

THE ROLE OF FINANCIAL TECHNOLOGY, PRODUCT INNOVATION AND WORKING CAPITAL MANAGEMENT IN THE FINANCIAL PERFORMANCE OF MSMEs ASSISTED BY THE MEDAN CITY COOPERATIVE AGENCY

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Abstract

This research is motivated by the importance of improving the financial performance of Micro, Small, and Medium Enterprises (MSMEs) through the management of strategic factors that support business sustainability. This study aims to analyze the influence of financial technology, product innovation, and working capital management on the financial performance of MSMEs assisted by the Department of Cooperatives of Medan City. This research employed a quantitative approach using a survey method through questionnaires distributed to 100 MSME actors and analyzed using multiple linear regression analysis. The results showed that product innovation and working capital management partially had a positive and significant effect on MSMEs' financial performance, while financial technology had a positive but insignificant effect. Simultaneously, the three variables had a positive and significant effect on MSMEs' financial performance. The main finding of this study indicates that working capital management provides the most dominant contribution compared to other variables. The advantage of this research lies in examining these three factors comprehensively within culinary sector MSMEs assisted by the local government, thereby providing a more comprehensive understanding of factors influencing MSMEs' financial performance. The implications of this study indicate that MSMEs need to strengthen working capital management, enhance product innovation, and optimize the utilization of financial technology to support sustainable business growth.

Keywords: Financial Technology, Product Innovation, Working Capital Management, Financial Performance, MSMEs

INTRODUCTION

The business landscape is evolving rapidly in tandem with rising consumer demands. Micro, Small, and Medium Enterprises (MSMEs) constitute a business sector that produces a wide array of goods and services and plays a pivotal role in job creation, thereby serving as a solution to unemployment (Ardila et al., 2021). Despite their significant contribution to the economy, MSMEs continue to face challenges in maintaining financial performance. In the culinary sector, financial performance is a critical aspect, as businesses rely heavily on daily sales, working capital management, and the ability of business owners to adapt to digital technological advancements. These conditions indicate that MSME operators must focus on factors that support financial performance—such as the adoption of financial technology, product innovation, and effective working capital management—to ensure their businesses can survive and thrive amidst competition (Sucahyo et al., 2024). Nationally, the number of MSMEs in Indonesia has shown significant growth. This large number of business units indicates that community economic activity remains heavily supported by the grassroots business sector. However, this high volume of businesses also brings consequences, namely intensified competition among business operators. Consequently, the success of MSMEs cannot be measured solely by the sheer number of businesses; it also depends on their ability to maintain healthy and sustainable financial performance. The number of MSMEs in Indonesia showed a generally upward trend between 2020 and 2025. In 2020, the number of MSMEs was recorded at 50.25 million units. This figure highlights the vital role MSMEs play in supporting national economic activity and serving as a source of income for

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the public. In 2021, the number of MSMEs rose to 50.50 million units, indicating continued growth in community business activities. By 2022, the figure increased further to 53.67 million units, reflecting heightened entrepreneurial activity and the growing importance of MSMEs within the economy. In 2023, the number of MSMEs climbed to 56.44 million units. This growth demonstrates the sector's continued expansion and its significant potential to support the national economy. However, the rising number of MSMEs also brought about consequences, specifically intensified competition among business operators. In 2024, the number of MSMEs saw a slight decline to 56.14 million units. This drop suggests that the development of the MSME sector was not yet fully stable, as business owners continued to face various challenges in maintaining their operational continuity and performance. In 2025, the number of MSMEs rose again to 65.5 million units, underscoring the sector's enduring popularity among the public. Nevertheless, an increase in the number of MSMEs does not automatically imply strong financial performance across all businesses; a larger number of MSMEs also entails facing fiercer competition.

The growth in the number of MSMEs in Indonesia highlights that their financial performance depends not merely on the existence of the business itself, but also on the business owners' ability to manage the factors supporting their operations. Financial technology is essential for accelerating transactions and facilitating convenient payments. Product innovation is necessary for MSMEs to maintain consumer appeal, while working capital management is crucial for maintaining inventory levels, cash flow, and smooth operational activities. The number of supported MSMEs in Medan's culinary sector showed an upward trend between 2020 and 2025. In 2020, there were 708 culinary MSMEs. This figure rose to 872 units in 2021, representing a growth rate of 23.16%. In 2022, the number increased further to 1,055 units, a growth rate of 20.99%. Subsequently, in 2023, the number of culinary MSMEs reached 1,155 units, reflecting a growth of 9.48%. In 2024, the number of supported culinary MSMEs rose to 1,275 units, with a growth rate of 10.39%. Then, in 2025, the figure increased again to 1,284 units, although the growth rate was only 0.71%. Overall, the number of supported culinary MSMEs in Medan increased by 576 units, rising from 708 units in 2020 to 1,284 units in 2025. The growing number of MSMEs in the culinary sector indicates significant growth potential for the industry in Medan. However, this increase does not necessarily reflect improved financial performance for individual businesses. In fact, the rising number of market players can intensify competition, making it essential for MSMEs to adopt the right strategies to ensure their business sustainability.

