC_6 = \lambda_{3.6}SC + \delta_{19}$$

$$SC_7 = \lambda_{3.7}SC + \delta_{20}$$

Digital Transformation (DT):

$$DT_1 = \lambda_{4.1}DT + \delta_{21}$$

$$DT_2 = \lambda_{4.2}DT + \delta_{22}$$

$$DT_3 = \lambda_{4.3}DT + \delta_{23}$$

$$DT_4 = \lambda_{4.4}DT + \delta_{24}$$

$$DT_5 = \lambda_{4.5}DT + \delta_{25}$$

$$DT_6 = \lambda_{4.6}DT + \delta_{26}$$

Financial Management Performance (KPK):

$$KPK_1 = \lambda_{5.1}KPK + \varepsilon_1$$

$$KPK_2 = \lambda_{5.2}KPK + \varepsilon_2$$

$$KPK_3 = \lambda_{5.3}KPK + \varepsilon_3$$

$$KPK_4 = \lambda_{5.4}KPK + \varepsilon_3$$

$$KPK_5 = \lambda_{5.5}KPK + \varepsilon_4$$

$$KPK_6 = \lambda_{5.6}KPK + \varepsilon_5$$

Furthermore, the structural model equation (inner model) of this study is presented as follows:

$$KPK = \gamma_1GG + \gamma_2WA + \gamma_3SC + \gamma_4DT + \beta_1GG*DT + \beta_2WA*DT + \beta_3SC*DT + \zeta$$



Where: GG = Good Governance; WA = Workforce Agility; SC = Social Capital; DT = Digital Transformation; KPK = Financial Management Performance; $\lambda_{1.1}$ s/d $\lambda_{1.7}$ = Lamda (Small), loading factor good governance; $\lambda_{2.1}$ s/d $\lambda_{2.6}$ = Lamda (small), loading factor workforce agility $\lambda_{3.1}$ s/d $\lambda_{3.7}$ = Lamda (small), loading factor social capital; $\lambda_{4.1}$ s/d $\lambda_{4.6}$ = Lamda (small), loading factor digital transformation; $\lambda_{5.1}$ s/d $\lambda_{5.6}$ = Lamda (small), loading factor Financial Management Performance; ϵ = Epsilon (small), Measurement errors; δ = Delta (small), Measurement errors; γ_1 = Gamma, coefficient of influence of good governance variables on performance financial management; γ_2 = Gamma, coefficient of influence of workforce agility variables on performance financial management; γ_3 = Gamma, coefficient of influence of social capital variables on financial performance; γ_4 = Gamma, coefficient of influence of digital transformation variables on financial performance; β_1 = Beta, coefficient relations of good governance variables to financial performance moderated by digital transformation; β_2 = Beta, coefficient relations of workforce agility variables to management financial performance moderated by digital transformation; β_3 = Beta, coefficient relations social capital variables to performance management financial performance moderated by digital transformation.

From the inner model and the results of data analysis can be presented the results in the study show the following results:

The Effect of *Good Governance* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

The *good governance* variable has a T-statistic and significance value of $5,122 > 1.96$ and $0.000 < 0.05$. The results also show a path coefficient value of 0.333. This indicates that the good governance variable (X1) has a positive effect on financial management performance (Y). So the first hypothesis (H1) is accepted.

SMEs' *good governance* is stated to have a significant positive effect on financial management performance; this means that the more SMEs implement *good governance*, the more it will improve the performance of SME financial management. The results of this study are in line with the research of Aniza & Satriawan (2021) which provides evidence of a significant positive effect of *good governance* on performance and Jaswadi's research (2016) found that there are 2 (two) patterns of SME tendencies in the implementation of good corporate governance in the company.

