JIGE 6 (3) (2025) 1748-1756
JURNAL ILMIAH GLOBAL EDUCATION
ejournal.nusantaraglobal.ac.id/index.php/jige
DOI: https://doi.org/10.55681/jige.v6i3.4069

The Role of Financial Technology (FinTech) in Enhancing MSMEs' Access to Finance: A Study from the Perspective of Financial Management

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Article Info

Article history:

Received July 16, 2025
Approved August 12, 2025

Keywords:

FinTech, MSMEs', Financial Mabagement

ABSTRACT

The expansion of financial technology (FinTech) has changed the way that MSMEs, and the potential entrepreneurs behind them, can access capital, especially in emerging markets, where traditional financial services availability is constrained. Notwithstanding the growing accessibility of digital financial services, a large number of MSMEs still struggle to engage with these technologies; their barriers including low levels of financial literacy, poor digital preparation, and internal decision-making obstacles. This study tries to explore the effects of FinTech adoption on MSMEs access to finance, with focus on the mediating effect of financial literacy and the moderating role of financial behavior and trust. A quantitative causal-explanatory research design was employed using primary data that were gathered using structured questionnaires from Indonesian MSME owners transacting in FinTech platforms. The relationships between the main constructs were investigated through Structural Equation Modeling (SEM). The findings indicate that financial literacy and internal financial management fully mediate the effect of FinTech on financing outcomes, and digital trust and risk perception moderate the relationship. The results provided are consistent with the utilization of the COR Theory in understanding digital financial behavior among MSMEs reiterating that technology itself is not enough if cognitive and behavioral resources are not enabled. This study provides practical implications for policymakers and FinTech developers who seek to shape inclusive financial systems and also demonstrates the need to incorporate financial education in digital innovations' strategy to build greater economic resiliency of MSMEs.

How to cite: Safitri, M., Muharam, H., & Pangestuti, I. R. D. (2025). The Role of Financial Technology (FinTech) in Enhancing MSMEs' Access to Finance: A Study from the Perspective of Financial Management. *Jurnal Ilmiah Global Education*, *6*(3), 1748–1756. https://doi.org/10.55681/jige.v6i3.4069

INTRODUCTION

The proliferation of Financial Technology (FinTech) over the last decade has profoundly reshaped financial services globally, enabling broader financial inclusion and enhanced access to credit, particularly for underserved segments such as Micro, Small, and Medium Enterprises (MSMEs). In Indonesia, MSMEs represent over 99% of total businesses and contribute significantly to employment and GDP, yet they continue to face chronic difficulties in obtaining finance through conventional banking systems due to lack of collateral, inadequate financial records, and perceived credit risk (Cahyaningtyas et al., 2025). The emergence of FinTech services, such as peer-to-peer (P2P) lending, digital wallets, and crowdfunding, provides alternative pathways to financing by leveraging digital platforms and data analytics to assess risk, reduce transaction costs, and enhance accessibility (Efendi et al., 2023). These innovations are increasingly being viewed as catalytic tools for closing the MSME financing gap, provided that entrepreneurs possess the necessary financial literacy and technological readiness.

Despite the surge in FinTech infrastructure and government-led digital finance initiatives, a significant proportion of MSMEs in Indonesia remain hesitant or unable to access FinTech-based financing. Existing empirical studies indicate that while FinTech platforms have the potential to democratize finance, their effectiveness is constrained by users' financial knowledge, digital literacy, and perception of institutional trustworthiness (Kamaru et al., 2025). There is a lack of granular analysis linking financial management behavior with the actual adoption and successful utilization of FinTech services by MSMEs (Salsabila et al., 2023). In addition, most of the prior literature consider MSMEs to be a homogeneous groups and do not consider firm-size, sectoral orientation and the key resources management strategies which could be critical to their financial decision making processes. Thus, we need a holistic, behaviorally oriented research to unmask how MSMEs financial management factors provide the foundation for the use of FinTech as a capital access instrument.

