

Financial Technology and MSME Performance: The Role of Financial Literacy and Digital Readiness in the Value Creation Process

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Abstract

Context: Financial Technology (FinTech) offers Micro, Small, and Medium Enterprises (MSMEs) opportunities to accelerate transactions, expand access to financing, improve cash management, and increase market access. However, the adoption of this technology does not always lead to improved performance. **Research Gap:** Previous studies have primarily examined the direct relationship between FinTech, financial literacy, digital readiness, and performance using survey methods. A limitation is the lack of clarity regarding the processes that cause the same technology to yield different performance outcomes. **Objective:** This study aims to explain how FinTech, financial literacy, and digital readiness interact in driving changes in MSME performance and to identify the conditions that lead to the successful or failed creation of business value through the use of FinTech. **Method:** An explanatory multiple-case study was conducted on eight MSMEs in West Java. Data were collected through in-depth interviews, observations, financial statements, digital transaction data, marketplace dashboards, and internal documents. Analysis was conducted using within-case analysis, process tracing, pattern matching, and cross-case synthesis. **Key Findings:** (1) FinTech improves performance only when integrated into financial routines; (2) financial literacy transforms digital data into higher-quality decisions; (3) digital readiness determines SMEs' ability to assimilate FinTech; (4) high technology usage may fail to improve performance when data is not integrated, and decisions remain intuition-based. **Contributions:** This article distinguishes between the adoption and assimilation of FinTech, positioning financial literacy as an interpretive capability and digital readiness as an enabling condition. **Implications:** SME digitization programs need to integrate technological, financial, organizational, and risk aspects, rather than merely promoting the use of applications.

Keywords: Financial Technology; Financial Literacy; Digital Readiness; SME Performance; Value Creation; Multiple Case Studies

Introduction

Advances in digital technology have fundamentally transformed the landscape of Micro, Small, and Medium Enterprises (MSMEs). The emergence of digital payments, mobile banking, peer-to-peer lending, digital credit, crowdfunding, point-of-sale applications, and various platform-based financial services has opened up new opportunities for MSMEs to transform (Martínez-Peláez et al., 2023). Financial Technology (FinTech) offers the ability to reduce transaction times, expand payment options, improve access to financing, generate documented transaction records, and provide data that can be used in business decision-making (Anatan & Nur, 2023).

However, the use of FinTech applications does not automatically indicate that an SME possesses adequate digital capabilities. Digitalization offers opportunities to improve SMEs' productivity, innovation, market access, and competitiveness (Cueto et al., 2022). Nevertheless, SMEs still face constraints related to

resources, digital capabilities, digital security, and access to finance. The Organization for Economic Cooperation and Development (OECD) notes that SMEs are increasingly using FinTech. However, barriers related to digital skills, security, and financing still hinder the full utilization of digital technology (Lukonga, 2020).

In this context, it is important to distinguish three levels of technology utilization. First, access to technology, which refers to the availability of devices and connectivity. Second, technology adoption, which refers to the use of digital applications or services. Third, value creation, which refers to the ability of technology to bring about tangible changes in decision-making and performance (Kallmuenzer et al., 2024). This study focuses on the third level—specifically, how FinTech, financial literacy, and digital readiness interact in the value creation process for MSMEs.

The central issue underlying this study is the disparity between increased access to technology and MSMEs' ability to benefit from it. Some MSMEs have already adopted the Indonesian Standard Quick Response Code (QRIS), digital wallets, mobile banking, digital loans, and marketplaces. However, this adoption is not necessarily accompanied by the separation of personal and business finances, cash flow planning, accurate cost calculations, debt burden assessment, accounts receivable management, margin analysis, utilization of transaction data, and evaluation of digital platform costs (Susanti et al., 2023; Rosyidiana & Narsa, 2024).

