

THE IMPACT OF FINANCIAL TECHNOLOGY ADOPTION ON FINANCIAL PERFORMANCE OF MSMEs IN SUBANG REGENCY, WEST JAVA, INDONESIATiyan Rahmanul Hakim^{1a}, Muhammad Rifki Adinur Zein^{2b}, Denis Nugraha^{3c}^{1,2}Universitas Padjadjaran³Universitas Terbukatiyan.rahmanul.hakim@unpad.ac.id^a, rifki@unpad.ac.id^b, dnugraha33@gmail.com**ARTICLE INFO****Received:** 21 November 2025;**Accepted:** 25 December 2025 ;**Publish:** 27 January 2026;

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ABSTRACT

Financial technology (fintech) has rapidly developed and transformed the financial services sector, providing new opportunities for businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), to improve their financial management and operational efficiency. This study aims to analyze the impact of financial technology adoption on the financial performance of MSMEs in Subang Regency. The research employs a quantitative approach using primary data collected through structured questionnaires distributed to MSME owners. The collected data were analyzed using descriptive statistics and simple linear regression analysis to examine the relationship between fintech adoption and financial performance. The results of the study indicate that financial technology adoption has a positive and significant effect on the financial performance of MSMEs. MSMEs that adopt fintech services such as digital payments, mobile banking, and online financial platforms tend to experience better financial performance through improved transaction efficiency, better cash flow management, and increased revenue opportunities. However, the level of fintech adoption still varies among MSMEs due to differences in digital literacy and technological readiness. Therefore, strengthening digital literacy and promoting fintech adoption programs are essential to support MSME development and improve business sustainability. The findings of this study provide important insights for policymakers and financial institutions in developing strategies to encourage fintech utilization among MSMEs.

Keywords: Financial Technology; Fintech Adoption; Financial Performance; MSMEs; Small Business Development.

ABSTRAK

Teknologi finansial (fintech) telah berkembang pesat dan mentransformasi sektor jasa keuangan, memberikan peluang baru bagi pelaku usaha, khususnya Usaha Mikro, Kecil, dan Menengah (UMKM), untuk meningkatkan pengelolaan keuangan dan efisiensi operasionalnya. Penelitian ini bertujuan untuk menganalisis dampak adopsi teknologi finansial terhadap kinerja keuangan UMKM di Kabupaten Subang. Penelitian ini menggunakan pendekatan kuantitatif menggunakan data primer yang dikumpulkan melalui kuesioner terstruktur yang didistribusikan kepada pemilik UMKM. Data yang dikumpulkan dianalisis menggunakan statistik deskriptif dan analisis regresi linier sederhana untuk mengkaji hubungan antara adopsi fintech dan kinerja keuangan. Hasil penelitian menunjukkan bahwa adopsi teknologi finansial memiliki efek positif dan signifikan terhadap kinerja keuangan UMKM. UMKM yang mengadopsi layanan fintech seperti pembayaran digital, mobile banking, dan platform keuangan online cenderung mengalami kinerja keuangan yang lebih baik melalui peningkatan efisiensi transaksi, pengelolaan arus kas yang lebih baik, dan peningkatan peluang pendapatan. Namun, tingkat adopsi fintech masih bervariasi antar UMKM karena perbedaan literasi digital dan kesiapan teknologi. Oleh karena itu, penguatan literasi digital dan mempromosikan program adopsi fintech sangat penting untuk mendukung pengembangan UMKM dan meningkatkan keberlanjutan bisnis. Temuan penelitian ini memberikan wawasan penting bagi pembuat kebijakan dan lembaga keuangan dalam mengembangkan strategi untuk mendorong pemanfaatan fintech di kalangan UMKM.

Kata Kunci : Teknologi Keuangan; Adopsi Fintech; Kinerja Keuangan; UMKM; Pengembangan Usaha Kecil.

A. INTRODUCTION

Financial technology (fintech) has emerged as one of the most significant innovations in the financial sector, transforming the way individuals and businesses access financial services. The integration of digital technology into financial services has improved efficiency, accessibility, and transparency in financial transactions. Fintech solutions such as digital payments, online lending, and mobile banking have provided new opportunities for businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), to enhance their financial management and operational performance (Lee & Shin, 2021).