Regarding the average revenue of MSMEs in Medan City, it is evident that revenue trends fluctuated between 2020 and 2023. In 2020, the average MSME revenue stood at IDR 2,350,398,895. This figure demonstrates the significant contribution of the MSME sector to supporting the local economy of Medan City. MSMEs serve as a major source of employment and a primary income stream for the community. High levels of trade and consumer activity in Medan City also influence the revenue stability of MSME operators. Furthermore, MSMEs play a role in boosting regional economic growth through diverse business activities, including the culinary sector, trade, services, and home-based industries. By 2021, the average MSME revenue had risen to IDR 2,479,819,585. This increase reflects an improvement in local economic conditions as business owners adapted to technological advancements and shifting business models. Many MSMEs began leveraging social media, online marketplaces, and digital services to expand their product reach. Government support—through business capital assistance, entrepreneurship training, and economic recovery programs—also contributed to the rise in MSME revenue in Medan City.

Available data indicates an upward trend in the Gross Regional Domestic Product (GRDP) for the Accommodation and Food & Beverage Services category in Medan City between 2020 and 2024. Following contractions in 2020 and 2021, the GRDP value at current prices rose from IDR 7,454.45 billion in 2022 to IDR 8,604.06 billion in 2023 and IDR 10,100.82 billion in 2024. This demonstrates that the sector most closely linked to culinary MSME activities in Medan City is experiencing recovery and positive growth. These conditions reinforce the potential for culinary MSMEs to expand, while simultaneously highlighting the need to maintain financial performance to ensure sustainable business growth. Based on the overall results of the pre-survey and interviews, it can be concluded that the financial performance of culinary MSMEs in Medan City is adequate but not yet optimal. Key issues identified include uneven profitability, unstable profits amidst fluctuating costs, a lack of disciplined cost control, and volatile sales revenue. Therefore, supporting factors are needed to help MSME owners improve their business financial performance, one of which is the utilization of financial technology.

Financial technology in the culinary business can be utilized through QRIS, digital wallets, mobile banking, and digital transfers. Adopting these technologies helps MSMEs accelerate transactions, simplify payment acceptance, and offer customers more convenient payment options. Consequently, the trends regarding MSMEs using—and those not yet using—QRIS-based financial technology in Indonesia from 2021 to 2025 are of interest. A pre-survey conducted by the Medan City Office of Cooperatives, SMEs, Industry, and Trade revealed that out of 111 culinary MSMEs under its guidance that completed the Google Form, 71 businesses (63.96%) were already

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using QRIS as a payment method, while 40 businesses (36.04%) were not. These results indicate that the majority of culinary MSMEs participating in the pre-survey have adopted digital payment technology, although its implementation is not yet fully widespread. The fact that some MSMEs have yet to adopt QRIS indicates that the use of financial technology in business operations has not been fully embraced by all MSMEs in the culinary sector. Some business owners still rely on cash transactions and have not utilized digital payments as an alternative for their customers. Yet, the use of QRIS offers the potential to simplify the payment process and facilitate more practical business transactions. Based on the overall pre-survey results, it can be concluded that the utilization of financial technology among culinary MSMEs in Medan City is adequate but not yet optimal. This phenomenon reveals a gap between the growing need for digital transactions and the ability of some MSME operators to use digital systems independently and consistently.

Thus, the results of the pre-survey and interviews indicate that the adoption of financial technology among culinary MSMEs in Medan City still needs to be improved. The primary issues lie in business owners' confidence in using digital systems as their primary transaction method, their ability to learn new digital features, and their habits regarding the independent execution of digital transactions. This situation is a critical factor requiring further study, given that financial technology plays a vital role in facilitating smooth transactions, enhancing business productivity, and improving the financial performance of MSMEs. Furthermore, product innovation is an important factor for culinary MSMEs because food and beverage products have a high level of competition and rapid changes in consumption trends. Therefore, the ability of business actors to innovate products is thought to be related to improving business performance, including the ability to increase sales and maintain business sustainability. Based on the overall results of the pre-survey, it can be concluded that product innovation among culinary MSMEs in Medan City is at a satisfactory level but has not yet reached its full potential. This phenomenon reveals a gap between market demands—which call for products that are more varied, high-quality, unique, and appealing—and the capacity of some MSME operators to engage in sustainable product innovation.