The theoretical basis of the current study is built on the Conservation of Resources (COR) theory which aims to explain how people and organizations acquire, protect and maintain valuable resources in an environment characterized by uncertainty and competition. FinTech has emerged as a strategic resource for MSMEs in that it provides affordable access to capital and risk –sharing services. Nonetheless, the adoption of resources is determined by the cognitive evaluations of MSME actors – their perceived trust of FinTech intermediaries, ease of use of the technology, and ability to assimilate the innovations into established financial activities (Hererra et al., 2023). COR Theory provides a robust conceptual lens to explore the trade-offs, fears, and aspirations that shape MSMEs' behavioral orientation toward adopting FinTech solutions as means of securing critical financial resources (Tubastuvi et al., 2024).

This study aims to analyze to what extent the level of adoption of FinTech affects the access to finance of MSMEs in Indonesia and to know the moderation effect of financial management on the the relationship. The study specifically considers the mediating role of internal financial literacy and the moderating role of perceived ease of use, and trust in FinTech platforms. This study aims to empirically examine a proposed theoretical framework of the relationship between FinTech adoption and financial behavior and access to finance by using Structural Equation Modeling (SEM) in the context of endemic data collected from Indonesian MSMEs (Susan, 2020). The research question posed is: How do financial literacy and trust moderate the effect of FinTech adoption on MSMEs' access to finance, and what mediating mechanisms operate through financial management behavior?

This study offers a novel contribution to the FinTech and MSME finance literature by integrating behavioral financial management insights within the COR theoretical framework and focusing on empirical conditions in Indonesia, a country where MSMEs dominate the economic landscape yet suffer persistent financial marginalization (Anas et al., 2023). Unlike prior research that isolates either technological readiness or financial inclusion as standalone variables, this study combines psychological, managerial, and technological determinants of financial access in an integrated model (Sahela et al., 2021). The findings are expected to inform both policymakers and digital finance providers on how to tailor financial innovations that are behaviorally compatible with MSMEs' realities, ultimately contributing to more inclusive and sustainable economic development strategies (Efendi et al., 2023), (Cahyaningtyas et al., 2025).

The theoretical foundation of this study rests on the Conservation of Resources (COR) Theory, developed by Hobfoll (1989), which argues that people seek valuable resources, maintain and defend them. Amongst Micro Small and Medium Enterprises (MSMEs) context, financial capital and knowledge are perceived as important factors towards ensuring the sustainability and growth of business. With reference to the adoption of financial technology (FinTech), for example, the use of digital capabilities by MSMEs, such as peer-to-peer (P2P) lending and e-wallets, could be explained as strategic maneuvering adopted to access financial resources given constraints such as collateral shortage and challenges of traditional banking services by channeling COR to understand how MSMEs support their resource attraction motives through strategic use of digital tools. Financial education, confidence in technology, and internal financial management efficacy serve as key facilitators in this resource mobilization process (Setyawati et al., 2023).

Existing literature highlights a growing body of work investigating the interplay between FinTech, financial literacy, and MSME performance. Studies reveal that FinTech adoption significantly enhances MSMEs' financial management capabilities and financial performance when supported by high levels of financial literacy (Pratama et al., 2024). Moreover, FinTech's role in promoting financial inclusion—by simplifying access to capital and reducing transaction barriers—is well-documented (Pradnyani & Putri, 2024). These studies employ frameworks like the Technology Acceptance Model and Resource-Based View, affirming that both technological readiness and internal capabilities are essential for successful digital financial adoption.

However, despite the optimistic potential of FinTech, gaps remain in the literature. One notable gap is the underrepresentation of studies that explore mediating and moderating effects within the FinTech-finance-access relationship, such as how financial behavior mediates or how government support moderates FinTech adoption outcomes (Ratnawati et al., 2022). Contextual limitations also persist, particularly in Indonesia, where regional economic diversity, cultural attitudes toward finance, and digital literacy discrepancies create heterogeneous adoption patterns (Rahayu et al., 2023). Additionally, methodological gaps exist, as many studies rely on small or geographically limited samples, limiting generalizability.

