

A Study on Factors Facilitating Adoption of Fintech By Banks, Startups And Msmes.

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1. INTRODUCTION, RESEARCH GAP AND RESEARCH PROBLEM:

FinTechspace have emerged as a vibrant and dynamic component of Indian Economy by virtue of their significant contribution to gross domestic product, industrial production and exports. The most important contribution of this sector is towards employment generation. The FINTECH SPACE plays a significant role in every economy. The FINTECH SPACE in India is also characterized by its high growth potential and its contribution to the economic growth and development. The Digital Paradigm has broadened the scope of business opportunities for entrepreneurs. It helps to optimize the performance of the business across the entire partners of both upstream and downstream. In spite of this, the FINTECH SPACE is in the nascent stage. Although India ranks next to China in the adoption of FinTech services in the world according to EY report, very few studies have oriented at the significance of Fintech space. The main problem could be lack of conceptual framework and basic knowledge of Fintech Services amongst the business practitioners and researchers. The FinTech industry's rapid growth can be attributed to the holy trinity of India's Fintech revolution: The Banks, Government and Startups. The study aims to evaluate the FinTech industry's rapid growth in India in the light of the 3 entities: Banks, MSME and Startups..

Objectives of the Study:

- To ascertain the influence of type of facilitators on the Fintech adoption in banks.
- To ascertain the influence of type of facilitators on the Fintech adoption in Start Ups.
- To influence of type of facilitators on the Fintech adoption in MSMEs.

2. RESEARCH METHODOLOGY:

In this study, the researcher used the descriptive survey research design. The descriptive survey

involves acquiring information about one or more groups of people asking them questions and tabulating their answers. The ultimate goal of survey research design is to learn about a large population by surveying their representative sample, summarizing their responses in percentages, frequency, or more sophisticated statistical tools. Finally, drawing inferences about a particular population from the responses of the sample would be possible. Accordingly, the researcher used descriptive survey (quantitative approach) to test the hypotheses. The employees working in various Banks, Start Ups and MSMEs were taken as the sampling unit. The population of study included 322 employees working in Banks, Start Ups and MSMEs. From the population, a sample size of 176 was taken for the purpose of analysis. Proportionate stratified random sampling method was used for selecting the respondents. The primary data was collected by means of survey. Schedule was prepared and the employees of the selected companies were interviewed personally. The questionnaire contained 6 demographic questions and the rest covered the various facilitators for Fintech adoption. The facilitators included *Payments ,Alternative Lending, P2P lending, InsurTech, Wealth Management , Blockchain Tech , AI and ML – Artificial Intelligence ("AI") and Machine Learning ("ML")* . The response of the sample was recorded on a five point grade scale of very less, less, moderate, high and very high for each questions. The information obtained was later analyzed to obtain the interpretations and the findings. The secondary data used for the study was collected from various company websites, textbooks, national and international journals, articles and government websites. The questionnaire was designed to analyze the impact of the facilitators on the Fintech adoption. The questionnaire framed for the study is a structured questionnaire in which all the questions are predetermined before conducting the

interview. The questionnaire was designed to gather homogenous data, which will help in the easy analysis of data. The questionnaire had six parts. It comprised 46 closed-ended items to measure six variables used in the study. These items were measured on a five-point Likert scale that ranged from "very less" to "very high". Other than closed-ended questions, there was a section to capture demographic details. Thus, in total, the questionnaire had 52 questions. Data analyses depend on both the objectives of the study and the nature of the variables in the data collected. The obtained data was analyzed using descriptive and inferential statistics. Descriptive statistics such as frequency and percentage were used to analyze the collected data. Inferential statistics such as ANOVA, correlation and regression analysis test were used to compare the mean differences.

3. FINDINGS:

It was found through ANOVA analysis that there is significant relationship between the Facilitators and the adoption of Fintech in Banks. ANOVA results also revealed that there is significant relationship between the Facilitators and the adoption of Fintech in MSMEs. It was also found through ANOVA test that there is significant relationship between the Facilitators and the adoption of Fintech in Banks. The study observed that there is a weak positive correlation between the policy initiatives and the adoption of Fintech by the firms ($r=0.369$). It was observed that there is a moderate positive correlation between the IoT and adoption of Fintech ($r=0.670$). It was found from ANOVA test that there is significant difference in the RBI regulations and the security of the information given and the public money at large which are basically moved around through the means of the FinTech space. The ANOVA test also revealed that Seamless data is another avenue which helps survive the dynamics of the partnerships formed between Financial Institutions and the Fintech space. It was found through ANOVA test that the Artificial and machine Learning facilitator influence differs on the basis of type of Organization. From the results of ANOVA, it was observed that there exists no significant difference in the payment facilitator on the basis of type of organization. The regression analysis revealed that the *Payments*, *Alternative Lending*, *P2P lending*, *InsurTech*, *Wealth Management* and *Blockchain Tech* facilitators have significant influence on the rate of adoption of FinTech.