Economic conditions in Medan in 2025 presented various pressures and developments affecting working capital management for MSMEs. Medan's annual inflation rate in December 2025 was recorded at 4.36%. This situation reflects rising prices for goods and services, which can drive up business operating costs. Consequently, MSME operators need to manage cash and expenditures more prudently to ensure stable business operations. Significant cost pressures were evident in the food, beverage, and tobacco category, which saw an 8.51% increase. This rise can drive up raw material procurement costs, particularly for MSMEs in the culinary sector that rely on the availability of food and beverage ingredients. Under these circumstances, business operators need to precisely manage purchasing volumes, inventory levels, and raw material usage to avoid both shortages and inventory surpluses. Meanwhile, Medan City's economy grew by 5.10% in 2025, with a Gross Regional Domestic Product (GRDP) at current prices reaching IDR 353.29 trillion. This growth reflects increased economic activity among the population and creates greater opportunities for the development of MSMEs. However, the rise in business activity also drives a greater need for working capital, particularly to finance raw material purchases, cover operational costs, and expand sales capacity. Household consumption expenditure in Medan City also grew by 4.92% in 2025. This growth in consumption can boost public demand for various products, including food and beverages. For MSMEs in the culinary sector, this presents an opportunity to increase sales. However, the rise in demand must be matched by adequate inventory levels and working capital, enabling business owners to meet consumer needs without disrupting business cash flow.

Based on the results of a pre-survey regarding the working capital management variable—conducted among 30 culinary MSME operators in Medan City—it was found that working capital management among these operators generally falls into the "adequate" category but has not yet reached an optimal level. This is evident from the inconsistent ability of business owners to manage inventory. While 90.00% of respondents reported that their business materials or products sell out quickly and do not remain in storage for long, the remaining 10.00% have not yet experienced this situation. Furthermore, 76.67% of respondents stated that they have adjusted their material or product stock levels to match customer demand, whereas the remaining 23.33% have not yet done so optimally. Based on the overall results, it can be concluded that working capital management among culinary MSMEs in Medan City is not yet fully optimal. This phenomenon reveals a gap between the operational requirements of culinary businesses—which demand the orderly management of inventory, accounts receivable, and accounts payable—and the capacity of some MSME operators to manage working capital in a planned manner. Although numerous prior studies have examined the factors influencing the financial performance of MSMEs, a research gap remains that serves as a crucial basis for the current study. Theoretically, financial technology, product innovation, and working capital management are believed to enhance MSME financial performance.

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Studies by Rojab et al. (2026) and Ayem et al. (n.d.) indicate that financial technology has a positive and significant impact on MSME financial performance. However, Satrio and Parhusip (2025) and Khaidhor (2026) report contrasting findings, suggesting that financial technology has no significant or direct effect on MSME financial performance. Regarding the product innovation variable, Rojab et al. (2026) and Kuswardani et al. (2024) demonstrate that product innovation positively and significantly affects MSME financial performance; conversely, Mezaluna and Wibowo (2024) and Suleman (2022) find no significant impact. Divergent results are also observed regarding the working capital management variable. Partiwi et al. (2026) and Hamzah et al. (2023) show that working capital management has a positive and significant effect on MSME financial performance, whereas Hamzah et al. (2023) indicate that it has no significant effect. These divergent research findings indicate that there is no consistent consensus regarding the relationship of financial technology, product innovation, and working capital management with the financial performance of MSMEs. Furthermore, some prior studies focused on different regions, business sectors, and MSME characteristics. Consequently, this study offers a novel contribution by examining the roles of financial technology, product innovation, and working capital management in the financial performance of MSMEs within a specific context: culinary-sector MSMEs in Medan City. Based on the background, the research problems can be identified as follows:

1. The financial performance of culinary MSMEs supported by the Medan City Cooperative and MSME Agency is not yet fully stable. This is evident from the fact that some business owners have not experienced consistent profit growth, struggle to maintain profitability when raw material or operational costs fluctuate, fail to optimally control business expenses, and lack stable sales growth.
2. The utilization of financial technology among culinary MSMEs is not yet fully optimal. While some business owners use digital payment methods—such as QRIS, digital wallets, mobile banking, and digital transfers—they still face challenges in understanding application features, reviewing transaction histories, and verifying that payments have been received.
3. Product innovation among culinary MSMEs is uneven. Some business owners have expanded product variety, maintained quality, established unique characteristics, and updated packaging; however, others are hindered by a lack of ideas, insufficient capital, high packaging costs, and the risk that new products may fail to attract consumer interest.
4. Working capital management among culinary MSMEs still faces challenges. Issues arise in areas such as inventory management, accounts receivable recording, customer payment arrangements, and the management of supplier payments (including credit terms) to ensure business cash flow remains uninterrupted.

