



**ANALYSIS OF THE RELATIONSHIP BETWEEN FINTECH AND
FINANCING ON MSME PERFORMANCE****Almiranda Hamsah Kadir¹****Universitas Negeri Gorontalo, Gorontalo, Indonesia**Alinkadir5@gmail.com**Echan Adam²****Universitas Negeri Gorontalo, Gorontalo, Indonesia**echanadam@ung.ac.id**Agustinus Moonti³****Universitas Negeri Gorontalo, Gorontalo, Indonesia**agustinusmoonti@ung.ac.id

Abstract

Modern trade currently encourages countries to continuously innovate to advance the economy, one of which is through strengthening the Micro, Small, and Medium Enterprises (MSMEs) sector. In facing these changing times, MSMEs are required to adapt to technological advances, particularly in the field of digital finance or financial technology (fintech). The use of fintech facilitates transaction processes and access to financing, which is expected to improve MSME performance. However, the use of fintech must be accompanied by adequate understanding and education for MSMEs. This study aims to analyze the influence of fintech and financing on MSME performance. The research used an explanatory approach with a quantitative approach using primary data. The results indicate that the use of fintech significantly influences financing, fintech directly influences MSME performance, and financing significantly influences MSME performance. Therefore, an active role is needed from local governments in providing accessible access to fintech services, affordable financing facilities, and entrepreneurship training to improve the competency of MSMEs in facing competition in the digital era.

Keywords: Fintech, Financing, MSME Performance



INTRODUCTION

MSMEs are a sector that can reduce economic and social inequality, foster a familial and cooperative system, and increase the purchasing power of domestic consumers. The goal of MSMEs in Indonesia is to grow and develop their businesses in order to build a national economy based on equitable economic democracy. The role of MSMEs in driving the national economy is to absorb a large workforce, increase gross domestic product (GDP), and overcome economic crises. However, the main problem that often occurs in the MSME sector in Indonesia is capital. High loan interest rates and the need for substantial asset collateral are among the factors that make it difficult for MSMEs to obtain working capital. The emergence of financial technology (fintech) can help the growth of the MSME sector so that it can operate optimally (Amri et al., 2023).

The presence of financial technology in business activities, particularly for MSMEs, has been a breath of fresh air, offering significant solutions for MSMEs in obtaining initial capital for business establishment and assisting with financial management. While financial technology offers numerous advantages and benefits that have been proven to aid MSME development, it provides open access to formal financial services, driving national economic growth and inclusive and sustainable development (Khairunnisa & Nofrianto, 2023).

Financial technology (fintech) is a digital financial service that provides payment systems, banking services, insurance services, loans, crowdfunding, and even education to the public through digital media. In general, there are several fintech services currently developing in Indonesia, namely payment channels/systems, digital banking, online/digital insurance, Peer-to-Peer (P2P) Lending, and crowdfunding. (Wardani & Darmawan, 2020) The concept of financial technology includes many services that facilitate transactions, one of which is financial services based on digital systems that have developed in Indonesia. (Khairunnisa & Nofrianto, 2023).

LITERATURE REVIEW

Fintech stands for Financial Technology. Financial Technology is one of the innovations in financial services that is starting to become popular in the current digital era, and technology with the concept of digitalizing payments is one of the sectors in the Fintech industry that is growing the most in Indonesia. In this case, the Fintech sector is most expected by the government and the public to encourage and increase the number of people who have access to be able to use financial services (Khairunnisa & Nofrianto, 2023).



Fintech is defined as a part of a business line that is based on software to support financial services. Fintech companies are generally start-up companies that were founded to disrupt the financial systems of companies and companies that rely less on software (Zulfa Qur'anisa et al., 2024).

