Equivalent: Journal of Economics, Accounting and Management
Vol. 4 No. 1, 2026, 589-595
Publisher: CV. Doki Course and Training
E-ISSN: 2985-8089 | P-ISSN: 2986-8777

The Influence Of Financial Technology (Fintech) On The Performance Of Msmes In Palembang City, Mediated By Financial Literacy

Indah Diana[1], Dewi Sartika[2*], Sulaiman Helmi[3], Fitriasuri[4]

Universitas Bina Darma, Palembang, South Sumatra [1,2,3,4]
Email coresponden : dewi.sartika@ binadarma.ac.id

ARTICLE INFO

Article History
Submission: 12/02/2026
Received : 05/03/2026
Review : 07/03/2026
Revised : 03/04/2026
Accepted : 05/04/2026

Keywords
Financial Technology, Financial Literacy, MSME Performance, Palembang City.

ABSTRACT

The development of financial technology (fintech) provides significant opportunities for Micro, Small, and Medium Enterprises (MSMEs) to improve their business performance. However, optimal fintech utilization is strongly influenced by the level of financial literacy of MSMEs. This study aims to analyze the influence of financial technology on the performance of MSMEs in Palembang City, with financial literacy as a mediating variable. The research method used a quantitative approach, collecting data through questionnaires from 100 MSMEs in Palembang City. The data analysis technique used path analysis or Structural Equation Modeling (SEM). The results show that financial technology has a positive and significant effect on MSME performance. In addition, financial technology also has a positive effect on financial literacy, and financial literacy has been proven to have a positive effect on MSME performance. Financial literacy can significantly mediate the influence of financial technology on MSME performance. These findings indicate that improving the financial literacy of MSMEs is crucial for the effective use of fintech and optimal impact on business performance. This research is expected to serve as a reference for the government and stakeholders in formulating policies for developing MSMEs based on financial technology.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia play a crucial role in the national economy. They contribute significantly to Gross Domestic Product (GDP), employment, and economic equality. However, MSMEs also face various challenges, such as limited access to capital, technology, and markets. Therefore, understanding the role and challenges of MSMEs is crucial for formulating effective empowerment strategies.(C. Yolanda, 2024). MSMEs are one of the business categories officially recognized in Indonesia as an important pillar of national economic development. Based on Law Number 20 of 2008 concerning MSMEs, micro businesses are productive businesses owned by individuals with a maximum net worth of IDR 50,000,000 or annual sales results of IDR 300,000,000, small businesses are independent productive economic businesses with net worth of more than IDR 50,000,000 up to IDR 500,000,000 or annual sales

Equivalent: Journal of Economics, Accounting and Management
Vol. 4 No. 1, 2026, 589-595

results of more than IDR 300,000,000 up to IDR 2,500,000,000, while medium businesses are productive businesses with net worth of more than IDR 500,000,000 up to IDR 10,000,000,000 or annual sales results of more than IDR 2,500,000,000 up to IDR 50,000,000,000, excluding land and buildings where the business is located.

The phenomena in the field show that although MSMEs have an important role in the national economy, they still face many challenges, especially after the COVID-19 pandemic.(Papulasih et al., 2024)The first factor is the suboptimal utilization of digital payment systems, as most MSMEs are not yet accustomed to or do not yet have the infrastructure to accept digital payments, resulting in slow, inefficient transaction processes and limiting their ability to reach a wider customer base.(C. Yolanda, 2024)The second factor is limited access to capital, as many MSMEs struggle to obtain financing from formal financial institutions due to limited collateral and a lack of documented financial track records. Fintech-based lending has grown rapidly in developing countries, offering convenience and inclusion, but also raising concerns about over-indebtedness. In Indonesia, the surge in fintech lending has been accompanied by increasing signs of risky lending behavior, including late payments and high debt-to-income ratios (Warokka et al., 2025). The third factor is that MSMEs have not fully utilized digital platforms due to limited technological knowledge and skills, so they still rely on manual methods for recording, selling, and payments. However, one of the main factors hindering the comprehensive use of this technology is a lack of financial literacy, which has prevented it from providing significant benefits for the growth and sustainability of MSMEs. There is a clear gap between policy and implementation on the ground.(Hapiz et al., 2025).

