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Fintech as an Innovative Strategy: Sustainable Solutions in the Modern Business Ecosystem

Hanis Hazwani Ahmad[1,*]

[1] Department of Finance, School of Economics, Finance and Banking, Universiti Utara Malaysia, 06010 Bukit Kayu Hitam, Kedah, Malaysia

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ABSTRACT

In the digital era, financial technology (fintech) has emerged as an innovative strategy that can bring sustainable solutions to the modern business ecosystem. This article examines how fintech functions not just as a digital tool, but as a catalyst for sustainable and inclusive financial transformation for small and medium-sized enterprises (SMEs). This study uses a qualitative approach by examining current literature and data to understand the impact of fintech on business effectiveness, especially in terms of sustainability, operational efficiency and resilience in the face of market uncertainty. This study uses systematic literature review (SLR), document analysis and theme-based content analysis by selecting publications between 2019 and 2024. The study findings show that the implementation of fintech can strengthen the financial structure of companies, reduce transaction costs, and open financial access to underserved segments. However, the implementation of fintech also faces challenges in terms of data security, digital literacy and technological inequality. Therefore, collaboration between government, the private sector and technology providers is important in ensuring that the fintech ecosystem develops sustainably and inclusively.

1. Introduction

The development of digital technology has drastically changed the global financial landscape, and the emergence of financial technology (fintech) has been one of the main drivers of this change. Fintech refers to the use of modern technology to deliver financial services in a more efficient, inclusive and affordable way. Applications such as electronic wallets, digital lending, blockchain, robo-advisors and artificial intelligence have revolutionized the way individuals and organizations manage their finances.

In Malaysia, the fintech sector is showing positive developments with various initiatives from the government and policymakers. Bank Negara Malaysia has introduced the Digital Banking Licensing Framework and provided the Fintech Regulatory Sandbox as a testing platform for financial

* *Corresponding author.*
E-mail address: h.hazwani@uum.edu.my

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innovations. Platforms such as Touch 'n Go eWallet, BigPay, Funding Societies and Wahed Invest have become examples of how fintech can be used to expand financial access and empower consumers and small businesses. These developments demonstrate how fintech is not just a global phenomenon but also has a significant impact on the local economy.

The modern business environment is increasingly complex, fast-paced and uncertain due to technological change, global economic crises, and changing consumer behaviour and economic instability. In such an environment, innovation is the cornerstone of an organization's survival and competitiveness. As a result, there is a growing recognition of the need for enterprises to improve their organizational resilience and foster innovation [23]. In this context, enterprises, especially small and medium-sized enterprises (SMEs), face various challenges such as financial constraints, operational inefficiencies, and difficulties in accessing conventional financing. Enterprises also often face significant financing constraints due to high technology input, high human capital input, asset-light characteristics, and lack of effective collateral [14]. Fintech is seen as an innovative solution that can address these issues through a faster, cost-effective, and inclusive digital approach [16,20,40].

Enterprises are now operating in a turbulent business environment where they must continually overcome new challenges to compete and survive [11]. In addition, due to their relatively small size, information asymmetry and limited financing channels, these enterprises often face financing difficulties in the traditional financial system. In a complex economic context that combines inflationary pressures, market volatility, economic uncertainty, rapid technological advances and rapid changes in customer needs [14,33]. Therefore, innovation has become a key strategy for companies to survive and compete in the face of disruptions in terms of external factors such as the birth of new technologies such as AI, changing consumer behavior, environmental issues and global competition [21].

However, the level of fintech adoption and implementation among businesses in Malaysia is still uneven. Despite the increase in the use of e-wallets and alternative financing, there are still constraints in terms of digital literacy, trust in data security, and awareness of the strategic potential of fintech [26,28]. Furthermore, most businesses still do not fully understand how fintech can be used strategically to achieve long-term sustainability and efficiency, beyond simply being a digital transaction tool.

Fintech acts as a catalyst for innovation in business by providing digital solutions that are easy, fast and cheap. For example, the use of cashless payment systems has accelerated transactions and reduced reliance on cash. In addition, alternative financing such as crowdfunding and peer-to-peer lending opens up access to capital for small companies and micro-entrepreneurs, without going through the bureaucratic processes of traditional financial institutions. Fintech not only functions as a technological innovation, but also as a strategic tool that contributes to business and social sustainability. Financial inclusion created through fintech allows low-income groups, micro-entrepreneurs and rural communities to access financial services more easily and quickly. This directly supports the Sustainable Development Goals (SDGs), particularly SDG 8 (inclusive economic growth) and SDG 10 (reduced inequality).

From a business strategy perspective, the use of fintech technologies can reduce operating costs, increase transparency, and help businesses adapt to today's market needs. Technologies such as blockchain offer advantages in terms of security and transaction tracking, while the use of big data allows for more accurate and evidence-based financial decisions. Companies that integrate fintech into their business strategies are seen to be better prepared to face market uncertainty, maximize resources, and promote sustainable and resilient growth.

