



Implications of Indonesia's Financial System Stability for MSME Financing through Fintech and Active Fintech Users

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Abstract. *The rapid growth of fintech in Indonesia has transformed MSME financing, yet its linkage to broader financial system stability remains underexplored. This study investigates the implications of Indonesia's financial system stability for MSME financing through fintech platforms and the number of active fintech users. Utilizing the Error Correction Model (ECM) technique, we employ monthly time series data comprising 72 observations from January 2019 to December 2024, drawn from Bank Indonesia, Otoritas Jasa Keuangan (OJK), and fintech industry reports. The empirical results indicate that financial system stability significantly and positively influences MSME financing via fintech in both the short and long run. Similarly, stability exerts a significant positive effect on the number of active fintech users over these periods. These findings highlight the symbiotic relationship between macroeconomic financial resilience and digital lending ecosystems, where a stable financial system fosters greater fintech adoption and MSME credit access. Impulse response functions and variance decompositions further confirm the directional causality from stability to fintech metrics. Policymakers should prioritize financial stability measures to bolster inclusive financing for MSMEs, which constitute over 99% of Indonesian businesses. This research contributes to the literature on fintech's role in emerging economies, advocating for regulatory frameworks that integrate stability with digital innovation.*

Keywords: Active Fintech Users; Error Correction Model (ECM); Financial System Stability; Indonesia; MSME Financing.

1. INTRODUCTION

Over the past six years, Indonesia's financial system has encountered intricate dynamics, ranging from post-COVID-19 pandemic recovery to global disruptions stemming from geopolitical tensions and the increase in the benchmark interest rate set by the United States Federal Reserve (Estomihi, 2024). The interval from 2019 to 2021 was characterized by vigorous initiatives from monetary authorities to sustain liquidity and promote economic recovery through low-interest rate policies and macroprudential easing. From 2022 to 2024, the pressure transitioned to elevated import inflation and the depreciation of the rupiah, compelling Bank Indonesia to incrementally increase the benchmark interest rate (Unga, 2025). Nonetheless, Indonesia's financial system is generally stable, as evidenced by the banking capital adequacy ratio (CAR) significantly exceeding the statutory minimum and the low levels of non-performing loans (NPL) in priority industries.

Nonetheless, this stability incurs ramifications for liquidity in the money market. When Bank Indonesia elevates interest rates to attract foreign capital and regulate inflation, the cost of funds in financial institutions, especially fintech lending, concurrently rises. This circumstance engenders a "squeeze" phenomena in funding, compelling fintech platforms to compete more vigorously with banks and other money market instruments for funding sources

from consumers and institutional investors. This phenomena is crucial for comprehending how the dissemination of financial stability measures affects the fintech sector, which is significantly dependent on investor confidence and market liquidity.

Over the past six years, Indonesia's financial sector has encountered combined challenges from post-pandemic recovery, escalating global inflation, and the stringent interest rate policies of the US central bank. Monetary economists emphasize that fintech lending has evolved from a mere alternative to an essential component of national financial infrastructure. This dynamic, nevertheless, yields intricate ramifications for MSME funding and the quantity of active fintech customers.

The stability of the banking system is mutually dependent on MSME funding through fintech (Wati, 2025). When the financial system is stable marked by regulated inflation, competitive interest rates, and stable exchange rates fintech platforms can allocate finance more effectively due to the relatively predictable default risk. Data indicates that outstanding fintech loans experienced an annual growth of 23% in February 2024, with the total number of borrowers reaching 236,687 (Saputra, 2024). This result indicates that, despite macroeconomic difficulties, the demand for MSME finance via digital channels remains robust.

Conversely, when instability arises such as a sudden escalation in benchmark interest rates the repercussions on fintech are substantial. Empirical study indicates that inflation adversely impacts the financial stability of the fintech sector, whilst leverage (the ratio of liabilities to assets) has been demonstrated to impede the financial stability of fintech firms. In less stable macroeconomic situations, fintech companies often struggle to sustain their viability, hence diminishing their ability to provide funding to SMEs. Industry participants recognize that constricted market liquidity has transitioned the emphasis from "growth at any cost" to "value-oriented growth," highlighting the importance of sustainable economic units.