In this study, the theory of using digital payment systems is used according to(Ajzen, 1991), Theory of access to Fintech funding(Barney, 1991), Theory of using digital financial platforms(Ambrosini, 2003), Financial Literacy Theory(Carolynne & Richard, 2000)and MSME Performance Theory(Venkatraman & Ramanujam, 1986).Although this research refers to the work of(Frasendi Ali Sugih, 2024)There are several variations between the two. This study differs from the previous one because it uses independent variables, namely the use of digital payment systems (X1), access to Fintech funding (X2), use of digital financial platforms (X3), financial literacy (Z), MSME performance (Y) and the object is MSMEs in Palembang City.

In the digital era, improving the performance of MSMEs does not only depend on easy access to digital financial services but also on the ability of business actors to understand, utilize and manage these services in the most effective way to improve and maintain the sustainability of their businesses. The author intends to conduct an analysis with the title "The Influence Of Financial Technology (Fintech) On The Performance Of Msmes In Palembang City Mediated By Financial Literacy".

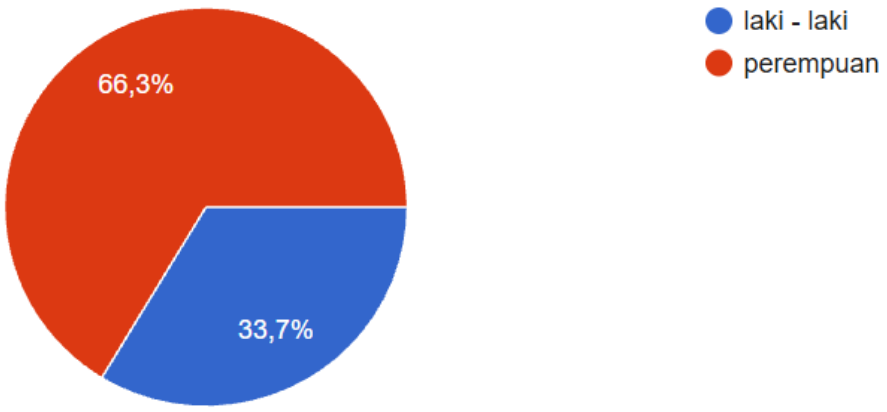
Research methodology

This study uses a quantitative approach with a survey method. The study population as of 2026 reached 91,557 MSMEs in Palembang City. Then, a sample of 100 MSMEs in Palembang City was drawn, focusing on small MSMEs. The research sample was determined using a purposive sampling technique with the criteria of MSMEs that have used fintech services. Data were collected through a questionnaire compiled based on the research variable indicators. The sampling strategy for this study was according to(Hair et al., 2021)The minimum sample size is the number of indicators x 5 to 10. For this study, 20 x 5 = 100 samples were selected to meet the processing requirements and were considered sufficient for testing using PLS (Partial Least Squares).

Results and Discussion

Respondent Description Based on Gender

Respondent Description Based on Gender

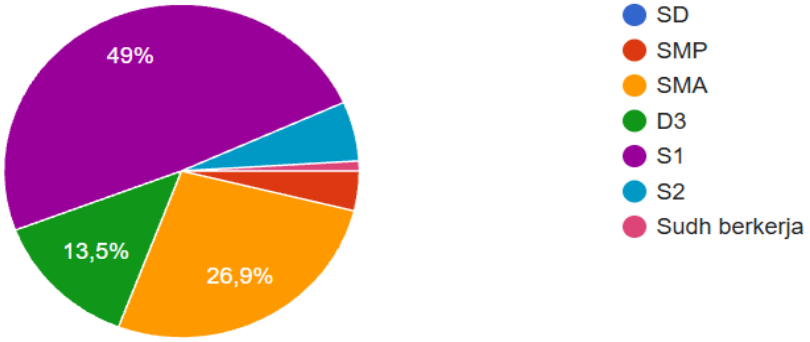


Source: Data processed by the author (2026)

Based on the characteristics of respondents by gender, the results of the study show that of the total of 100 small MSME actors in Palembang City who were respondents, 66.3% were women and 33.7% were men.