This study has several theoretical, practical and policy implications. Academically, this study contributes to the development of the literature in the field of digital finance, particularly regarding

the relationship between fintech, innovation and business sustainability of small and medium enterprises (SMEs). It also strengthens the understanding of the success factors of fintech implementation in the context of a developing economy such as Malaysia. Practically, the findings of this study can be used by SME entrepreneurs, digital entrepreneurs and start-ups to formulate strategies for using fintech more effectively and sustainably. This study can also help fintech service providers understand the real needs of business users and improve the digital solutions they offer.
In addition, from a policymaker's perspective, this study can provide strategic guidance in formulating policies and incentives related to the development of an inclusive and comprehensive fintech ecosystem. This includes aspects of digital literacy, user data protection, and technology capacity building at the community and industry levels. This study was conducted to explore how fintech can function as an innovative strategy in creating sustainable solutions to modern business challenges. Emphasis is placed on the impact of fintech use on operational efficiency, business resilience, and financial inclusion, especially in the context of Malaysia's digital economy. The main objective of this study is to identify the role of financial technology (fintech) in supporting business innovation and sustainability in the modern economic ecosystem. This study also aims to identify effective fintech strategies in addressing dynamic and ever-changing business challenges. Therefore, this study is important to fill this knowledge gap by assessing the impact of fintech on business innovation and sustainability.

2. Literature Review

2.1 Definition and Evolution of Fintech

Fintech, or financial technology, refers to the use of innovative technologies such as AI, blockchain, digital payment systems and automation to provide more efficient, inclusive and fast financial services, replacing or improving traditional financial institutions [40]. A systematic review by Surabhi and Kumar [40] examining the 157-year history of fintech records the evolution from early automation such as wire-transfer systems and ATMs in the early 20th century, to the development of digital banking and e-wallets in the internet era, then blockchain and crypto technologies after the 2008 crisis, and now to the era of AI, machine learning (ML) and cloud computing that are strengthening the fintech ecosystem globally.

According to Dao Ha and Nguyen [9] fintech has also experienced three major waves of development: first, the introduction of new service products such as crowdfunding and insurtech, second, the transformation of market structures through open banking and APIs, and third, the increase in collaboration between various parties in the financial ecosystem. This study highlights that fintech not only offers technological innovation but also serves as a transformational strategy that reshapes financial business models with a focus on inclusiveness and user agency.

Meanwhile, a systematic review of the evolution of fintech shows that digital technologies have transformed individual and corporate financial behaviour, driving accessibility, product innovation, data analytics, and market competition for financial services. This approach shows how fintech acts as a key driver of change towards more responsive, personalized, and efficient financial services. The combination of all this shows that fintech has evolved from basic transaction processing systems to intelligent financial platforms that adapt quickly to changing technology, regulations, and consumer demands.

2.2 Fintech-Based Business Models

2.2.1 Payment and utility platforms

Fintech platforms such as e-wallets and digital payment services enable SMEs to receive and process transactions digitally quickly and at low cost. A study of Jordanian small businesses found that fintech enables SMEs to receive and transfer payments, allowing them to receive payments at a much lower cost than would be the case on physical premises. This model typically generates revenue through transaction fees and subscription premiums, in line with fintech business structures that prioritize efficiency and low cost of scale.

2.2.2 P2P lending dan crowdfunding

Fintech based on P2P lending and crowdfunding use data-driven algorithms to automatically assess creditworthiness, without the need for traditional banking processes. Belfit's study of P2P in OECD countries shows that peer-to-peer lending increases access to financing for SMEs. Platforms like these earn revenue from interest rate spreads and intermediary commissions, offering a more flexible and inclusive financing alternative.

2.2.3 Wealthtech, robo-advisor and supply-chain finance

Based on Table 1, wealthtech uses AI and data analytics technologies to automate smart investments, while supply-chain finance integrates value streams along the supply chain. The SLR study by Rabbani *et al.,* [29] shows great potential in P2P lending and crowdfunding, including supply chain finance as drivers of responsible financing. Wealthtech, on the other hand, according to Tomic, Jokanovic & Ivkovic [34] uses robo-advisors to provide automated investment advice based on user data. This model generates revenue through subscriptions and a percentage of assets under management, supporting customized and efficient financial management strategies for SMEs and individuals.

