(RESEARCH ARTICLE)

Financial technology and financial inclusion: Increasing access to finance of micro, small, and medium enterprises

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Abstract

Financial technology has the potential to revolutionize how Micro, Small, and Medium Enterprises (MSMEs) in Calapan City, Oriental Mindoro, access financial services. Despite the promising advancements in digital finance, many MSMEs still face significant barriers in achieving full financial inclusion. This study examines the impact of digital payments, digital lending, and digital banking on financial inclusion among MSMEs in Calapan City. Utilizing a quantitative correlational research design, the study collected data from 207 retail and distributor MSMEs using a validated questionnaire. The findings reveal that while the use of digital payments shows a positive but weak relationship with financial inclusion, digital lending and digital banking had minimal impact. These results indicate that digital payments are the most effective tool for enhancing financial inclusion within the local MSME sector. The study highlights the need for targeted interventions, such as enhancing digital literacy, addressing infrastructure challenges, and building trust in financial technologies. This research contributes to the development of a Financial Technology Adoption Framework that can guide policymakers, financial institutions, and MSMEs in expanding access to financial services and driving local economic growth.

Keywords: Financial Technology; Financial Inclusion; MSMEs; Digital Payments; Digital Lending; Digital Banking; Financial Technology Adoption Framework

1 Introduction

Financial technology (FinTech) refers to the application of technological innovations to enhance the delivery of financial services, making them more efficient, accessible, and cost-effective. Globally, financial technology has transformed financial systems through digital payments, digital banking, and digital lending, significantly improving financial inclusion, particularly in underserved and unbanked communities. Studies emphasize that digital banking and digital payments play a crucial role in expanding access to financial services in regions with limited traditional banking infrastructure [1]. These innovations have reshaped how individuals and businesses participate in the financial system.

In the Philippine context, financial technology solutions such as GCash, Maya, and digital banking platforms have improved financial access, especially for Micro, Small, and Medium Enterprises (MSMEs) that often face barriers, including limited credit history and collateral requirements. Highlights that digital payments and lending platforms enable MSMEs to operate more efficiently and strengthen economic resilience, particularly in rural and semi-urban areas [2]. Despite national progress, MSMEs continue to face challenges related to high transaction costs, limited financial literacy, and restricted access to formal financial institutions [3].

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While extensive research has examined the benefits of financial technology and financial inclusion at the global level, limited studies focus on the use and impact of financial technology solutions among MSMEs in local contexts, particularly in Calapan City. Prior studies indicate that MSMEs in rural and semi-urban areas face challenges such as digital illiteracy, limited internet connectivity, and trust issues with digital platforms [4]; however, these issues remain insufficiently explored in Oriental Mindoro. There is a lack of localized research examining financial technology adoption and its relationship to financial inclusion among MSMEs, which this study seeks to address.

This study is limited to MSME retailers and distributors in Calapan City, Oriental Mindoro, and focuses on the role of digital payments, digital lending, and digital banking in improving business operations and access to financial services. The study relies on survey data, which may be subject to response bias, and its localized scope may limit generalizability to the national level. The findings are significant in providing insights for policymakers and MSME owners on leveraging financial technology to promote local economic development and financial resilience. The study aligns with the United Nations Sustainable Development Goals, particularly SDG 1 (No Poverty) and SDG 9 (Industry, Innovation, and Infrastructure), by supporting inclusive economic growth and expanded financial access.

To support financial technology integration, the study proposes a Financial Technology Adoption Framework that offers strategic recommendations for overcoming digital barriers, enhancing financial technology awareness, and improving access to financial services. This framework is intended to empower MSME owners to make informed financial decisions, strengthen business sustainability, and contribute to the local digital economy. Supporting evidence from [5] indicates that MSMEs adopting digital financial technologies benefit from faster transactions and improved access to digital credit, thereby advancing financial inclusion.

2   Review of Related Literature

2.1   Financial Technology

Financial technology, commonly referred to as financial technology, is defined as the use of digital technology to deliver financial products and services in a more efficient, innovative, and accessible manner [1]. Financial technology has become a central component of modern business strategies as it simplifies financial transactions, reduces operational costs, and enhances service delivery for businesses and consumers alike [6]. The growing popularity of financial technology is driven by technological advancements, increased internet penetration, and the need for faster and more convenient financial services, particularly among Micro, Small, and Medium Enterprises (MSMEs) [7].