Respondent Description Based on Education

Respondent Description Based on Education

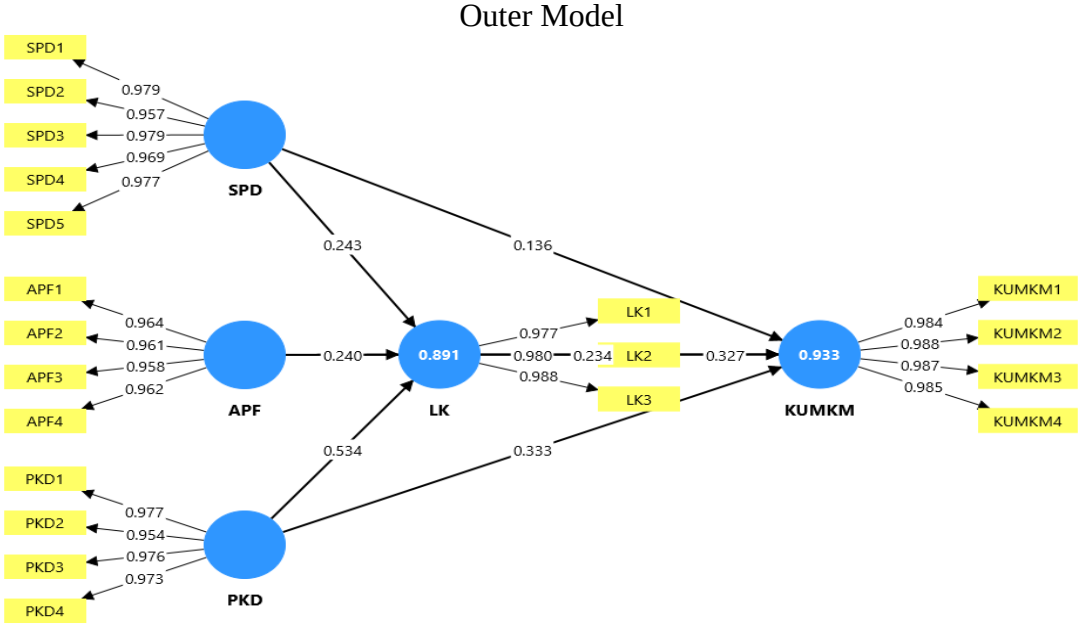


Source: Data processed by the author (2026)

Based on the characteristics of respondents according to education level, the results of the study show that most of the small MSME actors in Palembang City who were respondents had a Bachelor's degree (S1) of 49%, followed by high school graduates of 26.9%, Diploma 3 (D3) of 13.5%, and a small number of Masters, Junior High School, and Elementary School graduates.

Equivalent: Journal of Economics, Accounting and Management
Vol. 4 No. 1, 2026, 589-595

Outer Model Analysis Results



Source: Data processed by the author (2026)

The figure shows a PLS-SEM model in which SPD, APF, and PKD act as exogenous variables that influence LK, then LK together with SPD and PKD influence MSMEs. All indicators have very high loadings (0.95–0.99) so that the construct is declared valid and reliable. Structurally, PKD has the strongest influence on LK (0.534), followed by SPD (0.243) and APF (0.240), with a very high explanatory power of LK (0.891). Furthermore, MSMEs are directly influenced by LK (0.327) and PKD (0.333), and weaker by SPD (0.136), with an R^2 of 0.933 for MSMEs, indicating the model has very strong explanatory power. This indicates that the increase in MSMEs is mainly driven by PKD and the mediating role of LK, while the direct contribution of SPD is relatively small.