Table 1
Characteristics of Fintech models

Fintech Model	Key Features	Revenue Sources
Payment Platform/Utility	Transaction Charges, Fast Premium	Transaction Fees, Subscription
P2p Lending & Crowdfunding	Credit/Data-Driven Algorithms	Rate Spread, Commission
Supply Chain Finance	Value Chain Integration	Service Fees
Wealthtech / Robo-Advisor	Smart Investment Automation	Subscription, Percentage of Assets

2.2 The Role of Fintech in Supporting SME Business Sustainability

Fintech now functions not just as a financial tool, but as a key engine for SME business sustainability contributing to access to capital, operational efficiency, and environmentally and socially responsible initiatives. According to a systematic review by Kanojia *et al.,* [19] fintech and regulatory technology (RegTech) contribute significantly to the sustainable performance of new firms, including SMEs, especially in emerging markets. They found that fintech strengthens resilience businesses through more effective financial automation, data analytics, and regulatory compliance, all of which support the economic and social sustainability of organizations.

In addition, Roy and Vasa [30] show that the association of fintech with ESG has a positive impact on sustainability practices and environmental reporting. Through a thematic analysis of the

literature, they identify key themes such as green finance, financial inclusion, and ESG reporting enhanced by technologies such as blockchain and AI. The study portrays fintech as a catalyst for comprehensive corporate sustainability strategies.

The concept of fintech sustainability is also evidenced by Bonsu *et al.,* [5] in a publication in the journal Sustainability, which shows that SMEs that use fintech tools such as e-wallets and P2P lending. This not only benefits from rapid access to finance but is also able to adopt sustainable business models. They increase the transparency of cash flows, facilitate the financing of environmentally and ESG-friendly projects, and foster more socially responsible business practices.

Furthermore, a study by Li *et al.,* [22] in the journal Sustainability highlights that fintech helps SMEs move their operations to a circular economy business model. By using digital platforms, SMEs can monitor resource use, reduce waste, and collaborate in a sustainable value chain ecosystem, thereby increasing competitiveness and long-term sustainability.

2.2 Alternative Financing as Complementary Source of Funds

Banking Sector The use of Information and Communication Technology (ICT) in the operations of the business sector in Malaysia, including SMEs, has been increasing in recent times. Startups are also increasingly seizing opportunities, thus being more inclined to adopt and use innovations to capitalize on this new trend (see Figure 1). This development has led to the emergence of the sharing economy and electronic marketplaces (e-markets). The core premise of the sharing economy is the ability to generate economic value by maximizing the use of existing assets and enabling easy and cost-effective access to production resources without the need to own the resources. Meanwhile, e-markets leverage virtual platforms to more efficiently match supply and demand for goods and services, thereby reducing holding costs. The driver for this is the increasing trend towards low-inventory, but more intellectual property-focused businesses.

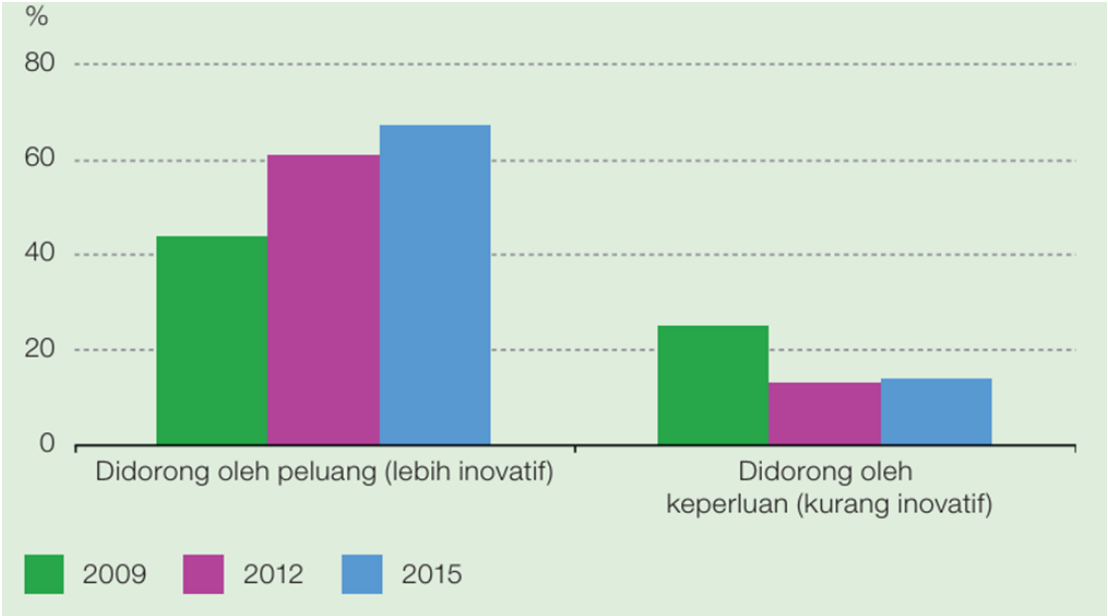

Fig. 1. Business characteristics of startup companies

Such businesses face challenges in accessing bank-based financing, largely due to the characteristics of bank financing that are often ill-suited to financing innovative ventures and those in new growth areas. Bank credit assessment processes still rely too heavily on the collection and

analysis of large amounts of historical and quantitative data. The widespread use of credit score-based models by banks also highlights the cyclical nature of bank lending. Accordingly, businesses in new growth areas face difficulties in obtaining bank financing, especially during economic downturns.

