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Fintech: A Stepping Stone Towards Financial Inclusion

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ABSTRACT: Digital transformation underscored as the fourth industrial revolution has led to the emergence of various sophisticated technology-enabled financial services in various fields. One such major innovation called Fintech took place in the field of commerce and management as well. Fintech as the term implies is the combination of two terms Finance and Technology which simply means application of technology in the field of finance. Fintech refers to all the digital technologies that have the potential to transform the provision of financial services spurring the development of new or modify the existing business models, applications, processes, and products. Global adoption of FinTech is rapidly increasing due to its disruptive nature and is largely embraced by the various participants in the financial sector who are under served by traditional financial service providers. There exists a gap in the literature and visualization research on impact and future pathway of FinTech innovations in payments and financial services and role of financial regulations. This study aims to enrich the understanding of FinTech innovations in payments and financing and investigate the correlation and significance of regulatory framework in maintaining a fair ecosystem where the under served sections of the economy are included in the main stream economy. For this purpose, data were collected by using a well-designed Personal Interview Schedule and was circulated to 100 respondents under convenient sampling technique. The collected data were then analyzed with the help of statistical tools like Simple Percentage Analysis, Ranking method and Mean Percentage Analysis. The results of this study imply that the under served sections of the economy still remains the same and also provide a holistic insight to innovations in FinTech.

KEYWORDS: Finance, Technology, FinTech, Financial Inclusion, Digital Transformation

1. INTRODUCTION

Financial inclusion is a buzzword now and has attracted global attention in the recent past. More than 70% of Indian population lives in the rural areas where they are deprived of major economics services like bank and other financial institutions. In such a scenario Financial Inclusion becomes a necessity for the economic development of a country like India. Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction, employment, economic growth and social cohesion. Further access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to avail credit and facilitate them to break the chain of poverty (Verma et al., 2020). Financial inclusion refers to a process that ensures the ease of access, availability and usage of the formal financial system to all the members of an economy. It is considered to be the core objective of

many developing nations since the last decade as financial inclusion directly correlates to the poverty prevailing in developing nations and thereby the economic condition of the nation (Mittal, 2020). With the aim of including the weaker section of the economy to the main stream banks and other financial institutions along with the Government have been implementing many schemes and policies. Among such measures Fintech plays an important role in achieving the aim of financial inclusion overall in the global economy. The term "FinTech" combines "finance and technology." Fintech" refers to new technology that aspires to improve and automate the distribution and use of financial services. At its core, FinTech uses specialized software and algorithms that are run on computers and, increasingly, smartphones to aid in the management of financial operations, procedures, and lives for enterprises, business owners, and consumers. The concept of Fintech was developed in the 21st century, where it only meant to cover some back-end functioning of certain industries (Jora et al., 2022; Mehta et al., 2022). Today, FinTech is more customer focused and is available in different sectors of the economy like investment management, banking, insurance and education to name a few. In the emerging global this study is conducted to know whether Fintech services plays an important role in achieving the economic goal of Financial Inclusion.

2. STATEMENT OF THE PROBLEM

There are various factors like behavioral, social and directional factors which play a role in the adoption of FinTech services. Along with customers, the organizations involved in the FinTech space also have to undergo various operational, strategic and fundamental changes. This change in the banking sector has also triggered the possibility of systemic risk, which in turn activates the regulators to act upon and appropriately take measures to provide stringent regulations to avoid breakdown in the economy. The novelty and fast pace of the technological changes in this sector poses a challenge for regulators. It becomes important to understand the customers" behaviors and user experiences for making the FinTech space more capable, fast and safer. So, it is important to identify and understand the factors which affect the adoption of Fintech services so that the customers together with the FinTech companies can adapt and improve FinTech usage and dissemination of FinTech.

3. SIGNIFICANCE OF THE STUDY

FinTech is a technological revolution that is shaping the future of global economy. The government is keenly making efforts to achieve the potential that the sector offers towards growth, employment, cashless society and financial inclusion. Government initiatives to promote digitization of financial transactions and reduce cash

transactions have been quite successful in moving consumer attention to products for financial services, with the payments sector benefiting the most. But it is found that despite having a large number of mobile connections the number of transactions taking place over the means of technology are less in the Indian financial ecosystem, little is known about how consumers view and assess electronically provided services. The foregoing review of literature shows that very few studies were conducted which focused on one product i.e., mobile banking or a particular app and also on restricted participants like youth, particular company users, etc. But very few studies have been done so far on different aspects of adoption of FinTech in the Indian context particularly in Palakkad district of Kerala. Also, there has been substantial swapping of traditional methods with modern age methods in the banking and financial sector in the past few years. Hence, it becomes imperative to know what aspects cause and effect relationships on the adoption of such change.

