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The Role of Tax Digitalization, Utilization of Tax Incentives, and Financial Management on Business Sustainability at Cemara Asri MSMEs, Medan

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ABSTRACT

This research examines the relationship between tax digitalization, utilization of tax incentives, and financial management and business sustainability among MSMEs in the Cemara Asri area. A quantitative method was applied, with 50 respondents selected through purposive sampling from 120 MSMEs. Questionnaire data were analyzed using SPSS, including multiple linear regression, t-tests, an F-test, and the coefficient of determination. The findings indicate that that tax digitalization positively and significantly affects business sustainability ($t = 3.407$; $p = 0.001$). However, utilization of tax incentives does not significantly affect business sustainability ($t = 0.245$; $p = 0.807$). Financial management has a positive and significant effect on business sustainability ($t = 2.299$; $p = 0.026$). At the same time, the three independent variables jointly have a significant effect on business sustainability ($F = 11.033$; $p < 0.001$). The adjusted R-squared of 0.381 shows that the model accounts for 38.1% of the variation in business sustainability, whereas the remaining 61.9% is not explained by the model.

Keywords: Business Sustainability, Financial Management, MSMEs, Tax Digitalization, and Utilization of Tax Incentives.

INTRODUCTION

MSMEs, which stand for micro, small, and medium-sized businesses, are very important to the economy of Indonesia. The country has about 66 million small and medium-sized businesses, which make up nearly 99.99% of all businesses. These businesses employ around 117 million people, which is about 97% of the country's total workforce. They also contribute more than 60% to the country's overall economic output (KADIN Indonesia, 2025). This significant contribution demonstrates the importance of MSMEs' sustainability to the economy and their potential contribution to state revenue through taxation. Taxes are a major contributor to government revenue for financing development and public services. However, MSMEs still face tax challenges due to limited knowledge and difficulties in tax administration (Situmorang, 2025). This situation demonstrates the importance of simpler, technology-enabled tax management, as integrating technology into business activities can increase efficiency and support the long-term sustainability of MSMEs (Putra et al., 2025).

Cemara Asri Medan is a relevant setting for examining these issues because it has developed into a culinary and commercial hub where MSMEs actively use digital platforms. (Felicia & Afrida, 2025) identified 325 culinary MSMEs in the Cemara Asri

complex and surveyed 230 of them, finding that social media use was at a moderate-to-high level but did not significantly affect business performance. Preliminary field observations by the authors further show that, of 120 MSMEs observed in the area, only 50 (41.7%) held an NPWP, while 70 (58.3%) did not, indicating that most local MSMEs remain outside the formal tax system. Similar constraints have been reported elsewhere: (Marlina & Purba, 2021) found that none of the five trading MSMEs studied in Batam prepared complete financial statements, (Kartika & Iswardi, 2022) reported that a substantial share of MSMEs in West Sumatra had never received socialization on tax incentives, and (Ayumida & Endaryati, 2026) showed that tax knowledge and ease of digital tax access significantly influence MSME tax compliance in Semarang. Together, these findings highlight issues related to tax knowledge, financial management, and digital tax access that warrant further examination among MSMEs in Cemara Asri.

To support the sustainability of MSMEs, the government is encouraging digital taxation and providing tax incentives, while businesses need to strengthen financial management. (Prayogi et al., 2025) showing that tax digitalization has a positive impact on administrative convenience and taxpayer compliance for MSMEs. Tax incentives can reduce the fiscal burden, but not all MSMEs are aware of them and feel they are being helped. (Kristy et al., 2024) Utilization of tax incentives also provides a positive contribution to the sustainability of MSME businesses (Riyanti et al., 2022). In addition, good financial management helps MSMEs manage funds and reduce financial risks, which ultimately supports business performance and sustainability (Rismawati et al., 2026).