Credit ratings were once supplemented by customer relationship data, which relied on information gathered since the banking relationship was established. This information included knowledge of the borrower's character and integrity, the authority of references, or the borrower's standing in the community. However, relationship-based ratings have become less important as banks have moved towards more centralized systems for credit assessment and decision-making, in line with their increasing size and complexity.

The main feature of lending to lesser-known businesses with limited track records is still collateral, particularly in the form of commercial and residential real estate that banks use as a buffer against credit losses. Such collateral is generally difficult to obtain among new businesses, as noted above. The reliance on collateral also partly reflects the level of reluctance to change within an organization. In this regard, banks have been relatively slow to develop expertise in new growth areas or to adopt new approaches and technologies to manage risk, as can be seen in Figure 2.

Fig. 2. Business characteristics of startup companies

Banks' behaviour is largely due to their duty to protect the interests of depositors. This prevents banks from taking on excessive risks. Even though riskier businesses have been properly screened for creditworthiness, borrowers have a strong incentive to use funds for riskier projects because the profits from the business they undertake will belong to them, while banks and depositors are more exposed to the risk of failure to repay interest and principal if the business fails (SME Report, 2016).

Emerging alternative financing can bridge this gap by opening up new financing opportunities for innovative and early-stage businesses. Examples include crowdfunding and peer-to-peer lending that lower search costs for lenders and borrowers, private equity and venture capital that allow funders to make more aligned risk and return expectations, asset-backed lending structures that take into account the value-generating capacity of the underlying asset, and factoring that allows less creditworthy borrowers to improve cash flow by replacing their credit risk with other, more solid customers.

Alternative finance models are also increasingly leveraging digital platforms, further improving efficiency and potentially addressing the financing gap in the economy. Recent data shows that the use of alternative financing methods has increased, albeit relatively small compared to traditional bank lending (SME Report, 2016). Recently, six registered market operators were licensed by the Securities Commission Malaysia to operate equity-based online crowdfunding platforms. The platforms have raised RM6.2 million in funding to finance start-ups in 10 months. Public awareness of alternative financing channels has also shown an increasing trend (see Figure 3) and businesses

are reportedly increasingly using alternative financing methods (see Figure 4), supported by the growth of non-bank financial intermediation.

