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FINANCIAL TRANSFORMATION IN THE DIGITAL ERA: STRATEGY AND IMPLEMENTATION OF MODERN FINANCIAL MANAGEMENT IN ENTREPRENEURSHIP

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Abstract

This study explores the digital financial transformation and its impact on modern financial management strategies and implementation within entrepreneurship. As digital technologies such as real-time financial analytics, big data, and blockchain gain prominence, entrepreneurs are presented with tools that enhance financial management efficiency, improve decision-making, and enable faster responses to market changes. Digital transformation offers small and medium enterprises (SMEs) previously inaccessible access to financial data, which supports the creation of data-driven strategies. However, this transformation demands that entrepreneurs possess sophisticated skills in data analysis and financial literacy to leverage digital financial tools effectively. This study identifies key challenges such as the need for comprehensive digital literacy, data privacy and security risks, and high implementation costs that may limit the reach of digital transformation among SMEs. Although blockchain technology can increase transaction transparency and accountability, it remains underutilized by smaller businesses due to cost and regulatory concerns. Nevertheless, the findings indicate that gradual implementation and targeted adoption of digital tools can reduce risks and support sustainable transformation. This study suggests that entrepreneurs should adopt a phased approach to digital financial management, starting with automating basic processes to balance benefits with manageable risks. Ultimately, digital financial

transformation not only enhances profitability and operational efficiency but also influences business structures, fosters transparency, and establishes trust with stakeholders. In a broader context, this transformation contributes to shaping a more adaptive and innovation-driven entrepreneurial ecosystem. By integrating strategic digital financial management practices, entrepreneurs can leverage the transformative potential of technology to achieve long-term growth and competitiveness in the digital era.
Keywords: *Financial Transformation, Strategy-Implementation of Modern, and Financial Management*

INTRODUCTION

The rapid development of digital technology in the last few decades has brought significant changes in various sectors, including financial management (Miller & McCarthy, 2020). In the digital era, technologies such as artificial intelligence (AI), big data, and blockchain have been widely applied in financial management to speed up transaction processes, increase operational efficiency, and improve the quality of financial decision making (Kim et al., 2018). Digitalization in financial management enables organizations, including small and medium enterprises (SMEs), to increase their competitiveness by leveraging technology for the optimization of financial resources. With these changes, financial transformation has become crucial, not only in operational improvements, but also as a strategy for adapting in a very dynamic business environment (Wamba et al., 2020).

For entrepreneurs, especially those who have just started a business, challenges in financial management become more complex along with growing demands for technological adaptation (Gomber et al., 2018). Previously, access to real-time financial data may have been difficult for SMEs; however, with the advent of digital technology, entrepreneurs can access this information to support more timely and strategic decisions (Zhu et al., 2021). This technology gives entrepreneurs a deeper understanding of cash flow, asset management, and cost control. This allows even small businesses to implement financial strategies that previously could only be implemented by large companies (De La Rosa, 2019).

On the other hand, digital financial transformation also brings challenges that cannot be ignored, especially regarding data security and financial information privacy (Auer & Claessens, 2020). Data accessed via digital platforms is vulnerable to threats such as hacking and data leaks, which can damage reputations and disrupt company operations (Nguyen et al., 2020). Therefore, the application of digital technology in financial management must be balanced with a strict security system. This is important so that entrepreneurs can minimize risks that may arise and maintain the trust of stakeholders, especially customers and business partners (Jahanshahi et al., 2020).

Apart from benefits and challenges, digital financial transformation offers solutions to increase transparency and accountability in financial management (Fanning

& Centers, 2016). Blockchain technology, for example, provides a more transparent and immutable way to record transactions, which is very useful for companies in building trust from stakeholders (Peters & Panayi, 2016). Through this technology, entrepreneurs can create a more credible financial system and reduce the risk of fraud in financial transactions. In a broader context, this transformation helps improve the quality of the global financial system in a more efficient and reliable way (Schmidt & Sandner, 2017).

Financial transformation also encourages the development of new skills in the field of financial management (Gai et al., 2018). Entrepreneurs in the digital era need to master data analysis skills to be able to understand financial information comprehensively and make decisions based on that data (Ritter & Pedersen, 2020). Mastery of digital technology in financial management allows entrepreneurs to create innovative and adaptive strategies in facing market changes. Additionally, entrepreneurs need to understand how digital financial tools work to ensure that they can maximize the benefits of this technology in optimizing their company's financial performance (Müller & Jensen, 2021).

