



# Financial Literacy and Use of Fintech in MSMEs: Systematic Literature Analysis

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**Abstract:** This study aims to assess the impact of financial literacy and fintech usage on MSME performance. By conducting a systematic literature review, the researcher examined various relevant studies to gain insight into how financial literacy and fintech affect the growth and operational efficiency of MSMEs. The findings indicate that strong financial literacy equips MSMEs with the knowledge to effectively utilize fintech services, enhancing their access to funding and improving financial management. At the same time, fintech provides more adaptable and inclusive financial solutions, playing a key role in boosting financial inclusion and supporting MSME growth. The synergy between sufficient financial literacy and proper fintech adoption has been shown to positively influence the performance and competitiveness of MSMEs. Based on these conclusions, the study suggests expanding financial literacy initiatives and promoting broader fintech integration to foster MSME development in Indonesia and improve financial inclusion across the community.

**Keywords:** Financial Literacy, Fintech, MSME Performance

## Introduction

The Industry 4.0 era, characterized by rapid digital and technological advancements, continues to evolve to meet human needs, including the growth of financial technology (Fintech), which greatly facilitates easier financing for MSMEs. MSMEs in Indonesia are expanding quickly and receive strong government support because they generate employment and encourage innovation to create valuable market products (Hudiyono & Safitri, 2022). Fintech itself is also rapidly developing in Indonesia due to its popularity as a real-time transaction service. It offers convenient functions such as payments, money transfers, loan applications with simple requirements, insurance services, and other transaction types (Sulaiman, 2021). MSMEs operate in diverse sectors to fulfill community needs and are considered the backbone of Indonesia's economy, creating numerous local job opportunities that help reduce unemployment and poverty. As of 2008, Indonesia had 65 million MSMEs, a number that has continued to grow. Various programs are underway to support MSME development.

Even conventional banks acknowledge that Fintech could potentially replace traditional payment systems. Fintech offers numerous advantages to business actors, such as serving as a payment tool, aiding in clearing and settlement, simplifying investment and

savings, and facilitating borrowing of funds. Its real-time technology, wide selection, and low costs benefit users, while businesses enjoy reduced capital expenses and simplified transactions. Hence, Fintech benefits both customers and business operators.

However, MSMEs still underutilize Fintech mainly due to limited digital financial technology knowledge. Many MSMEs struggle to compete because of funding shortages and poor financial literacy (Sari et al, 2023). Good financial literacy provides crucial knowledge about various financial products, especially digital ones like Fintech. Since Fintech can help expand market reach and lower operational costs, it boosts MSME profits (Łasak, 2022a). Therefore, financial literacy training is essential, particularly for MSME entrepreneurs who often face challenges with funding and market expansion, which are vital to achieving their business goals of maximizing profits. Other challenges include issues with capital, production, human resources, and management (Daud et al, 2022). Improved financial literacy also contributes to better MSME performance and business growth (Utami & Sitanggang, 2021).

Fintech's limited popularity can also be attributed to concerns over consumer data protection and a general lack of understanding of its use (Zahra & Nurhasanah, 2023). Among its other advantages is easier access to credit for MSMEs compared to traditional banks (Cornelli et al, 2019). Yet, some MSME entrepreneurs hesitate to adopt Fintech due to fears about protecting intellectual property rights (Kergroach, 2021). Research shows that financial literacy positively and significantly influences MSME performance (Hamidah et al, 2020). Many MSME operators face obstacles in improving their business due to insufficient financial literacy, relying instead on conventional banks with complex borrowing requirements, which discourages them from seeking capital from financial institutions (Sari & Setiyana, 2020).

## Research Method

The research method employed by the author is the Systematic Literature Review (SLR), which is a scientific approach used to systematically evaluate a topic and then summarize the relevant literature based on the research focus (Wada, 2024). The commonly used standard for SLR is PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses), which is presented as a flowchart that clearly and objectively outlines the article selection process (Ardyan, 2023). Over time, PRISMA has been updated to adapt to current conditions.

This literature review involves searching for both international and national studies using secondary data from the Google Scholar database, assisted by the Harzing's Publish or Perish 8 software. The purpose of the SLR method is to systematically evaluate a topic and summarize it according to the specific theme. In this research, the author used data from previous studies aligned with the current research topic. The analysis approach is descriptive, involving in-depth, critical, and systematic examination of the data. The findings are then presented narratively to ensure they are easy to understand, informative,

accurate, and up-to-date. The SLR process follows three main stages: (1) planning, (2) reviewing, and (3) reporting results

## 1. Planning

In this planning phase, it is crucial to apply the most effective methods to ensure the systematic literature review proceeds smoothly. At this stage, research questions are formulated to guide the focus of the investigation. For this study, the researcher defined the following question:

RQ1: What effects do financial literacy and fintech usage have on MSMEs?

## 2. Overview

At this stage, the literature to answer the research question (RQ) is selected through a three-step process:

1. Defining keywords and creating the search string, which in this case is "Financial Literacy and Fintech towards MSMEs."
2. Gathering data using Harzing's Publish or Perish 8 software, pulling metadata from Google Scholar and ScienceDirect, focusing on publications from 2019 to 2024.
3. Conducting the search in these data sources using the chosen keywords to find relevant articles.