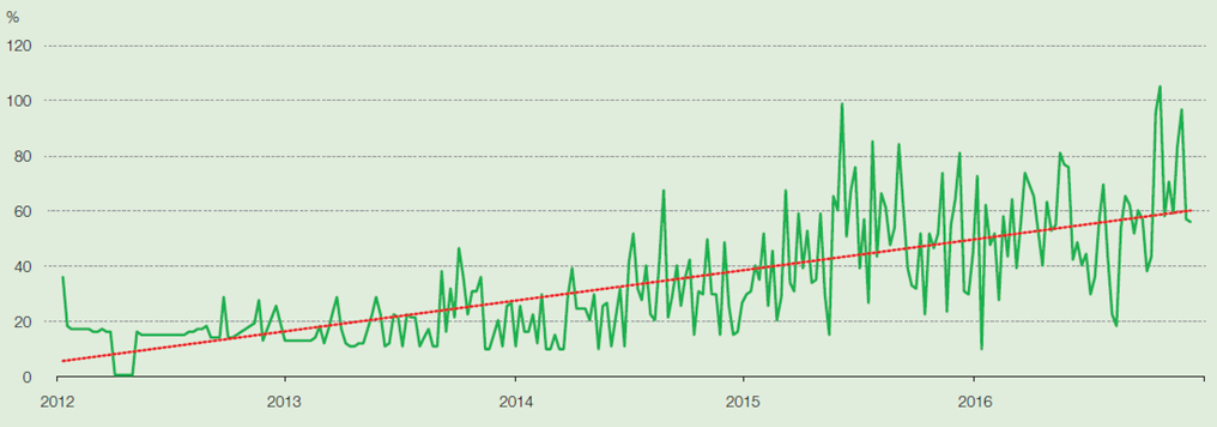

Fig. 3. Google searches for "Crowdfunding" in Malaysia

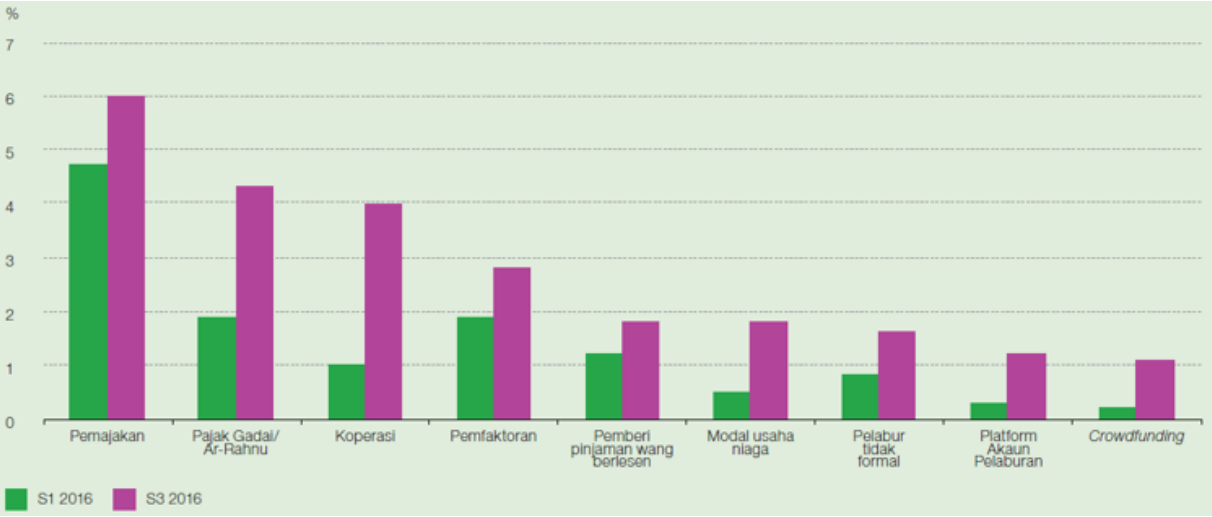

Fig. 4. SMEs reported to use alternative financing

2.2 The Impact of Fintech on Business Competitiveness and Resilience

A study by Nguyen *et al.,* [19] found that the use of fintech platforms improves the operational efficiency of SMEs, especially in accessing alternative financing such as peer-to-peer lending and crowdfunding. The use of fintech reduces loan processing time and improves cash flow efficiency, thus strengthening market competitiveness. A study by Thakor [33] showed that fintech provides business resilience through digital payment innovations and financial automation. During the COVID-19 pandemic, many businesses relied on e-wallet platforms and contactless payment channels to ensure operational continuity.

According to Chen *et al.,* [8] fintech not only enhances the competitiveness but also the resilience of micro-businesses in the face of market uncertainty. Empirical studies in China found that SMEs that integrate fintech recover faster after economic disruptions due to immediate access to capital and better risk management. A study by Karagiannaki *et al.,* [20] found that the level of fintech adoption is positively correlated with long-term competitive performance. Firms that adopt digital payment technologies and data analytics tend to gain a larger market share than traditional competitors. A study by Vives [36] confirms that fintech plays a strategic role in business recovery

after a financial crisis or supply chain disruption. Digital lending models and crowdfunding platforms increase the resilience of working capital which is critical to business continuity.

There is strong evidence from multiple open-access studies that fintech helps SMEs survive during crises (including COVID 19). Fintech also drives SME competitiveness through access to financing, lower operating costs, and innovation. Many of these meta-studies and systematic reviews are supported by quantitative data with valid analytical methods suitable for academic support.

3. Research Methodology

3.1 Systematic Literature Review (SLR)

This study uses a Systematic Literature Review (SLR) approach to collect, evaluate and synthesize existing research findings on the role of financial technology (fintech) in supporting the sustainability of small and medium-sized enterprises (SMEs). The SLR approach was chosen because it provides a systematic, transparent and repeatable framework for identifying certain patterns, gaps and consistency of findings in previous literature.

This study was conducted in three main phases: (i) review planning, (ii) review implementation, and (iii) reporting findings. In the first phase, the research question was determined based on the scope of the topic: “How do fintech applications contribute to the financial sustainability and business operations of SMEs?”. Next, inclusion and exclusion criteria were set. Selected studies must have been published between 2019 and 2024, published in a peer-reviewed journal, directly related to fintech and SMEs, and fully accessible in English or Malay.

The main databases used included Scopus, SpringerLink, ScienceDirect, Google Scholar, and DOAJ, where keywords such as “Fintech”, “SMEs”, “sustainability”, “financial inclusion”, and “digital finance” were used in various combinations. The initial search process yielded a total of 216 articles, and after a process of screening the titles, abstracts, and full text was performed according to the inclusion criteria, 38 articles were selected for in-depth analysis.