1. Convergent Validity Test

	APF	MSMEs	LK	PKD	SPD
APF1	0.964				
APF2	0.961				
APF3	0.958				
APF4	0.962				
MSMEs1		0.984			
MSMEs2		0.988			
MSMEs3		0.987			
MSMEs4		0.985			
LK1			0.977		
LK2			0.980		
LK3			0.988		
PKD1				0.977	
PKD2				0.954	
PKD3				0.976	
PKD4				0.973	
SPD1					0.979

SPD2					0.957
SPD3					0.979
SPD4					0.969
SPD5					0.977

Source: Data processed by the author (2026)

The loading factor output results from the second phase of testing indicate that all indicators in the variables of digital payment system usage, access to fintech funding, digital financial platform usage, financial literacy, and MSME performance have loading factor values above 0.70, thus all indicators are declared valid. This finding indicates that each indicator or statement used is able to represent the construct being measured robustly. Thus, these indicators have successfully demonstrated an adequate relationship between the indicator scores and their latent variables, thus supporting construct validity in the research measurement model.

Discriminant Validity Test

Results of Discriminant Validity Test (Cross Loading Criteria)

	APF	**MSMEs**	**LK**	**PKD**	**SPD**
APF	0.961				
MSMEs	0.865	0.986			
LK	0.831	0.941	0.982		
PKD	0.779	0.923	0.913	0.970	
SPD	0.724	0.845	0.840	0.794	0.972

Source: Data processed by the author (2026)

The table shows the results of the discriminant validity test using the Fornell–Larcker criterion, where the AVE root values on the diagonal (APF 0.961, KUMKM 0.98,6 LK 0.982, PKD, 0.970, SPD, 0.972) are all greater than the correlation between constructs outside the diagonal. This indicates that each construct is able to explain its own indicators better than explaining other constructs, so it can be concluded that all variables in the model have excellent discriminant validity and the measurement model is suitable for further structural analysis.

2. Reliability and AVE

Reliability and AVE Test Results

	Cronbach's alpha	**Composite reliability (rho_a)**	**Composite reliability (rho_c)**	**Average variance extracted (AVE)**
APF	0.973	0.973	0.980	0.924
MSMEs	0.990	0.990	0.993	0.972
LK	0.981	0.982	0.988	0.964
PKD	0.979	0.980	0.985	0.941
SPD	0.985	0.985	0.988	0.945

Source: Data processed by the author (2026)

The table shows the results of the reliability and convergent validity tests of the APF, KUMKM, LK, PKD, and SPD constructs, where all Cronbach's alpha and composite reliability (rho_a and rho_c) values are well above the minimum limit of 0.70, thus confirming that each construct has very high internal consistency and is reliable. In addition, the Average Variance Extracted (AVE) value for all variables also exceeds 0.50, even in the very high range (0.924–0.972), which indicates that each construct is able to explain most of the variance of its indicators. Thus, it can be concluded that the measurement model in this study has met the reliability and convergent validity criteria very well and is suitable for use in structural analysis.

Equivalent: Journal of Economics, Accounting and Management
Vol. 4 No. 1, 2026, 589-595

Inner Model Analysis Results

1. Coefficient of Determination

Results of the Determination Coefficient Test

	R-square	R-square adjusted
MSMEs	0.933	0.930
LK	0.891	0.888

Source: Data processed by the author (2026)

The table above shows the R-square and adjusted R-square values for two models, namely KUMKM and LK. In the KUMKM model, the R-square value is 0.933 and the adjusted R-square is 0.930, which means that approximately 93.3% of the variation in the dependent variable can be explained by the independent variables in the model, with adjustments to the number of variables remaining very high. Meanwhile, the LK model has an R-square value of 0.891 and an adjusted R-square of 0.888, which indicates that approximately 89.1% of the variation in the dependent variable can be explained by the model. Overall, both models have excellent explanatory power, but the KUMKM model shows a slightly higher level of accuracy than the LK model.