Financial technology has been commonly categorized into digital payments, digital lending, and digital banking, which serve as key mechanisms in expanding access to financial services [8]. These financial technology components enable MSMEs to manage transactions, access capital, and monitor financial activities without heavy dependence on traditional banking institutions [9]. As financial technology continues to evolve, it offers significant opportunities to promote financial inclusion by addressing barriers such as distance, documentation requirements, and high transaction costs [10].

Digital payments refer to electronic transactions that allow users to transfer money through mobile wallets, online platforms, or electronic payment systems without the use of physical cash [11]. Digital payment systems are widely adopted by MSMEs as they provide faster transaction processing, improve cash flow management, and enhance customer convenience [6]. Studies have shown that the use of digital payments increases transparency and financial record-keeping, which supports better financial decision-making among MSMEs [12]. Moreover, digital payments help businesses expand their market reach by enabling cashless transactions and online sales, thereby supporting inclusive financial participation [4].

Digital lending refers to the provision of loans through online platforms that utilize digital processes for application, approval, and disbursement of funds [13]. Digital lending platforms offer MSMEs quicker access to financing compared to traditional banks by minimizing paperwork and collateral requirements [8]. These platforms are particularly beneficial for small businesses that lack formal credit histories, as they use alternative data for credit assessment [14]. However, despite its advantages, concerns regarding high interest rates, repayment terms, and trust in digital lenders remain significant challenges for MSME adoption [15].

Digital banking refers to the delivery of banking services through online and mobile platforms that allow users to perform financial transactions, manage accounts, and access banking products remotely [16]. Digital banking enhances efficiency by reducing the need for physical bank visits and enabling real-time monitoring of financial activities [11]. For MSMEs, digital banking supports better financial management, improves liquidity monitoring, and facilitates easier

interaction with financial institutions [17]. Despite these benefits, limited digital literacy and infrastructure constraints hinder the effective use of digital banking services in some local areas [18].

2.2. Financial Inclusion

Financial inclusion refers to the availability, accessibility, and use of affordable financial services that meet the needs of individuals and businesses, particularly those underserved by traditional financial systems [9]. Financial inclusion enables MSMEs to access savings, credit, payments, and insurance services that support business growth and economic stability [3]. The lack of financial inclusion among MSMEs often results from barriers such as limited access to banking institutions, high transaction costs, and insufficient financial literacy [4].

The use of financial technology has been identified as a key driver of financial inclusion by reducing geographical and procedural barriers to financial services [1]. Studies have found that financial technology adoption improves access to financial products, enhances efficiency, and promotes formal financial participation among MSMEs [8]. However, the impact of financial technology on financial inclusion varies depending on the type of financial technology used and the level of adoption among businesses [14].

Digital payments have been found to significantly contribute to financial inclusion by enabling MSMEs to participate in formal financial systems and maintain transaction records that can support credit access [6]. Digital lending has the potential to improve financial inclusion by offering alternative financing options, although its effectiveness depends on trust, affordability, and regulatory support [13]. Digital banking supports financial inclusion by providing MSMEs with continuous access to banking services, yet its benefits are limited when users lack digital skills or reliable internet connectivity [16].

Overall, existing literature suggests that while financial technology plays a crucial role in promoting financial inclusion, its effectiveness depends on infrastructure readiness, user capability, and institutional support [15]. Understanding the relationship between financial technology components and financial inclusion is essential in determining how MSMEs can fully benefit from digital financial services, particularly in developing and provincial areas such as Calapan City, Oriental Mindoro [18].

2.3. Theoretical Framework

The present section discusses the theoretical foundations of the study, which consist of one independent variable, financial technology, and one dependent variable, financial inclusion. This study theorizes that financial technology influences the level of financial inclusion among Micro, Small, and Medium Enterprises (MSMEs) in Calapan City, Oriental Mindoro. The theoretical framework is anchored on established theories that explain how the adoption of digital financial tools contributes to increased access, usage, and quality of financial services.

