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Digital Microfinance and MSME Growth: The Mediating Role of Business Turnover

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ABSTRACT

Digital microfinance has increasingly transformed the delivery of financial services to micro, small, and medium-sized enterprises (MSMEs), yet the mechanism through which digital financing contributes to business growth requires further clarification. This study examines the relationship between digital microfinance and MSME growth, focusing on business turnover as a mediating mechanism. A Systematic Literature Review (SLR) was conducted using the PRISMA framework to synthesize 17 peer-reviewed studies published between 2020 and 2025 from Scopus and Sinta. The findings identify three main themes. First, digital microfinance effectiveness depends on financial accessibility, transactional efficiency, and borrowers' digital capabilities. Second, business turnover functions as an important intermediate mechanism through which digital financing is converted into sales, cash flow, and subsequent business development. Third, sustainable digital microfinance requires financial innovation, effective monitoring, cybersecurity, and risk management. The study proposes a conceptual relationship in which Digital Microfinance → Business Turnover → MSME Growth. These findings highlight the importance of combining digital financial access with borrower capability development and responsible digital governance to support sustainable MSME growth.

Keywords: *Business Turnover, Digital Microfinance, MSME Growth, Systematic Literature Review.*

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1. | INTRODUCTION

In emerging economies, micro, small, and medium-sized enterprises (MSMEs) are important contributors to income, employment, and economic activity, yet access to appropriate financing remains a persistent constraint. Evidence on the MSME finance gap shows substantial unmet financing needs in emerging markets, while recent work connects microfinance with broader poverty and development outcomes (Bruhn et al., 2017; Lahnech & Chami, 2025). Digital financial inclusion can reduce barriers to financial access and support sustainable development, particularly for underserved businesses (Tay et al., 2022). Recent evidence on MSME banking also highlights the growing role of digital channels in expanding financial services for smaller firms (Region, 2025).

To address limitations in conventional lending, digital microfinance (DM) uses FinTech platforms, digital credit processes, and data-driven technologies to improve the delivery of finance to MSMEs (Sanga & Aziakpono, 2023). Digitalization can reduce geographic and procedural barriers, while alternative and large-scale data can strengthen the information available for financial decision-making (Lee, 2017; Pellegrino & Abe, 2022). FinTech innovation is also associated with changes in the financing and innovation activities of smaller enterprises (Chen & Guo, 2024). However, digital access alone does not guarantee productive outcomes. Digital transformation requires organizational capabilities and knowledge, while effective use of digital systems depends on the skills and knowledge available within SMEs (Gonzalez-Varona et al., 2024; Hafeez et al., 2025).

The relationship between digital finance and MSME growth therefore requires attention to the process through which credit is converted into business outcomes. Business turnover represents an immediate and measurable result of productive credit use because additional working capital can support sales activities and operating needs. Evidence on financial management and digital marketing among MSMEs shows the relevance of these capabilities to sales turnover (Budiarto et al., 2023). Data and analytics capabilities can also contribute to organizational and operational performance, providing a basis for understanding how financial resources may be translated into business outcomes (Mikalef et al., 2020). Digital marketing and marketing intelligence further strengthen firms' ability to use digital resources in engaging markets and supporting business activities (Dwivedi et al., 2021; Paul & Rakshit, 2021).

Despite these developments, the mechanism linking digital microfinance to sustainable MSME growth remains insufficiently clarified. In particular, the role of business turnover as an intermediate mechanism deserves greater attention, alongside the institutional requirements for sustainable digital lending. Financial innovation, digital monitoring, cybersecurity, and risk management are increasingly important as lending becomes more technology-driven (Chen & Guo, 2024; Waliullah et al., 2025). Digital financial systems also depend on connected technologies and continuous information flows between firms and financial providers (Porter & Heppelmann, 2014),

while digital transformation experiences among SMEs reinforce the importance of technology adoption and sustainability (Winarsih et al., 2020).

Accordingly, this study uses a Systematic Literature Review (SLR) guided by the PRISMA framework to synthesize 17 peer-reviewed studies published between 2020 and 2025. The review focuses on three themes: the effectiveness of digital microfinance through accessibility, efficiency, and digital literacy; the mediating role of business turnover in converting credit into revenue and growth; and the institutional requirements for sustainable lending through financial innovation and risk management. The study aims to clarify these relationships and provide a focused basis for understanding how digital microfinance can support MSME growth.