Fintech is a technology that serves customers in financial institutions, which includes not only the back and middle offices but also the closed front offices that have long been controlled by humans (Zulfa Qur'anisa et al., 2024)

The role of Fintech stated is (Zulfa Qur'anisa et al., 2024). Fintech plays a role in supporting electronic non-cash payments through e-wallets. E-wallets allow consumers to make online shopping transactions without having to pay in cash. E-commerce platforms such as Shopee take advantage of fintech business opportunities by developing non-cash payment features through e-wallets that can be accessed through mobile applications. This facilitates online shopping transactions. The use of e-wallets by consumers plays a role in influencing their purchasing interest through the ease of digital transactions without cash. This factor is examined in the research hypothesis. Fintech plays a role in increasing consumer trust in digital transactions because it offers reliable, safe and easily accessible financial services through mobile devices. This has an impact on consumer purchasing interest. So overall, fintech plays an important role in supporting the growth of e-commerce through offering digital payment solutions that facilitate online shopping transactions for consumers.

Financing is an important process in company development, which involves the provision of funds through an agreement between the lender and the recipient of funds. Financing can be in the form of loans or investments needed for business expansion, asset purchases, or investments (Naibaho & Ompusunggu, 2024)

Binarto's research (Khairunnisa & Nofrianto, 2023) states that financing in the Islamic banking sector has the potential to support national economic recovery and be a solution for MSMEs in overcoming the economic impact caused by the COVID-19 pandemic. One form of financing that can encourage economic growth for MSMEs is through mudharabah contracts. Other research shows that mudharabah contracts have a significant positive influence on BMT (Khairunnisa & Nofrianto, 2023). A study from BRI Syariah found that the financing provided has a significant influence on the development of MSMEs (Khairunnisa & Nofrianto, 2023). Furthermore, Sumadi's study (Khairunnisa & Nofrianto, 2023) found that in the January-March 2020 period, financing at Bank Syariah Mandiri (BSM) tended to increase, while third-party funds (DPK) fluctuated.

RESEARCH METHOD

Analysis of the Relationship between Fintech and Financing ...



Data Collection Methods

The type of research used in this study is Explanatory Research (Iwan Hermawan, 2020). Explanatory research is a research method that aims to explain the position of the variables studied and the influence between one variable and another. The method used in this study is the survey method, where the research method in collecting data uses primary data, namely questionnaires. Why this study uses a questionnaire? This explanatory research tests hypotheses or explains the relationship or influence of its variables.

Time and Place of Research

The population of this study was MSME owners in Gorontalo City Regency. The population in this study was 50 MSMEs. Based on the latest data in 2024, the population of MSMEs in Gorontalo City was 105,509 business units, compared to 82,732 units in 2023. This study lasted for 5 months, from February to June 2024. This location was chosen because many MSMEs use digital payments and many consumers also use digital payments.

Data analysis

This study used Partial Least Squares (PLS) data analysis techniques. PLS-SEM is a Structural Equation Modeling technique based on an iterative approach that maximizes the explained variance of each endogenous variable. PLS-SEM has several advantages over covariance-based SEM methods. PLS-SEM can be used to analyze data that does not meet the assumption of normality or that requires a small amount of data.

RESULTS AND DISCUSSION

Overview of Research Location

Gorontalo Regency is a regency located in the center of Gorontalo Province with an astronomical location between 0° 19' 00" - 1° 57' 00" North Latitude and 121° 23' 00" - 125° 14' 00" East Longitude. Gorontalo Regency borders North Gorontalo Regency to the north, borders Tomini Bay to the south, borders Boalemo Regency to the west and borders Bone Bolango Regency and Gorontalo City to the east. Geographically, it has an area of 2,189.08 km². Gorontalo Regency is divided into 19 Districts and consists of 26 villages/wards. The district with the largest area is Asparaga District.

Respondent Characteristics

Respondents were obtained and presented in several characteristics such as age, education, type of business, gender, business address, and income. More detailed respondent characteristics are presented in



Table 1.
Respondent Characteristics

Characteristics	Respondents	Frequency
Gender		
Man	11	22
Woman	39	78
Age		
20-30 Years	18	36
31-40 Years	15	30
41-50 Years	11	22
50 Years	6	12
Education		
Sd	1	2
Junior high school	0	0
Senior high school	30	60
SI	17	34
S2	2	2
Type of business		
Culinary (Agriculture)	45	90
Services (Non-agriculture)	3	6
Trade (Non-agriculture)	2	2
Business address		
Gorontalo City	50	100
Income		
0<10,000,000-100,000,000	19	38
0>100,000,000.- 250,000,000	17	34
0>250,000,000- 400,000,000	6	12
0>400,000,000- 900,000,000	8	16

