

ABSTRACT

Financial technology (fintech) has emerged as a significant innovation in the digital technology landscape, revolutionizing the financial sector by providing digital solutions for financial processes and managerial functions across various industries. One such sector that has greatly benefited from fintech is the micro, small, and medium enterprises (MSMEs) sector.

MSMEs leverage digital platforms offered by fintech to address various challenges they previously faced, including financing, electronic payments, and cash management, among others. The collaborative innovation between fintech and MSMEs leads to the creation of five new value propositions, either through gradual or radical innovation, ultimately impacting revenue growth.

A structural equation model using the partial least squares method is employed to examine the relationships and effects of the value creation model on innovation and revenue growth. The research involves 178 MSMEs in the culinary sector across the three largest cities (Jakarta, Surabaya and Medan) in Indonesia. Out of the five value creation models studied, three values such as new consumer base, new value chain efficiency, and new consumer value are significantly impact the incremental innovation on the collaboration between MSMEs and fintech companies. Furthermore, the incremental innovation also significantly affects the revenue growth of MSMEs. Multi-Group Analysis reveals that micro-businesses experience the highest revenue growth impact at 54.8%, surpassing small businesses at 47.0%, medium-sized businesses at 51.5%, and the overall MSME group at 50.5%.

Keywords: Financial Technology, Fintech, MSMEs, Collaboration, Collaborative Innovation, Platform for Collaborative Innovation, Incremental Innovation, Radical Innovation, 5 Value Creation Models