This issue can be described as the FinTech utilization gap—the disparity between the use of FinTech services and the ability to leverage them to improve decision-making quality and performance. Data from the Financial Services Authority (OJK) and the Central Statistics Agency (BPS) for 2024 indicate a national financial literacy index of 65.43%, while the financial inclusion index stands at 75.02%. This disparity indicates that access to or use of financial services exceeds the public's level of financial understanding, skills, attitudes, and behavior (Utami, 2023). Although this data does not specifically represent all MSME actors, the discrepancy between literacy and inclusion is relevant as an indication that the use of financial products is not always accompanied by an equivalent ability to evaluate and manage them.

The empirical contradiction is: why do some MSMEs experience growth through FinTech, while others face high transaction costs, platform dependency, digital debt, or stagnant performance? This question requires an in-depth explanation of the mechanisms linking technology adoption to business outcomes (Kurniasari et al., 2025; Aminullah et al., 2022).

Conceptual gaps. FinTech, financial literacy, and digital readiness have often been treated as three separate variables in prior research. In reality, the benefits of FinTech may not stem from the technology itself, but from the interaction between technology, owner knowledge, infrastructure, human resources, and organizational routines (Kurniawati et al., 2021). Financial literacy helps business owners understand costs, risks, financing, cash flow, and the implications of using FinTech services. Digital readiness determines whether technology can be integrated into business processes. Therefore, the relationship among these three is best understood as a mutually complementary configuration (Loo et al., 2023).

Mechanism gap. Some studies show a positive relationship between digitalization and performance but have not yet explained the stages that link technology to business outcomes. Research by Bank Indonesia shows a positive correlation between digital adoption and sales growth. However, these findings still leave room for explaining how such adoption translates into organizational performance (Kadiyono & Sulistiobudi, 2024). Mechanisms such as changes in routines, improved decision-making quality, and operational efficiency are still rarely explored explicitly.

Methodological gaps. Cross-sectional surveys have dominated previous research. Surveys can demonstrate relationships between variables but are limited in explaining the sequence of technology adoption, changes in business routines, owners' learning processes, conflicts during implementation, adoption failures, and differences in outcomes among businesses using similar technologies (Sagala & Ōri, 2024). Multiple case studies can uncover these mechanisms through process reconstruction and case comparisons (Nugraheni et al., 2025).

Contextual gaps. Technology adoption models often emphasize perceptions of ease of use and the benefits of technology. In the context of SMEs in developing countries, adoption outcomes are also determined by resource constraints, informal management practices, owner dominance, connectivity quality, access to financing, and ecosystem support (Harsanto et al., 2024; Desmaryani et al., 2024). Therefore, research is needed that can capture the complexity of the SME context in Indonesia.

The primary objective of this study is to explain how Financial Technology, financial literacy, and digital readiness interact in drive changes in SME performance, and to identify the conditions that lead to the successful or unsuccessful use of FinTech in creating business value. Specifically, this study aims to: (1) identify the forms and levels of FinTech adoption by SMEs; (2) explain how financial literacy shapes decisions regarding FinTech adoption; (3) analyze the role of digital readiness in the FinTech integration process; (4) trace the mechanisms of change from technology adoption to performance; (5) compare patterns among high- and low-performing MSMEs; and (6) develop a typology of digital value creation among MSMEs.

The main research question is: How do Financial Technology, financial literacy, and digital readiness interact to improve MSME performance? Supporting questions include: (1) How do MSMEs adopt and utilize Financial Technology in their business activities? (2) How does financial literacy influence how MSMEs select and use FinTech services? (3) How does digital readiness support or hinder FinTech integration? (4) Through what process does the use of FinTech lead to changes in performance? (5) Why do MSMEs with relatively similar levels of FinTech usage achieve different performance levels? (6) What conditions cause the use of FinTech to fail to deliver value?

The conceptual contribution of this study is the integration of FinTech, financial literacy, and digital readiness into a value-creation framework. Its theoretical contribution is to explain that the value of FinTech depends on an organization's ability to integrate, interpret, and use technology—not merely on adoption itself. Its methodological contribution lies in the use of contrasting case studies and process tracing to uncover causal mechanisms. Its empirical contribution is to provide an in-depth explanation of Indonesian SMEs' experiences in utilizing FinTech. Its practical contribution is to provide a foundation for developing digitalization programs that focus not only on the number of technology users but also on the quality of utilization and value creation (Sá et al., 2021; Lutfi et al., 2022).