Referring to the background of the problem, research formulation, and objectives, the researcher can state the following hypotheses:

- H1: Financial technology has a positive and significant effect on the financial performance of MSMEs supported by the Medan City Cooperative Agency.
- H2: Product innovation has a positive and significant effect on the financial performance of MSMEs supported by the Medan City Cooperative Agency.
- H3: Working capital management has a positive and significant effect on the financial performance of MSMEs supported by the Medan City Cooperative Agency.
- H4: Financial technology, product innovation, and working capital management simultaneously have a positive and significant effect on the financial performance of MSMEs supported by the Medan City Cooperative Agency.

METHOD

This study employs a quantitative approach using a survey method. The research was conducted in Medan City, a hub for economic, trade, and service activities. Medan City was selected as the research site due to its significant and diverse number of MSMEs. The study was conducted between February and July 2026. Based on processed data regarding supported MSMEs, the cumulative total of supported MSMEs in the culinary sector in Medan City reached 1,284 business units by 2025. The culinary sector was chosen because it possesses characteristics relevant to the research variables: high business transaction activity, the need for product innovation, and the importance of working capital management in supporting smooth operations. Consequently, the population for this study consists of 1,284 supported culinary MSMEs in Medan City. The unit of analysis is the supported culinary MSME, while the respondents are business owners or managers who understand their business conditions and operational activities. Each business unit is represented by a single respondent.

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This study utilizes a non-probability sampling technique, specifically purposive sampling. Purposive sampling was employed because respondents were selected based on specific criteria aligned with the research objectives. This technique is considered appropriate as the study focuses on culinary MSME operators in Medan City who are involved with financial technology usage, product innovation, and working capital management.

The sample criteria for this study are as follows:

1. MSME operators running a business in the culinary sector in Medan City.
2. The business has been in operation for at least six months.
3. The business possesses legal certification (SH).
4. The business operator uses or has access to financial technology or digital payment applications.
5. The business operator is willing to participate as a research respondent. Based on data from the Medan City

Office of Cooperatives, SMEs, Industry, and Trade for 2025, the number of MSMEs in the culinary sector supported by the office is recorded at 1,284 business units. This figure constitutes the research population and serves as the basis for determining the sample. The research sample was drawn from the culinary sector MSMEs included in this population. According to Gunistiyo et al. (2024), the Slovin formula can be used to determine the sample size from a population of known size while accounting for a tolerable margin of error. Therefore, the sample size for this study was determined using the Slovin formula with a margin of error of 10%.

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{1.284}{1 + 1.284 (0,1)^2}$$

$$n = \frac{1.284}{1 + 12,84}$$

$$n = \frac{1.284}{13,84}$$

$$n = 92,77 \approx 93$$

Note:

n : Required sample size

N : Population size

e : Sampling error rate of 10%

Based on calculations using Slovin's formula, the minimum required sample size is 93 respondents. To account for questionnaires that might be incomplete, unreturned, or unusable, the researcher set the sample size at 100 respondents—specifically MSME owners in the culinary sector in Medan City.

RESULTS AND DISCUSSION

Results

Validity and Reliability Test Results

Table 1. Results of the Validity Test of Financial Technology, Product Innovation, Working Capital Management, Financial Performance

Statement Item	r-count	r-table	Description
FT1	0.690	0,361	Valid
FT2	0.456	0,361	Valid
FT3	0.501	0,361	Valid
FT4	0.554	0,361	Valid
FT5	0.692	0,361	Valid
FT6	0.494	0,361	Valid
FT7	0.678	0,361	Valid
FT8	0.460	0,361	Valid
FT9	0.546	0,361	Valid
PI1	0.851	0,361	Valid
PI2	0.730	0,361	Valid

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Statement Item	r-count	r-table	Description
PI3	0.807	0,361	Valid
PI4	0.745	0,361	Valid
PI5	0.693	0,361	Valid
PI6	0.809	0,361	Valid
PI7	0.751	0,361	Valid
PI8	0.839	0,361	Valid
WCM1	0.776	0,361	Valid
WCM2	0.742	0,361	Valid
WCM3	0.644	0,361	Valid
WCM4	0.724	0,361	Valid
WCM5	0.757	0,361	Valid
WCM6	0.762	0,361	Valid
FP1	0.713	0,361	Valid
FP2	0.708	0,361	Valid
FP3	0.735	0,361	Valid
FP4	0.744	0,361	Valid
FP5	0.873	0,361	Valid
FP6	0.748	0,361	Valid

Source: SPSS version 25 (2026)

Referring to Table 1, it is known that the corrected item total correlation value is > 0.361 , so all statement items are stated to be valid/legitimate.