A significant study published in the journal *Heliyon* by (Junarsin et al., 2023), investigated the effects of fintech loan proliferation on the stability of Indonesia's financial system. This study utilized banking data and two-stage GMM modeling to provide evidence in favor of the competition-stability hypothesis, rather than the competition-instability hypothesis. The proliferation of fintech lending prompts banks to enhance operational efficiency and elevate credit quality, rather than exacerbating risk-taking. These data confirm that the collaboration between fintech lending and banking can improve the overall quality of credit. This study determines an equitable lending limit for SMEs: IDR 5 billion as the ideal threshold to promote SME profitability, and IDR 6 billion to mitigate the danger of default.

(Astawa, I. P., Dube, K., & Ndikumana, 2026) Conducting a comprehensive analysis of the function of P2P lending platforms in facilitating financial inclusion for unbanked MSMEs in Indonesia. This research employed a mixed-methods approach, incorporating quantitative surveys of 200 SMEs and qualitative interviews with 15 SME owners and financial experts. The findings indicate that P2P lending platforms have substantially enhanced capital access for unbanked SMEs, facilitating business expansion and improving financial stability. Nonetheless, issues include elevated interest rates, insufficient knowledge, and a deficiency in financial literacy continue to present obstacles.

The study by (Ispriyahadi et al., 2025) investigated the effects of financial literacy and P2P lending fintech on capital access and the sustainability of micro and small enterprises in Jakarta's traditional markets, revealing that both financial literacy and P2P lending fintech positively influence capital access and the sustainability of MSMEs. This study demonstrated that access to finance does not significantly impact the sustainability of MSMEs, nor does it mitigate the effects of financial literacy and fintech on sustainability. This suggests that additional elements, such as managerial competencies and digital literacy, may have a more substantial impact. The OJK must also combine P2P platforms, cooperatives, and MSME services to establish an inclusive fintech ecosystem for conventional market MSMEs, incorporating microloans and mentorship.

(Arifin et al., 2025) investigated the correlation between the utilization of fintech lending services and digital payment systems and the performance of MSMEs during the economic uncertainty following the pandemic in the IJaEB journal (September 2025). This research seeks to elucidate how financial technology can facilitate the sustainability of MSMEs during periods of economic instability. This research integrates two previously examined facets of fintech: lending services and digital payment systems. This research's findings are anticipated to offer significant insights for policymakers and MSME stakeholders in utilizing fintech to improve business resilience.

The soundness of the financial system fosters an ecosystem in which fintech serves as a complementary pillar for MSME financing. The Ministry of Finance report (2024) indicates that fintech's contribution to MSME financing rose from 8.2% to 15.7% between 2020 and 2024, while maintaining the banking sector's position. This collaboration enhances the resilience of MSMEs in confronting economic volatility, with fintech-supported MSMEs experiencing a growth rate of 7.2%, above the national average of 5.1%.

Over the past five years, MSME financing via fintech has undergone significant expansion, although it has been accompanied by numerous intricate challenges. A primary concern is the elevated interest rates and supplementary costs levied by various fintech platforms, particularly those functioning beyond the stringent oversight of the Financial Services Authority (OJK) (Gandasari, 2025). Interest rates of 0.8-1% per day, equating to over 300% annually, impose a significant burden on MSME stakeholders, diminish profit margins, and may ensnare them in a challenging debt cycle. Furthermore, the surge of illicit internet lending practices characterized by intimidation, data breaches, and unethical collection methods has tarnished the industry's brand and inflicted social trauma on numerous MSME debtors.

An intriguing feature over the past six years is the rise in the number of active fintech users, which persists despite variations in the soundness of the financial system. (Kumar et al., 2023) analysis indicates that the quantity of fintech entities in Indonesia surged sixfold over the last decade, rising from 51 active participants in 2011 to 334 in 2022. The payment sector boasts over 60 million active users, with an anticipated annual growth rate of 26% from 2020 to 2025. Currently, the lending sector comprises over 30 million active peer-to-peer (P2P) borrower accounts.

The rise of active users is influenced by the stability of the financial system. When interest rates escalate and economic pressures intensify, two contrasting impacts manifest. Initially, from the perspective of the borrower, MSMEs frequently pursue finance due to the escalating difficulty and cost associated with accessing traditional banking, a trend that consequently propels the rise in active fintech users. Secondly, from the perspective of lenders and investors, macroeconomic uncertainty may suppress investment enthusiasm, evidenced by the reduction in fintech equity funding in 2022, despite total funding for the 2020-2022 period amounting to US\$3.2 billion, which is 4.6 times greater than the 2017-2019 period. The quantity of active fintech users not only indicates market penetration but also acts as a measure of public trust in the overall soundness of the financial ecosystem.