The Diffusion of Innovations (DOI) Theory [20] provides a foundational framework for explaining how financial technology is adopted over time, wherein innovators and early adopters initiate usage and later adopters follow as benefits become more evident. In this study, the theory explains the progressive adoption of digital payments, digital banking, and digital lending among MSMEs in Calapan City based on perceived usefulness, ease of use, and compatibility, which influence financial inclusion outcomes. This perspective aligns with [6], who found that these factors significantly affect digital payment adoption, and with the Technology Acceptance Model [21], which emphasizes perceived usefulness and ease of use as key determinants of technology acceptance. Collectively, these frameworks support findings that MSMEs adopt financial technologies when such tools enhance operational efficiency and business performance [22].

Financial Inclusion Theory emphasizes the need to ensure that individuals and businesses have access to affordable and appropriate financial services to support economic participation and long-term stability [9]. This theory is relevant to the present study as it explains how financial technology can expand MSMEs' access to essential financial services such as digital payments, digital lending, and digital banking, thereby strengthening financial participation, stability, and growth in Calapan City. By reducing barriers such as high transaction costs, limited access to formal banking, and strict credit requirements, financial technology solutions enable MSMEs to manage finances more effectively, conduct secure transactions, and access funding opportunities. Consequently, financial technology supports the principles of Financial Inclusion Theory by empowering MSMEs and promoting inclusive and sustainable local economic development.

The integration of financial technology and financial inclusion is explained through the Technology-Enabled Financial Inclusion Framework (TEFIF), which positions financial technology as a key driver of inclusive financial services for underserved groups, particularly MSMEs. The framework emphasizes that the adoption of digital payments, lending

platforms, and mobile banking enhances access to financial services, improves financial management, and expands access to capital, thereby strengthening business performance and competitiveness [23]. Guided by TEFIF, this study examines how the continued use of these financial technology tools by MSMEs in Calapan City promotes financial inclusion, enhances financial capability, and supports long-term business sustainability.

From the Review of related literature and theory, the conceptual framework of the study is shown in figure 1.
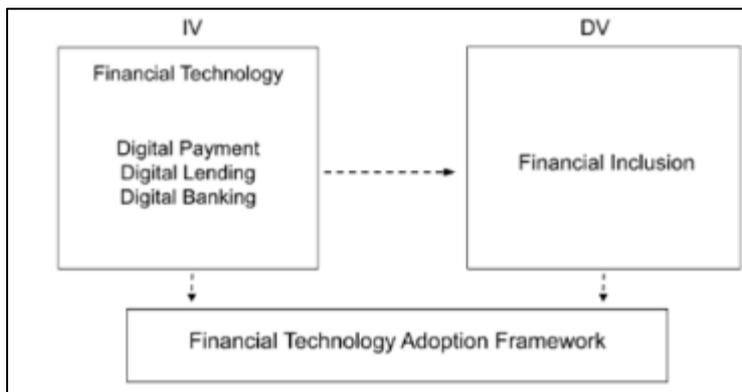
Figure 1 Conceptual framework

Figure 1 illustrates the conceptual framework of the study, it presents the relationship between financial technology as the independent variable and financial inclusion as the dependent variable. Financial technology encompasses digital payments, digital lending, and digital banking, which serve as technology-driven financial solutions that enhance efficiency, accessibility, and convenience in MSME financial operations. These components enable businesses to conduct cashless transactions, access alternative financing sources, and manage financial accounts more effectively. Through these mechanisms, financial technology contributes to faster transactions, reduced operational costs, improved financial record-keeping, and expanded access to formal financial services, particularly for enterprises underserved by traditional banking institutions.

Financial inclusion, as the dependent variable, refers to the degree to which MSMEs are able to access, utilize, and sustain engagement with formal financial services that are affordable, appropriate, and reliable. In this study, financial inclusion is reflected in MSMEs' participation in digital payment systems, access to credit facilities, and utilization of banking services, which collectively enhance financial participation and economic stability.

The conceptual framework is anchored in established theoretical foundations. The Diffusion of Innovations Theory [20] explains how financial technologies are gradually adopted across business sectors, while the Technology Acceptance Model [21] emphasizes perceived usefulness and ease of use as key determinants of technology adoption. Furthermore, the Technology-Enabled Financial Inclusion Framework [23] positions financial technology as a strategic driver of inclusive financial systems. Together, these conceptual perspectives support the proposition that the adoption of digital financial technologies significantly contributes to improved financial inclusion among MSMEs.

3. The hypothesis of the study

H_0: Financial technology has a significant influence on the financial inclusion of Micro, Small, and Medium Enterprises (MSMEs) in Calapan City, Oriental Mindoro.