Ultimately, digital financial transformation not only increases operational efficiency, but also changes mindsets in financial management (Gomber et al., 2018). By building a mature implementation strategy, starting from identifying technology needs to training human resources (HR) in the digital finance sector, companies can maximize the potential of this technology. In a broader perspective, the integration of technology in modern financial management supports entrepreneurial growth and encourages the creation of a more adaptive, innovative and competitive business environment (Omar et al., 2020).

RESEARCH METHODS

This research uses a qualitative approach that focuses on in-depth exploration of how digital financial transformation is applied in modern financial management by entrepreneurs. Using the case study method, this research explores strategies, implementation processes, and challenges faced in adopting financial technology. This case study includes in-depth interviews with small and medium-sized entrepreneurs who have implemented digital technologies, such as cloud-based financial systems and blockchain technology, as part of their financial management strategies (Gomber et al., 2018). Primary data was obtained through semi-structured interviews, which allowed respondents to share experiences and views regarding the impact of digital transformation on operational efficiency and financial decision making. Purposive sampling technique was used to select informants, namely business actors in the financial sector who were considered relevant to this research topic, and who had experience in implementing digital technology. This technique is in accordance with qualitative research guidelines which aim to obtain rich and in-depth data about the

phenomenon being studied (Ritchie et al., 2014). In addition to interviews, secondary data was collected through literature studies from journals, industry reports, and company documents to provide a broader context about digital financial transformation trends in entrepreneurship. Data analysis was carried out using thematic analysis techniques, where data was compiled, coded and categorized to identify main patterns in entrepreneurs' experiences regarding the application of digital technology in financial management. This technique allows researchers to highlight key emerging themes, such as cost efficiency, data security, and increased accountability, as well as to compare results between different informants (Braun & Clarke, 2006). The results of this analysis are interpreted contextually by looking at the dynamics and challenges that arise from theoretical and practical perspectives related to modern financial management in the digital era.

RESULTS AND DISCUSSION

Results

Research shows that digital financial transformation has enabled entrepreneurs to implement more structured and efficient financial management, as well as reducing barriers to traditional financial management (Auer & Claessens, 2020). With digital technology, entrepreneurs have access to various financial data in real-time, which allows deeper analysis for financial planning (Gomber et al., 2018). For example, the use of cloud-based financial management software gives entrepreneurs greater control over company cash and transaction tracking. The data collected through this platform is then used as a basis for making more accurate predictions of future cash flows (Nguyen et al., 2020).

This research also found that the application of digital technology in financial management makes it easier for entrepreneurs to manage financial risks (De La Rosa, 2019). Previously, many SMEs had difficulty carrying out comprehensive risk analysis due to limited data and resources. With advances in big data technology and artificial intelligence, entrepreneurs can now access more sophisticated tools for risk analysis, helping them detect potential risks that could endanger business finances (Kim et al., 2018). These data not only help in mitigating risks but also provide guidance for better decision making, especially in choosing safer and more profitable investments.

However, research results also show that the adoption of digital technology in finance presents new challenges, especially in terms of data security and privacy (Fanning & Centers, 2016). Although technology such as blockchain is considered to increase transaction security, the use of digital systems also makes financial information more vulnerable to cyber threats (Schmidt & Sandner, 2017). Entrepreneurs are required to not only understand the financial technology they use, but also have effective risk mitigation measures to protect sensitive company data from external threats

(Jahanshahi et al., 2020). This study recommends that companies adopting digital technology improve their security protocols to minimize the risk of data leaks.

This research also found that entrepreneurs who have successfully adopted digital technology in financial management tend to have improvements in operational efficiency (Miller & McCarthy, 2020). By automating administrative tasks, entrepreneurs can allocate more time to focus on business strategy and market development. This automation has been proven to reduce operational costs and increase the productivity of financial teams within companies (Omar et al., 2020). This efficiency is especially felt in the financial reconciliation process which usually takes a long time, but with digitalization it can be done quickly and accurately.

Research results also show an increase in transparency and accountability in financial management through the use of blockchain technology (Gai et al., 2018). Blockchain allows every transaction to be recorded permanently and openly, so that stakeholders can check the company's financial transactions at any time (Peters & Panayi, 2016). This transparency is very useful in building trust, especially for investors and business partners who value the company's financial integrity as an important factor in collaboration or investment. This shows that the adoption of blockchain technology has the potential to strengthen a company's position in an increasingly competitive market.