The Effect of *Workforce Agility* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

The *workforce agility* variable has a T-statistic and significance value of $3,060 > 1.96$ and $0.002 < 0.05$. The results also show a path coefficient value of 0.201. This indicates that the workforce agility variable (X2) has a positive effect on financial management performance (Y). So the second hypothesis (H2) is accepted. SME *Workforce Agility* is stated to have a significant positive effect on financial management performance, this means that the more SME *workforce agility* is improved, the more SME financial management performance will improve. Agility (*agility*) is a must for a business to continue to have continuous sustainability.

The Effect of *Social Capital* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

The *social capital* variable has a T-statistic and significance value of $0.457 < 1.96$ and $0.648 > 0.05$. The results also show a path coefficient value of 0.025. This indicates that the social capital variable (X3) does not affect financial management performance (Y). So the third hypothesis (H3) is rejected. SME *Social Capital* is stated to have no significant effect on financial management performance; this means that changes in social capital are not proven to affect the financial management performance of SMEs.

Social networks in social capital are built based on friendship, relatives, and geographical proximity so that entrepreneurs can obtain market information effectively. The ability to innovate is the basis for entrepreneurs in managing information networks such as customer demand, competition, advertising, and customer service.



The Effect of *Workforce Agility* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

The *digital transformation* variable that moderates the effect of workforce agility on the financial management performance of SMEs has a T-statistic and significance value of $0.172 < 1.96$ and $0.863 > 0.05$. The results also show a path coefficient value of -0.009 . This indicates that the *digital transformation* variable (Z) cannot strengthen or weaken the effect of *workforce agility* (X2) on *financial management performance* (Y). So the fifth hypothesis (H5) is rejected. Digital transformation is a process of using technology to create new things or modify business processes, culture, and customer service, which aims to meet changes in business models and market demands. The results of this study indicate that the digital transformation carried out by SMEs has not been able to increase the agility of SMEs in doing their business. This is suspected because digital transformation itself is a predictor of school financial management performance and does not intersect directly with the workforce agility of SMEs.

The Effect of Social Capital on the Financial Management Performance of Small and Medium Enterprises (SMEs) moderated by Digital Transformation

The *digital transformation* variable that moderates the influence of *social capital* on the performance of SME financial management has a T-statistic and significance value of $0.671 < 1.96$ and $0.502 > 0.05$. The results also show a path coefficient value of 0.030 . This indicates that the *digital transformation* variable (Z) cannot strengthen or weaken the influence of *social capital* (X3) on *financial management performance* (Y). So the sixth hypothesis (H6) is rejected.

The results of this study indicate that the digital transformation carried out by SMEs has not been able to increase the *social capital* of SMEs in doing their business which will lead to improved financial management performance. This is suspected because digital transformation itself is a predictor of school financial management performance and does not intersect directly with the *social capital* of SMEs.

DISCUSSION OF RESULTS

The Effect of *Good Governance* on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Good governance of SMEs is stated to have a significant positive effect on financial management performance; this means that the more SMEs implement good governance, the more it will improve the performance of SME financial management. The results of this study are in line with the research of Aniza & Satriawan (2021) which provides evidence of a significant positive effect of *good governance* on performance and Jaswadi's research (2016) found that there are 2 (two) patterns of SME tendencies in the implementation of *good corporate governance* in companies. First, Micro Companies (with sales $< \text{IDR } 300,000,000$ / year) tend to pay more attention to *business survival* than implementing *governance* mechanisms. Second, the larger the size of the company (small and medium) the greater the tendency to implement *governance*.

The Effect of *Workforce Agility* on Financial Management Performance of Small and Medium Enterprises (SMEs)

Workforce Agility of SMEs is stated to have a significant positive effect on financial management performance; this means that the more the *workforce agility* of SMEs is increased, the more the financial management performance of SMEs will improve. The results of this study are in line with the research of Kusumawati & Anik (2023) which shows that organizational agility has an important role in SMEs in responding quickly to changes that occur such as circumstances, culture, and environment, especially in the current era of digitalization. Kusumawati & Anik (2023) added that MSMEs that have organizational agility will grow competitive advantages in both national and global markets.



