



Digital Payment And Financial Technology: Their Impact On The Financial Performance Of Msmes In Yogyakarta

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How to Cite :

Damarsiwi, E, P, M., Prawitasari, A., Indriasari, N. (2026). Digital Payment And Financial Technology: Their Impact On The Financial Performance Of Msmes In Yogyakarta. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(3). DOI: <https://doi.org/10.37676/ekombis.v14i3>

ARTICLE HISTORY

Received [04 June 2026]

Revised [05 July 2026]

Accepted [13 July 2026]

KEYWORDS

Digital Payments, Financial Technology, Financial Performance, MSMEs, Yogyakarta.

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ABSTRACT

Digital transformation has driven significant changes in the business activities of MSMEs, particularly in the areas of transactions and financial management. The use of digital payments and financial technology (FinTech) is one strategy that can improve operational efficiency, expand access to financial services, and support improved business performance. This study aims to analyse the impact of digital payments and financial technology on the financial performance of MSMEs in the Special Region of Yogyakarta. The study employs a quantitative approach using explanatory research methodology. Data were collected through the distribution of questionnaires to 200 MSME operators selected using purposive sampling. The Digital Payment variable was measured using indicators of QRIS usage, e-wallet usage, ease of transactions, transaction speed, transaction security, and ease of transaction recording. The Financial Technology variable was measured using indicators of ease of access to digital financial services, ease of obtaining digital financing, efficiency of business financial management, and ease of monitoring transactions and cash flow. Meanwhile, Financial Performance was measured through sales growth, profit growth, operational cost efficiency, improved cash flow, and increased profitability. Data analysis was carried out using multiple linear regression with the aid of SPSS software. The results of the study indicate that Digital Payment has a positive and significant effect on Financial Performance.

INTRODUCTION

Micro, Small and Medium-sized Enterprises (MSMEs) are one of the main pillars of the Indonesian economy, as they contribute to job creation, income equality and national economic growth. In the Special Region of Yogyakarta (DIY), MSMEs are thriving across various sectors, such as the food and beverage industry, handicrafts, fashion, creative services and tourism,

which are the defining features of the regional economy. Therefore, enhancing the competitiveness of MSMEs is a crucial factor in supporting sustainable economic development.

Advances in digital technology have driven significant changes in the business activities of MSMEs, particularly in the areas of transactions and financial management. One such transformation is the use of digital payments—electronic payment systems that enable transactions to be carried out quickly, securely and efficiently without the use of cash. The implementation of QRIS, digital wallets (e-wallets), mobile banking and various digital payment platforms has made it easier for SMEs to serve customers whilst improving the operational efficiency of their businesses (*Liébana-Cabanillas et al., 2018; Oliveira et al., 2016*)

The adoption of digital payment systems enables MSMEs to reduce transaction costs improve operational efficiency, and expand market access through cashless transactions. Various studies indicate that the implementation of QRIS and digital payments has a positive impact on financial record-keeping, operational efficiency, and improved business performance among MSMEs (Zahra & Putra, 2025). For MSMEs, the use of digital payments not only serves as a means of transaction but also offers benefits such as faster payment processing, reduced risk of transaction errors, and easier financial record-keeping. Research shows that the implementation of digital payments can improve operational efficiency and support business development through expanded market access and enhanced customer convenience (Ummasyroh et al., 2024a). In addition to digital payments, developments in Financial Technology (FinTech) are also opening up new opportunities for MSMEs to gain access to financial services. FinTech enables business owners to secure financing, make payments, manage their finances and access a range of financial services more quickly and efficiently than under conventional systems. According to Bank Indonesia, FinTech is a fusion of financial services and technology that transforms transaction models from conventional to digital. The emergence of FinTech provides a solution for MSMEs that have long faced limited access to formal financial institutions. Through FinTech services, business owners can gain faster and more flexible access to capital compared to conventional financing mechanisms (Łasak, 2022). Research indicates that fintech plays a significant role in enhancing financial inclusion, operational efficiency, and the ability of SMEs to manage their business activities (Febriyani et al., 2024).