Financial Technology is defined as the use of digital technology to provide, access, and manage financial services (Menne et al., 2023). In the context of MSMEs, FinTech can include digital payments, mobile banking, e-wallets, QRIS, peer-to-peer lending, crowdfunding, digital credit, invoice financing, payment recording technology, cash management technology, and financial service aggregators (Patria et al., 2023). An analysis of FinTech adoption should not merely measure whether the technology is used. FinTech adoption must be assessed in terms of usage intensity, service diversity, integration with business processes, the quality of data generated, cost-reduction capabilities, contribution to decision-making, risk management, and the sustainability of usage (Rofiqoh, 2023). Recent literature indicates that FinTech adoption can improve operational efficiency, cash flow, financial inclusion, and sustainable performance (Agustian et al., 2023). However, its impact may occur through other mechanisms, such as competitive advantage, and depends on the technological environment (Karim et al., 2023). This suggests that the relationship between FinTech and performance should not be assumed to be always direct.

Financial literacy is the ability of SME owners or managers to understand financial concepts, evaluate options, manage risk, and make decisions that support business sustainability (Antoni et al., 2024). The dimensions of financial literacy include financial knowledge, financial skills, financial attitudes, financial behavior, confidence in decision-making, and the ability to evaluate digital financial products (Adeosun et al., 2021). The OJK uses the dimensions of knowledge, skills, confidence, attitudes, and behavior in measure national financial literacy (Zahwa et al., 2025).

In this study, financial literacy is not treated merely as knowledge about interest rates or investments. Financial literacy must be observed in concrete actions, such as separating business and personal funds,

budgeting, cash flow management, evaluating loans, comparing FinTech service fees, assessing security risks, using data for pricing decisions, and controlling costs and debt (Hasbolah et al., 2021). Financial literacy has the potential to function as an interpretive capability—that is, the ability to transform digital financial data and information into meaningful business decisions (Pranajaya et al., 2024). Business owners who use FinTech but have limited financial literacy may only benefit from the convenience of transactions. Conversely, business owners with adequate financial literacy can use transaction data to evaluate margins, control costs, plan financing, and optimize resource allocation (Ye et al., 2020).

Digital readiness refers to the initial capacity of SMEs to adopt, integrate, and sustainably leverage digital technologies (Harsanto et al., 2024). Digital readiness encompasses technological infrastructure, internet connectivity, hardware and software, owners' digital competencies, employees' digital competencies, management support, business process readiness, a culture of learning, digital security, the ability to manage change, and the availability of financial resources (Alexandro, 2025).

Digital readiness differs from digital adoption. SMEs can use specific applications without possessing adequate organizational readiness. Such conditions can lead to sporadic use, reliance on a single employee, data loss, employee resistance, and integration failures (Prihandono et al., 2024). The OECD emphasizes that SMEs still face barriers related in digital skills gaps, digital security, and access to financing, even as the benefits of digitalization are increasingly recognized (Akpe et al., 2023). Within the research framework, digital readiness is positioned as an enabling condition. This means that digital readiness enables FinTech to be used more widely and in an integrated manner, but does not guarantee that its use will result in sound decisions (Sagala & Ōri, 2024).

MSME performance needs to be measured multidimensionally. Financial performance includes sales growth, profit and margins, cash flow, cost efficiency, inventory turnover, ability to pay obligations, and access to financing (Rachmatika, 2023). Operational performance includes transaction speed, recording efficiency, error reduction, reconciliation speed, inventory control, and labor productivity (Fernandes et al., 2020). Market performance includes customer growth, customer retention, market reach, digital transaction volume, and the ability to enter new markets (Judijanto et al., 2023). Strategic performance includes decision-making quality, adaptability, resilience to disruptions, innovation design capabilities, and reduced reliance on a single channel (Kahveci, 2025).

Performance must be compared between conditions before and after the use of FinTech or changes in digital routines. Performance claims should not be based solely on statements such as “the business is growing,” but must be supported by documents, transactions, sales reports, expense reports, or other objective evidence (Ardiansyah et al., 2023).