From Table 1 above, it can be seen that the average education level of MSMEs is high school graduates. Even though they only have a high school diploma, this doesn't make them give up. Furthermore, many older entrepreneurs are still in business. Not wanting to be outdone by young people, these older entrepreneurs are leveraging their skills to become great entrepreneurs and



compete with other entrepreneurs. Their businesses range from beverages, food, chips, chili sauce, and other culinary products. These entrepreneurs are often sought after by women, so it's no surprise that many successful and successful entrepreneurs are now mostly women. Their incomes are also substantial, ranging from tens of millions to hundreds of millions. It's no surprise, then, that many of today's entrepreneurs are successful and have quite fantastic turnovers, most of which are in Gorontalo City.

Table 2
Variables and Their Indicators

Variables	Indicators and Measurements	Reference
Fintech (X1)	Attitude benefits convenience, experience fast access to funding easy transactions	Simarmata, Yedida Febri. "THE EFFECT OF DIGITAL FINANCIAL LITERACY AND EASE OF ACCESS ON THE USE OF DIGITAL WALLETS." (2025).
Financing (X2)	Turnover profit labor capital number of customers business branches	Sa'diyah, Halimatus, and Renny Oktafia. "Marketing strategies to increase sales turnover of kopyah craft SMEs." <i>Malia: Journal of Islamic Economics</i> 13.1 (2021): 107-122.
MSME Performance (Y)	Old business income, business name	Aprilla, Puput. The influence of business tenure, education level, and technology on the income of furniture MSMEs in Menganti. Diss. Muhammadiyah University of Gresik, 2022.

Fintech or financial technology can be measured by the following indicators: attitude, benefits, convenience, experience, fast funding access, easy transactions, and financing, measured by turnover, profits, workforce, capital, number of customers, business branches, and for MSME performance, measured by income, length of business, and business name.



Table 3
Convergent Validity Test

Table with 4 columns: Variable, Y MSME Performance, X1 Fintech, X2 Financing. Rows include X1_1 to X2_6, Y, Y2, and Y3 with numerical loading values.

Source: Smrtpls 2025 Processed Results

Based on the table above, the weights or loadings test shows that the Fintech indicator's loading factor values range from 0.876 to 0.836. The financing indicator's loading factor values range from 0.886 to 0.915, and the MSME performance indicator's loading factor values range from 0.879 to 0.965. Based on the indicators above, all variables are valid because they have values above 0.70.

Discriminant Validity Test

Table with 4 columns: Fornel-Larcker Criteria, Y MSME Performance, X1 Fintech, X2 Financing. Rows show discriminant validity values for each variable.

Smrtpls 2025 Processed Product Source

Table with 4 columns: Cross Loading, Y MSME Performance, X1 Fintech, X2 Financing. Rows show cross-loading values for variables X1_1 to X1_5.



X1_6	-0.205	0.836	0.214
X2_1	0.050	0.166	0.886
X2_2	0.111	-0.075	0.754
X2_3	-0.008	0.085	0.871
X2_4	0.009	0.034	0.822
X2_5	0.177	-0.009	0.797
X2_6	0.071	0.217	0.915
Y	0.965	-0.293	-0.018
Y2	0.736	-0.002	0.170
Y3	0.879	-0.024	0.168

Smartpls 2025 Processed Results Source

Heterotrait Ratio	Y MSME Performance	X1 Fintech	X2 Financing
Y MSME Performance			
X1 Fintech	0.191		
X2 Financing	0.139	0.163	

Smartpls 2025 Processed Results Source

Based on the Discriminant Validity Test, the cross-loading correlation value of all Fintech indicators against their latent variables is greater than the cross-loading correlation value of other latent variables because it ranges between 0.783 - 0.836, there are several indicators that are not declared valid because there are still below 0.7. The cross-loading correlation value of all financing indicators against other latent variables is not more or less than 0.70. And the cross-loading range of financing indicators is 0.886 - 0.915. So, all financing indicators are declared valid. The cross-loading correlation value of all MSME performance indicators against other latent variables is greater than the cross-loading correlation value of other latent variables because it ranges between 0.879 - 0.965. Several indicators are not valid because there are values that are not close to 0.70, so not all indicators are declared valid.