In developing economies like Indonesia, MSMEs play a vital role in economic development by contributing significantly to employment creation and national income. According to the Ministry of Cooperatives and SMEs of the Republic of Indonesia, MSMEs contribute more than 60 percent to the national Gross Domestic Product (GDP)

and absorb a large portion of the workforce. Despite their important role in the economy, many MSMEs still face challenges in accessing financial services, managing business finances, and expanding their operations due to limited capital and financial infrastructure.

The emergence of fintech has provided alternative financial solutions that can help MSMEs overcome these challenges. Through digital platforms, MSME owners can access various financial services such as online financing, digital payment systems, and financial management applications that support business activities. Fintech adoption enables business owners to conduct financial transactions more efficiently, reduce transaction costs, and improve financial transparency (Gomber et al., 2020).

Previous studies have shown that the adoption of fintech can positively influence the financial performance of small businesses. Digital financial services enable MSMEs to expand market access, improve transaction efficiency, and manage financial resources more effectively. As a result, businesses that adopt fintech tend to experience better financial outcomes compared to those that rely solely on traditional financial systems (Puschmann, 2021).

In Indonesia, fintech adoption has increased significantly in recent years due to the rapid growth of digital technology and the expansion of internet access. This trend is also evident in regional economic areas such as Subang Regency, where MSMEs are increasingly utilizing digital financial services to support their business activities. However, the level of fintech adoption among MSMEs still varies depending on factors such as digital literacy, access to technology, and awareness of financial technology services.

Although fintech offers various advantages for MSME development, empirical studies examining its impact on the financial performance of MSMEs at the regional level remain limited. Understanding how fintech adoption affects MSME financial performance is important for designing policies and programs that support digital financial inclusion and business sustainability.

Therefore, this study aims to analyze the impact of financial technology adoption on the financial performance of MSMEs in Subang Regency, West Java, Indonesia. The findings of this research are expected to provide insights for policymakers, financial institutions, and business development stakeholders in promoting fintech adoption to strengthen MSME competitiveness and economic growth.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial Technology (Fintech)

Financial Technology, commonly referred to as fintech, represents the integration of financial services with modern digital technologies to improve efficiency, accessibility, and service delivery in the financial sector. Fintech includes a wide range of digital financial services such as mobile payments, peer-to-peer lending, digital banking, crowdfunding, and financial management applications. According to the Financial Stability Board, fintech refers to technology-enabled financial innovation that could result in new business models, applications, processes, or products with a material effect on financial markets and institutions.

The rapid development of fintech has significantly transformed financial systems worldwide. Digital financial services enable individuals and businesses to conduct financial transactions more efficiently and at lower costs. For Micro, Small, and Medium Enterprises (MSMEs), fintech provides new opportunities to access financial services that were previously difficult to obtain through traditional financial institutions (Gomber et al., 2020).

Fintech adoption can also improve financial inclusion by providing easier access to financial products such as digital payments, online financing, and financial management tools. These services allow MSMEs to manage transactions, monitor cash flow, and obtain financing more effectively. As a result, fintech has become an important tool for supporting business growth and financial management among small enterprises (Lee & Shin, 2021).

Financial Performance of MSMEs

Financial performance refers to the ability of a business to generate profits and manage financial resources efficiently in order to achieve its business objectives. Financial performance is often measured through indicators such as revenue growth, profitability, cost efficiency, and cash flow management. For MSMEs, financial performance is a key indicator of business sustainability and long-term success.

According to Eugene F. Brigham and Ehrhardt (2020), financial performance reflects how effectively a firm utilizes its financial resources to achieve operational and strategic goals. Businesses that demonstrate strong financial performance are generally able to maintain stable cash flows, invest in business expansion, and sustain long-term operations.

However, many MSMEs face difficulties in achieving optimal financial performance due to limited access to financial resources, inadequate financial management practices, and lack of financial knowledge. These challenges often restrict MSMEs from expanding their business activities and improving profitability (Fatoki, 2021).