Although tax digitalization, tax incentives, and financial management have been widely studied, they are mostly examined separately: tax digitalization in relation to MSME tax compliance (Ayumida & Endaryati, 2026), and tax incentives and financial management in relation to business performance (Kartika & Iswardi, 2022), (Marlina & Purba, 2021). Theoretically, these factors complement one another. From the the Resource-Based Theory, financial management is an internal resource that produces the reliable financial information needed to meet tax obligations and claim tax facilities. From the Theory of Planned Behavior, tax digitalization raises perceived behavioral control by easing registration, reporting, and payment, while tax incentives reduce tax costs and free up cash flow for working capital, a resource shown to drive MSME performance in Cemara Asri (Felicia & Afrida, 2025). Empirically, however, MSMEs often lack the knowledge to benefit from these factors: 43% of MSMEs in West Sumatra had never received socialization on tax incentives (Kartika & Iswardi, 2022), and weak financial management left MSMEs unprepared for formal obligations (Marlina & Purba, 2021). Business sustainability is therefore expected to be strongest when all three factors are present, yet studies testing their combined role, especially in Cemara Asri, remain scarce. This study therefore investigates the extent to which tax digitalization, tax incentive utilization, and financial management contribute to the sustainability of MSMEs in Cemara Asri.

LITERATURE REVIEW

Tax Digitalization

Tax digitalization is a crucial step in modernizing the tax system, aiming to improve efficiency, accountability, and transparency in tax management. With the advancement of information technology, digitalization makes it easier for taxpayers and tax authorities to carry out tax administration processes more quickly and accurately (Harahap, 2025). According to Nugraha (2025), digitalization of tax administration is a fundamental transformation in the fiscal management system that involves the use of information and communication technology to optimize the tax administration process. And also according to Zahro & Machdar (2025), digitalization of taxation is the efficiency of

implementing tax mechanisms created by the government, which is increasingly relevant given the current advancements in the digital era. This, it can be concluded that digitalization of taxation is the process of utilizing technology in tax administration to increase efficiency, convenience, transparency, and effectiveness in implementing tax obligations. According to Mardiana & Rosida (2025), the indicators of tax digitalization consist of Efficiency**,** Effectiveness**,** Transparency**,** and Tax compliance.

Utilization of Tax Incentives

Utilization of Tax incentives are policies issued by the government to make it easier for taxpayers to fulfill their tax obligations, so the government hopes that taxpayers will participate in implementing these policies to increase tax compliance (Wahyudi, 2021). The existence of a tax incentive policy, apart from helping to reduce the tax burden, is also expected to encourage taxpayers to fulfill their tax obligations (Kusumadewi & Dyarini, 2022). In addition, providing tax incentives for MSMEs can reduce operational costs and allocate more resources to business development, such as improving human resource quality, investing in technology, and expanding markets (Ayem & Hanun, 2025).Thus, it can be concluded that tax incentives are a government policy in the form of providing facilities or tax relief to taxpayers to reduce the tax burden, increase tax compliance, and support business development and sustainability. According to Riyanti & Sudarmawanti (2022), the indicators of tax incentives consist of Knowing the Final DTP PPh tax incentives, Receive Final DTP PPh tax incentives, The aim of MSME actors in utilizing tax incentives, Tax incentive policies can increase taxpayer compliance, and Tax incentives can help MSMEs and the government in National Economic Recovery.

Financial Management

Financial management in general is an effort to manage funds or money in everyday life carried out by individuals or groups with the aim of achieving financial well-being (Santiara & Sinarwati, 2023).

From a business perspective, financial management covers a broader scope than simply handling funds on a day-to-day basis. It involves a range of financial decisions concerning how funds are obtained, how financing is determined, and how the company's assets are utilized and managed to achieve its overall objectives. Through these activities, the company seeks to generate income while keeping expenditures as efficient as possible (Mali, 2023). Good financial management is also necessary to ensure that available capital can be utilized efficiently, thereby maintaining business stability and helping the company achieve its financial goals (Sony & Nainggolan, 2025). In line with this, the objectives of financial management according to Munthay & Sembiring (2024), the ultimate objective is to enhance profitability by generating useful financial information, monitoring liquidity and cash flow, and ensuring that sufficient funds are available to fulfill the company's financial obligations. In addition, financial management involves preparing financial projections based on the company's current condition and assessing potential outcomes under different future market situations.