Various previous studies have found that the use of fintech has a positive impact on the development and performance of MSMEs. The use of fintech can improve access to finance, enhance financial management, and support business growth through the use of digital technology (Candraningrat et al., 2021a; Suryanto et al., 2020). Recent research findings also indicate that financial technology has a positive impact on the performance of MSMEs as it can boost productivity, facilitate transactions, and improve business financial management. These findings provide strategic recommendations for the sustainable development of MSMEs in the digital economy era. Nevertheless, research findings regarding the relationship between digital payments, fintech, and the financial performance of MSMEs still present mixed results. Some studies have found that digital payments have a positive impact on business development and the financial performance of MSMEs (Ummasyroh et al., 2024a), whilst others suggest that the impact of digital payments on financial performance is not yet significant, as their utilisation remains sub-optimal amongst certain MSMEs. These differing research findings indicate the existence of a research gap that warrants further investigation.

Furthermore, most previous studies have tended to examine the impact of digital payments or fintech on business performance in isolation. Research that integrates these two variables into a single research model to explain the financial performance of MSMEs, particularly in the context of MSMEs in the Special Region of Yogyakarta, remains relatively limited. Yet, Yogyakarta is one of the regions with fairly rapid digital economic growth and a diverse range of MSME characteristics, particularly in the creative economy, culinary and tourism sectors. Given these circumstances, this study aims to analyse the impact of digital payments and financial technology on the financial performance of SMEs in Yogyakarta. The findings are

expected to make a theoretical contribution to the development of the literature on the digitalisation of SME finance, whilst also providing practical recommendations for local government, financial institutions and business operators to accelerate the digital transformation of the SME sector.

LITERATURE REVIEW

Resource-Based View (RBV)

This study uses the Resource-Based View (RBV) as its main theoretical framework. The RBV posits that an organisation's competitive advantage is determined by its ability to manage its resources effectively, thereby generating added value that is difficult for competitors to replicate. In the context of MSMEs, these resources comprise not only physical assets but also digital technology, information, managerial capabilities and business innovation.

Birger Wernerfelt first introduced the RBV theory in an article entitled "A Resource-Based View of the Firm", published in the *Strategic Management Journal* in 1984. However, further development of this theory was carried out by: In his article "Firm Resources and Sustained Competitive Advantage", Jay Barney (1991) outlined the VRIN criteria (Valuable, Rare, Inimitable, Non-substitutable), which later evolved into VRIO (Value, Rarity, Imitability, Organisation). According to Barney, if a resource has the potential to be a source of sustained competitive advantage, it must be of high value, rare, and impossible to imitate perfectly. The resource-based view suggests that organisations must develop core competencies, particularly those unique to their business, which enable them to outperform competitors by carrying out distinct tasks. According to the RBV, competitiveness stems from a number of internal activities that meet the VRIO criteria: valuable (valuable to customers), rare (difficult for competitors to obtain), unique (difficult to imitate), and organised (well-managed) (Ervia, 2025). Digital transformation through the use of digital payments and financial technology can be viewed as a strategic resource capable of improving operational efficiency, accelerating decision-making processes, and expanding access to markets and finance. When these digital resources are combined with circular economy practices, MSMEs have the potential to create a sustainable competitive advantage that leads to improved financial performance. Thus, RBV provides a theoretical basis for the view that the utilisation of financial technology and circular economy practices can be a source of advantage that enhances the business performance of MSMEs (Ping & Wang, 2025).

Digital Payment

Advances in information technology have transformed payment systems from cash transactions to digital transactions. Digital payments are payment mechanisms carried out electronically using digital devices such as smartphones, payment apps, electronic cards, or QR code-based systems. In Indonesia, the implementation of digital payments has grown rapidly since the introduction of QRIS by Bank Indonesia as the national payment standard (Puspita & Aligarh, 2024). In this study, digital payments are defined as the level of utilisation of electronic payment technology by MSME operators to support business transaction activities. In line with the development of digital payment systems in Indonesia, digital payments are understood not only as the use of non-cash payment instruments but also as part of a digital transformation capable of enhancing operational efficiency, transaction security, and the quality of business financial information management (Liébana-Cabanillas et al., 2018; Oliveira et al., 2016)

Based on a synthesis of the Technology Acceptance Model (TAM), the literature on mobile payments, and research on the financial digitalisation of SMEs, the 'digital payment' variable in this study is constructed around three main dimensions: Usage, Efficiency, and Security and Information Management.