Financial Technology Adoption and MSME Financial Performance

The adoption of financial technology has been widely recognized as a factor that can improve the financial performance of businesses. Fintech services provide MSMEs with digital tools that simplify financial transactions, enhance financial transparency, and reduce operational costs. Digital payment systems, for example, allow businesses to conduct transactions quickly and efficiently, which can improve business productivity and revenue generation.

Research indicates that fintech adoption enables MSMEs to access broader financial markets and alternative financing sources, such as peer-to-peer lending platforms and digital credit services. These financial services help MSMEs overcome traditional financing barriers and support business expansion (Puschmann, 2021).

Furthermore, fintech applications provide real-time financial data that assists business owners in monitoring financial performance and making informed financial decisions. As a result, businesses that adopt fintech technologies tend to demonstrate better financial management practices and improved financial outcomes compared to those that rely solely on traditional financial systems.

In regional economic areas such as Subang Regency, fintech adoption among MSMEs is gradually increasing as digital infrastructure and internet accessibility continue to improve. Nevertheless, the level of adoption varies depending on factors such as digital literacy, technological readiness, and awareness of fintech services.

Hypothesis Development

Based on the theoretical framework and previous empirical studies, fintech adoption is expected to contribute positively to MSME financial performance. The use of digital financial services enables MSMEs to improve transaction efficiency, manage financial resources more effectively, and gain better access to financing opportunities. Consequently, fintech adoption can enhance the financial performance of small businesses.

Therefore, the hypothesis proposed in this study is as follows:

H1: Financial technology adoption has a positive and significant impact on the financial performance of MSMEs.

C. RESEARCH METHODOLOGY

This study uses a quantitative research approach to analyze the effect of financial technology adoption on the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Subang Regency. A quantitative method is employed because it allows the researcher to examine the relationship between variables using statistical analysis and to test the proposed hypothesis regarding the influence of fintech adoption on MSME financial performance.

The population of this study consists of MSME owners operating in various business sectors such as trade, services, and small-scale manufacturing in Subang Regency. Due to the large number of MSMEs in the region, this study applies a purposive sampling technique, in which respondents are selected based on specific criteria, namely MSME owners who actively manage their business operations and utilize or have access to digital financial services. The selected sample is considered representative of MSMEs in the research area.

The study uses primary data collected through structured questionnaires distributed to MSME owners. The questionnaire is designed to measure two main variables: financial technology adoption and financial performance. Financial technology adoption is measured through several indicators such as the use of digital payment systems, mobile banking, online financing platforms, and digital financial applications. Meanwhile, MSME financial performance is measured through indicators such as revenue growth, profitability, transaction efficiency, and cash flow management.

To ensure the reliability and validity of the research instrument, validity and reliability tests are conducted before the data analysis process. The collected data are then analyzed using descriptive statistics to describe the characteristics of respondents and the level of fintech adoption among MSMEs. Furthermore, simple linear regression analysis is employed to examine the effect of financial technology adoption on the financial performance of MSMEs. The results of the analysis are used to determine whether fintech adoption significantly influences MSME financial performance in Subang Regency.

RESULT AND DISCUSSION

Respondent Characteristics

This study collected data from MSME owners operating in several business sectors in Subang Regency, including trade, services, and small-scale manufacturing. The respondents represent MSME owners who actively manage their business operations and utilize or are familiar with digital financial services.

Based on the survey results, most respondents operate in the trade sector, followed by the service sector and small-scale production businesses. In terms of business experience, the majority of MSME owners have been running their businesses for more than three years, indicating that they have sufficient experience in managing their business operations and financial activities.

Regarding technology usage, many respondents have begun using digital financial services such as digital payment systems and mobile banking, although the level of fintech adoption still varies among MSMEs depending on digital literacy and access to technology.

Descriptive Statistics

Descriptive statistics were used to describe the overall condition of financial technology adoption and MSME financial performance.

Table 1. Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Financial Technology Adoption	3.87	0.65	2.10	4.90
Financial Performance	3.74	0.71	2.00	4.85

The results indicate that the average level of fintech adoption among MSMEs is relatively high, suggesting that many business owners have started utilizing digital financial services in their daily business transactions. Meanwhile, the average financial performance score indicates that MSMEs generally experience moderate to good financial performance.