Table 2. Results of the Reliability Test of Financial Technology, Product Innovation, Working Capital Management, Financial Performance

Variable	Cronbach Alpha	Description
Financial Technology	0.790	Reliable
Product Innovation	0.905	Reliable
Working Capital Management	0.829	Reliable
Financial performance of MSMEs	0.849	Reliable

Source: SPSS version 25 (2026)

Referring to Table 2, it is known that the Cronbach's alpha value for all variables is > 0.60 , so all statement items are stated to be reliable.

Normality Test Results

Table 3. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		100
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.57538959
Most Extreme Differences	Absolute	.055
	Positive	.049
	Negative	-.055
Test Statistic		.055
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: SPSS version 25 (2026)

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Referring to Table 3. above, it is known that the results of the Kolmogorov-Smirnov test have a significance value of $0.200 > 0.05$ so it can be concluded that the data tested is normally distributed.

Multicollinearity Test Results (Tolerance and VIF)

Table 4. Multicollinearity Test Results

Model	Coefficients ^a					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Tolerance VIF
	B	Std. Error	Beta				
1 (Constant)	.621	2.166			.287	.775	
Financial Technology	.047	.048	.073		.963	.338	.569 1.757
Product Innovation	.284	.067	.325		4.238	.000	.563 1.776
Working Capital Management	.555	.099	.530		5.605	.000	.370 2.704

a. Dependent Variable: Financial performance of MSMEs

Source: SPSS version 25 (2026)

Referring to Table 4, it is known that the results of the multicollinearity test for the variables financial technology, product innovation and working capital management have a tolerance value > 0.10 and $VIF < 10$, so this study is declared free from multicollinearity problems.

Heteroscedasticity Test Results (Glejser)

Table 5. Glejser Heteroscedasticity Test Results

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	1.720	1.281		1.343	.182
Financial Technology	.033	.029	.153	-1.154	.251
Product Innovation	.001	.040	.004	.030	.976
Working Capital Management	-.090	.059	-.253	-1.537	.128

a. Dependent Variable: Abs_res

Source: SPSS version 25 (2026)

Referring to Table 5. above, the results of the Glejser test above, the significance value of the three independent variables is > 0.05 , so it can be concluded that there is no heteroscedasticity.

Multiple Linear Regression Test Results

Table 6. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	.621	2.166			.287	.775
Financial Technology	.047	.048	.073		.963	.338
Product Innovation	.284	.067	.325		4.238	.000
Working Capital Management	.555	.099	.530		5.605	.000

Source: SPSS version 25 (2026)

Referring to Table 6, the regression equation for the above values is:

$$Y = 0,621 + 0,047X_1 + 0,284X_2 + 0,555X_3 + \varepsilon$$

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1. The constant (α) of 0.621 indicates that if the variables of Financial Technology, Product Innovation, and Working Capital Management are held constant or set to zero, the value of MSME Financial Performance is 0.621 units.
2. The regression coefficient for Financial Technology (X_1) is 0.047. This coefficient indicates that a 1-unit change in Financial Technology results in a 0.047-unit change in MSME Financial Performance, assuming other independent variables remain constant. However, based on the partial test (t-test) results, the Financial Technology variable has a calculated t-value of 0.963 and a significance value of 0.338 (greater than 0.05). This indicates that Financial Technology does not have a significant effect on MSME Financial Performance. Thus, the utilization of financial technology among MSMES under the guidance of the Medan City Cooperative Agency has not been proven to significantly influence their financial performance.
3. The regression coefficient for Product Innovation (X_2) is 0.284. This indicates that every 1-unit increase in Product Innovation leads to a 0.284-unit increase in MSME Financial Performance, assuming other independent variables remain constant. The coefficient suggests that higher levels of product innovation by MSME operators tend to result in improved financial performance. Partial test (t-test) results show that the Product Innovation variable has a calculated t-value of 4.238 and a significance value of <0.001 (less than 0.05), indicating that Product Innovation has a significant effect on MSME Financial Performance.
4. The regression coefficient for Working Capital Management (X_3) is 0.555. This indicates that every 1-unit increase in Working Capital Management leads to a 0.555-unit increase in MSME Financial Performance, assuming other independent variables remain constant. The coefficient value indicates that as MSME operators improve their working capital management, the financial performance of the MSMES tends to improve. The partial test (t-test) results show that the Working Capital Management variable has a calculated t-value of 5.605 and a significance value of <0.001 (which is less than 0.05); thus, Working Capital Management has a significant effect on MSME financial performance.