(Koranteng & You, 2024) assert that fintech enhances financial accessibility for SMEs, although it may also induce volatility in financial markets if left unsupervised. (Abad-Segura et al., 2020) emphasize that fintech services not integrated with the traditional banking system can undermine the efficacy of monetary policy transmission, especially in regulating inflation and interest rates. (Vijayagopal et al., 2024) caution that the expansion of fintech beyond regulatory oversight may result in regulatory voids that could potentially precipitate a financial

catastrophe. Prodan et al. (2024) recognize significant promise in Central Bank Digital Currency (CBDC) as a mechanism to improve the efficacy of monetary policy.

(Putri, A. A. K. S., Fitrianna, H., Widodo, A. S., 2026) discovered that nascent threats and reliance on technology profoundly influence views of cybersecurity and confidence in digital financial platforms. Moreover, cybersecurity exerts a direct and statistically significant influence on consumer trust. These findings are directly pertinent to the stability of the financial system: under conditions of sustained stability, authorities such as OJK can concentrate more on enhancing the cybersecurity framework and consumer protection. Conversely, when the financial system is unstable, user risk perception typically escalates, thus impeding fintech adoption (Patricia, 2026). This study advocates for fintech companies to implement transparent, user-centric security measures and urges regulators to emphasize digital literacy and strong cybersecurity governance in the swiftly changing fintech environment.

The stability of the financial system is essential for the robust and inclusive advancement of fintech. He consistently underscored the necessity for regulators to strike a balance between fostering innovation and alleviating dangers (Widiana, 2024). Macroeconomic and systemic stability establishes a secure foundation for fintech expansion, simultaneously enabling the OJK to formulate adaptive rules like POJK No. 13/2018 concerning Digital Financial Innovation. When the public trusts the national financial system, they will be more likely to adopt fintech services as part of a trusted ecosystem, thereby accelerating digital financial inclusion (Otoritas Jasa Keuangan (OJK)., 2021)

The swift expansion of fintech users has altered Indonesia's financial system, with fintech's share in retail financial transactions rising from 8% to 28% between 2019 and 2024. This expansion necessitates enhanced oversight to guarantee stability and safeguard consumer interests. Current trends indicate that the number of active fintech users is projected to attain 200 million by 2026, characterized by a predominance of embedded finance services and enhanced integration within the digital economy ecosystem.

The count of active fintech users attained 152.7 million, with growth decelerating to 21.9%, predominantly among the younger and urban demographics. Financing for MSMEs via fintech amounted to IDR 165.5 trillion, predominantly in the commerce sector (45%), with an average ceiling remaining at IDR 29.3 million, suggesting a focus on short-term working capital rather than productive investment.

2. METHODOLOGY

This study employs a quantitative methodology utilizing time series analysis to investigate the influence of Indonesia's financial system stability on MSME funding via fintech and the quantity of active fintech users. The research population encompasses all data regarding financial system stability indicators, fintech financing, and the quantity of active fintech users in Indonesia. The sampling approach employed was purposive sampling, based on the criterion that the data was fully and continuously available during the research period. A research sample of 72 observations was derived based on these criteria, encompassing monthly data from January 2019 to December 2024, covering a span of 6 years. This timeframe was chosen due to notable developments in Indonesia's financial system from 2019 to 2024, encompassing the COVID-19 epidemic, global inflationary pressures, and the rapid advancement of digitization in financial services.

The analytical method employed is the Error Correction Model (ECM) established by Engle and Granger (1987). ECM was selected for its capacity to manage non-stationary time series data while effectively capturing the dynamics of both short-term and long-term interactions among the research variables. The error correction model serves to identify long-term relationships, rectify short-term discrepancies, tackle non-stationary time series data challenges, and prevent spurious regression. In the ECM, the error correction mechanism is denoted by the error correction term (ECT), which signifies the degree to which the previous period's imbalance is rectified in the current period, along with the adjustment coefficient (λ) that represents the rate of adjustment towards long-term equilibrium.

3. RESULT AND DISCUSSION

Stationarity Test

The stationarity test seeks to ascertain whether the time series data possesses a consistent mean and variance across time, as non-stationary data may result in spurious regression, where the estimation outcomes seem statistically significant yet lack appropriate economic interpretation.