2.2 Statement of the Problem

This study aims to examine the role of financial technology in promoting financial inclusion and improving access to finance among micro, small, and medium enterprises (MSMEs) in Calapan City, Oriental Mindoro.

Specifically, this study aims to answer the following questions:

- To what extent of use do Financial technology manifests in terms of:

- o digital payment;
- o digital lending; and
- o digital banking?
- What is the extent of financial inclusion among MSMEs in Calapan City?
- Which financial technology is mostly significant in financial inclusion among MSMEs in Calapan City?
- Is there a relationship between the financial technology and financial inclusion among MSMEs in Calapan City?
- Based on the results, what financial technology adoption framework may be proposed?

4. Methods

This study employed a quantitative research design and utilized statistical analysis to determine the relationship between financial technology and financial inclusion among Micro, Small, and Medium Enterprises (MSMEs) in Calapan City, Oriental Mindoro. The quantitative approach was used to measure the perceptions of MSME owners regarding the extent of use of financial technology and their level of financial inclusion based on the conceptual framework of the study. To ensure the reliability and validity of the research instrument, Pearson's r was used to test the consistency of the questionnaire items. Correlation analysis was applied to determine the significant relationship between the independent variable, financial technology, and the dependent variable, financial inclusion.

The total population consisted of 4,397 MSMEs across different industries. The population was stratified based on industry classification, and the study focused on the retail and distribution strata. After applying stratified sampling, the total number of businesses under the retail and distributor strata was 1,104 MSMEs, which served as the sampling frame for determining the final respondents. This stratified approach ensured that the study concentrated on the industry groups most aligned with the research objectives while still applying random selection within the chosen strata.

The respondents of the study consisted of 207 MSMEs, including retailers and distributors operating in Calapan City, Oriental Mindoro. These MSMEs have been in operation for at least three years and are users of financial technology services such as digital payments, digital lending, and digital banking. The respondents were selected using a stratified random sampling technique to ensure proportional representation of both retail and distributor MSMEs. This sampling approach was used to obtain reliable and unbiased data that accurately reflect the population of MSMEs in the area.

This study tested three independent variables against one dependent variable, namely digital payments, digital lending, and digital banking on financial inclusion among Micro, Small, and Medium Enterprises (MSMEs). The researchers used Cronbach's Alpha to test the reliability of the questionnaire. A pilot test was conducted among selected respondents, and the results of the reliability analysis yielded Cronbach's Alpha coefficients that met the acceptable reliability standard, indicating that the research instrument is reliable and internally consistent.

A self-structured survey questionnaire was developed as the primary research instrument for data collection. The questionnaire was distributed to the respondents using Survey Questionnaire. The first part of the questionnaire focused on the extent of financial technology usage, particularly in terms of digital payments, digital lending, and digital banking. The second part of the questionnaire measured the level of financial inclusion of MSMEs, including their access to financial services, usage of digital financial platforms, and participation in the formal financial system.

Likert scale survey questions were utilized to capture the degree of agreement or disagreement of the respondents with each statement, allowing for easy quantification and analysis of responses. The collected data were statistically analysed to determine the relationship between financial technology adoption and financial inclusion, providing empirical evidence on the role of digital financial services in improving access to finance among MSMEs in Calapan City, Oriental Mindoro.

5. Results and Discussion

2.3 To what extent of use do Financial Technology manifest in terms of Digital Payment?

Table 1 Financial Technology in terms of Digital Payment

Digital Payment	Mean	Rank	Verbal Description	Interpretation
Our company uses digital payment systems such as online platforms, mobile wallets, and QR codes to provide faster and more convenient transactions than traditional payment methods.	3.73	2.5	Strongly Agree	Very High Extent
The use of digital payments has helped our businesses retain more customers.	3.73	2.5	Strongly Agree	Very High Extent
We trust digital payment providers to protect our business and customers' financial data.	3.46	5	Strongly Agree	Very High Extent
The financial stability of our business has improved since adopting digital payments.	3.76	1	Strongly Agree	Very High Extent
Our business overcomes challenges in using digital payments because of poor internet connection, limited awareness, and security concerns.	3.53	4	Strongly Agree	Very High Extent
Overall	3.64	0.22	Strongly Agree	Very High Extent