The main theories used in this study are the Resource-Based View (RBV) combined with Dynamic Capabilities Theory (Ulupui et al., 2025). RBV is used to explain that FinTech, financial knowledge, digital tools, data, and employee competencies constitute resources. However, possessing these resources does not necessarily lead to a competitive advantage (Lukonga, 2020). Dynamic Capabilities Theory explains the process of resource utilization through sensing (identifying opportunities and problems through transaction data, cash flow, customer behavior, and financing information), seizing (selecting FinTech services, allocating funds, choosing market opportunities, or making financing decisions), and reconfiguring (modifying payment processes, record-keeping, marketing, cash management, inventory, or business models) (Etim et al., 2023).

The Technology Acceptance Model (TAM) or the Unified Theory of Acceptance and Use of Technology (UTAUT) can serve as supporting literature for explaining technology acceptance. However, they are not recommended as the primary theory, as this study focuses on the value-creation process following technology adoption (Isharyani et al., 2023).

The conceptual framework of this study illustrates the interactive relationships among digital readiness, the adoption of Financial Technology, financial literacy, changes in business routines and decisions, and MSME performance. Digital readiness (infrastructure, competencies, culture, and security) influences the

adoption of FinTech (payments, financing, data, and financial services). Furthermore, financial literacy (evaluation, interpretation, and decision-making) moderates the relationship between FinTech adoption and changes in business routines. Changes in business routines and decisions subsequently impact SME performance. These relationships are interactive, not entirely linear. Financial literacy can also influence technology selection, while experience using FinTech can enhance financial knowledge and skills (Supatminingsih et al., 2025).

In this case study, the initial propositions serve as a guide for analysis, not as statistical hypotheses. The research propositions are: (1) Financial Technology improves MSME performance when digital services are integrated into financial and operational management routines. (2) Financial literacy determines the ability of MSME owners to interpret and use information generated by FinTech. (3) Digital readiness strengthens the ability of MSMEs to assimilate Financial Technology into business processes. (4) A high level of FinTech usage does not result in optimal performance when financial literacy and digital readiness are low. (5) The best performance is observed in MSMEs that have a balanced configuration of FinTech utilization, financial literacy, and digital readiness. (6) An imbalance among these three capabilities results in different patterns of benefits and risks (Julianti et al., 2023; Lei et al., 2023).

Method

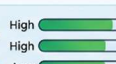
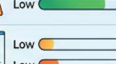
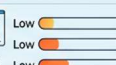
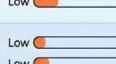
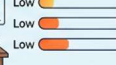
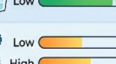
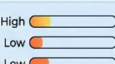
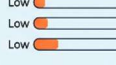
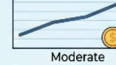
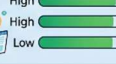
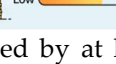
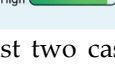
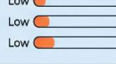
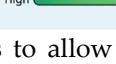
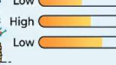
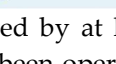
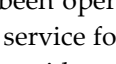
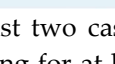
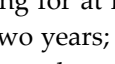
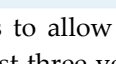
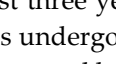
The research employs a qualitative approach, using explanatory multiple-case studies. This approach was chosen because the study's objective is not to measure the magnitude of statistical effects, but to explain how FinTech is used, how decisions are made, how digital readiness is built, how business routines change, why performance outcomes vary, and how failures in adoption occur (Chonsawat & Sopadang, 2020). Each MSME was treated as a single case. The embedded units included the owner, financial manager, employees, technology used, financial decisions, and performance indicators.

The study was conducted among SMEs in West Java Province, Indonesia. The selection of this location was based on the consideration that West Java is one of the provinces with the highest concentration of SMEs in Indonesia and exhibits a diverse level of digital penetration (Dao et al., 2023). The study was limited to a single province so that the regulatory context, infrastructure, and institutional support would be relatively comparable. The sectors involved include food and beverages, fashion, trade, handicrafts, and services.