User

The usage dimension describes the level of utilisation of digital payment services in day-to-day business activities. The usage rate indicates the extent to which MSMEs have adopted digital payment technology as their primary means of transaction. The higher the rate of digital payment usage, the greater the opportunity for MSMEs to benefit from financial digitalisation. This dimension is measured through:

- QRIS usage, namely the level of utilisation of QRIS as a payment method in business transactions.
- E-wallet usage, i.e., the extent to which digital wallets are used to accept customer payments.

Research shows that the use of QRIS and e-wallets can improve the ease of transactions, expand customer access, and promote financial inclusion amongst MSMEs (Bank Indonesia, 2018; Liébana-Cabanillas et al., 2018).

Efficiency

The efficiency dimension refers to the ability of digital payment systems to enhance the effectiveness and productivity of transaction processes. Digital payment technology enables payment processes to take place more easily and quickly than with conventional payment methods. This dimension is measured by:

- Ease of Transaction, which refers to business operators' perception of the ease of use of digital payment systems.
- Transaction Speed, which refers to the ability of digital payment systems to speed up the payment process.

According to the Technology Acceptance Model, the perception of ease of use is a key factor influencing users' adoption of technology (Davis, 1989). Furthermore, transaction speed is one of the main benefits experienced by business operators when using digital payment systems (Oliveira et al., 2016)

Security and Information Management

This dimension describes the ability of digital payment systems to provide protection for transactions whilst supporting the management of business financial information. Security is a key factor in building user trust, whilst the ability to record transactions automatically helps MSME operators to manage their business finances more effectively. This dimension is measured through:

- Digital Transaction Security: the level of confidence that businesses have in the security of digital payment systems.
- Ease of Transaction Recording: the ability of digital payment systems to provide accurate and easily accessible transaction data.

Previous research has shown that perceptions of security have a significant influence on the use of digital payments, whilst transaction recording features offer benefits in terms of financial management and business decision-making (Oliveira et al., 2016; Ryu, 2018)

Financial Technology (FinTech)

Financial Technology, or fintech, is an innovation in financial services that utilises digital technology to improve the quality and efficiency of financial services. Fintech encompasses a range of services, such as digital banking, peer-to-peer lending, crowdfunding, payment gateways and financial management apps.

For SMEs, the emergence of fintech provides a solution to the various constraints they have long faced, particularly in accessing finance. Many SME operators struggle to obtain credit from formal financial institutions due to limitations regarding collateral, financial history, or

business administration. Fintech offers a simpler, faster, and more flexible process, thereby reaching business groups previously underserved by the banking sector.

In addition to providing access to finance, fintech also helps SMEs manage cash flow, keep financial records, and optimise business transactions. Various studies show that the use of fintech has a positive impact on business performance by improving financial efficiency and expanding access to capital (Desiyanti, 2025).

Financial Technology (FinTech) refers to the use of digital technology in the provision of financial services, enabling SME operators to gain access to finance, manage their finances, and improve the efficiency of their business's financial activities. Based on a synthesis of various studies on fintech and MSMEs, the 'Financial Technology' variable in this study is measured using three key indicators, namely financial access, financial efficiency and financial management support.

Financial Access

This indicator illustrates the extent to which fintech facilitates access for MSMEs to various financial services via digital platforms without the need to visit financial institutions in person. Ease of access is one of the key advantages of fintech, as it reduces the geographical and administrative barriers frequently faced by MSMEs (Łasak, 2022). The indicators include: ease of access to digital financial services, ease of digital financing

Financial Efficiency

This indicator demonstrates fintech's ability to help MSMEs manage their financial activities more effectively and efficiently. The use of digital financial applications enables business owners to keep records, manage expenditure, and control their finances in a more structured manner, thereby supporting better business decision-making (Suryanto et al., 2020). The use of fintech enables business owners to manage transactions and finances more efficiently, thereby reducing operational costs (Candraningrat et al., 2021a). The indicator is 'Efficiency of business financial management'.