4. IMPLICATIONS OF THE STUDY:

India's Fintech space got its much-needed attention in 2016 and has been growing ever since the Payments sector got a boost after the

Demonetization. Alternate lending also has been enjoying a good growth rate because of a number of unbanked, new to the bank, under banked consumers. But the FinTech system still has a lot of scope for growth. The Fintech Space has really evolved over time with the emergence of multiple mature players especially in the payments segment and consumers preferring new innovative products that offer different financial services. This puts the FinTech companies in fierce competition with the traditional large bank and financial corporations. This has shifted the ecosystem from a traditional competitive edge where the financial institutions introduce their own products and services to compete to more of a collaborative one. However the road to collaboration is not an easy one, there are a couple of hurdles that have to be bridged by both the parties to come up to a suitable solution. The obstacles arise from the new challenging the old, the different business models of both the businesses, a difference of the culture between both the places. Institutions have a problem because of their slow adoption of change and innovation, their slow acceptance to disruption in the market. The difference also arises in terms of goals of FinTech to bring in new levels of efficiency, whereas Institutions follow a slow and steady movement to accommodate the whole range of products and services required in the transaction. However, these challenges can be overcome and make way for a highly promising future for both the FinTech space and Banks including the financial institutions. The impending problem is that opportunities for collaboration and growth will only grow over time and there will be so much room for innovation and disruption.

P2P lending has emerged to be the most sought out startup idea of the FinTech system. After the 2008 financial crisis, banks have become risk-averse, loans have got tougher to obtain and the banks have altered their own operations. P2P is the solution to this problem, the major contributors to this growth are the unmet demand loans by MSMEs with a gap of roughly USD 200 billion in credit supply. It is a really inexpensive model that runs on a sense of social responsibility. Similarly the insurance sector in India has not been the easiest sector to accept innovative products, but in the modern day customers seek an increased access to technology-enabled efficiencies. Thus Internet-of-Things or IOT has gained quite some reputation in the InsurTech sector, which is powered by extensive customer data. Linking of data of health and wellness can help the insurers to predict the know-hows of customer behaviour and lead to an increase in their earnings through better pricing strategies, which is strongly linked to FinTech Space goals.

Artificial Intelligence ("AI") and Machine Learning ("ML") has disrupted the Banking sector in India in the near future. AI is a broader concept which relates to machines doing activities that we consider to be smart, while ML is one of the particular applications of AI which basically learns from the data given to it to make predictions and inferences that can be used by the user. AI has ample applications in the banking sector ranging from customer acquisition, KYC and Onboarding, Accounts and Loans, Customer Service, Brand Management and many more.

Banks and Financial Institution has been investing heavily in emerging technologies to improve the customer experience and enhance the efficiency of their internal operations. Large commercial banks are already investing in Artificial Intelligence, Machine Learning and Blockchain startups for both back office and front office purposes. Blockchain Tech – Blockchain based system offer transparency and due to its regulatory uses, the adoption of Blockchain or Distributed Ledger Technology ("DLT") in the Indian banking sector is also finding some traction and support from the regulatory bodies. However DLT in India is presently still in the nascent stage, where a commercial bank is trying it out to enforce a smart contract, its application in remittances and trade finance. DLTs are significant from a regulatory and audit point of view. The three main applications of the DLT in the coming future could be: (i) Efficient payments transfer infra; (ii) Enforcement of smart contracts; and (iii) Digital Identity including a tamper-proof history of a transaction and gives the users an option of choosing who to give access to their personal data.

The asset and wealth management in India has already undergone the aftermath of the wave of automation. The technological advancements have to lead to a better product offering. The rise of e-payments, e-KYC through Aadhar and online fund transactions, online statements of investments have contributed to a quite promising future in the wealth management sector. India's young and largely under-banked population has been largely absent from the stock and the bond markets and this present quite a room for improvement for players in this sector to leverage on the efficiencies provided by the FinTech Space. Thus the various facilitators under study have a substantial role to play in FinTech adoption by Banks, Startups and MSMEs.