Table 1. Presents the extent of use of financial technology in terms of digital payments among MSMEs in Calapan City. The findings indicate a Very High Extent of use, with an overall mean of 3.64, suggesting that MSMEs generally perceive digital payments positively. The highest mean score (3.76) corresponds to the statement that financial stability improved after adopting digital payments, reflecting enhanced cash flow management, transparency, and financial monitoring. Respondents emphasized faster transactions and visible payment confirmations, which increased their sense of security and operational efficiency. This supports, Alshater & Bansal [24], who found that digital payments reduce financial discrepancies and improve cash flow, as well as, Kumar & Jain [25] and Li & Zhang [26], who explained that digital payment adoption strengthens financial oversight and promotes more stable financial management among SMEs.

The lowest mean score (3.53), though still interpreted as a Very High Extent, relates to overcoming challenges such as poor internet connectivity, limited awareness, and security concerns. This indicates that while MSMEs recognize the benefits of digital payments, infrastructural and trust-related barriers remain. This finding is supported by Kumar & Jain [25] and Radianti et. al. [27], who identified inadequate infrastructure and security risks as significant constraints to digital payment adoption, particularly in developing areas.

Overall, the results demonstrate that digital payments significantly contribute to MSMEs' operational efficiency and financial stability, while highlighting the need for improvements in infrastructure and cybersecurity to maximize their role in promoting financial inclusion.

2.4 To what extent of use do Financial Technology manifest in terms of Digital Lending?

Table 2. Shows the extent of use of financial technology in terms of digital lending among MSMEs in Calapan City. The results indicate a Very High Extent of use, with an overall mean of 3.57, reflecting generally positive perceptions toward digital lending. The highest mean score (3.75) corresponds to the statement that digital lending platforms offer a faster and more convenient loan process compared to traditional banks. This suggests that MSMEs value the efficiency, simplified procedures, and quicker access to funds provided by digital platforms. This finding is supported by Bower et. al. [28] and Li & Zhang [26], who explained that digital lending reduces procedural barriers and shortens approval timelines. Digital lending improves SMEs' access to capital by accelerating loan disbursement and enhancing financial responsiveness [29].

Table 2. Financial Technology in terms of Digital Lending

Digital Lending	Mean	Rank	Verbal Description	Interpretation
Digital lending (like online loans) made it easier for our business to access capital.	3.64	2	Strongly Agree	Very High Extent
Our business performance and stability has improved by using digital lending.	3.57	3	Strongly Agree	Very High Extent
Digital lending companies offer interest rates and fees that our business can afford.	3.39	5	Strongly Agree	Very High Extent
Digital lending platforms offer a faster and more convenient loan process compared to traditional physical banks.	3.75	1	Strongly Agree	Very High Extent
Digital lending helps our business manage cash flow and operations more efficiently.	3.51	4	Strongly Agree	Very High Extent
Overall	3.57		Strongly Agree	Very High Extent

The lowest mean score (3.39), though still interpreted as a Very High Extent, relates to the affordability of interest rates and fees. While MSMEs acknowledge the convenience of digital lending, some express concerns regarding borrowing costs and platform-specific terms. This aligns with Kumar & Jain [25] and Alshater & Bansal [24], who noted that although digital lending can be competitive, variability in pricing structures may influence borrowing decisions. Furthermore, while fintech improves lending efficiency and reduces transaction costs, transparency and fair pricing remain important considerations for sustainable adoption [31].

The findings indicate that MSMEs perceive digital lending as a practical and efficient financing tool that supports business operations and cash flow management, while also recognizing the need for clearer pricing structures and borrower protection to maximize its inclusive impact.

2.5 To what extent of use do Financial Technology manifest in terms of Digital Banking?

Table 3 Financial Technology in terms of Digital Banking

Digital Banking	Mean	Rank	Verbal Description	Interpretation
Digital banking makes it easier for my business to access and manage financial services.	3.80	2	Strongly Agree	Very High Extent
Digital banking makes paying my suppliers and creditors effortless.	3.77	3	Strongly Agree	Very High Extent
Accessing financial institutions digitally helps my business overcome capital constraints.	3.16	5	Agree	High Extent
Reducing the time spent on banking activities through digital tools allows us to focus more on our core operations.	3.81	1	Strongly Agree	Very High Extent
Digital banking tools make it significantly easier to track and manage all financial expenditures for my business.	3.68	4	Strongly Agree	Very High Extent
Overall	3.65	0.18	Strongly Agree	Very High Extent

Table 3. Shows that MSMEs in Calapan City widely use digital banking, with an overall mean of 3.65 (Very High Extent). This means that business owners generally see digital banking as a helpful and valuable financial tool.