Financial Management Support

The ability to monitor transactions and cash flow in real time is one of the key benefits of fintech. Monitoring features help MSME operators to quickly ascertain the financial health of their businesses, thereby improving the quality of financial planning and decision-making (Husnayetti et al., 2024a). The indicator is the ease of monitoring transactions and cash flow.

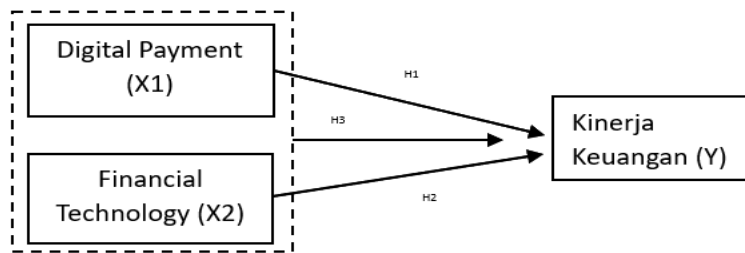
Financial Performance Of Msmes

Financial performance is a measure that indicates the extent to which a business succeeds in managing its economic resources to achieve its set business objectives. In the case of MSMEs, financial performance reflects the business's ability to generate profits, increase sales, maintain cash flow, and manage operating costs effectively.

Financial performance is a key indicator in assessing the effectiveness of business strategies and the success of technology adoption. Digital payments and fintech are expected to improve operational efficiency and expand business opportunities, thereby contributing to improved financial performance among MSMEs.

The financial performance indicators in this study are as follows: sales growth, profit growth, operational cost efficiency, improved cash flow, and increased business profitability.

Framework



Gambar 1. Framework

As can be seen from Figure 1, the independent variables used in this study are: Digital Payment and Financial Technology, whilst the dependent variable is financial performance. These three variables have both partial and simultaneous relationships with one another.

Research Methodology

This study employs a quantitative approach, specifically explanatory research. The quantitative approach was chosen because the study aims to test the causal relationship between the variables of digital payments, financial technology and the financial performance of MSMEs by testing previously formulated hypotheses. Meanwhile, explanatory research aims to explain the causal relationships between the study variables based on theory and the findings of previous research (Sugiyono, 2017).

The research was conducted amongst MSMEs located in the Special Region of Yogyakarta, which comprises the City of Yogyakarta and the regencies of Sleman, Bantul, Kulon Progo and Gunungkidul. The research subjects were MSMEs that had utilised digital payment services and financial technology in their business operations. The population for this study comprises all MSME operators active in the Special Region of Yogyakarta. According to data from the Ministry of Cooperatives and MSMEs of the Republic of Indonesia and the Special Region of Yogyakarta's Department of Cooperatives and MSMEs, the number of MSMEs in Yogyakarta amounts to hundreds of thousands of business units spread across various economic sectors. As the exact size of the population is unknown and is very large, the sample size was determined using the formula (Hair et al., 2021) namely, a minimum of 5–10 times the number of research indicators. There are 15 indicators in this study; thus, the minimum sample size would be 150 respondents. However, to enhance the representativeness of the data, this study utilised 200 MSME respondents. The sampling technique used is purposive sampling with the following criteria:

- Owners or managers of MSMEs.
- The business has been operating for at least two years.
- Uses QRIS or a digital payment system.
- Has previously used fintech or digital financial services.
- Is willing to participate as a research respondent.

Data collection was carried out through the distribution of paper-based questionnaires, the distribution of online questionnaires using Google Forms, and a review of documentation. The research instrument utilised a 5-point Likert scale.