The availability of adequate financial information is therefore important in supporting business decision-making and maintaining business sustainability. When business owners do not have sufficient financial information, decisions related to determining selling prices, controlling costs, and developing the business tend to be made based on estimates. This condition can potentially create various problems for business sustainability (Pane et al., 2026). According to Santiara & Sinarwati (2023), the indicators of financial management consist of Planning, Implementation, Reporting, and Supervision.

Business Sustainability

Business Sustainability is the primary goal of all businesses, including MSMEs, and is largely determined by business management's ability to manage resources and anticipate changes in the economic, political, and social environments. Proper management, which can handle business resources and environmental changes professionally and efficiently, will ensure business continuity. Conversely, poor financial management may hinder MSMEs from managing their resources effectively, which can affect business sustainability (Halpiah & Putra, 2023). Apart from that, there are also factors that support the sustainability of MSME businesses according to Ayem & Hernindya (2025), includes planning, human resource management, innovation, and financial management, such as preparing financial reports used in bookkeeping. According to Sari et al. (2022), the indicators of Business Sustainability consist of Business innovation, Employee management, Consumer management, and Return on capital.

The Resource-Based Perspective (RBV) and the Theory of Planned Behavior (TPB) offer a theoretical framework for explaining how tax digitalization, tax incentive utilization, and financial management relate to business sustainability. RBV holds that a business's long-term performance depends on how well it manages its valuable internal resources and capabilities (Hamzah, 2025), while TPB states that behavior is driven by intention, which is shaped by attitude, subjective norm, and perceived behavioral control (Ajzen, 2020). From the RBV perspective, financial management is an internal capability that enables MSMEs to allocate funds, control expenses, and support business continuity, and tax incentives reduce the tax burden so that available funds can be used for operations and business development. From the TPB perspective, tax digitalization raises perceived behavioral control by making tax administration easier to manage, which supports administrative efficiency. Accordingly, tax digitalization, tax incentive utilization, and financial management are expected to contribute to business sustainability, both individually and collectively.

Based on previous theories and findings from earlier studies, tax digitalization, the utilization of tax incentives, and financial management are considered relevant factors that may be associated with MSME business sustainability. Therefore, this study establishes a conceptual framework to describe and analyze how these three variables relate to the long-term sustainability of MSME businesses.

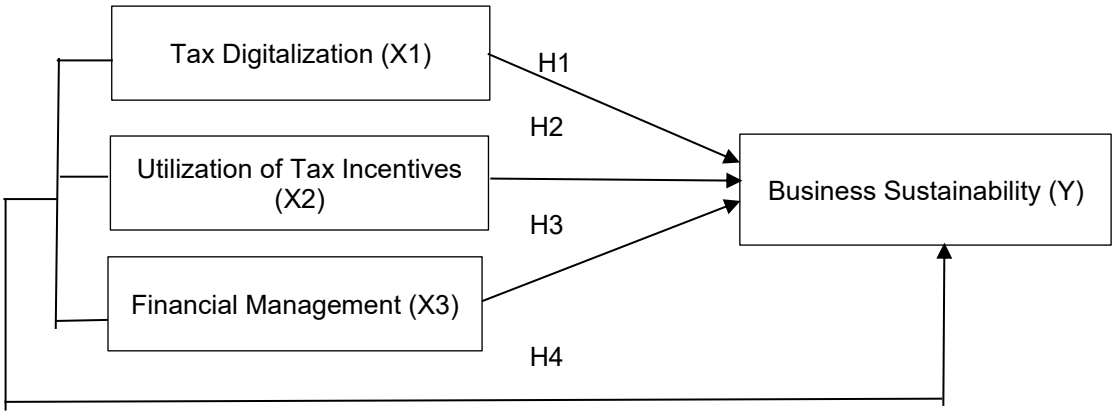


Figure 1. Conceptual Framework

The following hypotheses are proposed for this research:
H1: Tax Digitalization has a significant influence on Business Sustainability among MSMEs in Cemara Asri, Medan
H2: Utilization of Tax Incentives has a significant influence on Business Sustainability among MSMEs in Cemara Asri, Medan.
H3: Financial Management has a significant influence on Business Sustainability among MSMEs in Cemara Asri, Medan.
H4: Tax Digitalization, Utilization of Tax Incentives, and Financial Management have a significant influence on Business Sustainability among MSMEs in Cemara Asri, Medan.