Table 1. Stationarity Test

Variabel	At Level	Explanation	At 1 st Difference	
	ADF Prob		ADF Prob	Explanation
FSSI	0,9788	Not Stationary	0,0000	Stationary
MSME Financing	0,4384	Not Stationary	0,0000	Stationary
Active Fintech Users	0,2486	Not Stationary	0,0000	Stationary
Residual short time	0,0000	Stasioner	-	-

Source: Data processed by Eviews 14

Because the ADF probability values (0.9788, 0.4384, and 0.2486) are all greater than 0.05, Table 3.1 indicates that the three major variables (FSSI, MSME Financing, and Active Fintech Users) are non-stationary at the level. Nevertheless, all three variables became stationary with a probability of $0.0000 < 0.05$ following the application of the initial difference. This shows that all variables are integrated at degree I (1). In the meantime, there is a cointegration relationship between the variables since the short-term residuals have been stationary at the level (prob $0.0000 < 0.05$) or I(0). As a result, the requirements for estimating the Error Correction Model (ECM) have been satisfied.

Cointegration Test

The cointegration test seeks to identify the existence of a long-term equilibrium relationship among the research variables. Cointegration signifies that while these variables exhibit non-stationary behavior in the short term, they ultimately converge towards equilibrium in the long term, hence rendering the regression between them non-spurious.

Table 2. Johansen Cointegration Test Model 1

Trace Statistic	0.05 Critical Value	Probability	Explanation
44,20685	15,49471	0,0000	Cointegrated
Max Eigen Statistik	0.05 Critical Value	Probability	Explanation
44,18945	14,26460	0,0000	Cointegrated

Source: Data processed by Eviews 14

There is a cointegration link between the variables in Model 1, which looks at how Indonesia's financial system stability affects MSME funding through fintech, according to Table 3.2's Johansen cointegration test results. With a probability value of $0.0000 < 0.05$, the Trace Statistic value of 44.20685 is significantly higher than the crucial value at the 5% significance level, which is 15.49471. With a probability of $0.0000 < 0.05$, the Max-Eigen Statistic value of 44.18945 likewise significantly surpasses the critical value of 14.26460. As a result, the null hypothesis (H_0), which claims that cointegration does not exist, is disproved. These results show a long-term equilibrium link between the variables of MSME financing through fintech and the stability of Indonesia's financial system. The existence of this

Table 3. Johansen Cointegration Test Model 2

Trace Statistic	0.05 Critical Value	Probability	Explanation
30.49569	15,49471	0.0000	Cointegrated
Max Eigen Statistik	0.05 Critical Value	Probability	Explanation
42,09534	40,07757	0,0292	Cointegrated

Source: Data processed by Eviews 14

The Johansen cointegration test results show a cointegration link between the number of active fintech users and the stability of Indonesia's financial system (Table 3.3). H_0 , which claims that there is no cointegration, is rejected because the Trace Statistic value of 30.49569 is higher than the crucial value of 15.49471 with a probability of $0.0000 < 0.05$. With a likelihood of $0.0292 < 0.05$, the Max-Eigen Statistic value of 42.09534 is likewise higher than the critical value of 40.07757. Therefore, both statistical tests verify that there is a long-term equilibrium link between the number of active fintech users and the soundness of Indonesia's financial system. These results satisfy the requirements for moving further with the study to calculate the Error Correction Model (ECM).

Estimation of the ECM Model

Estimating the short-term ECM model comes after the cointegration test verifies that there is a long-term link between the variables. The short-term ECM estimation seeks to quantify the rate at which short-term imbalances are corrected toward long-term equilibrium and to examine the dynamics of the dependent variable's adjustment to changes in the independent variable over a brief period of time. The error correction term (ECT) is included as an explanatory variable in order to estimate the short-term ECM model using the Engle-Granger two-step approach process. The short-term ECM equation has the following general form:

$$\Delta Y_t = \alpha_0 + \sum \alpha_{1i} \Delta X_{1t-i} + \sum \alpha_{2i} \Delta X_{2t-i} + \dots + \lambda ECT_{t-1} + \varepsilon_t$$

where ΔY_t is the change in the dependent variable (financing of MSMEs or the number of active fintech users) in period t , ΔX_{1t-i} to ΔX_{kt-i} are the changes in the independent variables (indicators of financial system stability) with optimal lag length, ECT_{t-1} is the error correction term which is the residual from the long-term cointegration equation lagged one period, λ is the speed of adjustment coefficient, and ε_t is the white noise error term.