Operational Definitions of Variables

This study utilises three variables: two independent variables and one dependent variable, with 15 research indicators as follows:

Table 1. Operasionalisasi Variabel

Variabel	Indikator	Kode
Digital Payment	Use of QRIS	DP1
	Use of e-wallets	DP2
	Transaction convenience	DP3
	Transaction speed	DP4
	Transaction security	DP5
	Ease of transaction recording	DP6
Financial Technology	Ease of access to digital financial services	FT1
	Ease of obtaining digital financing	FT2
	Efficiency of business financial management	FT3
	Ease of monitoring transactions and cash flow	FT4
	Ease of access to digital financial services	FT5
Kinerja Keuangan	Sales growth	KK1
	Profit growth	KK2
	Operational cost efficiency	KK3
	Increased cash flow	KK4
	Increased profitability	KK5

Source: primary research data

Descriptive Analysis

Descriptive analysis was used to describe the characteristics of the respondents and the conditions of each research variable based on mean values, percentages and frequency distributions. The study utilised multiple regression analysis with the aid of SPSS software. The research instruments were tested for validity and reliability, and classical assumptions were assessed. In the next stage, the researcher tested the research hypotheses using multiple regression analysis. Hypothesis testing was carried out using the t-test, F-test and coefficient of determination. To test the effect of digital payments and financial technology on the financial performance of MSMEs, the following multiple linear regression model was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Notes:

- Y = Financial Performance
- α = Constant
- β_1 = Regression coefficient for Digital Payments
- β_2 = Regression coefficient for Financial Technology
- X_1 = Digital Payments
- X_2 = Financial Technology
- e = Error term

The hypotheses established in this study are as follows:

H1: It is hypothesised that digital payments have a partial effect on the financial performance of MSMEs in Yogyakarta.

H2: It is hypothesised that financial technology has a partial effect on the financial performance of MSMEs in Yogyakarta.

H3: It is hypothesised that digital payments and financial technology have a simultaneous effect on the financial performance of MSMEs in Yogyakarta.

RESULTS AND DISCUSSION

Based on the results of the questionnaire distributed to 200 MSME respondents in Yogyakarta, validity and reliability tests were subsequently carried out

Validity Test

This test aims to assess whether a questionnaire is valid. A questionnaire item is considered valid if it is able to reveal what the questionnaire is intended to measure (Ghozali, 2021)

Table 2. Validity Test Results

Item	r Count	r Table	Information
DP1	0,781	0,138	Valid
DP2	0,803	0,138	Valid
DP3	0,765	0,138	Valid
DP4	0,812	0,138	Valid
DP5	0,746	0,138	Valid
DP6	0,793	0,138	Valid
FT1	0,772	0,138	Valid
FT2	0,801	0,138	Valid
FT3	0,756	0,138	Valid
FT4	0,815	0,138	Valid
FT5	0,826	0,138	Valid
KK1	0,826	0,138	Valid
KK2	0,804	0,138	Valid
KK3	0,781	0,138	Valid
KK4	0,832	0,138	Valid
KK5	0,817	0,138	Valid

Source: SPSS output

Based on the results of the SPSS data analysis, it can be seen that all indicators have a calculated r value greater than the tabulated r value; therefore, all items are deemed valid.

Reliability Test

Ghozali (2021) states that reliability is a tool for assessing a questionnaire, which serves as an indicator of a variable or construct. In this study, the author used Cronbach's alpha (α) to test the reliability of each instrument. An instrument is considered reliable if its Cronbach's alpha value is greater than 0.6.

Tabel 3. Uji Reabilitas Result

Variabel	Cronbach Alpha	Information
Digital Payment	0,884	Reliabel
Financial Technology	0,856	Reliabel
Kinerja Keuangan	0,892	Reliabel

Source: SPSS Output

It can be seen from the SPSS output above that the Cronbach's alpha value for each variable is greater than 0.60; it can therefore be concluded that the instrument used in this study is reliable. After conducting validity and reliability tests, the researcher carried out classical assumption tests, which included tests for normality, multicollinearity, autocorrelation and

heteroscedasticity. The results of the classical assumption tests indicate that the data used in the study satisfy the classical assumptions. The next stage involved hypothesis testing using multiple regression analysis, the t-test, the F-test and the coefficient of determination (R^2).