The highest mean score (3.81) shows that digital banking greatly reduces the time spent on banking activities. Many respondents shared that they no longer need to visit the bank, allowing them to focus more on managing and growing their business. This highlights how digital tools improve efficiency and daily productivity. The Widayani, et al. [11] noted that digital banking services reduce transaction time and operational costs, allowing small businesses to manage their finances more effectively.

On the other hand, the lowest mean score (3.16, High Extent) relates to overcoming capital constraints through digital access to financial institutions. While MSMEs agree that online banking can help with loans and financing, some still prefer face-to-face transactions when dealing with credit.

Overall, MSMEs appreciate digital banking because it makes financial transactions faster, easier, and more convenient. By saving time and simplifying processes, digital banking supports better financial management and improves overall business operations.

2.6 What is the extent of financial inclusion among MSMEs in Calapan City?

Table 4 Financial Inclusion among MSMEs

Financial Inclusion	Mean	Rank	Verbal Description	Interpretation
Accessing financial services has become easier for our business because of financial technology.	3.77	3	Always /Strongly Agree	Very High Level
Our business practices promote financial inclusion by providing affordable, accessible financial services to the community through financial technology.	3.81	2	Always /Strongly Agree	Very High Level
Our business helps promote financial inclusion by making financial services more accessible through faster transactions, easier access to services, and convenient digital payment options for MSMEs.	3.73	4	Always /Strongly Agree	Very High Level
Our business opens opportunities for people to access their money and make transactions freely.	3.61	5	Always /Strongly Agree	Very High Level
Our business supports financial inclusion by effectively and sustainably addressing customers' financial needs.	3.89	1	Always /Strongly Agree	Very High Level
Overall	3.76		Always /Strongly Agree	Very High Level

The findings reveal that all indicators of financial inclusion obtained an overall mean of 3.76, interpreted as "Always/Strongly Agree" with a Very High Level, indicating that MSMEs in Calapan City experience a very high degree of financial inclusion. This suggests that financial technology has made financial services more accessible, efficient, and convenient for both businesses and their customers. MSMEs not only benefit from digital finance but also actively contribute to inclusion by sustainably addressing customers' financial needs (Mean = 3.89) and promoting affordable and accessible services through financial technology (Mean = 3.81). This supports Lu et al. [14], who emphasized that digital financial tools expand access to formal financial services and reduce barriers for underserved sectors [14].

However, the lowest-rated indicator (Mean = 3.61) concerning opportunities for individuals to access money and transact freely indicates that, despite the very high level of inclusion, certain barriers remain. Challenges such as limited digital skills, connectivity constraints, and platform usability issues may restrict full participation. This is consistent with Radianti et al. [15], who noted that while digital finance broadens access, it does not entirely eliminate structural barriers, and with Kumar and Jain [12], who highlighted the limiting effects of infrastructure and awareness gaps [25]. Overall, although financial inclusion among MSMEs in Calapan City is very high, continued efforts in digital literacy

enhancement, infrastructure development, and equitable service provision are necessary to ensure broader and more inclusive participation.

2.7 Which financial technology is mostly significant in financial inclusion among MSMEs in Calapan City?

Table 5 Most Significant Correlational Analysis of Financial Technology in Financial Inclusion

Financial Technology	Financial Inclusion				
	r-value	*p-value*	*Degree*	*Direction*	*Interpretation*
Digital Payment	0.266	<0.001	Weak	Positive	Significant
Digital Lending	0.008	0.92	Very Weak	Positive	Not Significant
Digital Banking	0.072	0.357	Very Weak	Positive	Not Significant

Degrees of Freedom: 165; Level of Significance : 0.05

Table 5. Presents the correlational analysis between the dimensions of Financial Technology (Digital Payment, Digital Lending, and Digital Banking) and Financial Inclusion among MSMEs in Calapan City. The results show that only Digital Payment has a statistically significant relationship with Financial Inclusion (r = 0.266; p < 0.001), interpreted as a weak but positive correlation. In contrast, Digital Lending (r = 0.008; p = 0.92) and Digital Banking (r = 0.072; p = 0.357) demonstrate very weak and statistically insignificant relationships.