2. | LITERATURE REVIEW

Digital Effectiveness: Accessibility, Efficiency, and Literacy

Digital microfinance (DM) has emerged as an important mechanism for improving financial access among MSMEs by using digital technologies to reduce barriers associated with conventional financing. Digital financial inclusion can expand access to financial services and contribute to sustainable development, particularly for underserved groups (Tay et al., 2022). Similarly, systematic evidence on FinTech and SME financing indicates that digital technologies are increasingly reshaping the way smaller enterprises access external finance (Sanga & Aziakpono, 2023). Digital financing also became particularly relevant during and after the COVID-19 period as SMEs adapted to changing financial and operational conditions (Pellegrino & Abe, 2022).

The effectiveness of digital finance, however, depends not only on access but also on the ability of firms to use digital resources productively. Big data and analytics can provide organizations with additional information for decision-making and strengthen operational capabilities (Lee, 2017; Mikalef et al., 2020). At the organizational level, digital transformation requires the development of appropriate capabilities, knowledge, and processes within SMEs (Gonzalez-Varona et al., 2024; Hafeez et al., 2025). Therefore, accessibility and transactional efficiency need to be accompanied by adequate digital and organizational capabilities. Without these capabilities, improved access to digital credit may not automatically result in productive financial utilization or improved business outcomes.

Business Turnover as a Mediating Mechanism

Business turnover provides an important link between financial resources and MSME performance because it reflects the extent to which additional capital is converted into business activity and sales. Digital and financial management capabilities can contribute to increased sales turnover among MSMEs, indicating that access to resources needs to be accompanied by effective managerial and digital practices (Budiarto et al., 2023). Digital financing can also support SME recovery and

operational adaptation by providing alternative financial channels during periods of economic disruption (Pellegrino & Abe, 2022).

The conversion of financial resources into turnover may further depend on firms' ability to use digital technologies for market engagement. Digital and social media marketing provide firms with additional mechanisms for reaching customers, developing relationships, and supporting business activities (Dwivedi et al., 2021). Marketing intelligence based on data analytics can similarly support firms in understanding markets and making more informed marketing decisions (Paul & Rakshit, 2021). These capabilities indicate that the effect of digital finance should not be viewed solely through the availability of credit, but also through how effectively firms transform financial resources into productive activities and revenue.

From this perspective, business turnover can function as an intermediate mechanism connecting digital microfinance with MSME growth. Increased turnover generates operating cash flow that can support business continuity, repayment obligations, reinvestment, and subsequent expansion. Thus, examining turnover provides a more specific explanation of how digital financial access may contribute to MSME growth.

Financial Innovation, Risk Management, and Loan Sustainability

The sustainability of digital microfinance depends on the ability of financial institutions to combine technological innovation with effective risk management. FinTech innovation can influence the financing and innovation activities of smaller enterprises, while digital technologies create opportunities to improve financial decision-making and service delivery (Chen & Guo, 2024). Data-driven capabilities can further strengthen organizational and operational processes, providing a foundation for more informed risk assessment and monitoring (Mikalef et al., 2020).

Digital lending also increases the importance of cybersecurity and data protection because financial transactions and borrower information are increasingly processed through digital platforms. A systematic review of cybersecurity risks in digital banking highlights the relevance of security threats to the adoption and development of digital financial services (Waliullah et al., 2025). At the same time, digital transformation in SMEs requires organizational adaptation and sustainability-oriented capabilities (Winarsih et al., 2020; Gonzalez-Varona et al., 2024).

The development of connected digital technologies also allows continuous interaction and information exchange between firms and financial providers. Porter and Heppelmann (2014) describe how smart, connected technologies can facilitate continuous data flows and new forms of service management. In the context of digital microfinance, these developments can support more responsive monitoring and financial services. Therefore, sustainable digital lending requires a balance between financial innovation, technological capability, cybersecurity, and prudent risk management.