Hypothesis Testing

a. Direct Influence

Direct Effect Test Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
APF -> MSME	0.234	0.232	0.053	4,401	0.000
APF -> LK	0.240	0.241	0.068	3,543	0.000
LK -> MSME	0.327	0.335	0.086	3,810	0.000
PKD -> MSMEs	0.333	0.329	0.073	4,559	0.000
PKD -> LK	0.534	0.533	0.066	8,042	0.000
SPD -> MSMEs	0.136	0.135	0.058	2,364	0.018
SPD -> LK	0.243	0.243	0.055	4,386	0.000

Source: Data processed by the author (2026)

Based on the P-values, all relationships in the table are proven significant because the value is ≤ 0.05. The strongest relationship is seen in PKD → LK with a coefficient of 0.534 and T-statistics of 8.042, indicating a highly significant and positive influence. The APF, PKD, and SPD variables also have a significant influence on both LK and MSMEs, although with varying strengths. Overall, these results indicate that all independent variables in the model have a significant contribution in explaining the dependent variable, so the research hypothesis can be accepted.

Conclusion

Based on the data analysis and discussion, it can be concluded that financial digitalization plays a crucial role in improving MSME performance. The use of digital payment systems, access to fintech funding, and the utilization of digital financial platforms have been shown to have a positive and significant impact on MSME performance. This demonstrates that the application of financial technology can improve operational efficiency and business productivity, as well as support more effective and structured business management. Furthermore, these three aspects of financial digitalization have also been shown to have a positive and significant impact on MSME financial literacy, indicating that the more intensively MSMEs interact with digital financial

services, the better their understanding and ability to manage business finances. Furthermore, financial literacy has been shown to have a positive and significant impact on MSME performance and is able to mediate the influence of digital payment systems, access to fintech funding, and the use of digital financial platforms on MSME performance.

Thus, improving MSME performance is not only directly influenced by the use of financial technology, but also through improving business actors' financial literacy. Overall, the integration of financial digitalization and improved financial literacy is a key factor in driving optimal and sustainable MSME performance in the digital economy era.

Bibliography

Ajzen, I. (1991). The theory of planned behavior. Organizational Behavior and Human Decision Processes, 50(2), 179–211. https://doi.org/10.1016/0749-5978(91)90020-T

Ambrosini, V. (2003). The Resource-Based View of the Firm. Tacit and Ambiguous Resources as Sources of Competitive Advantage, 5(2), 3–8. https://doi.org/10.1057/9781403948083_1

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. In Journal of Management (Vol. 17, Issue 1, pp. 99–120). https://doi.org/10.1177/014920639101700108

Carolynne, M., & Richard, W. (2000). Conceptualizing Financial Literacy. Business School Research Series, 7(1), 1–41. https://dspace.lboro.ac.uk/dspace-jspui/handle/2134/2016

Frasendi Ali Sugih, F. (2024). Financial Behavior, Inclusion, and Technology in MSMEs: The Mediating Impact of Financial Literacy on Performance. Journal of Accounting and Financial Research, 11(3), 605–620. http://ejournal.upi.edu/index.php/JRAK/article/view/6693/4557

Hapiz, M., Septia, LP, Aprilianti, D., Aprilianto, D., Maulida, I., Muhammad, F., Shaafia, A., Hilman Maulana, M., & Herdiana, D. (2025). Analysis of Digital MSME Development Policy in Indonesia: Challenges and Opportunities. Madani: Multidisciplinary Scientific Journal, 3(5), 36–44. https://doi.org/10.5281/zenodo.15538100

Papulasih, D., Purwidianti, W., Tubastuvi, N., & Utami, RF (2024). The Role of Financial Literacy as a Mediator between Financial Technology Variables and MSME Characteristics on MSME Sustainability. Journal of Administration and Management, 14, 25–25.

Yolanda, C. (2024). The Role of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia's Economic Development. Journal of Management and Business, 2(3), 170–186. https://doi.org/10.36490/jmdb.v2i3.1147

Venkatraman, N., & Ramanujam, V. (1986). Measurement of Business Performance in Strategy Research: A Comparison of Approaches. Academy of Management Review, 11(4), 801–814.*https://doi.org/10.5465/amr.1986.4283976*

Warokka, A., Sartika, D., & Aqmar, AZ (2023). Digital Credit and Debt Traps: Behavioral and Socio-Cultural Drivers of FinTech Indebtedness in Indonesia, Researchtree https://www.amazon.com/dp/B0CZ9PJ143.