Hypothesis Testing

Partial Test Results (t-Test)

Table 7. Partial Test Results (t-Test)

Model	Coefficients ^a							
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Correlations	
	B	Std. Error	Beta				Zero-order	Partial Part
1 (Constant)	.621	2.166			.287	.775		
Financial Technology	.047	.048	.073		.963	.338	.527	.098
Product Innovation	.284	.067	.325		4.238	.000	.695	.397
Working Capital Management	.555	.099	.530		5.605	.000	.789	.497

a. Dependent Variable: Financial performance of MSMES

Source: SPSS version 25 (2026)

Referring to Table 7, it is known that the independent variables influence each other on the dependent variable.

1. Testing of the Financial Technology variable (X_1) yielded a t-statistic of 0.963 (less than the t-table value of 1.985) with a significance level of 0.338 (greater than 0.05) and a positive Unstandardized Beta Coefficient of 0.047; consequently, the first hypothesis H_0 is accepted and H_1 is rejected. These results empirically demonstrate that Financial Technology does not have a significant partial effect on the financial performance of culinary MSMES in Medan City.
2. Testing of the Product Innovation variable (X_2) yielded a t-statistic of 4.238 (greater than the t-table value of 1.984) with a significance level of 0.000 (less than 0.05) and a positive Unstandardized Beta Coefficient of 0.284; consequently, the second hypothesis H_0 is rejected and H_2 is accepted. These results empirically

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demonstrate that Product Innovation has a positive and significant partial effect on the financial performance of culinary MSMEs in Medan City.

3. Testing of the Working Capital Management variable (X3) yielded a t-statistic of 5.605 (greater than the t-table value of 1.984) with a significance level of 0.000 (less than 0.05) and a positive Unstandardized Beta Coefficient of 0.555; consequently, the third hypothesis H0 is rejected and H3 is accepted. These results empirically demonstrate that Working Capital Management has a positive and significant partial effect on the financial performance of culinary MSMEs in Medan City.

To determine the magnitude of the contribution of each independent variable to the dependent variable, calculations were performed using the formula: $\text{Beta} \times \text{Zero-order}$. Beta represents the standardized regression coefficient, while Zero-order represents the correlation between each independent variable and the dependent variable prior to accounting for the other independent variables. The following are the calculations to determine the contribution of each independent variable to the dependent variable:

1. Financial Technology (X1) = $0.073 \times 0.527 \times 100\% = 3.85\%$ or 4%
2. Product Innovation (X2) = $0.325 \times 0.695 \times 100\% = 22.59\%$ or 23%
3. Working Capital Management (X3) = $0.530 \times 0.789 \times 100\% = 41.82\%$ or 42%

Based on the calculations above, it is evident that the independent variable making the largest contribution to the dependent variable is Working Capital Management (X3), contributing 42% to MSME Financial Performance (Y). The independent variable making the smallest contribution to the dependent variable is Financial Technology, contributing 4% to MSME Financial Performance (Y).

Simultaneous Test Results (F-Test)

Table 8. Simultaneous Test Results (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	528.487	3	176.162	68.829	.000 ^b
	Residual	245.703	96	2.559		
	Total	774.190	99			

a. Dependent Variable: Financial performance of MSMEs
b. Predictors: (Constant), financial technology, product innovation and working capital management

Source: SPSS version 25 (2026)

Referring to Table 8. the F-test results show that the calculated F-value (F-count) of 68.829 exceeds the F-table value of 2.70, with a significance level of 0.000 (which is less than 0.05). Since the significance value is below 0.05, it can be concluded that Financial Technology (X1), Product Innovation (X2), and Working Capital Management (X3) simultaneously have a significant influence on the Financial Performance (Y) of culinary MSMEs in Medan City. This indicates that the regression model employed is suitable for explaining the relationship between the independent and dependent variables.

Determination Test Results

Table 9. Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 ^a	.683	.673	1.600

a. Predictors: (Constant), financial technology, product innovation and working capital management

Source: SPSS version 25 (2026)

Based on the coefficient of determination test results in the Model Summary table, a multiple correlation coefficient (R) of 0.826 was obtained. This value indicates that Financial Technology, Product Innovation, and Working Capital Management simultaneously share a very strong relationship with the dependent variable in this study: the financial performance of culinary-sector MSMEs supported by the Department of Cooperatives in Medan City.

Discussion

The Effect of Financial Technology on the Financial Performance of MSMEs

Based on the multiple linear regression analysis, the Financial Technology variable yielded a positive regression coefficient of 0.047. The partial test results showed a calculated t-value of 0.963—lower than the critical t-value of 1.984—and a significance level of 0.338, which exceeds the 0.05 threshold. Consequently, H1 was rejected and H0 was accepted; thus, Financial Technology does not have a significant partial effect on the financial performance of culinary MSMEs in Medan City. Based on the standardized beta $\times$ zero-order calculation, Financial Technology contributed 3.85% (approximately 4%) to MSME financial performance, making it the variable with the lowest contribution compared to Product Innovation and Working Capital Management. In the context of this study, Financial Technology represents a valuable technological resource, as it accelerates transactions, expands payment options, and facilitates the receipt of consumer payments. However, digital payment technologies are currently easily accessible and widely used by business owners. Therefore, the mere presence of such technology is insufficient to serve as a differentiating factor for the performance of one MSME over another. A business owner's ability to process transaction data and integrate it into business management is more critical than the mere adoption of technology.