Multiple Linear Regression

Table 4. Multiple Linear Regression Results

Variabel	B	t Hitung	Sig
Digital Payment	1,245	4,781	0,000
Financial Technology	0,341	5,862	0,000
Kinerja Keuangan	0,427	7,214	0,000

Source: SPSS Output

Regression Equation

$$KK = 1.245 + 0.341X_1 + 0.427X_2 + e$$

The constant value of 1.245 indicates that if the 'Digital Payment' and 'Financial Technology' variables are assumed to be zero or to remain unchanged, the baseline value of MSME Financial Performance is estimated to be 1.245 units.

Conceptually, the constant represents the level of financial performance that MSMEs can still achieve due to other factors outside the research model, such as business experience, product quality, marketing strategies, business location, managerial capabilities and market conditions.

The regression coefficient for Digital Payments, at 0.341, indicates that a one-unit increase in Digital Payments will increase the financial performance of MSMEs by 0.341 units, assuming the Financial Technology variable remains constant. This finding suggests that the higher the level of usage of QRIS, e-wallets, ease of transactions, payment speed, transaction security and ease of transaction recording, the better the financial performance of MSMEs. This improvement can be reflected in sales growth, increased profits, operational cost efficiency, and improved business cash flow. From a Resource-Based View (RBV) perspective, digital payments are technology-based resources capable of enhancing operational efficiency and creating added value for organisations. Therefore, the optimal utilisation of digital payment systems can be one of the driving factors behind improved financial performance of MSMEs.

The regression coefficient for Financial Technology, at 0.427, indicates that a one-unit increase in Financial Technology will improve the financial performance of MSMEs by 0.427 units, assuming the Digital Payment variable remains constant. These results suggest that the greater the ability of MSMEs to utilise digital financial services, access digital financing, improve the efficiency of financial management, and monitor transactions and cash flow digitally, the higher their financial performance will be. The fact that the Financial Technology coefficient is greater than the Digital Payment coefficient indicates that Financial Technology is the variable with the dominant influence on improving the financial performance of MSMEs. This can be understood because the benefits of fintech are not limited to the payment process, but also encompass access to capital, financial management, and cash flow control, which directly influence a business's ability to generate profits.

t-test

Based on the results in Table 4, it can be seen that the digital payment variable has a regression coefficient (B) of 0.341, a calculated t-value of 5.862, and a significance level of 0.000. For the critical t-value with a sample size of 200 respondents and a significance level of 0.05, the critical t-value is 1.972. Since the calculated t-value (5.862) is greater than the critical t-value (1.972) and the significance level is less than 0.05, Hypothesis 1 is accepted, meaning that the 'digital payment' variable has a significant effect on the 'financial performance' variable. For the

financial technology variable, the calculated t-value (7.214) is greater than the critical t-value (1.972) and the significance level is less than 0.05; therefore, Hypothesis 2 is accepted, meaning that the financial technology variable has a significant effect on the financial performance variable.

F-test

The F-test is used to test the simultaneous relationship between the variables 'digital payment' (X1) and 'financial technology' (X2) and the variable 'financial performance' (Y). The following results were obtained from the analysis of the SPP data:

Table 5. F-test

	Model	Sum of Squares	df	Mean Square	F	Sig
1	Regression	52,846	2	26,423	72,486	0,000 ^b
	Residual	71,818	197	0,365		
	Total	124,664	197			

a. Dependent Variabel: Kinerja Keuangan (KK)

b. Predictors : (Constant), Digital Payment (DP), Financial Technology (FT)

Source: SPSS Output

Based on the results in Table 5, the calculated F-value was 72.486 with a significance level of 0.000. This significance level is less than 0.005 ($0.000 < 0.05$) and the calculated F-value (72.486) is greater than the table F-value (3.04); therefore, it can be concluded that Hypothesis 3 is accepted, namely that digital payments and financial technology simultaneously have a significant effect on the financial performance of MSMEs in Yogyakarta.