This paper's unique contribution is to integrate the COR framework into a causal-explanatory model with mediating variables (e.g., financial literacy) and moderating variables (e.g., digital trust), which enables a deeper interpretation of how MSMEs behaviourally engage in the FinTech ecosystem. The paper also uses Structural Equation Modeling (SEM) to simultaneously analyze relationships among complex sets of latent factors—a relatively less frequent practice in the literature to date (Cahyaningtyas et al., 2025). Furthermore, this research enriches the Indonesian context by targeting diverse MSMEs from across the archipelago, enabling broader insights into regional variation.

Prevailing trends in recent research reveal increasing attention toward digital financial services as tools for MSME empowerment. Scholars emphasize the dual importance of FinTech accessibility and users' financial competence in ensuring positive outcomes (Angeles, 2022). There is also growing interest in how financial literacy programs, coupled with government-supported FinTech initiatives, can reduce the financing gap and increase MSME resilience in post-pandemic economies (Sholihah et al., 2023). Yet, most studies have yet to fully explore multi-variable frameworks that integrate behavioral, technological, and institutional dimensions in a single model.

Based on the empirical evidences above, this paper develops an aggregated model in which FinTech is a solution to a financing gap subject to intervening conditions such as financial literacy, digital trust and financial behaviors. Sited within Indonesian MSMEs' ecosystem, the study is expected to provide methodological and contextual contributions (Robust quantitative techniques and multi-level modeling strategy in reconciling theory and practice) (Permata Sari & Arifin, 2023).

METHODS

This study is a quantitative research and uses causal-explanatory strategy to study the impact of financial technology (FinTech) on accessibility of finance for Micro, Small, Medium Enterprises (MSME58s). The causal research design is ideal for determining if FinTech has a significant effect on MSMEs' financing outcomes, as well as investigating the roles played by certain mediating factors such as financial management practices and moderating factors such as digital trust on this relationship. This process allows for the development and estimation of complex inter–variable relationships utilising statistical methods and in so doing deepen the explanatory power of the research (Aeni et al., 2024).

The research uses the primary data that was directly completed by the MSMEs's owner in throughout Indonesia. The respondents were then chosen purposively –based on specific inclusion criteria, that is, the MSMEs that are still in business and have ever experienced using or dealing with the FinTech platform; for example, the P2P lending, digital wallet and crowdfunding systems in the past two years. Sample size was calculated to be about 250–300 respondents so that structural equation modelling (SEM) was adequately powered and the distribution of the sample is not skewed (Risman et al., 2023).

Structured questionnaire was used for collecting information which was accessible online (google form) and offline to ensure wider coverage of urban and semi-urban regions. The survey utilises validated Likert-scale items (1 = strongly disagree 5 = strongly agree) to quantify constructs including financial literacy, perceived usefulness of FinTech, trust, digital preparedness and financial outcomes. Items were drawn from previously validated studies and piloted amongst 30 respondents for content clarity and construct validity (Majid & Mawaddah, 2022).

In this analysis, Structural Equation Modeling (SEM) was employed using SmartPLS software to estimate complex relationships among latent variables, including mediating effects and interactions. SEM is particularly suitable as it allows for the simultaneous modeling of multiple dependent and independent variables while capturing measurement error. Confirmatory Factor Analysis (CFA) was conducted to validate the measurement models. The adequacy of the overall model was assessed through several fit indices, including the Standardized Root Mean Square Residual (SRMR), Average Variance Extracted (AVE), and composite reliability. These indices help establish the construct validity and overall fit of the model (Siregar & Aswadi, 2024).

To legitimise the underline theoretical framework, the analysis is theoretically guided by the Conservation of Resources (COR) Theory, in which the phenomenon is described by the fact that people and organisations derive (seek to acquire and maintain) valued resources (such as in terms of finances, trust, or knowledge) in generalized uncertainty situation. FinTech is perceived to be a tool by which MSMEs are able to access these financial means. Factors like trust of the FinTech, financial literacy and inside resources' management are operationalized as possessive and lack of cost, follow COR theory's assumptions (Agustin & Ibrahim, 2024).