RESEARCH METHOD

The Cemara Asri neighborhood, Medan Estate, Percut Sei Tuan District, North Sumatra, was the site of the study, during June–August 2026. The study involved 120 MSMEs as the research population. The sample was determined through *purposive sampling*, which, according to Sugiyono (2019), refers to a sampling method in which respondents are selected based on specific considerations. The unit of analysis in this study was MSMEs operating in the Cemara Asri area. The respondents were business owners or employees who were knowledgeable about the conditions and operational activities of the selected MSMEs. The inclusion criteria were MSMEs operating in the Cemara Asri area and possessing a Taxpayer Identification Number (NPWP). Previous experience in receiving or utilizing tax incentives was not a mandatory inclusion criterion. Therefore, the sample included MSMEs with different levels of knowledge and experience regarding tax incentives, including those that had never received or utilized such incentives. Based on these criteria, a total of 50 MSMEs were selected as the research sample. Primary data were obtained by distributing questionnaires directly to participants.
The questionnaire statements were formulated using the indicators established for each study variable. The instrument used a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), and consisted of 34 statement items, comprising 8 items for tax digitalization, 10 items for utilization of tax incentives, 8 items for financial management, and 8 items for business sustainability. (Sugiyono, 2019) says a questionnaire is a way to collect data by using written questions or statements that people answer. The questionnaire items were independently developed by the authors based on the indicators established for each research variable rather than directly adopted from previous studies. Each item was assigned to the corresponding indicator of the relevant variable to ensure that the statements represented the aspects being measured. The data collected was then analyzed using SPSS. Various statistical methods were applied, including the coefficient of determination (R^2), multiple regression analysis, individual t-tests, and a simultaneous F-test tests for validity and reliability, and checks for classical assumptions.

RESULT

Validity Test and Reliability Test

According to Ghozali (2018), Validity tests are used to measure the validity or legitimacy of a questionnaire.
Based on opinion Ghozali (2018), reliability is actually a tool for measuring questionnaires which are indicators of variables or constructs

Table 1.
Validity and Reliability Test Results

Variable	Item	R-value	R-table	Validity	Cronbach's Alpha	Reliability
Tax Digitalization	X1.1	0.802	0.3610	Valid	0.900	Reliable
	X1.2	0.719	0.3610	Valid		
	X1.3	0.819	0.3610	Valid		
	X1.4	0.826	0.3610	Valid		
	X1.5	0.765	0.3610	Valid		
	X1.6	0.723	0.3610	Valid		
	X1.7	0.729	0.3610	Valid		
	X1.8	0.770	0.3610	Valid		
Utilization of Tax Incentives	X2.1	0.741	0.3610	Valid	0.869	Reliable
	X2.2	0.741	0.3610	Valid		
	X2.3	0.732	0.3610	Valid		
	X2.4	0.741	0.3610	Valid		
	X2.5	0.529	0.3610	Valid		
	X2.6	0.686	0.3610	Valid		
	X2.7	0.802	0.3610	Valid		
	X2.8	0.752	0.3610	Valid		
	X2.9	0.705	0.3610	Valid		
	X2.10	0.731	0.3610	Valid		
Financial Management	X3.1	0.837	0.3610	Valid	0.925	Reliable
	X3.2	0.720	0.3610	Valid		
	X3.3	0.835	0.3610	Valid		
	X3.4	0.892	0.3610	Valid		
	X3.5	0.696	0.3610	Valid		
	X3.6	0.881	0.3610	Valid		
	X3.7	0.818	0.3610	Valid		
	X3.8	0.806	0.3610	Valid		
Business Sustainability	Y1.1	0.839	0.3610	Valid	0.929	Reliable
	Y1.2	0.822	0.3610	Valid		
	Y1.3	0.769	0.3610	Valid		
	Y1.4	0.861	0.3610	Valid		
	Y1.5	0.865	0.3610	Valid		
	Y1.6	0.853	0.3610	Valid		
	Y1.7	0.785	0.3610	Valid		
	Y1.8	0.745	0.3610	Valid		