The case selection techniques used were theoretical sampling and maximum variation sampling. The recommended number of cases is eight to ten MSMEs. The case matrix was designed to capture variation based on FinTech adoption, financial literacy, digital readiness, and performance.

Results and Discussion

TABLE 1. CASE SELECTION MATRIX: DIGITAL BUSINESS ADOPTION ARCHETYPES
CATEGORIZING CASES BY FINTECH UTILIZATION, FINANCIAL LITERACY, DIGITAL READINESS, AND PERFORMANCE

CASE GROUP	FINTECH UTILIZATION	FINANCIAL LITERACY	DIGITAL READINESS	PERFORMANCE
 DIGITAL TRANSFORMER High energy	 High  Green  Green	 High  Low  Low	 High  High  Low	 High
 TRANSACTIONAL USER Medium-high activity	 High  High  Low	 High  Low  Low	 High  High  Low	 Low/Stagnant
 CONSERVATIVE MANAGER High knowledge, low adoption	 Low  Low  Low	 High  High  Low	 Low  Low  Low	 Moderate
 VULNERABLE ADOPTER High use, no foundation	 High  High  Low	 High  Low  Low	 Low  Low  Low	 Unstable
 ADAPTIVE USER Smart foundation, selective adoption	 Low  High  Low	 High  High  High	 High  High  High	 High

Ideally, each category should be represented by at least two cases to allow for theoretical replication. Inclusion criteria include: the business has been operating for at least three years; falls under the MSME classification; has used at least one FinTech service for two years; has undergone digital process changes; has verifiable transaction data; is willing to provide access to documents; and has internal informants other than the owner.

The number of informants in this study was 28, consisting of MSME owners or managers (8 people), finance or administrative staff (8 people), operational staff (6 people), MSME advisors (2 people), FinTech service providers (2 people), and representatives from associations or local governments (2 people). Each case involved at least two internal informants to ensure that information did not come solely from the owner's perspective.

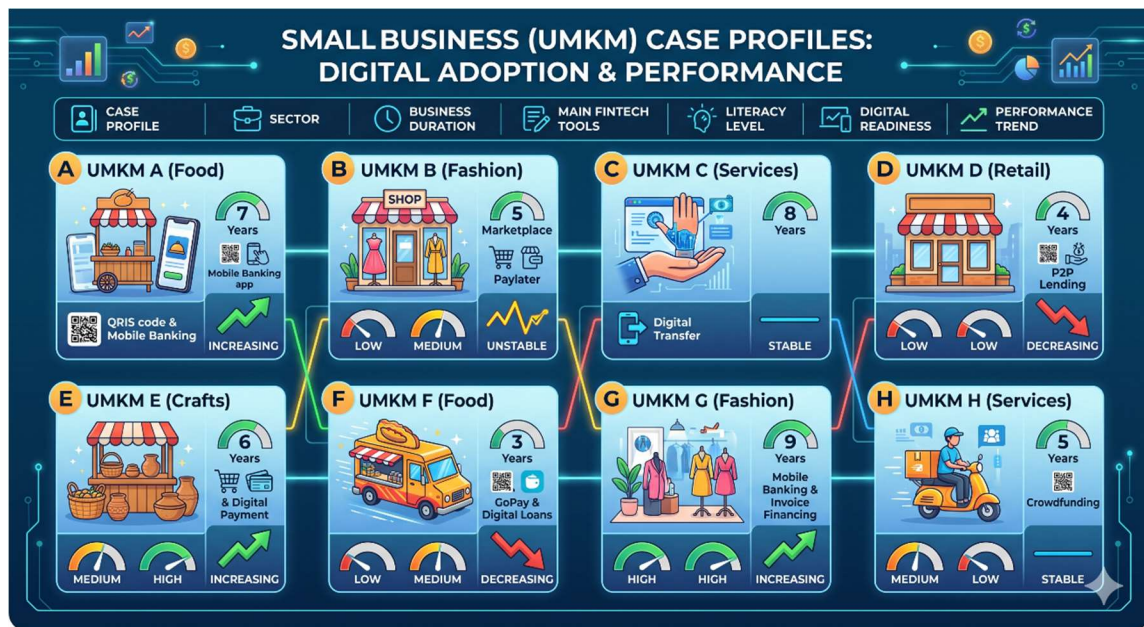
Data were collected through semi-structured interviews, observations of payment and record-keeping processes, sales reports, simple profit-and-loss statements, account statements, QRIS transaction histories, marketplace dashboards, digital loan data, platform fee receipts, training documents, app screenshots, work procedures, and records of business process changes. Interviews focused on specific events, covering when the technology was first adopted, what issues drove its adoption, who selected the technology, what information was obtained, which decisions changed, how employees adapted, what outcomes emerged, whether there were new costs or risks, and what happened when the technology failed. Performance data was collected for the periods before and after the digital transformation, where available.