The Effect of Social Capital on the Financial Management Performance of Small and Medium Enterprises (SMEs)

Social Capital of SMEs is stated to have no significant effect on financial management performance; this means that changes in *social capital* are not proven to affect the financial management performance of SMEs. These results are in line with research conducted by Elistia et al., (2022) which shows that *social capital* has no significant effect on the innovation of SMEs to advance their business.

The Effect of Good Governance on the Financial Management Performance of Small and Medium Enterprises (SMEs) Moderated by Digital Transformation

Digital transformation (Z) cannot strengthen or weaken the effect of good governance (X1) on financial management performance (Y). So the fourth hypothesis (H4) is rejected. Digital transformation is not just about technology in physical form, but about value, optimization, and the ability to keep up with circumstances through the use of relevant technology and information (Firdaus et al., 2021). However, the results of this study indicate that the application of digital transformation in SMEs cannot improve governance which will affect financial management performance. This is suspected because digital transformation can act as an independent variable that will significantly affect financial management performance with a significance level of 0.000 and t statistics $3.627 > 1.96$.

The Effect of Workforce Agility on Financial Management Performance of Small and Medium Enterprises (SMEs) Moderated by Digital Transformation

Digital transformation (Z) cannot strengthen or weaken the effect of *workforce agility* (X2) on *financial management performance* (Y). So the fifth hypothesis (H5) is rejected.

The Effect of Social Capital on the Financial Management Performance of Small and Medium Enterprises (SMEs) moderated by Digital Transformation

Digital Transformation (Z) cannot strengthen or weaken the effect of *social capital* (X3) on *financial management performance* (Y). So the sixth hypothesis (H6) is rejected. Social Capital theory refers to the human capability to benefit from social structures, social networks, and membership (Portes, 2000). *Social capital* is embedded and defined as a set of real and potential resources available from networks owned by individuals or groups (Nahapiet & Ghoshal, 1998).

CONCLUSION

SMEs *good governance* has a positive and significant effect on SMEs Financial Management Performance. This means that the better the governance of SMEs, of course, the performance of SME financial management becomes easier to do because the potential of SMEs can be managed properly and regularly. Therefore, better SMEs governance will improve the realization of SME financial management performance.

Workforce agility of SMEs has a positive and significant effect on financial management performance. This means that with the increasing workforce agility of SMEs, of course, the performance of SME financial management becomes easier to do because the potential of SMEs can be further optimized to maintain the sustainability of SMEs. Therefore, the more agile the workforce owned by SMEs, the performance of SME financial management will be improved.

SMEs *social capital* has no significant effect on the performance of financial management. This means that the better or worse the social capital of SMEs does not affect the financial management performance of SMEs.

Digital Transformation does not strengthen the influence of SME good governance on SME financial management performance. This is because digital transformation is an innovation that is not closely related to good governance, but the results of this study show that digital transformation has a significant positive effect on the performance of SME financial management.



Digital Transformation does not strengthen the influence of SME workforce agility on SME financial management performance. This is because digital transformation is an innovation that is not closely related to workforce agility, but the results of this study also show that digital transformation has a significant positive effect on the performance of SME financial management.

Digital Transformation does not strengthen the influence of SME social capital on SME financial management performance. This is because digital transformation can indeed be related to social capital, but the results of this study show that digital transformation has a significant positive effect on the financial management performance of SMEs. In other words, digital transformation can be an independent variable rather than moderating.

RECOMMENDATIONS

For SMEs, especially SMEs on Lombok Island, it is hoped that they will always strive to improve their financial management performance. Things that can be done to improve this are paying attention to UKM workforce agility and realizing good governance as a whole.

Further research can develop and use an experimental approach or qualitative approach to obtain specific respondents' opinions, as well as expand the research object and increase the number of respondents for better results.

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