Source: Data Processing Results, 2026

The validity test revealed that all statement items for variables X1, X2, X3, and Y had calculated correlation values ranging from 0.529 to 0.892, exceeding the critical value of 0.3610. Therefore, all 34 items were deemed valid and suitable for use in the research instrument, as they adequately measure the characteristics represented by each study variable

The reliability assessment demonstrates that each research variable has a with reliability coefficients exceeding the minimum threshold of 0.70. The coefficients obtained were 0.900 for Tax Digitalization, 0.869 for Utilization of Tax Incentives, 0.925 for Financial Management, and 0.929 for Business Sustainability. These findings indicate that all instruments possess adequate to excellent internal consistency and can therefore be considered reliable for use in subsequent data analysis.

Normality Test

Based on opinion Ghozali (2021), To ascertain whether the residual values in the regression model have a normal distribution, the normality test is performed. The distribution of the residuals, or error terms, produced by the regression model is the main emphasis of this test.

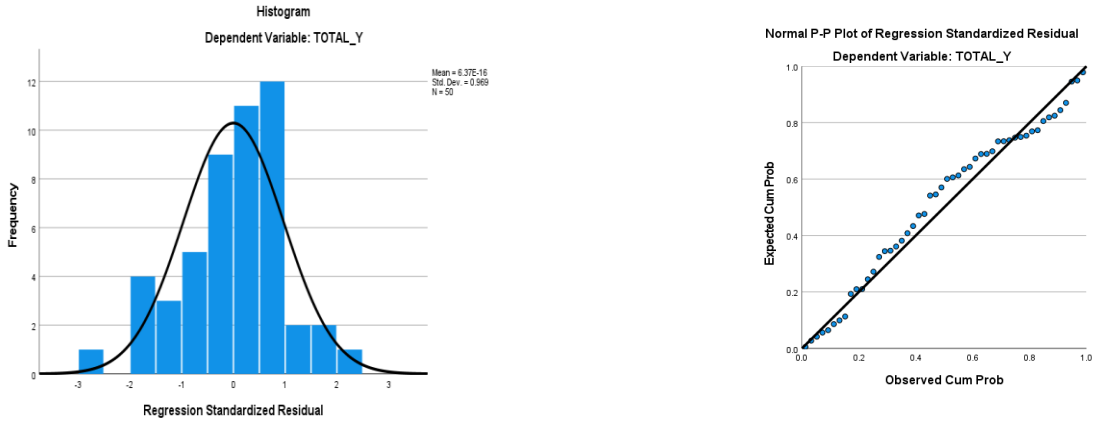


Figure 2. Histogram and Normal Probability Plot of Regression
Source: Data Processing Results, 2026

Table 2.
One-Sample Kolmogorov Smirnov Test

Parameter	Unstandardized Residual
N	50
Normal Parameters: Mean	0.000
Normal Parameters: Std. Deviation	4.275
Most Extreme Differences: Absolute	0.104
Most Extreme Differences: Positive	0.068
Most Extreme Differences: Negative	-0.104
Test Statistic	0.104
Asymp. Sig. (2-tailed)	0.200

Source: Data Processing Results, 2026

The normality test results show that the residuals meet the normality assumption. The histogram displays a roughly bell-shaped distribution, and the Normal P–P Plot indicates that the residual points lie close to the diagonal line. Furthermore, the Kolmogorov–Smirnov test yields an Asymp. Sig. (2-tailed) value of 0.200, exceeding the significance level of 0.05. These findings suggest that the residuals are normally distributed and that the regression model satisfies the normality requirement.

Heteroscedasticity Test

According to Ghozali (2018), the heteroscedasticity test was conducted to determine whether the variance of the regression model differed in each observation.