Data analysis is conducted through several procedures. First, the creation of a case chronology to identify pre-adoption conditions, the decision to use FinTech, the implementation process, lessons learned, changes in routines, and performance outcomes. Second, an in-depth within-case analysis for each MSME to identify relationships between digital readiness, financial literacy, FinTech utilization, and business outcomes. Third, thematic coding with initial codes covering technology access, competencies, resistance, transaction data, decisions, risks, costs, financing, process changes, and performance. Fourth, process tracing to trace evidence that FinTech adoption actually precedes changes in decision-making and that changes in decision-making precede changes in performance. Fifth, pattern matching to compare empirical patterns with research propositions. Sixth, cross-case synthesis to compare high-performing, stagnant, and declining cases. Seventh, rival explanation analysis to test alternative explanations such as additional capital, market growth, government assistance, location changes, owner experience, or changes in raw material prices (Kusumaningtyas et al., 2022).

The validity of the research is strengthened through source triangulation, methodological triangulation, member checking, an audit trail, peer debriefing, negative case analysis, the use of objective documents, a

chain of evidence, a case study database, and documentation of analytical decisions. NVivo was used to organize data and perform coding; however, the software is not an analytical method and cannot replace the researcher's interpretation (Kurniasari et al., 2023).

This study involved eight MSMEs with diverse characteristics. Table 2 presents a brief profile of each case.



Case variations show that the combination of FinTech utilization, financial literacy, and digital readiness results in different performance patterns. MSMEs A and G showed consistent performance improvements, while MSMEs D and F experienced declines despite using various FinTech services.

The findings indicate that FinTech adoption occurs in several stages. The first stage is adoption driven by customer pressure, in which MSMEs begin using QRIS or digital wallets in response to consumer demand. The second stage is for payment convenience, where MSMEs use FinTech to speed up transactions without significant changes to their business processes. The third stage is used for record-keeping and control, where transaction data begins to be used to monitor sales and cash flow. The fourth stage is integration with decision-making, where information from FinTech is used to evaluate margins, manage inventory, and plan financing. The fifth stage is strategic utilization for growth, where FinTech becomes an integral part of the business model and expansion strategy (Loo et al., 2023).

Some SMEs stop at the transactional stage. SMEs B and F, for example, use marketplaces and pay-later services intensively but do not utilize the data for decision-making. In contrast, SMEs A and G have reached the integration and strategic stages. The distinction between FinTech adoption and FinTech assimilation is a key finding. Adoption means the technology is being used, whereas assimilation means the technology has become part of the organization's routines and decision-making processes (Kadiyono & Sulistiobudi, 2024).

The findings indicate that financial literacy serves as an interpretive capability that transforms digital data into business decisions. Owners with high financial literacy can calculate digital transaction costs, compare interest rates and loan fees, use sales data to estimate cash flow, control expenses based on digital reports, assess whether increased revenue is followed by increased profit, use digital loans for productive assets, and separate business funds from personal funds (Nugraheni et al., 2025).