For selecting studies, inclusion and exclusion criteria are applied to ensure data relevance:

1. Articles must be published between 2019 and 2024.
2. Sources are limited to Google Scholar and ScienceDirect.
3. Only articles relevant to financial literacy and fintech related to MSMEs are included.

Additionally, selected articles must have accessible original PDF documents

The next step involves selecting articles published in English. Only journal articles are included, while other types of publications are excluded. This selection process is detailed in a schematic that outlines the systematic literature review conducted.

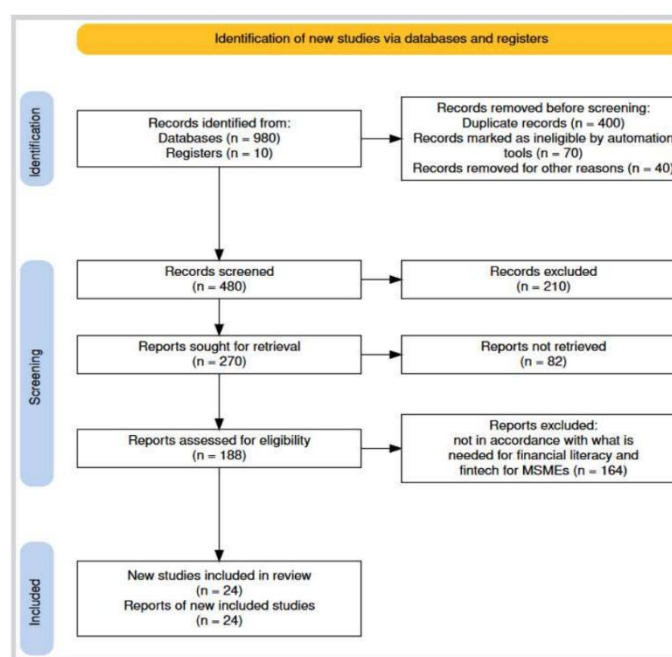


Figure 1. Prisma Flowchart

**Table 1.** Below is a list of all the articles reviewed by the author.

Journal Studied	Number Of Article
Journal Of Open Innovation: Technology, Market, and Complexity	2
Journal Of Positive Psychology & Wellbeing	1
Journal of Entrepreneurship, Management and Innovation	1
International Journal of Data and Network Science	1
Legality: Jurnal Ilmiah Hukum	1
PalArch's Journal Of Archaeology	1
International Journal of Multicultural and Multireligious Understanding	1
International Journal of Advanced Research in Technology and Innovation	1
International Journal of Advanced Science and Technology	1
Journal Of Social Science	1
Digital Business	1
Computers in Industry	1
Technovation	2
Heliyon	4
Journal of Innovation & Knowledge	2
Research in International Business and Finance	1
International Journal of Information Management Data Insights	1
Social Sciences & Humanities Open	1
Total number	24

### 3. Reporting & Result

After finishing the first and second phases, the researcher will present the reviewed SLR report findings in the results and discussion section.

### Result and Discussion

Based on the research conducted by the author, a total of 24 articles were identified as meeting the predetermined criteria. These articles, published between 2019 and 2024, serve as the foundation for examining Financial Literacy and Fintech Utilization among MSMEs. The articles relevant to addressing Research Question 1 (RQ1) are presented in the following table.

**Table 1.** Literature Based in RQ1

No	Year	Title	Author
1	2021	Fintech Adoption Drivers for Innovation for SMEs in Indonesia	Deni Pandu Nugraha
2	2021	Development of Financial Technology (Fintech) in Indonesia and Its Affecting Factors	Dewi Sartika
3	2022	The role of financial technology and entrepreneurial finance practices in funding small and medium-sized enterprises	Piotr lasak
4	2022	The effect of digital marketing, digital finance and digital payment on finance performance of Indonesian SMEs	Ibrahim Daud
5	2020	Fintech Peer to Peer Lending as a Financing Alternative for the Development MSMEs in Indonesia	Fry Anditya Rahayu Putri Rusadi
6	2020	Analysis Of Consumer Acceptance Factors Against Fintech At Bandung Smes	Nurunnisha
7	2023	The Effect of Financial Technology (Fintech) on the Development of SME with Financial Inclusion as a Mediation Variable: Study on SME's Creative Economic Sector in Lombok	Ahmad Syauqi
8	2019	The Impact Of The Development Of Fintech On The Existing Financial Services In Indonesia	<u>Shaznaya Hanan Sjamsudin</u>
9	2020	FinTech and MSMEs Continuity: Applied in Indonesia	Dio Caesar Dharma
10	2020	The Effect Of Financial Literacy, Fintech (Financial Technology) and Intellectual Capital On The Performance Of MSMEs In Depok City, West Java	Nur Hamidah
11	2023	FinTech and SMEs financing: A systematic literature review and bibliometric analysis	Bahati Sanga
12	2021	Economic Growth, Increasing Productivity of SMEs, and Open Innovation	Batara Surya
13	2023	Low-cost (Shoestring) digital solution areas for enabling digitalisation in construction SMEs	Gokcen Yilmaz
14	2024	Digital transformation and firm performance in innovative SMEs: The mediating role of business model innovation	MerinRodriganes
15	2024	Dynamics in digital finance and its impact on SME Financing	Wang Jun
16	2023	Does fintech innovation and green transformational leadership improve green innovation and corporate environmental performance? A hybrid SEM-ANN approach	Huawei Tian
17	2024	Bridging the 'Concept-Product' gap in new product development: Emerging insights from the application of artificial intelligence in FinTech SMEs	Manja Cubric
18	2021	Detection of fintech P2P lending issues in Indonesia	Ryan Randy Suryono