3. | RESEARCH METHOD

This study employed a Systematic Literature Review (SLR) to examine the relationship between digital microfinance, business turnover, and MSME growth. The review was conducted using the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 framework to provide a systematic and transparent process for identifying, screening, selecting, and synthesizing relevant studies. The literature search was conducted using Scopus and Sinta as the primary databases to obtain international and Indonesian studies relevant to digital microfinance and MSME development. The review focused on peer-reviewed studies published between 2020 and 2025, reflecting recent developments in FinTech, digital financing, and MSME digital transformation. The main search strategy used the following combination of keywords and Boolean operators: (Digital Microfinance OR Digital Credit OR FinTech Lending) AND (MSME Growth OR SME Performance) AND (Business Turnover OR Revenue OR Sales).

Studies were considered eligible when they were peer-reviewed, published within the specified period, addressed digital microfinance, digital credit, or FinTech lending, and examined outcomes related to MSME performance, growth, turnover, revenue, or sales. Studies focusing exclusively on consumer credit, large enterprises, or topics unrelated to MSME financing were excluded. The selection process involved identification, duplicate removal, title and abstract screening, eligibility assessment, and final inclusion, following the PRISMA framework.

Following the screening and eligibility process, 17 studies were included in the final qualitative synthesis. For each selected study, information was extracted regarding the author, publication year, journal/indexing status, research approach, key findings, and theoretical or conceptual foundation. The extracted information was then analyzed through thematic synthesis to identify recurring patterns and relationships across the literature. Three themes were subsequently developed: (1) digital microfinance effectiveness through accessibility, efficiency, and digital literacy; (2) the mediating role of business turnover; and (3) financial innovation, risk management, and loan sustainability.

4. | RESULTS

The effectiveness of digital microfinance (DM) is rooted in its ability to leverage technology for operational efficiency in lending. These platforms simplify and accelerate the lending process by reducing procedures that traditionally require substantial time and resources. Digital systems can automate application processing, assessment, and account monitoring, while the use of digital data and analytics provides additional information for financial decision-making. Such capabilities can strengthen organizational and operational performance in digital environments (Mikalef et al., 2020). The literature also indicates that digital financial inclusion can expand access to financial services and support economic participation among underserved groups (Tay

et al., 2022). In addition, systematic evidence on FinTech and SME financing shows that digital technologies are increasingly changing the way smaller enterprises obtain external financing (Sanga & Aziakpono, 2023).

The findings further indicate that digital microfinance facilitates improved MSME performance, with business turnover acting as a crucial mediator. This relationship is established through the MSME's ability to deploy newly obtained capital for operational and sales activities. Digital financing can provide alternative financial channels that support SME recovery and operational adaptation, particularly in changing economic conditions (Pellegrino & Abe, 2022). When financial resources are effectively converted into business activities and sales, turnover becomes an immediate indicator of the utilization of external capital. Evidence from MSME research also demonstrates the relevance of financial management and digital marketing in increasing sales turnover (Budiarto et al., 2023).

The role of digital capabilities is also relevant to the conversion of financial resources into business outcomes. Digital transformation requires SMEs to develop organizational competencies that allow them to integrate technology into their business processes (Gonzalez-Varona et al., 2024). Similarly, digital marketing and social media capabilities provide additional mechanisms for firms to reach customers and support business activities (Dwivedi et al., 2021). These findings indicate that access to digital finance alone is insufficient to ensure improved MSME performance. The productive utilization of financing and the ability to transform available resources into sales and turnover are important components of the growth process.

The third finding concerns financial innovation and sustainability. Digital microfinance increasingly relies on technological innovations such as data-driven assessment and digital loan management to improve the efficiency of financial services. FinTech innovation has been associated with changes in the financing and innovation activities of smaller enterprises (Chen & Guo, 2024). Data and analytics capabilities can also strengthen organizational and operational capabilities, providing a foundation for more informed decision-making (Mikalef et al., 2020).

A fundamental challenge in digital lending is ensuring that borrowed funds are utilized responsibly and that financial services remain sustainable. Digital monitoring can provide additional information for assessing borrower activities and managing financial risks. At the same time, cybersecurity has become an important consideration as financial transactions and sensitive information increasingly move into digital environments. Waliullah et al. (2025) highlight the significance of cybersecurity threats and risks for the adoption and development of digital banking. Therefore, technological innovation needs to be accompanied by appropriate risk-management and security practices.