The data obtained were analysed using thematic content analysis, guided by the approach of Braun and Clarke [7]. This process involved open coding of key passages in selected articles, followed by clustering into sub-themes and main themes. This allowed the researcher to identify trends, current research focuses, and unexplored gaps in the relevant field.

Through this approach, the study findings can be systematically organized and supported by authentic and relevant scholarly sources. This also allows for the formation of a comprehensive and objective understanding of the impact and potential of fintech in supporting the sustainability of SME businesses.

3.2 Data Collection Techniques (Document Study)

Data was collected through document analysis of journals that study the impact of fintech on SME businesses. Document sources included various journal and article sources including Scopus, SpringerLink, ScienceDirect, Google Scholar, and directory open access journal (DOAJ). All these documents were filtered and coded according to research themes such as product innovation, business models, sustainability practices and marketing strategies to ensure that the information obtained was relevant and of high quality [6].

3.3 Data Analysis Methods

The qualitative data obtained will be analysed using thematic content analysis. In this study, the qualitative data obtained through the literature review will be analysed using thematic content analysis. This method is suitable for identifying, analysing and reporting thematic patterns in text data obtained from secondary sources such as journals and articles. TCA helps organize extensive and unstructured information into meaningful and consistent main themes, thus enabling researchers to understand core issues, theoretical trends and research gaps in the field under study.

According to Braun and Clarke [7] TCA is not only suitable for empirical data such as interviews but is also widely used in systematic reviews and document content analysis. For example, a study by Sanga and Aziakpono [31] used this approach to analyse 95 scholarly articles related to SME financing through fintech. They identified and organized the articles based on themes such as access to financing, regulatory challenges, and the use of digital technologies by SMEs, thus providing a comprehensive picture of the current research landscape in the field.

With the TCA approach, researchers will extract meaningful passages from the text, systematically code them, and group them into sub-themes and main themes based on the frequency and importance of emerging concepts. This allows for more structured critical summaries to be made and based on consistent empirical patterns across the literature. The process described outlines a robust application of thematic content analysis, ideal for synthesizing qualitative findings from literature or documents:

i. Initial Code Identification
   This begins with careful, immersive reading to capture essential keywords and concepts. Terms such as *fintech*, *innovation*, *SME performance*, and *sustainability* are noted and labeled as initial codes. As Braun & Clarke [7] advise, this step sets the foundation for a rigorous, data-driven thematic analysis.

ii. Theme Clustering
   In this phase, related codes are grouped into broader themes such as financial access, operational efficiency, data security challenges, and sustainable business models. This transformation from descriptive labels to analytical themes reveals the underlying patterns across the dataset and aligns with the study's objectives.

iii. Compilation and Interpretation
   The final phase involves mapping these themes against this research objectives on how fintech fosters innovation and sustainability in SMEs. Themes are synthesized into a strategic framework detailing where and how fintech interventions such as mobile lending, digital payments, AI risk analytics to facilitate SME growth, resilience, and environmental responsibility.

Sanga & Aziakpono [31] conducted a systematic literature review employing thematic analysis on 103 studies related to fintech and SME financing. They coded and organized insights under themes like *information asymmetry*, *transaction costs*, and *digital lending models* to reveal how fintech broadens access to finance and accelerates lending cycles demonstrating a clear application of your outlined methodology. This analysis will be strengthened with direct quotations and summaries from selected documents to provide strong empirical evidence. Document triangulation techniques will

also be used by referring to various types of sources such as government, private companies, media to increase the accuracy and reliability of the findings [31].

Table 2
Code and theme table (Thematic Coding Table)

Initial Code	Quote or Phrase from the Main	Theme Document
Instant money transfer via mobile app.	Users can now send money instantly using smartphones.	Access Digital Finance
Reduce operating costs through payment automation.	Automation has saved labour costs by up to 30% for small businesses.	Operational Efficiency
Concerns over customer data security.	We must adhere to high security standards to protect information.	Security and Privacy Issues
Adapt product offerings to user data.	Data analytics allows us to understand customer needs more accurately.	Use of Smart Technology
Offering micro loans to B40 entrepreneurs.	Our platform focuses on access to microfinance for marginalized groups.	Financial Inclusion
Comply with BNM guidelines and Shariah principles.	All our services are subject to Bank Negara Malaysia regulations.	Governance & Compliance

3.4 Thematic Content Analysis Steps

Thematic content analysis in this study followed a systematic, four-phase process to identify meaningful patterns and insights within the reviewed documents. In Phase 1, the process began with comprehensive reading and familiarisation with all selected sources, during which key ideas, phrases, and notable content were observed and recorded. This step allowed the researcher to grasp the overall context and recurring concepts across literature.