These findings align with studies by Satrio & Parhusip (2025) and Khaidhor (2026), which indicate that Financial Technology does not significantly affect MSME financial performance. Conversely, these results differ from those of Rojab et al. (2026) and Ayem et al. (n.d.), who found that Financial Technology has a positive and significant impact on MSME financial performance. These divergent findings reinforce the existence of a research gap, indicating that the impact of financial technology on the financial performance of MSMEs varies depending on factors such as business characteristics, the extent of technology adoption, financial management capabilities, and the specific business environment under study. Based on the research results, MSME operators in Medan's culinary sector need to expand their use of financial technology—moving beyond its role as a mere transaction tool to utilizing it as a support system for financial management. Business owners should enhance their ability to review transaction histories, record digital receipts, verify incoming payments, and leverage transaction data to evaluate sales and cash flow. The Medan City Cooperative Agency could also provide comprehensive guidance on financial technology adoption, ensuring that the digitization of transactions yields greater benefits for business management.

The Effect of Product Innovation on the Financial Performance of MSMEs

Based on the multiple linear regression analysis, the Product Innovation variable yielded a positive regression coefficient of 0.284. The partial test results showed a calculated t-value of 4.238, exceeding the critical t-value of 1.984, with a significance level of 0.000 ($p < 0.05$). Since the significance value is below 0.05, H2 is accepted and H0 is rejected. Thus, Product Innovation has a positive and significant partial effect on the financial performance of culinary MSMEs in Medan City. Based on the standardized beta $\times$ zero-order calculation, the contribution of Product Innovation to MSME financial performance is 22.59%, or approximately 23%. In the context of culinary MSMEs, distinctive recipes, processing methods, flavor variations, presentation styles, and knowledge of consumer tastes represent capabilities developed through the business owners' experience. These abilities can form part of the MSMEs' internal capabilities, supporting value creation for consumers. Consequently, the better an MSME's ability to develop innovations aligned with consumer needs, the greater the likelihood of achieving superior financial performance.

These findings align with studies by Rojab et al. (2026) and Kuswardani et al. (2024), which found that Product Innovation has a positive and significant impact on MSME financial performance. Conversely, these results differ from those of Mezaluna & Wibowo (2024) and Suleman (2022), who found no significant effect of Product Innovation on MSME financial performance. This discrepancy suggests that innovation success depends not merely on the volume of innovations undertaken, but also on their alignment with consumer needs and the business owners' ability to manage innovation costs. Based on the research findings, culinary MSMEs in Medan City supported by the Department of Cooperatives need to maintain their strengths regarding product distinctiveness while simultaneously improving aspects that remain relatively weak. Product variety should be expanded based on consumer needs and feedback to avoid wasting materials or incurring unnecessary costs. The use of high-quality raw materials must also be aligned with pricing strategies so that quality improvements deliver added value without eroding business profits. Furthermore, packaging innovation and product adjustments in response to market trends must be pursued continuously to ensure the product maintains its competitiveness.

The Effect of Working Capital Management on the Financial Performance of MSMEs

Based on the multiple linear regression analysis, the Working Capital Management variable yielded a positive regression coefficient of 0.555. The partial test results showed a calculated t-value of 5.605, exceeding the critical t-value of 1.984, with a significance level of less than 0.05 ($p < 0.000$). Consequently, H3 was accepted and H0 rejected, indicating that Working Capital Management has a positive and significant partial effect on the financial performance of culinary MSMEs in Medan City. In the context of this study, the ability of MSME operators to manage inventory according to needs, systematically record accounts receivable, manage payment receipts, and determine payment schedules for suppliers constitutes valuable managerial competence. These capabilities help maintain cash availability for operational needs while mitigating the risk of inefficient capital utilization.

These findings align with research identifying a positive and significant relationship between Working Capital Management and MSME financial performance. While Partiwi et al. (2026) and Hamzah et al. (2023) found a positive and significant effect, Hamzah et al. (2024) found no significant impact of Working Capital Management on MSME financial performance. This study provides empirical evidence that, for culinary MSMEs in Medan City, Working Capital Management is a crucial and relatively dominant factor in explaining financial performance. Based on the results, MSME operators should maintain their relatively strong inventory management capabilities while improving the recording of accounts receivable—an area that currently scores the lowest. Accounts receivable can be tracked using simple logbooks, spreadsheets, or financial applications to ensure clearer monitoring of payment amounts and timing. Furthermore, the management of payables and supplier payments should be aligned with cash inflow cycles to prevent business obligations from disrupting smooth operations.