Based on these findings, this study proposes a conceptual model in which digital microfinance contributes to MSME growth through business turnover. Digital microfinance improves financial accessibility and operational efficiency, enabling

MSMEs to obtain and utilize financial resources for productive business activities. These activities can increase sales and business turnover, which subsequently generate cash flow and internal financial resources that support continued business operations and growth. Thus, Business Turnover functions as the central mediating mechanism connecting Digital Microfinance with MSME Growth.



Figure 1. Proposed Conceptual Model of Digital Microfinance and MSME Growth

5. | DISCUSSION

The main finding of this study is that Digital Microfinance (DM) supports MSME growth mainly through the borrower's immediate business response, particularly an increase in business turnover. This finding suggests that DM functions not only as a financing mechanism but also as a working capital management tool, because digital financing can provide alternative and more accessible channels for SMEs to obtain resources for operational activities (Pellegrino & Abe, 2022; Sanga & Aziakpono, 2023). When loan funds are effectively converted into sales and turnover, the financing process can contribute to the continuity and development of MSME activities. This interpretation is consistent with evidence showing that financial management and digital marketing capabilities are associated with increased sales turnover among MSMEs (Budiarto et al., 2023).

The study also highlights the importance of digital capability in determining whether financial access produces productive outcomes. Digital transformation requires SMEs to develop organizational competencies that allow technology and digital resources to be integrated into business processes (Gonzalez-Varona et al., 2024). Digital and knowledge-management capabilities are similarly important for enabling SMEs to adapt to digital transformation (Hafeez et al., 2025). Therefore, access to digital credit alone may not be sufficient when borrowers lack the capabilities required to manage digital platforms, financial resources, and business activities effectively.

These findings have theoretical and practical implications. They suggest that digital microfinance should be understood through the process connecting financial access with measurable business outcomes rather than through credit availability alone. Business turnover provides an observable intermediate outcome through which the utilization of digital financing can be assessed. The findings therefore support a framework in which Digital Microfinance → Business Turnover → MSME Growth,

while accessibility, efficiency, and digital capability influence the effectiveness of this process.

The findings also emphasize the importance of digital governance and risk management. FinTech innovation can improve financing processes and support SME activities, but increasing digitalization also creates new requirements for managing technological and cybersecurity risks (Chen & Guo, 2024; Waliullah et al., 2025). Data and analytics capabilities can support more informed organizational and operational decisions (Mikalef et al., 2020). Consequently, sustainable digital microfinance requires a balance between technological innovation, borrower capability, effective monitoring, and appropriate risk-management practices.

Overall, the discussion indicates that the contribution of digital microfinance to MSME growth depends not simply on providing digital credit, but on how effectively the financing is transformed into business turnover and subsequently supports continued business development. This reinforces the importance of combining digital financial access with borrower capability development and responsible digital governance.

6. | CONCLUSION

This systematic literature review examined how Digital Microfinance (DM) contributes to MSME growth, with business turnover positioned as a mediating mechanism. Based on the synthesis of 17 peer-reviewed studies published between 2020 and 2025, the findings indicate that the effectiveness of digital microfinance depends on the interaction of financial accessibility, transactional efficiency, and the digital capabilities of MSME borrowers.

First, digital microfinance can improve access to financial services and facilitate faster and more efficient financing processes. However, access to digital credit alone does not automatically produce improved business outcomes. MSMEs require adequate digital, financial, and organizational capabilities to utilize financing productively. Second, business turnover represents an important intermediate mechanism through which digital financing can contribute to MSME growth. When digital credit is converted into productive business activities and increased sales, the resulting turnover can generate cash flow that supports business continuity, repayment, reinvestment, and further development.

Third, sustainable digital microfinance requires continuous financial innovation, monitoring, cybersecurity, and risk management. Technological development therefore needs to be accompanied by appropriate governance and borrower capability development. The findings support the conceptual relationship Digital Microfinance → Business Turnover → MSME Growth. The study consequently emphasizes that the contribution of digital microfinance should be assessed not only from the availability of credit, but also from its effectiveness in converting financial access into measurable business turnover and sustainable MSME development.

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Conflict of Interest Statement

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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