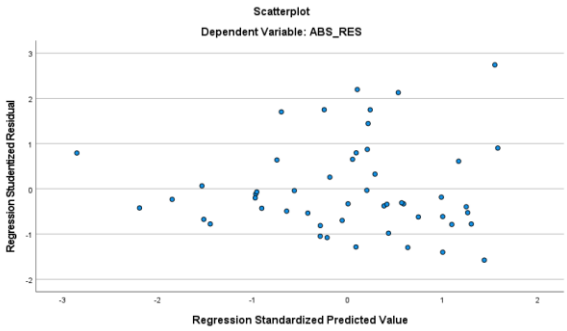


Figure 3. Scatterplot
Source: Data Processing Results, 2026

The scatter diagram illustrates that the residual data points are dispersed scattered irregularly, appearing on both sides of the zero value on the Y-axis. No clear pattern or systematic distribution can be identified from the plotted observations. These results suggest that the regression model shows no evidence of heteroscedasticity and satisfies the homoscedasticity assumption for regression analysis

Multicollinearity, Multiple Linear Regression Analysis, and T-test

According to Sahir (2022), the multicollinearity test aims to ensure that the independent variables are not highly correlated, which is essential for stable and unbiased regression estimates. Commonly used methods are with VIF values of 10 or below and Tolerance values of 0.1 or higher meet the criteria, the model is free from multicollinearity and suitable for regression analysis.

Analysis According to Ghodang & Hantono (2020), multiple linear regression analysis is a regression model that tests the linear relationship between a dependent variable and two or more independent variables (predictors). The general form of the multiple linear regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

According to Sahir (2022) The T-test is used to assess the partial effect of each independent variable on the dependent variable.

Table 3.
Multicollinearity, Multiple Linear Regression Analysis, T-test Results

Model	Unstandardized Coefficients		T	Sig	Collinearity Statistics	
	B	Std. Error			Tolerance	VIF
(Constant)	2.773	5.259				
Tax Digitalization	0.502	0.147	3.407	0.001	0.748	1.337
Utilization of Tax Incentives	0.028	0.114	0.245	0.807	0.937	1.067
Financial Management	0.340	0.148	2.299	0.026	0.766	1.306

Source: Data Processing Results, 2026

The multicollinearity test results indicate that the regression model meets the required criteria. The Tolerance values are 0.748, 0.937, and 0.766, while the corresponding VIF values are 1.337, 1.067, and 1.306. Since all Tolerance values exceed 0.10 and all VIF values are below 10, the model shows no evidence of multicollinearity among the independent variables.

Sustainability of MSME Business = 2.773 + 0.502 Tax Digitalization + 0.028 Utilization of Tax Incentives + 0.340 Financial Management + e

1. The constant value (2.773) shows that if Tax Digitalization, Utilization of Tax Incentives, and Financial Management are considered to have a value of zero, then the value of MSME Business Sustainability is at 2.773.
2. The regression coefficient of Tax Digitalization (0.502) indicates indicating that each one-unit increase in Tax Digitalization is associated with a 0.502-unit increase in MSME Business Sustainability, provided that the other variables remain constant. This indicates that the use of technology in tax administration can help MSMEs in running their business activities more orderly and efficiently.
3. The coefficient obtained for Utilization of Tax Incentives is 0.028, suggesting that a one-unit increase in the use of tax incentives is associated with an increase of 0.028 units in MSME Business Sustainability, when the other variables are held constant. The positive coefficient reflects a positive relationship between Utilization of Tax Incentives and the sustainability of MSMEs.
4. Financial Management has a regression coefficient of 0.340, meaning that a one-unit improvement in financial management is followed by an increase of 0.340 units in MSME Business Sustainability, assuming the other variables remain unchanged. Effective financial management, including transaction recording, cash flow management, and expense control, may support MSMEs in maintaining their financial stability and sustaining their business operations.