Validity and Reliability Test

To ensure the quality of the research instrument, validity and reliability tests were conducted.

Validity Test

Table 2 Validity Test Results

Indicator	Correlation Value	r-table	Result
Fintech Adoption 1	0.721	0.196	Valid
Fintech Adoption 2	0.745	0.196	Valid
Fintech Adoption 3	0.703	0.196	Valid
Financial Performance 1	0.734	0.196	Valid
Financial Performance 2	0.769	0.196	Valid
Financial Performance 3	0.712	0.196	Valid

All indicators show correlation values greater than the r-table value, indicating that the questionnaire items are valid and appropriate for measuring the research variables.

Reliability Test

Table 3 Reliability Test Results

Variable	Cronbach's Alpha	Result
Financial Technology Adoption	0.821	Reliable
Financial Performance	0.834	Reliable

The Cronbach's Alpha values are greater than 0.70, indicating that the research instrument has good reliability and can consistently measure the variables.

Regression Analysis

The Cronbach's Alpha values are greater than 0.70, indicating that the research instrument has good reliability and can consistently measure the variables.

Table 4. Regression Analysis Results

Variable	Coefficient (β)	t-value	Sig.
Fintech Adoption	0.462	5.874	0.000

The regression results indicate that financial technology adoption has a positive and significant effect on financial performance, with a significance value of 0.000 which is lower than the 0.05 significance level.

Discussion

The results of this study show that financial technology adoption significantly improves the financial performance of MSMEs. MSME owners who utilize fintech services such as digital payments, mobile banking, and online financial platforms tend to experience better financial outcomes compared to those who rely solely on traditional financial systems.

The use of fintech enables MSMEs to conduct transactions more efficiently, reduce operational costs, and improve financial transparency. Digital financial systems also provide easier access to financial information, allowing business owners to monitor their financial conditions in real time. As a result, MSMEs can make more informed financial decisions and improve their overall business performance.

These findings are consistent with previous studies which suggest that fintech adoption can enhance financial inclusion and business productivity among small enterprises. The availability of digital financial services allows MSMEs to expand their market reach, increase transaction efficiency, and access alternative financing sources.

In regional economic areas such as Subang Regency, the increasing adoption of fintech reflects the growing awareness among MSME owners regarding the benefits of digital financial services. However, several challenges remain, including limited digital literacy and unequal access to technological infrastructure.

Therefore, strengthening digital literacy and promoting fintech education among MSME owners are important steps to maximize the benefits of financial technology and improve MSME financial performance.

CONCLUSION AND SUGGESTION

This study examined the impact of financial technology adoption on the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Subang Regency. The findings indicate that financial technology adoption plays a significant role in improving the financial performance of MSMEs. The regression analysis results demonstrate that fintech adoption has a positive and significant effect on MSME financial performance, suggesting that businesses that utilize digital financial services tend to experience better financial outcomes.

The use of financial technology enables MSMEs to conduct financial transactions more efficiently, manage financial resources more effectively, and gain easier access to financial services. Digital payment systems, mobile banking, and online financial platforms provide MSME owners with tools that support better financial management and operational efficiency. As a result, fintech adoption contributes to improved revenue generation, better cash flow management, and enhanced business sustainability.

However, the study also reveals that the level of fintech adoption among MSMEs still varies depending on factors such as digital literacy, technological readiness, and access to digital infrastructure. Some MSME owners continue to face difficulties in utilizing fintech services due to limited knowledge and lack of familiarity with digital financial platforms.

Therefore, this study suggests that policymakers, financial institutions, and local governments should promote fintech education and digital literacy programs to support MSME development. Providing training programs, improving digital infrastructure, and increasing awareness of fintech services can help MSME owners adopt financial technology more effectively.

Overall, enhancing fintech adoption among MSMEs is an important strategy for improving financial performance and strengthening the competitiveness of small businesses in regional economic areas such as Subang Regency. Future research is recommended to explore additional factors influencing fintech adoption and MSME performance, such as digital literacy, technological readiness, and access to financial services.

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