The significance of Digital Payment suggests that greater adoption of digital payment systems is linked to improved access to and participation in formal financial services. This finding supports Demirgüç-Kunt et al. [9], who identified digital payments as an entry point to financial inclusion due to reduced transaction costs and improved accessibility [19]. However, challenges such as unstable internet connectivity and security concerns may limit its broader impact, consistent with Cull et al [35], who emphasized the importance of infrastructure and trust in sustaining digital finance usage [35].

The insignificant relationships of Digital Lending and Digital Banking imply that their contribution to inclusion may depend on factors such as affordability, regulation, trust, and digital readiness. This aligns with Bazarbash and Beaton [33], Cornelli et al.[34], and Khatun et al. [36], who noted that fintech credit and digital banking require strong consumer protection, infrastructure, and user capability to effectively promote inclusion [33].

Overall, the findings indicate that Digital Payment is the most significant financial technology component associated with Financial Inclusion among MSMEs in Calapan City, while the inclusion effects of digital lending and banking remain conditional and context-dependent.

2.8 Is there a significant relationship between the Financial Technology and Financial Inclusion among MSMEs in Calapan City?

Table 6 Overall Correlation between Financial Technology and Financial Inclusion in Micro, Small, Medium, and Enterprises in Calapan City, Oriental Mindoro

Financial Technology	Financial Inclusion				
	r-value	*p-value*	*Degree*	*Direction*	*Interpretation*
	0.17	0.029	Very Weak	Positive	Significant

Degrees of Freedom: 165; Level of Significance: 0.05

Since the p-value (0.029) is lower than the 0.05 level of significance (df = 165), the null hypothesis is rejected, indicating a statistically significant relationship between financial technology and financial inclusion among MSMEs in Calapan City. However, the correlation coefficient (r = 0.17) shows that the relationship is very weak but positive.

This means that while financial technology is associated with financial inclusion, its effect remains modest. Even so, the statistical significance suggests that the use of digital tools such as mobile payments and e-wallets contributes to gradual improvements in MSMEs' access to formal financial services. This finding is supported by Demirgüç-Kunt, A., et al. [9] and Suri, T., & Jack, W. [37], who explained that even basic engagement with digital financial tools reduces transaction costs, improves security, and creates entry points into the formal financial system [37]. Similarly, Sylwester noted that

fintech effects may appear small in developing areas but remain significant because they help reduce traditional banking barriers [38].

Overall, the results indicate that MSMEs are in the early stages of digital transformation. Although the relationship is weak, the evidence shows that continued adoption of financial technology can progressively strengthen financial inclusion over time.

2.9 Based on the results, what financial technology adoption framework may be proposed?

Table 7 Financial Technology Adoption Framework

Objective	Outcome	Supporting Agencies	Budget (Estimated)
Increase Digital Literacy among MSMEs	MSMEs in Calapan will gain knowledge on digital payment systems, online banking, and digital lending.	Department of Trade and Industry (DTI) Calapan	₱150,000 for website development
Provide training and resources for digital payment adoption	MSMEs will be able to successfully adopt digital payments through tutorials, webinars, and case studies.	Calapan City Government	₱80,000 for training programs
Support MSMEs in integrating FinTech tools	MSMEs will be equipped with the necessary tools and consultations to integrate FinTech solutions.	Local Banks (e.g., Land Bank of the Philippines, Development Bank of the Philippines)	₱90,000 for consultation services
Promote government incentives and policy updates	MSMEs will stay informed about available financial products, tax incentives, and subsidies for FinTech adoption.	Bureau of Internal Revenue (BIR) Calapan	₱120,000 for policy and incentive updates
Foster community engagement and collaboration	A platform for MSMEs to share experiences, discuss challenges, and offer support to each other.	Calapan MSME Development Council	₱100,000 for community engagement activities
Provide ongoing support and technical assistance	A 24/7 help desk and consultation services to guide MSMEs through FinTech integration challenges.	Local Digital Finance Experts	₱250,000 for technical support

The Digital Literacy Training section of the proposed website will enhance MSMEs' knowledge and capability in adopting digital payments by offering free online courses, interactive webinars, and step-by-step tutorials on mobile wallets, QR codes, and POS systems. This initiative addresses knowledge gaps identified as major barriers to digital payment adoption, Diniz et al., [41]. Strengthening digital literacy enables MSMEs to integrate payment technologies effectively, which has been shown to improve financial management, cash flow monitoring, and overall business stability [26].