DISCUSSION

The Impact Of Digital Payments On The Financial Performance Of Msmes (H₁)

The results of the first hypothesis test indicate that digital payments have a positive and significant effect on the financial performance of msme in yogyakarta. The regression results show a coefficient of 0.341 with a significance level of 0.000 (< 0.05), which means that the higher the level of digital payment usage, the higher the financial performance of msme.

These findings indicate that the use of QRIS, e-wallets, ease of transactions, speed of payment, transaction security, and ease of transaction recording can improve a business's operational effectiveness. Digital payments enable transactions to take place more quickly, reduce the costs associated with handling cash, and improve the accuracy of financial records. These factors ultimately contribute to increased sales, operational cost efficiency, and business profitability. The results of this study support the Resource-Based View (RBV) theory, which states that digital technology is a strategic resource that can create a competitive advantage when utilised effectively within business processes. The use of digital payments serves not only as a transactional tool but also as a digital capability that supports improved organisational performance. The findings of this study are consistent with the research by Zakariya & Arifin (2025), which concluded that the implementation of QRIS and e-wallets can improve transaction efficiency, the quality of financial record-keeping, customer loyalty, and access to finance for msme. This research confirms that digital payments are a key factor in enhancing the competitiveness and performance of msme.

The results of this study are also consistent with the research by Rahmawaty et al., (2025), which found that the adoption of QRIS and e-wallets has a positive effect on transaction efficiency and the profitability of msme. The use of digital payment systems enables msme to speed up customer service and increase business transaction volumes. Furthermore, research on the use of QRIS among msme in Indonesia indicates that the implementation of QRIS has a

significant impact on business performance, both from financial and non-financial perspectives. Increased ease of transactions and expanded market access are the main factors explaining this relationship (Rahmawaty et al., 2025). Consequently, the results of this study reinforce various previous empirical findings which state that digital payments are a key instrument in improving the financial performance of msme through increased transaction efficiency, easier financial management, and market expansion.

The Impact of Financial Technology on the Financial Performance of MSMEs (H₂)

The results of the second hypothesis test show that Financial Technology has a positive and significant effect on the financial performance of msme in Yogyakarta. The regression coefficient of 0.427, with a significance level of 0.000 (< 0.05), indicates that increased use of fintech services will improve the financial performance of msme.

These results indicate that ease of access to digital financial services, ease of obtaining digital financing, efficiency in business financial management, and ease of monitoring transactions and cash flow make a tangible contribution to improving the financial performance of msme. The fact that the coefficient for financial technology is higher than that for digital payments suggests that fintech plays a more dominant role in improving the financial performance of msme. This can be explained by the fact that the benefits of fintech are not limited to the payment process but also encompass access to business capital, cash flow management, transaction monitoring, and more effective financial planning.

These findings are consistent with the research by Candraningrat et al. (2021b), which found that financial technology contributes to the development of msme by improving access to finance and operational efficiency. Fintech enables business owners to access financial services that were previously difficult to obtain through the conventional financial system.

The study found that the use of financial technology has a significant impact on the performance of msme as it improves access to financial services, strengthens financial inclusion, and supports sustainable business development. This is also consistent with the research by Putri et al. (2024), which showed that the adoption of fintech improves operational efficiency, broadens access to funding, and has a positive impact on the financial performance of msme across various business sectors. Research by Wasiah & Sartika (2025) shows that fintech has a positive impact on the financial performance of msme, with ease of payment transactions being one of the mechanisms that strengthen this relationship. Furthermore, Husnayetti et al. (2024b) explain that fintech plays a key role in improving the quality of financial management in msme through transaction monitoring and more effective cash flow control.

Consequently, the findings of this study further strengthen the empirical evidence that financial technology is a key factor capable of improving the financial performance of msme through enhanced access to finance, greater efficiency in business management, and improved financial decision-making capabilities.