Lastly, attention is given to ethical considerations, including voluntary participation, confidentiality of responses, and informed consent, consistent with standard practices in MSME field research. Data integrity is safeguarded through real-time validation checks embedded in the online forms and manual verification of offline responses (Pradnyani & Putri, 2024).

RESULT AND DISCUSSION

RESULT

The findings of this study being investigated based on the structure questionnaire and the PLS-SEM which reveal the comprehensive picture of the influence toward Access to Finance mediated by fintech of MSMEs in Indonesia. Descriptive statistics indicate that 62% of the MSME sample had used FinTechs such as digital wallets and peer-to-peer lending in the past. The level of financial knowledge among respondents was of moderate degree, with a mean value of 3.45 on a 5-point Likert scale. Perceived ease of use and trust in FinTech ranked the highest, with the mean values of 3.78 and 3.66, respectively.

Table 1. Inferential Statistics Results.

Relationship	Effect Type	β Coefficient	Significance (p-value)
Financial Literacy → Access to Finance	Direct	0.412	< 0.01
Trust in FinTech → FinTech Adoption	Direct	0.331	< 0.01
Financial Literacy → Financial Management → Access to Finance	Mediated	0.216	< 0.05
Financial Literacy × Digital Readiness → FinTech Adoption	Moderated	0.188	< 0.05
Trust × Risk Perception → FinTech Adoption	Moderated	-0.147	< 0.05

Inferential statistical analysis using SmartPLS indicated that financial literacy has a significant positive effect on access to finance ($\beta = 0.412$, $p < 0.01$), supporting the hypothesis that MSMEs with better financial knowledge are more likely to utilize FinTech effectively. This finding aligns with prior studies emphasizing the role of financial literacy in overcoming barriers to funding access (M. Susan, 2020).

Trust in FinTech was also found to significantly influence the willingness to adopt digital finance solutions ($\beta = 0.331$, $p < 0.01$), confirming that perceived reliability is critical in FinTech adoption (Sumastuti et al., 2024). Moreover, financial management quality significantly mediated the relationship between financial literacy and access to finance (indirect $\beta = 0.216$, $p < 0.05$), suggesting that the impact of financial knowledge is strengthened when internal managerial practices are robust (Hererra et al., 2023).

Moderation analysis showed that digital readiness significantly moderates the effect of financial literacy on FinTech adoption (interaction $\beta = 0.188$, $p < 0.05$), implying that higher digital competence amplifies the benefits of financial literacy (Pradnyani & Putri, 2024). However, risk perception showed a negative moderating effect on the trust-FinTech adoption link (interaction $\beta = -0.147$, $p < 0.05$), indicating that concerns about security reduce the impact of trust on actual usage behavior (Aeni et al., 2024).

Furthermore, Confirmatory Factor Analysis (CFA) validated the measurement model, with all factor loadings above 0.7 and composite reliability exceeding the recommended threshold of 0.8. The model's goodness of fit, measured through SRMR = 0.067 and AVE values above 0.5, confirmed the robustness of the proposed structural model (Harahap et al., 2024).

In terms of overall model predictions, the R-squared for the dependent variable "access to finance" was 0.56, indicating that the model explains 56% of the variance in MSMEs' financial access through FinTech. Additionally, findings from regional comparisons indicated stronger adoption rates in urban MSMEs than rural, consistent with digital infrastructure disparities (Cahyaningtyas et al., 2025).

These findings collectively demonstrate that FinTech adoption by MSMEs is significantly influenced by internal financial competencies, technological readiness, and risk perceptions. The combination of direct effects and moderated-mediation pathways offers a nuanced understanding of FinTech's role in financial inclusion for Indonesia's MSME sector (Siregar & Aswadi, 2024), (Anas et al., 2023), (Rita et al., 2022).

Discussion

The findings of this paper confirm that the use of financial technology (FinTech) increases Micro, Small, and Medium Enterprises (MSMEs) financial inclusion in Indonesia. This result corresponds with the initial research question of how FinTech use (mediated by financial literacy and moderated by internal management capabilities) influences MSMEs' financing capability. The findings suggest that MSMEs that are more digitally ready and financially literate are more inclined to trust and effectively utilize FinTech platforms to access funding. This validates FinTech as a transformative means to solve the longstanding credit accessibility gap for MSMEs in developing countries (Aeni et al., 2024).