The ECM model's most important parameter is the ECT coefficient (λ). Theoretically, at the 5% significance level ($\alpha = 0.05$), the value of λ should be negative and statistically significant. A negative coefficient means that the system will correct itself toward equilibrium in the present period if there was a departure from long-term equilibrium in the prior era. The speed of adjustment is indicated by the absolute size of the ECT coefficient; for instance, a value of $\lambda = -0.25$ implies that about 25% of the imbalance from the previous period will be adjusted in the subsequent monthly period.

Table 4. ECM Short-term Estimates Model 1

SHORT-TERM ESTIMATION				
Dependen Variable : MSME Financing				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2,630205	0,356079	7,386578	0,0000
D(FSSI)	0,635390	0,065653	9,677961	0,0000
RES(-1)	-0,346503	0,120368	-2,878702	0,0071
R-squared	0,790851	Durbin-Watson	1,828270	

Source: Data processed by Eviews 14

According to Table 3.4, the short-term ECM estimation findings indicate that the variable representing changes in the stability of Indonesia's financial system (D(FSSI)) exerts a positive and significant influence on alterations in MSME financing via fintech. This is evidenced by a coefficient of 0.635390, a t-statistic of 9.677961, and a probability of 0.0000, which is less than 0.05. A 1-unit enhancement in the soundness of the Indonesian financial system will result in a 0.635390-unit rise in MSME funding through fintech in the short run. The coefficient of the error correction term (ECT) (RES(-1)) is -0.346503, with a probability of 0.0071, which is less than 0.05, signifying effective operation of the error correction mechanism. An ECT value of -0.346503 indicates that roughly 34.65% of the short-term imbalance will be rectified towards long-term equilibrium in each monthly interval. The R-squared value of 0.790851 signifies that the independent variables account for 79.09% of the variability in MSME funding fluctuations, whilst the Durbin-Watson value of 1.828270, approaching 2, suggests the absence of autocorrelation problems.

Upon estimating the short-term ECM model, the subsequent step is to ascertain the long-term relationships among the variables. The long-term ECM estimate seeks to evaluate the extent of the impact of independent variables on the dependent variable under conditions of long-term equilibrium, while also augmenting the previously acquired short-term estimation results. The long-term coefficients are derived from the cointegration regression equation computed during the cointegration test phase, following the Engle-Granger two-step methodology. The standard representation of the long-term equation is as follows:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \dots + \beta_k X_{kt} + e_t$$

In this context, Y_t represents the dependent variable (financing for MSMEs through fintech or the count of active fintech users) at the level, while X_{1t} to X_{kt} denote the independent variables (indicators of financial system stability) at the level. The coefficients β_1 to β_k signify the long-term elasticity, and e_t refers to the regression residual.

In contrast to short-term estimates that utilize data as first differences (Δ), long-term estimates employ data in levels (without differentiation). The long-term coefficient (β) signifies the extent of the effect of a one-unit alteration in the independent variable on the dependent variable under long-term equilibrium, subsequent to the completion of all dynamic adjustment processes.

Table 5. ECM Long-term Estimates Model 1

LONG TERM ESTIMATION				
Dependen Variable : MSME Financing				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5,807213	2,148080	-2,703444	0,0102
FSSI	0,596129	0,131048	4,548939	0,0001
R-squared	0,735524	Durbin-Watson	1,964803	

Source: Data processed by Eviews 14

According to Table 3.5, the long-term ECM estimation results indicate that the stability of the Indonesian financial system (FSSI) positively and significantly influences MSME funding through fintech. The FSSI coefficient is 0.596129, with a t-statistic of 4.548939 and a probability of 0.0001, which is less than 0.05. This indicates that, over the long run, each 1-unit enhancement in financial system stability will result in a 0.596129-unit rise in MSME funding via fintech. The R-squared value of 0.735524 signifies that the financial system stability variable accounts for 73.55% of the variance in MSME funding over the long term. The Durbin-Watson statistic of 1.964803 is near 2, suggesting the absence of autocorrelation problems. The findings align with the short-term estimation results (coefficient 0.635390), confirming that the stability of the financial system positively influences MSME funding through fintech in both the short and long run.