In Phase 2, initial coding was conducted. This involved identifying specific keywords, significant sentences, and statements that directly aligned with the study's research objectives. These codes served as basic analytical units that captured relevant aspects of fintech's influence on SMEs. Phase 3 involved organizing these initial codes into broader categories and identifying recurring patterns. These were then grouped into central thematic clusters such as "financial access," "operational efficiency," "technological innovation," and "sustainability." This categorisation helped to streamline the data and provide a clear framework for analysis.

Finally, in Phase 4, the themes were interpreted in relation to the objectives of the study. The analysis explored how each identified theme reflected the strategic use of fintech by SMEs and discussed its potential to enhance business sustainability and resilience. This interpretative phase enabled the drawing of meaningful conclusions about the broader implications of fintech adoption in the SME sector.

4. Findings and Discussion

This study uses a thematic content analysis approach to identify key patterns and themes in the literature related to fintech and SME business sustainability. This section presents the key themes identified from thematic content analysis of selected scholarly literature on the role of fintech in supporting small and medium-sized enterprises (SMEs). Six dominant themes emerged from the coding process: digital financial access, operational efficiency, technological intelligence, data security and privacy, financial inclusion, and governance and compliance. The initial code table supports the following themes:

4.1 Access Digital Finance

Systematic literature including Dao Ha *et al.,* [9] shows that fintech are expanding financial access through "novel services" such as e-wallets, P2P lending and supply chain finance, and removing barriers to conventional financing for SMEs. This proves that instant money transfers via mobile applications increase access to digital finance and make capital more accessible to small enterprises. The initial code “Instant money transfer via mobile app” highlights how fintech tools have enhanced transaction speed and reduced reliance on physical financial infrastructure. SMEs are now able to access and transfer funds seamlessly through mobile platforms. This finding aligns with Dao Ha *et al.,* [9] who conducted a systematic review and concluded that mobile money and digital wallets are crucial in expanding financial access, particularly for underserved businesses in emerging markets.

4.2 Operational Efficiency

In a study by Husnayetti *et al.,* [15] the use of fintech through automation and financial management platforms helps SMEs reduce operating costs and improve the accuracy of financial valuation. This is in line with the theme of the table; payment automation can save up to 30% of labor costs, with fintech increasing operational efficiency. Digital accounting, automated payments, and invoicing systems have reduced dependence on manual labour and increased process accuracy. These benefits align with existing literature on the digital transformation of SMEs, supporting productivity and cost-effectiveness.

4.3 Security and Privacy Issues

Varma *et al.,* [35] in their study using thematic analysis of fintech literature showed security risks and fraud as one of the main themes in the adoption of fintech technologies. Therefore, SMEs' concerns about data security and regulatory compliance such as encryption and security standards are valid based on the current literature. According to Javaheri *et al.,* [16], fintech firms must anticipate and mitigate cyber threats through encryption, regulatory compliance, and digital identity management strategies.

4.4 Use of Smart Technology

The SLR study by Dao Ha *et al.,* [9] also detected themes such as the "advent of novel services" for example, the use of AI and big data to understand customer needs and tailor financial products. This suggests that fintech is empowering SMEs through smart technology, improving customer experience and competitiveness. Data analytics allows us to understand customer needs more accurately demonstrates how fintech enables the use of smart technologies particularly AI and machine learning to generate consumer insights. These technologies empower SMEs to personalize services, forecast demand, and improve financial decision-making.

4.5 Financial Inclusion

This study notes that fintech has driven financial inclusion for underserved communities such as rural entrepreneurs and B40. Varma *et al.,* [35] and Dao Ha *et al.,* [9] emphasize that fintech contributes to financial inclusion through easy and fast platform access. Micro, small, and rural enterprises especially among the low income population can now access microcredit, alternative

scoring systems, and non-collateralised lending. Johri *et al.,* [17] confirm that digital infrastructure, education, and ownership experience significantly improve access to finance for microenterprises in developing economies.

4.6 Governance & Compliance

Although this theme is less explicitly mentioned in the current literature, Varma et al. identify the importance of automation and regulatory compliance in fintech to avoid legal risks and build consumer trust. Issues such as Shariah compliance in Islamic finance contexts, data laws, and licensing frameworks shape the credibility and legal viability of digital financial solutions. A thematic analysis of Malaysian financial law (2017–2022) highlights that fintech providers must obtain formal authorization before launching services, yet face legal ambiguity due to inconsistent regulatory categorizations. The study emphasizes that defining the legal responsibilities between the technical body and the commercial entity is often vague, which may lead to consumer harm during technical failures or fraud [2]. It proposes a regulatory framework specifically for fintech, aimed at clarifying obligations and enabling more trustworthy and responsible innovation.