A contrasting case is seen in SMEs A and B—both use marketplaces. SME A routinely evaluates commissions, advertising costs, margins, and product return rates. The owner of SME A states, “I always calculate platform costs and compare them to my margin. If it is not profitable, I reevaluate the product or its price.” In contrast, SME B only looks at gross revenue without factoring in costs. As a result, despite high sales volume, SME B’s net profit actually declined due to uncontrolled platform fees and discounts (Desmaryani et al., 2024).

The findings identified the digital readiness factors most critical to the success of FinTech integration. These factors include the owner’s digital competence, employees’ digital skills, the quality of internet connectivity, adequate devices, integration between applications, data security, the owner’s support for change, an organizational learning culture, clear division of responsibilities, and the availability of a budget for technology (Sá et al., 2021).

The study found that digital readiness is not merely a technological issue. Many failures actually stem from organizational aspects. MSME D, for example, had good devices and an internet connection, but lacked standardized record-keeping procedures; employees were not trained; passwords were shared; data was not backed up; and the entire system depended on the owner. When the owner was ill for two weeks, digital transactions halted, and sales data was not recorded properly. This demonstrates that digital readiness encompasses structural, human, and process aspects (Lutfi et al., 2022).

The core value-creation mechanisms identified are as follows: digital readiness enables FinTech integration, which in turn, enhances transactional and financial visibility. The resulting data is interpreted in terms of financial literacy, leading to changes in decision-making. Changes in decision-making subsequently alter business processes and ultimately improve performance (Menne et al., 2023).

Example of a process at SME A: QRIS improves the traceability of daily transactions. Transaction data is used to identify peak sales hours. The owner adjusts production volumes and staffing levels during peak hours. Waste is reduced, and margins increase. Another example from SME G: marketplace reports highlight products with high sales revenue. Cost analysis reveals that these products have low margins due to high raw material costs. The owner changes the product mix or raises prices. Profits increase even though sales volume does not change drastically (Patria et al., 2023).

The main finding of this study is a typology of SMEs based on their digital-financial configuration. This typology consists of five groups.

Digital-financial transformers (MSMEs A and G) possess strong digital readiness, financial literacy, and FinTech adoption. Technology is integrated into decision-making and yields consistent performance. They actively use data for planning and evaluation.

Transactional FinTech users (MSMEs B and F) make intensive use of digital payments but do not leverage data for planning. Their primary benefit is simply the ease of transactions. Performance tends to be stagnant or unstable due to uncontrolled platform costs.

Vulnerable digital adopters (MSMEs D and H) use many digital services, including loans, but have low risk management capabilities. Revenue may increase while cost burdens and debt also rise. MSMEs D experience a decline in performance due to ballooning digital debt.

Conservative financial managers (SMEs C) have good financial literacy but low digital readiness. Performance is relatively stable, but opportunities for digital growth are not fully leveraged. SMEs C use only basic digital transfers, without using data or digital financing.

Selective adaptive users (SMEs E) do not use many apps but choose technologies that suit their needs. With strong financial literacy and discipline, SME E achieves high performance through a simple yet integrated digital system.

This typology is a key finding of the article because it demonstrates that technology is not the sole determinant of performance. The interplay between FinTech, financial literacy, and digital readiness determines the outcome (Rofiqoh, 2023).

The findings also identify the negative aspects of FinTech use. Some unintended consequences include excessive digital debt resulting from easy access to loans without an assessment of repayment capacity; transaction costs that erode profit margins; dependence on a single marketplace platform that changes its commission policies; fraud via fake links; data breaches due to weak passwords; commingling of personal and business accounts; fragmented information due to the use of multiple unintegrated apps; decisions based on revenue rather than profit; delayed fund disbursements; changes in platform algorithms that reduce product visibility; employee resistance to new systems; and reliance on a single individual who controls the entire digital system (Agustian et al., 2023).

This analysis of failures is important to ensure that the article does not become a normative promotion of digitalization but rather provides a realistic picture of the challenges faced by MSMEs (Karim et al., 2023). The main findings of this study confirm that Financial Technology does not, by itself, lead to improved performance simply by being used. Performance improves when digital readiness enables technology integration, while financial literacy translates FinTech data and services into higher-quality decisions. This argument suggests that the relationship between FinTech and performance is conditional and configurative (Antoni et al., 2024).

