

# The Effect of Leadership Style and Digital Transformation on Financial Performance: An Empirical Study on Indonesian MSMEs.

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- **Abstract:** MSMEs in Indonesia are the focus of this study, which aims to examine the impact of management style as well as digital transformation on financial performance. This study use SEM (Structural Equation Modeling) and SmartPLS 3.3.3 software for data analysis. Banten, Indonesian MSM managers comprised the study's population. To collect data, a questionnaire is filled out, and the sampling method is cluster random sampling. We conclude that leadership has a considerable impact on financial performance, based on data analysis. When it comes to financial performance, it is important to note that increasing leadership will lead to a rise in financial performance, while decreasing leadership will lead to a decline. Finance performance has not been impacted significantly by digital transformation. As a result, a rise in Digital Transformation will not lead to a fall in finance performance, and the opposite is true for a decrease. The leadership style of a company's CEO has a major impact on its digital transformation. Increasing leadership style promotes digital transformation, whereas reducing it encourages digital transformation to slow down. This study is unique in that it creates a variable model of leadership style, digital transformation, and financial performance in MSMEs. This is a first.
- **Keywords:** MSMEs, SEM (Structural Equation Modeling), Finance performance