Finally, this research highlights the importance of developing digital financial literacy skills for entrepreneurs, especially in understanding and utilizing new technologies to improve financial management (Ritter & Pedersen, 2020). Digital literacy is very important because the ability to manage this new technology helps entrepreneurs to make more informed and effective decisions (Gomber et al., 2018). Additionally, strong data analysis skills enable entrepreneurs to more quickly adapt to changing financial and economic trends. Thus, investment in training and developing digital financial competencies can bring long-term benefits for the success and sustainability of businesses in this digital era (Müller & Jensen, 2021).

Discussion

Digital financial transformation has presented great opportunities for entrepreneurs to utilize technology to manage finances more effectively and efficiently. By leveraging digital tools, entrepreneurs can obtain real-time financial data that was previously difficult to access, enabling them to respond more quickly to market changes (Auer & Claessens, 2020). However, this transformation is not only about adopting new technologies but also about integrating digital processes into the overall business strategy. Entrepreneurs need to consider how digital financial technology can strengthen their business models to achieve sustainable competitive advantage (Omar et al., 2020).

On the other hand, the adaptation of technology in financial management requires entrepreneurs to have more sophisticated skills, especially in data analysis and interpretation of digital financial information (Gai et al., 2018). With strong analytical skills, entrepreneurs can make data-driven decisions to optimize profitability. For example, big data analysis allows entrepreneurs to identify market trends and consumer behavior that can influence financial performance (Nguyen et al., 2020). However, the necessary digital literacy and analytical skills often remain an obstacle for many small and medium-sized entrepreneurs, who may not yet have access to or understanding of modern financial technology.

Furthermore, data security and privacy risks are becoming important issues in digital financial transformation, especially with the increasing frequency of cyber attacks targeting financial data (Fanning & Centers, 2016). Although blockchain can increase the transparency and security of transactions, its use is not yet widespread among small and medium-sized businesses due to implementation costs and regulatory uncertainty (Schmidt & Sandner, 2017). Employers need to develop comprehensive security policies to protect sensitive data and avoid potential losses due to data leaks. This step not only serves to protect company finances but also to maintain stakeholder trust in the company (Jahanshahi et al., 2020).

This research also indicates that digital financial transformation has a positive impact in increasing financial transparency and accountability (Kim et al., 2018). For example, through blockchain technology, companies can record and verify transactions in an irreversible manner, increasing accountability and reducing the risk of fraud (Peters & Panayi, 2016). This transparency is important for entrepreneurs who want to attract investors or strategic partners, because it provides assurance that financial management is carried out honestly and responsibly. As a result, digital transformation in finance has the potential to build stronger trust between entrepreneurs and stakeholders.

Although digital financial transformation opens up many opportunities, its implementation must be tailored to the company's specific conditions and needs (Gomber et al., 2018). Companies need to assess the readiness of their technology and resources before undertaking a full transformation. For companies that have limited resources, a gradual approach starting from basic process automation can be an effective solution (Ritter & Pedersen, 2020). This approach allows companies to develop a better understanding of the benefits of the technology while minimizing the risk of implementation failure.

Overall, digital financial transformation provides unique opportunities and challenges for entrepreneurship in this modern era (Miller & McCarthy, 2020). With the right implementation strategy, entrepreneurs can optimize the benefits of technology to achieve operational efficiency and sustainable growth. However, the success of this transformation requires a strong commitment, both in terms of developing digital

literacy skills and in managing the risks associated with the use of technology. In a broader context, this transformation not only brings financial benefits, but also influences business structure and culture in the long term, forming a more adaptive and innovative entrepreneurial ecosystem (De La Rosa, 2019)

CONCLUSION

Digital financial transformation offers substantial opportunities for entrepreneurs to enhance financial management through effective technology integration, enabling improved responsiveness to market dynamics and increased operational efficiency. However, this shift requires a strategic approach that aligns digital tools with business objectives, along with developing sophisticated skills in data analysis and digital literacy to maximize these tools' potential. While advancements like blockchain can improve transparency and accountability, challenges in data security, regulatory constraints, and high implementation costs persist, particularly for small and medium-sized enterprises. Thus, a gradual adoption tailored to each company's specific needs can mitigate risks and ensure a successful digital transformation. Ultimately, this financial evolution not only drives profitability but also reshapes business practices, fostering a resilient, adaptable, and innovation-driven entrepreneurial ecosystem.

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