Table 6. ECM Short-term Estimates Model 2

SHORT-TERM ESTIMATION				
Dependen Variable : Active Fintech Users				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,026134	0,004692	5,570146	0,0000
D(FSSI)	0,019930	0,006022	3,309525	0,0022
RES(-1)	-0,355068	0,130623	-2,718255	0,0100
R-squared	0,846060	Durbin-Watson	1,826952	

Source: Data processed by Eviews 14

According to Table 3.6, the short-term ECM estimation results demonstrate that fluctuations in the stability of Indonesia's financial system (D(FSSI)) exert a positive and significant influence on the variation in the number of active fintech users. The coefficient is 0.019930, accompanied by a t-statistic of 3.309525 and a probability of 0.0022, which is less than 0.05. An increase of 1 unit in the stability of the Indonesian financial system will result in

a short-term increase of 0.019930 units in the number of active fintech users. The coefficient of the error correction term (ECT) (RES(-1)) is -0.355068, with a probability of 0.0100, which is less than 0.05, signifying effective operation of the error correction mechanism. An ECT value of -0.355068 indicates that roughly 35.51% of the short-term imbalance will be rectified towards long-term equilibrium each month. The R-squared value of 0.846060 signifies that the independent variables account for 84.61% of the variance in the number of active fintech users, whilst the Durbin-Watson value of 1.826952, being near 2, suggests the absence of autocorrelation problems.

Table 7. ECM Long-term Estimates Model 2

LONG TERM ESTIMATION				
Dependen Variable : Active Fintech Users				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8,877339	0,907886	9,778035	0,0000
FSSI	0,196767	0,055387	3,552562	0,0010
R-squared	0,819319	Durbin-Watson	1,765025	

Source: Data processed by Eviews 14

According to Table 3.7, the long-term ECM estimation results indicate that the stability of the Indonesian financial system (FSSI) exerts a favorable and significant influence on the quantity of active fintech users. The FSSI coefficient is 0.196767, accompanied by a t-statistic of 3.552562 and a probability of 0.0010, which is less than 0.05. This indicates that, over the long term, each unit increase in financial system stability will result in a 0.196767 unit rise in the number of active fintech users. The R-squared value of 0.819319 signifies that financial system stability accounts for 81.93% of the variance in the number of active fintech users over the long term. The Durbin-Watson statistic of 1.765025 is proximate to 2, suggesting the absence of significant autocorrelation concerns. The findings align with the short-term estimation results (coefficient 0.019930), indicating that the stability of the financial system positively affects the number of active fintech users in both the short and long term, albeit with a lesser magnitude than its influence on MSME financing.

4. CONCLUSION AND RECOMMENDATION

From the estimation outcomes of the Error Correction Model (ECM) for Model 1 and Model 2, the subsequent conclusions can be derived:

The soundness of Indonesia's financial system has demonstrably exerted a favorable influence on MSME financing via fintech, both in the short term and the long term. The findings suggest that a stable financial system marked by regulated inflation, stable currency rates, and credible monetary policies enhances the ability of fintech lending platforms to

provide credit to the MSME sector. These results empirically corroborate the competition-stability theory, which posits that the existence of fintech does not undermine the stability of the financial system; instead, it flourishes in a stable environment. Stability fosters an atmosphere that encourages investors to commit capital and enables borrowers to maintain predictable repayment abilities.

Second, the stability of Indonesia's financial system has also been proven to positively affect the number of active fintech users, both in the short term and the long term. The rise in public confidence in the financial system as a whole promotes the utilization of digital financial services. These findings scientifically reinforce the assertion that macroeconomic stability is the primary basis for cultivating public trust in financial innovations. When the public feels secure with the economic conditions and believes that regulations are effective, they tend to be more open to transacting thru digital platforms.

Third, the error correction mechanism in both models has demonstrated efficacy, suggesting that any transient imbalances would be rectified towards long-term equilibrium. These findings scientifically confirm that the relationship among financial system stability, MSME funding, and active fintech users is dynamic, although it generally reverts to a balanced trajectory over the long run. This indicates that transient economic disturbances, such as inflationary pressures or interest rate variations, would not irrevocably alter the fundamental linkages among the variables.

Fourth, the impact of financial system stability on MSME financing via fintech is more significant than its effect on the number of active fintech users. This phenomenon can be elucidated by the assertion that MSME finance is a variable that exhibits heightened sensitivity to fluctuations in stability circumstances due to its association with elevated credit risk and the necessity for better economic certainty. Simultaneously, the quantity of active fintech users, in addition to being influenced by the stability of the financial system, is also impacted by non-economic characteristics such as digital literacy, accessibility to technology, and the network effect, which tend to exhibit more stability.

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