TEST Average variance Extracted

Average Variance Extracted (AVE)
0.748
0.604
0.710

Source: PLS 3 results data



Based on the test results, the AVE value of each variable is > 0.50. This means that the FINTECH, FINANCING, and MSME PERFORMANCE variables are reliable.

Composite Reliability Test

Composite Reliability
0.898
0.901
0.936

Source: PLS 3 results data

Based on the results of the Composite Reliability test, it shows that the Composite Reliability value of the FINTECH variable is 0.901, the Composite Reliability value of the FINANCING variable is 0.936, and the Composite Reliability value of the MSME PERFORMANCE variable is 0.898. This means that all variables can be said to be reliable because they have a Composite Reliability value greater than 0.70.

Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 Fintech>x2 Financing	0.695	0.719	0.056	12,428	0.000
X1 Fintech> Y MSME Performance	0.453	0.475	0.128	3,540	0.000
X2 Financing> Y MSME Performance	0.362	0.353	0.147	2,460	0.014

Smartpls 2025 Processed Results Source

Total Indirect Impact

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 fintech> X2 financing					



X1 fintech -> Y MSME performance	0.252	0.252	0.105	2,405	0.017
X2 financing -> Y performance of MSMEs					

SmartPLS 2025 Processed Product Source

1. The use of Fintech has a significant impact on financing
Based on the results of the hypothesis test, it was found that Fintech has a positive effect on financing, as indicated by the original sample value of 0.695 with a t-statistic value of 2.029 (greater than the T-statistic value of 12.428) and a p-value of 0.000 (smaller than 0.05). The results of this study are supported by the results of research(Sholeha & Kharisma, 2024)And (Sholeha & Kharisma, 2024)which concluded that fintech helps MSMEs gain faster access to funding. Other research also found that fintech helps with business capital financing, digital financing services, and financial management.(Sholeha & Kharisma, 2024)
2. The use of fintech has a significant impact on the performance of MSMEs
Based on the results of the hypothesis test, it has been obtained that Fintech has a positive effect on MSME performance as indicated by the Original Sample value of 0.453 with a t-statistic value of 2.029 (greater than the T-static value of 3.540) then a p-value of 0.000 (smaller than 0.05). Based on the results of the study, it is known that financial technology has a positive influence on MSME performance. The results of this study also confirm previous research conducted by(Sholeha & Kharisma, 2024) (Sholeha & Kharisma, 2024) (Sholeha & Kharisma, 2024)They concluded that fintech services such as mobile payments, app-based investment platforms, and online banking solutions can help SMEs improve their performance.
3. Financing has a significant impact on MSME performance
Based on the results of the hypothesis test, it has been obtained that financing has a positive effect on the performance of MSMEs with an original sample value of 0.362 with a t-static value of 2.029 (greater than the T-static value of 2.460) then a p-value of 0.014 (greater than 0.05) financing provides capital that can be used to develop businesses that have an impact on increasing production capacity, market expansion, and product innovation. Thus, financing facilitates MSMEs in increasing income and, ultimately,



profitability. This finding supports previous research which states that financing has the potential to improve the financial performance of MSMEs because it prioritizes partnerships and fair risk sharing. (Julia & Firdaus, 2024)

CONCLUSION

Based on the research results, it can be concluded that the use of financial technology (fintech) has a significant impact on financing and directly improves the performance of MSMEs. Furthermore, financing has also been shown to significantly influence MSME performance. This indicates that the use of fintech and easy access to financing are crucial factors in driving the progress and competitiveness of MSMEs in the digital era.

Regional governments are expected to play an active role in providing digital infrastructure that supports access to fintech services, especially for MSMEs in remote areas or those not yet optimally accessible by technology.

1. Financial institutions and fintech providers are advised to provide simple, safe, and easy-to-use services to MSMEs, as well as flexible and affordable financing systems.
2. Training and education related to digital financial literacy, business management, and the use of fintech need to be expanded so that MSMEs have a good understanding of managing financing and sustainably improving their business performance.

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