The Resources and Tools section will provide a directory of trusted digital payment platforms, lending services, and digital banking solutions, along with security guidelines and best practices to address data protection concerns. Security and trust are critical determinants of digital finance adoption, Al-Kwifi, [39]. Case studies of successful adopters will further demonstrate practical benefits such as improved efficiency and customer satisfaction, reinforcing evidence that digital finance enhances financial participation [37].

The Support and Consultation section will offer 24/7 help desk services and expert guidance to assist MSMEs in selecting and implementing appropriate financial technologies. Continuous technical support is essential in overcoming integration challenges and sustaining fintech adoption [42].

Lastly, the Policy and Incentive Updates section will inform MSMEs about government programs, grants, and financial products that encourage fintech adoption. Policy incentives have been shown to accelerate digital finance integration among small businesses, Amin et al., 2021 [40].

Overall, the Calapan Digital Financial Literacy Hub aims to reduce adoption barriers, strengthen digital capability, and promote sustainable financial inclusion by equipping MSMEs with the knowledge, tools, and support necessary to participate fully in the digital economy.

6. Conclusion and Recommendation

The study shows that MSMEs in Calapan City generally hold a positive perception of financial technology, particularly digital payments, digital lending, and digital banking that will recognize their efficiency, convenience, and contribution to business operations. Digital payments improve cash flow management, transaction speed, transparency, and customer satisfaction; digital lending provides faster access to capital compared to traditional banks; and digital banking reduces the time spent on routine financial transactions. However, challenges such as poor internet connectivity, security concerns, limited digital literacy, and preference for face-to-face banking for certain services continue to restrict the full utilization of these technologies.

The findings highlight the important role of MSMEs in advancing financial inclusion through the adoption of digital financial services. While digital tools have simplified financial processes and reduced reliance on cash transactions, barriers to accessibility remain, particularly in underserved areas. Among the financial technology components, digital payment systems emerged as the most influential factor in promoting financial inclusion due to their practicality, accessibility, and immediate impact on business transactions. Digital lending and digital banking exhibit lower adoption levels because of trust issues, digital skill gaps, credit risk concerns, and regulatory requirements. Although the relationship between financial technology and financial inclusion is statistically significant but weak, the results suggest that gradual and sustained adoption can contribute to broader financial inclusion over time.

The study proposes the establishment of the Calapan Digital Financial Literacy Hub Website as a Financial Technology Adoption Framework for MSMEs in Calapan City. The Hub will provide structured modules, tutorials, webinars, and practical resources focused on secure digital payments, data protection, fraud prevention, digital banking, and responsible digital lending. It will also include guides, FAQs, success stories, and interactive campaigns to strengthen trust and demonstrate the practical benefits of digital finance.

Collaboration with credible financial technology providers, banks, government units, and non-profit organizations is recommended to ensure transparent terms, secure transactions, affordable digital devices, and subsidized internet access, particularly in underserved communities. Future research should further examine MSMEs' adoption of digital finance by focusing on infrastructure development, policy support, and digital skill enhancement, including longitudinal studies and multi-sector partnerships to promote sustainable financial inclusion. These initiatives aim to empower MSMEs with the knowledge, skills, and tools necessary to thrive in the digital economy while fostering equitable financial access and long-term business growth in Calapan City.

Compliance with Ethical Standards

research instrument as the psychometrician; and Mrs. Grace Luzon, MBA, for her guidance and evaluation as the research expert. Their contributions greatly enhanced the validity and overall quality of the study.

Finally, the authors would like to express their heartfelt gratitude to their friends and family for their unwavering support and encouragement throughout the entire research journey. Their understanding and motivation played a vital role in the successful completion of this study.

Disclosure of conflict of interest

There is no conflict of interest

Statement of informed consent

The identities of the survey respondents are kept strictly confidential to ensure their privacy. All data collected and analysed are protected in accordance with ethical research principles. Information obtained from the survey is fully undisclosed to safeguard the privacy of the micro, small, and medium enterprises (MSMEs) business owners. The researchers conducted the survey professionally, implementing measures to prevent any potential misconduct and to uphold the integrity of the research process.

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