The t-test was conducted to assess the individual effects of each independent variable on Business Sustainability. With 50 observations and three independent variables, the degrees of freedom were 46, calculated using df = N − k − 1. At the 5% significance level, the critical t-value was 2.01290. The results indicate that Tax Digitalization significantly affects Business Sustainability, with a t-value of 3.407 and a significance value of 0.001. However, Utilization of Tax Incentives does not have a significant effect, as shown by a t-value of 0.245 and a significance value of 0.807. Meanwhile, Financial Management significantly affects Business Sustainability, with a t-value of 2.299 and a significance value of 0.026. Therefore, Tax Digitalization and Financial Management have statistically significant effects on Business Sustainability, while Utilization of Tax Incentives does not demonstrate a statistically significant effect. These conclusions were drawn by comparing the calculated t-values with the critical t-value and the significance values with the 0.05 threshold.

F-test

According to Nugroho, A. S., & Haritanto (2022), the F-test serves to determine the collective or simultaneous influence of all independent variables on the dependent variable

Table 4.
F-test Result

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	644.390	3	214.797	11.033	<0.001
Residual	895.530	46	19.468		
Total	1539.920	49			

Source: Data Processing Results, 2026

According to the F-test, the regression model obtained an F-value of 11.033 with $p < 0.001$, suggesting that tax digitalization, utilization of tax incentives, and financial management collectively have a statistically significant relationship with MSME business sustainability.

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Coefficient of Determination Test

As stated by Sahir (2022), the determination coefficient test is to see how much influence the independent variables have on the dependent variables.

Table 5.
Coefficient of Determination Test Results

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.647a	0.418	0.381	4.412

Source: Data Processing Results, 2026

The adjusted R-squared value of 0.381 indicates that Tax Digitalization, Utilization of Tax Incentives, and Financial Management explain 38.1% of the variation in Business Sustainability, while the remaining 61.9% represents unexplained variation not accounted for by the model.

DISCUSSION

Tax Digitalization and Business Sustainability

The findings demonstrate that Tax Digitalization significantly affects MSME Business Sustainability, as indicated by a significance value of 0.001, which falls below the predetermined significance level of 0.05. These findings are consistent with the findings of previous research by (Prayogi et al., 2025), which demonstrated that tax digitalization positively impacts administrative ease and taxpayer compliance for MSMEs. This demonstrates that simplifying tax administration through digitalization can support business activities and their sustainability.

Utilization of Tax Incentives and Business Sustainability

The analysis shows that Utilization of Tax Incentives does not demonstrate a statistically significant influence on MSME Business Sustainability, as evidenced by the significance value of 0.807, which exceeds the 0.05 significance level. This result differs from the findings reported in previous research by (Riyanti et al., 2022), which found that the utilization of tax incentives positively contributes to the sustainability of MSME businesses. This discrepancy in results may indicate that the benefits of tax incentives have not been directly felt by all respondents in this study.

Financial Management and Business Sustainability

The analysis shows a statistically a meaningful association between Financial Management and MSME Business Sustainability, with a significance value of 0.026, below the 0.05 criterion. This finding is consistent with the results reported in previous research by (Rismawati et al., 2026), which demonstrated that financial management capabilities positively influence the performance and sustainability of MSME businesses. Good financial management helps MSMEs allocate resources efficiently and mitigate financial risks, thus supporting business sustainability.

Tax Digitalization, Utilization of Tax Incentives, and Financial Management for Business Sustainability

The simultaneous significance test indicates that Tax Digitalization, Utilization of Tax Incentives, and Financial Management collectively contribute to MSME Business Sustainability. The regression model records an F-value of 11.033 with a significance level of $p < 0.001$, which is below the 0.05 significance level. These findings demonstrate that Tax Digitalization, Tax Incentives Utilization, and Financial Management simultaneously have a statistically significant effect on MSME Business Sustainability.

CONCLUSION

The analysis demonstrates that Tax Digitalization significantly contributes to MSME Business Sustainability in the Cemara Asri area of Medan. Financial Management also has a significant relationship with Business Sustainability, whereas Utilization of Tax Incentives does not show a statistically significant effect. The simultaneous test demonstrates that Tax Digitalization, Utilization of Tax Incentives, and Financial Management significantly play a role in the sustainability of MSMEs businesses when considered together. In addition, the Adjusted R Square of 0.381 shows that these three variables account for 38.1% of the variation in MSMEs Business Sustainability. The remaining 61.9% represents unexplained variation not accounted for by the model.

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