These findings expand on previous research identifying a positive relationship between digital adoption and sales growth. This study explains that this positive relationship depends on the depth of technology assimilation, not merely on the status of adoption. SMEs B and F have adopted various FinTech solutions, but due to low financial literacy and digital readiness, they have been unable to generate significant value (Adeosun et al., 2021).

FinTech is positioned as a digital resource that provides access, speed, connectivity, information, payment flexibility, and financing opportunities. However, these resources only deliver value when orchestrated with organizational capabilities. These findings reinforce the Resource-Based View by demonstrating that readily available technology does not automatically confer a competitive advantage. Value arises from how technology is selected, integrated, and used (Zahwa et al., 2025). SMEs A and G demonstrate that the value of FinTech lies in its integration into decision-making routines, not merely in its use.

Financial literacy can be positioned as the microfoundation of MSMEs' digital-financial capabilities. Owners are the key actors who select services, interpret data, assess risks, allocate funds, adjust routines, and motivate employees. High financial literacy without digital readiness can result in cautious but underdeveloped management, as seen in SME C. Conversely, digital readiness without financial literacy can lead to rapid but risky technology adoption, as seen in SMEs D and F. These findings highlight the importance of balancing financial and digital competencies (Hasbolah et al., 2021).

Digital readiness should not be narrowly defined as merely owning devices and internet access. Readiness encompasses structure, people, culture, security, processes, and leadership. This study shows that MSMEs with adequate devices are not necessarily ready to integrate FinTech if employees are unable to operate the system, work processes are not standardized, there is no division of responsibilities, owners do not support change, data is not managed, and security is neglected (Pranajaya et al., 2024). These findings are consistent with an OECD report stating that the development of digital skills and security remains a significant barrier to technology adoption by SMEs (Lukonga, 2020).

This article offers four main theoretical contributions. First, it distinguishes between FinTech adoption and FinTech assimilation. Adoption refers to usage, whereas assimilation denotes the integration of technology into routines and decision-making. Second, it defines financial literacy as an interpretive capability that transforms digital data into decisions. Third, it defines digital readiness as an organizational condition that either enables or constrains technology integration. Fourth, it provides a configurational explanation that high performance does not depend on a single factor but on a combination of FinTech, financial literacy, and digital readiness (Ye et al., 2020). This contribution is more valuable than merely demonstrating a positive relationship between variables because it provides an understanding of the mechanisms and conditions underlying that relationship.

The findings of this study have significant practical implications. SME digitization programs must go beyond merely providing QRIS, apps, or technical training. Programs need to include cash flow management, evaluation of FinTech costs, digital security, the use of data for decision-making, debt control, app integration, changes in business routines, and mentoring tailored to the level of readiness (Harsanto et al., 2024).

Policies also need to distinguish among MSMEs that have not yet adopted technology, those that use technology only for transactional purposes, and those that have strategically integrated it. A one-size-fits-all approach will not be effective because each group has different needs and challenges (Alexandro, 2025).

Conclusions

The conclusions of this study confirm that Financial Technology, financial literacy, and digital readiness do not operate independently in improving the performance of MSMEs. FinTech provides services, access, and data. Digital readiness enables the integration of technology into business processes. Financial literacy allows that information to be evaluated and translated into decisions. Performance improves when these three components form a balanced configuration. Conversely, high FinTech adoption does not guarantee performance if financial literacy and internal readiness are low. These findings answer the study's main research question and explain why MSMEs with similar levels of technology adoption can achieve different performance outcomes (Prihandono et al., 2024).

The contributions of this article include: (1) distinguishing between FinTech adoption and assimilation; (2) developing a mechanism for digital value creation that links digital readiness, FinTech, financial literacy, changes in routines, and performance; (3) positioning financial literacy as an interpretive capability that transforms data into decisions; (4) defining digital readiness as an organizational condition that enables technology integration; (5) developing a typology of MSMEs based on digital-financial configurations; and (6) explaining why the same technology yields different performance outcomes across different MSMEs (Akpe et al., 2023).

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