The Simultaneous Impact of Digital Payments and Financial Technology on the Financial Performance of msme (H₃)

The results of the third hypothesis test indicate that Digital Payments and Financial Technology have a simultaneous, positive, and significant effect on the financial performance of msme in Yogyakarta. The F-test results show a calculated F-value of 72.486 with a significance level of 0.000 (< 0.05), which means that both variables together are able to explain changes in the financial performance of msme. The Adjusted R² value of 0.418 indicates that 41.8% of the variation in the financial performance of msme can be explained by Digital Payments and Financial Technology, whilst the remainder is influenced by other factors such as financial literacy, business innovation, marketing strategies, product quality and managerial capabilities. These findings suggest that digital financial transformation cannot be separated into the aspects of digital payments and fintech services. Digital payments play a role in improving transaction

efficiency and the quality of customer service, whilst fintech plays a role in expanding financial access and enhancing businesses' financial management capabilities.

The findings of this study are consistent with the research of Ummasyroh et al., (2024b) which explains that digital transformation through the implementation of QRIS can accelerate the development of msme and enhance business competitiveness. Meanwhile, recent research on fintech adoption amongst msme indicates that a combination of digital financial services can improve business performance through enhanced operational efficiency, access to funding, and better financial information management (Rohaeni et al., 2026). Overall, the findings of this study reinforce the view that financial digitalisation is a key strategy for improving the financial performance of msme. The higher the level of adoption of digital payments and financial technology, the greater the opportunities for msme to improve their productivity, profitability, and business sustainability in the digital economy.

CONCLUSION

Based on the results of a study of 200 MSME operators in the Special Region of Yogyakarta, it can be concluded that digital payments and financial technology have been shown to have a positive and significant impact on the financial performance of MSMEs. Digital payments measured in terms of the use of QRIS, the use of e-wallets, ease of transactions, transaction speed, transaction security, and ease of transaction recording, are capable of improving operational efficiency and supporting increased sales and business profitability. Meanwhile, Financial Technology, measured by the ease of access to digital financial services, the ease of obtaining digital financing, the efficiency of business financial management, and the ease of monitoring transactions and cash flow, contributes more significantly to the improvement in the financial performance of MSMEs. The results of the regression analysis show that Financial Technology has a more dominant influence compared to Digital Payments, indicating that access to financing and digital financial management are key factors in supporting business growth. Taken together, these two variables account for 41.8% of the variation in the financial performance of MSMEs; it can therefore be concluded that digital financial transformation through the use of digital payments and fintech services is an effective strategy for enhancing the competitiveness, efficiency and sustainability of MSMEs in Yogyakarta in the digital economy era.

LIMITATION

This study has several limitations that need to be taken into account when interpreting the findings. Firstly, the study was conducted only on MSMEs located in the Special Region of Yogyakarta; therefore, the findings cannot yet be broadly generalised to all MSMEs in Indonesia, which have different characteristics, levels of digitalisation, and economic conditions. Secondly, the study employed a cross-sectional approach, whereby data collection took place at a single point in time; consequently, it is not yet able to illustrate changes in the behaviour regarding the use of digital payments and financial technology, nor their impact on the long-term financial performance of MSMEs. Thirdly, the research data were obtained via a questionnaire based on respondents' perceptions (self-reported data), meaning there remains a possibility of subjective bias, particularly when assessing the level of a business's financial performance. Fourthly, the research model only includes two independent variables, Digital Payments and Financial Technology, which account for 41.8% of the variation in MSME financial performance; consequently, there are other factors outside the model that may potentially influence financial performance, such as digital financial literacy, digital capabilities, business innovation, entrepreneurial orientation, digital marketing strategies, and financial inclusion.

Fifthly, the study has not distinguished the characteristics of MSMEs by business sector, business scale, or length of operation; consequently, there may be differences in the impact of

digital payments and financial technology on each group of MSMEs that cannot be explained in depth in this study. Therefore, it is recommended that future research expand the geographical scope of the study, employ a longitudinal design, include more comprehensive variables, and conduct comparative analyses across business sectors to gain a deeper understanding of the factors influencing the financial performance of MSMEs in the digital age.

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