19	2024	Digital adoption, business performance, and financial literacy in ultra-micro, micro, and small enterprises in Indonesia	Yoga Afandi
20	2024	Developing the capability of digital financial literacy in developing countries: A Case of online loan for small entrepreneurs	Wasan Uthaileang
21	2023	Impact of digital finance on the asset allocation of small- and medium-sized enterprises in China: Mediating role of financing constraints	Yinbo Feng
22	2024	Fintech literacy and digital entrepreneurial intention: Mediator and Moderator Effect	Thuy Thu Nguyen
23	2023	The effect of financial literacy, training and locus of control on creative economic business performance	Alni Rahmawati
24	2023	Strategic perspectives, creativity, and financial performance in Vietnamese SMEs	Phuong Ngoc-Duy Nguyen

## Discussion

Financial literacy and the utilization of fintech play a critical role in enhancing the performance of MSMEs. Numerous studies have affirmed the positive relationship between financial literacy and MSME performance (Nugraha et al., 2022) (Łasak, 2022b) (Daud et al, 2022) (Hamidah, Prihatni, & Ulupui, 2020) (Sanga & Aziakpono, 2023) (Rahmawati, Wahyuningsih, & Garad, 2023). Through financial literacy, MSME owners are better equipped with relevant financial information, allowing them to evaluate the risks and advantages of fintech adoption more effectively (Affandi et al, 2024). Strong financial knowledge enables businesses to grow and achieve their strategic goals (Nguyen et al, 2024). Moreover, with a solid understanding of finance, MSMEs can manage their funds more wisely, identify suitable financial products, and make well-informed financial decisions (Nguyen et al, 2023). Fintech itself has become increasingly vital in the development of MSMEs (Tian et al, 2023). It offers easier processes and lowers operational costs. MSMEs, being key drivers of the economy, receive strong governmental support due to their capacity to absorb labor, reduce unemployment, and spur economic growth. One common barrier for MSMEs is limited access to capital—an issue fintech helps solve by offering more accessible funding alternatives (Surya et al, 2021) (Feng et al, 2023). Furthermore, Yilmaz et al. (2023) found that fintech adoption can enhance MSME productivity and operational efficiency. Cubric and Li (2024) also highlight the adaptability of MSMEs, suggesting that their flexible nature allows them to effectively integrate fintech solutions and continue scaling their business operations. that adopt digital technology are increasingly benefiting from the presence of fintech. According to research by Suryono et al. (2021), fintech serves as a viable alternative for business owners seeking funding, especially when access to conventional bank loans is limited. Platforms such as peer-to-peer (P2P) lending fintech make it easier to obtain capital.

Moreover, the use of fintech also indirectly encourages MSMEs to improve their financial and digital literacy. Sjamsudin (2019) found that fintech tools can facilitate both buyers and sellers in conducting transactions—such as online payments and peer-to-peer lending—which in turn promotes financial inclusion and accelerates economic development. Similarly, Sartika et al. (2021) emphasized that financial literacy and fintech are highly beneficial for businesses, particularly MSMEs, by providing easier and more efficient access to funding. Additionally, research by Rusadi and Benuf (2020) confirms that both financial literacy and fintech have a significant positive impact on MSME performance by streamlining financial operations and making transactions faster and more convenient.

### Conclusion

This study concludes that financial literacy and the utilization of fintech significantly influence the performance of MSMEs. A solid understanding of financial literacy enables MSME owners to make more informed financial decisions, thereby improving operational efficiency and business profitability. Furthermore, the adoption of fintech facilitates quicker and easier access to financial services, allowing MSMEs to secure loans, conduct transactions, and manage finances more effectively. The positive impact of fintech is optimized when supported by strong financial literacy, which helps MSMEs comprehend the risks and benefits of various fintech products and avoid potential misuse. Based on these findings, it is recommended to strengthen financial literacy education programs, develop inclusive and affordable fintech infrastructure, and establish regulations that ensure a safe and supportive fintech ecosystem. The combination of sound financial literacy and reliable access to fintech services will foster a conducive environment for the growth and sustainability of MSMEs. Future research should focus on enhancing financial literacy initiatives for MSMEs and building inclusive fintech systems alongside regulatory frameworks that promote safety and trust. This synergy is expected to boost the development and resilience of MSMEs.

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