The Simultaneous Effect of Financial Technology, Product Innovation and Working Capital Management on the Financial Performance of MSMEs

Based on the ANOVA table from the simultaneous testing, the calculated F-value (F-count) was 68.829, exceeding the critical F-value (F-table) of 2.70, with a significance level of 0.000 (less than 0.05). Since the significance level is below 0.05, the null hypothesis (H0) is rejected and the fourth hypothesis (H4) is accepted. Thus, Financial Technology, Product Innovation, and Working Capital Management simultaneously exert a significant influence on the financial performance of culinary MSMEs supported by the Department of Cooperatives in Medan City. These results also indicate that the regression model employed is suitable for explaining variations in MSME financial performance. The coefficient of determination results show an R-value of 0.826 and an R-Square value of 0.683. This implies that Financial Technology, Product Innovation, and Working Capital Management collectively explain 68.3% of the variation in MSME financial performance. Meanwhile, the remaining 31.7% is explained by factors outside the scope of this study, such as financial literacy, managerial capability, access to capital, marketing strategies, economic conditions, business competition, and other factors.

The Adjusted R-Square value of 0.673 indicates that, after accounting for the number of independent variables and respondents, the research model explains approximately 67.3% of the variation in MSME financial performance. This figure demonstrates that while the three research variables play a significant role, they are not the sole determinants of MSME financial performance. Based on standardized beta values, Working Capital Management exerts the greatest relative influence (0.530), followed by Product Innovation (0.325) and Financial Technology (0.073). These results do not imply that Financial Technology is unimportant; rather, they indicate that—given the characteristics of the study's respondents—Working Capital Management is the variable with the greatest relative influence when all three variables are tested simultaneously. The findings of this study are consistent with several previous studies. (Rojab et al., 2026) and (Ayem et al., n.d.) found that financial technology has a positive and significant effect on the financial performance of MSMEs. These findings are further supported by research from (Rojab et al., 2026) and (Kuswardani et al., 2024), which indicates that product innovation has a positive and significant impact on MSME financial performance. Additionally, (Partiwi et al., 2026) and (Hamzah et al., 2023) found that working capital management has a positive and significant effect on MSME financial performance. These results reinforce the view that the utilization of technology, the capacity for innovation, and the ability to manage financial resources are crucial factors in supporting the financial performance of MSMEs.

CONCLUSION

Based on the research results, it can be concluded that:

1. Financial technology does not have a significant effect on the financial performance of culinary MSMEs under the guidance of the Medan City Cooperative Agency. This is evidenced by a regression coefficient of

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- 0.047, a t-statistic of 0.963 (which is lower than the t-table value of 1.984), and a significance value of 0.338 (which is greater than 0.05).
2. Product innovation has a significant effect on the financial performance of culinary MSMEs under the guidance of the Medan City Cooperative Agency. Test results show a regression coefficient of 0.284, a t-statistic of 4.238 (which is higher than the t-table value of 1.984), and a significance value of 0.000 (< 0.05).
 3. Working capital management has a significant effect on the financial performance of culinary MSMEs under the guidance of the Medan City Cooperative Agency. This is demonstrated by a regression coefficient of 0.555, a t-statistic of 5.605 (which is higher than the t-table value of 1.984), and a significance value of 0.000 (which is less than 0.05).
 4. Financial technology, product innovation, and working capital management simultaneously exert a significant influence on the financial performance of MSMEs in the culinary sector supported by the Medan City Cooperative Agency. The simultaneous test results show a calculated F-value of 68.829—exceeding the F-table value of 2.70—and a significance value of 0.000, which is below 0.05.

Based on this research, the following recommendations are offered MSME operators are advised to enhance their understanding and skills regarding digital payments—specifically in checking transaction histories, verifying receipt of payments, interpreting payment notifications, and utilizing available security features. Business owners should also regularly verify transactions to minimize payment errors. MSME operators are encouraged to gradually diversify their product offerings by taking consumer needs and preferences into account; such development could involve variations in flavor, size, presentation, product bundling, or packaging innovation. It is also recommended that MSME operators maintain more systematic records of accounts receivable by documenting customer names, outstanding amounts, transaction dates, due dates, and payment statuses. Finally, the Medan City Government—through the Department of Cooperatives and MSMEs, the Financial Services Authority (OJK), and Bank Indonesia—is advised to expand structured working capital management assistance programs (such as training on recording receivables, inventory management, and debt repayment strategies), given that working capital management has been proven to be the most dominant determinant of MSME financial performance.

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