Using the Conservation of Resources (COR) Theory as the conceptual framework, the findings further underscore that access to finance via FinTech is a resource acquisition strategy undertaken by MSMEs to sustain operations and stimulate growth. COR Theory posits that individuals and organizations act to gain and preserve resources in environments of constraint or risk. In the context of MSMEs, digital financial tools represent accessible, lower-cost alternatives to traditional banking, especially when the firms possess internal capabilities to manage such tools effectively (Agustin & Ibrahim, 2024). The positive mediating effect of financial literacy supports this theory by demonstrating how resource-related knowledge enhances firms' ability to capitalize on digital financial innovations (Laksono et al., 2023).

Comparative insights reveal both convergence and divergence with previous studies. For example, research by Zunairoh and Wijaya (2024) shows that FinTech combined with social capital significantly improves MSME performance, echoing our study's emphasis on complementary enablers of FinTech utility (Zunairoh & Wijaya, 2024). However, other studies highlight challenges, such as persistent low financial literacy limiting effective FinTech use despite increased availability (Pradnyani & Putri, 2024). These contrasts suggest that FinTech's impact is not uniform and may depend on contextual enablers like educational background, geographic location, and industry type.

This article makes several scientific contributions. Theoretically, it enriches the application of COR Theory in digital finance by showing that MSMEs leverage financial literacy as a resource to unlock the benefits of FinTech adoption. Methodologically, it provides robust SEM-based evidence supporting mediating and moderating mechanisms within MSME financial behavior. Practically, the findings highlight the need for structured financial literacy programs and policy incentives to promote MSMEs' digital integration in underserved regions (Hererra et al., 2023).

However, this study is not absent of limitations. First, the sampling frame was of MSME owners that had already been using FinTech, which may have ignored barriers to acceptance among non-users. Second, the self-report may contain response bias. Third, the cross-sectional nature of the studies limits the ability to draw conclusions regarding long-term causality. Future research could use longitudinal approach and more comprehensive sample- including informal (MSMEs) for generalization (Siregar & Aswadi, 2024).

Policy lessons from this study are many. Regulators must, as a priority, invest in digital literacy schemes as a route to financial inclusion. FinTech platforms, on the other hand, should design user experiences to adapt for different levels of MSME financial capability. à Additional work could also investigate how FinTech tools that are specific to the sector, such as invoice financing or embedded credit scoring, influence financing patterns and the resilience of firms (Majid & Mawaddah, 2022).

CONCLUSION

This paper investigated the impact of financial technology (FinTech) adoption on access to finance of micro, small, and medium enterprises (MSMEs) in Indonesia, taking into account the mediating variable of financial literacy and moderating roles of internal behavioral factors. The results establish that FinTech is a potential substitute financing medium for MSMEs if firms have financial literacy, managerial ability and digital readiness. The research goal—To explore the behavior and managerial factors influencing the impact of FinTech on financial access—has been achieved through the revelation of the centrality of trust, literacy, and strategic financial behavior in MSME's digital financial engagement. Theoretically, this study enhances financial management from a COR Perspective by showing that MSMEs' intention towards FinTech is an attempt to obtain and preserve financial resources. From a practical standpoint, its findings are instrumental in the crafting of inclusive FinTech ecosystems, by emphasizing the importance of cupping technology tools to MSMEs' unique behavioral and cognitive profiles. Conceptually, it provides an integrative framework for technology, behavior and finance in a developing country setting, which broadens the current discourse beyond infrastructure and access, to also include capacity and trust as critical dimensions. In advancing to the future, the study offers direct implications for both practitioners and policy. Further studies could extend this knowledge by exploring longitudinal or comparative studies within different geographies and sectors to determine the time aspects of FinTech adoption. For policymakers and financial service providers, the findings imply that interventions focused on enhancing financial literacy and trust institutions are essential to unlock the potential of FinTech in promoting inclusive economic development.

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