4.5 Challenges Identified

While fintech's effectiveness in enhancing SME performance and financial inclusion is well-documented, several persistent challenges hinder its universal adoption and impact. One of the most critical barriers is low digital literacy, particularly among older entrepreneurs and rural populations. These user groups often lack the technical skills or confidence required to navigate digital financial platforms. As highlighted by Dao Ha *et al.,* [9], the success of fintech tools is highly dependent on user competence and awareness; where digital capabilities are weak, adoption and effective use decline significantly. This gap in digital knowledge undermines both the perceived value and actual benefits of financial technology.

Another pressing issue is the digital divide not all SMEs, particularly in remote or economically disadvantaged areas, have reliable access to the internet, smartphones, or digital infrastructure. This inequality in access limits the reach of fintech solutions and creates structural exclusions in financial systems designed to be inclusive. Furthermore, data security and privacy remain key concerns for both users and providers. Many SMEs are wary of cyber threats, unauthorized data sharing, and unclear legal protection in case of fraud. According to Javaheri *et al.,* [16] insufficient cybersecurity measures and a lack of standardized protocols across fintech platforms increase vulnerability, especially for smaller businesses with limited IT resources. Addressing these challenges requires targeted policy interventions, improved digital literacy campaigns, and enhanced security standards to ensure that the benefits of fintech are accessible, safe, and equitable for all SME sectors.

4.6 Research Gaps Identified

Despite the positive consensus in the literature regarding the role of fintech in enhancing SME competitiveness and resilience, several critical research gaps remain. Firstly, there is a noticeable lack of longitudinal studies that evaluate the sustained impact of fintech adoption over time. Most existing research relies on cross-sectional data, which limits the understanding of how fintech influences business growth, stability, and innovation across different economic cycles. Additionally, while digital financial tools are increasingly accessible in urban centers, rural and marginalized communities are often underrepresented in empirical data, making it difficult to assess the true

inclusivity and reach of fintech solutions. As noted by Dao Ha *et al.,* [9] this presents a challenge for policymakers aiming to close the digital divide and ensure equitable economic participation for all segments of the SME population.

Moreover, regulatory constraints and data privacy issues are underexplored in the context of SMEs adopting fintech. Although governance frameworks such as Malaysia's Regulatory Sandbox and FSA 2013 provide oversight, there is limited research on how these policies directly affect small enterprises in practice especially those with limited legal and technical literacy. The ethical considerations surrounding data security, digital identity, and algorithmic lending also remain inadequately addressed. This highlights a pressing need for future research to move beyond performance metrics and explore how trust, regulation, and digital literacy influence the effectiveness and sustainability of fintech adoption. Addressing these gaps is vital to ensure that fintech development is not only innovative but also inclusive, secure, and supportive of long-term SME growth.

5. Conclusion

This study examined the role of fintech applications and services in supporting the resilience and competitiveness of small and medium-sized enterprises (SMEs) in an increasingly complex, rapidly changing, and uncertain economic environment. The summary of key findings shows that the use of fintech provides significant benefits to SMEs, including increased access to financing, greater operational efficiency, and strengthened resilience during crises. Fintech has proven to be a catalyst for inclusive and sustainable digital transformation, particularly for enterprises that were previously marginalized from the formal financial system.

The study also shows that the effectiveness of fintech lies not only in the delivery of financial products, but also in its ability to build adaptive capacity among SMEs through automation, the use of real-time data, and the integration of smart technologies such as machine learning and artificial intelligence. With the increased use of fintech applications, SMEs are able to accelerate business processes, reduce reliance on traditional methods, and improve customer and supplier relationships. These factors provide a strategic advantage in a competitive market, especially for small enterprises with limited resources.

In addition, the use of fintech has opened up opportunities for a more transparent, measurable and responsive business approach to market needs. This study found that fintech also plays a role as a bridge between the formal and informal sectors, facilitating micro and informal enterprises to participate in the digital economy ecosystem. Therefore, mainstreaming fintech among SMEs not only supports the economic growth of enterprises but also helps the government achieve its goals of financial inclusion and sustainable development of the country more comprehensively.

5.1 Policy Recommendations and Practical Implications

Based on these findings, the role of policymakers and financial agencies is crucial in creating a more SME-friendly fintech ecosystem. Policies that support the development of digital infrastructure, consumer protection, and digital financial literacy need to be strengthened. Specific support should also be given to vulnerable groups such as startups, micro-enterprises, and rural communities so that they can effectively leverage financial technology. This implication also contributes to the sustainability of the country's digital economy as a whole, where technology becomes an engine of inclusive growth that reduces socio-economic gaps.

5.2 Suggestions for Further Research

To strengthen our understanding of the effectiveness of fintech, future research is suggested to take a quantitative approach to more empirically assess the impact of fintech on SME growth and performance. In addition, longitudinal research could be conducted to examine the long-term impact of fintech adoption among rural consumers who are often marginalized from the benefits of mainstream technology. This approach will help identify the real success factors and challenges that need to be addressed in a more comprehensive and evidence-based manner.

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