4. OBJECTIVES OFTHE STUDY

The main objective of the present study is to analyze FinTech adoption in Palakkad district of Kerala and its impact on financial inclusion process. In this broader framework, the following are the specific objectives of the study:

a) To identify the factors leading to the adoption of FinTech.

b) To measure the perception of customers towards FinTech services

c) To study the impact of FinTech on financial inclusion

5. RESEARCH METHDOLOGY

Research Design adopted for this study is Descriptive and Analytical in nature. The study is based on primary as well as secondary data. The primary data is collected through personal interview schedule from the respondents of Palakkad District of Kerala. For collecting the information, the researcher adopted the Convenience sampling method. The sample size taken for the study is 100 respondents. The statistical techniques applied include Percentage Analysis, Ranking method and Mean Percentage Score.

6. REVIEW OF LITERATURE

- **Rakhi and Mala (2017)** investigated the behavioural intention of mobile phone services users in India. The data were collected from the people who are using mobile phones. Structural equation model was used to test the intention of the mobile phone services users. The findings indicate that perceived risk, perceived usefulness, perceived ease of use and peer group (social influence) are playing a major role in shaping

customers'' adoption behavioral intention of using mobile banking services.

- **Hyun sun Ryu (2018)** conducted a study to understand the benefits and risks associated with FinTech adoption. To study the factors influencing positive and negative effect on adoption of FinTech services, a framework was developed with the merger of Net Valence Theory and Benefits-Risks Framework. A comparative study of early and late adopters was done. After applications of factor analysis, four major factors were found such as perceived risk of finance, legal, security, and operational risk.

- **K.Lal, M. Rani, P. Ragini (2020)** aimed at identifying the factors influencing bank customers in the adoption of FinTech services in Hyderabad. This study is empirical in nature. Data were collected through probability random sampling technique from101 bank customers. The data has been analyzed using ANOVA, Exploratory Factor Analysis and Multi Variant Regression Model. The null hypotheses got tested by using Bartlett's test of sphere. Likert scale of 1 to 5 were used to get responses from customers of bank. The results show that there is no significant difference between venture capital backed funding among selected continents. This study identified three main factors i,e, conducive, adaptability and security, which influence the usage of FinTech among customers

- **Painoli, G.K. Dhinakarnam, D.P and Vijay, C (2021)** conducted a study with the objective to understand the relationship between demographics (age and gender) and utilization of FinTech services along with the adoption of these FinTech services. A sample of 195 individuals belonging to IT hub cities of India, Bangalore and Bombay was taken. Snowball sampling technique was used to obtain the data. Regression analysis was used to investigate relationship between independent variables such as age and gender and dependent variable „how often use FinTech services". Factor analysis depicts the various components and their intensity of influencing the adoption and usage of FinTech services.

7. ANALYSIS OF DATA

Among the 100 respondents considered for the study 35% are male and the remaining 65% are female. 53% of the respondents belonged to the age category of 21-40 years. Majority of the respondents are students (39%) and belonged to income scale up to Rs. 1,00,000. All the respondents are literate and majority of them have a post-graduation degree. 74% of the respondents are using some

kind of FinTech Services. Among the respondents who are using FinTech services 55% are using Google Pay. The FinTech is used by the maximum respondents for the purpose of recharging mobiles, DTH and telephones (53%).

Table 1: Frequency Distribution of FinTech Products/Modes

S. No.	Products/Modes	Frequency	Percentage	Ranks
1.	Paytm	10	13.51	3
2.	BHIM UPI	4	5.40	4
3.	SBI yono	2	2.70	5.5
4.	ICICI mobile	1	1.35	7
5.	GooglePay	41	55.40	1
6.	PhonePe	14	18.91	2
7.	Amazon Pay	2	2.70	5.5

Source: Primary Data

Table 2: Purpose-wise Frequency Distribution Use of FinTech Products

S. No.	Purpose	Frequency	Percentage	Ranks
1.	Grocery shopping	8	10.81	2
2.	Fee payment (School, College,Tolltax,*etc.*)	5	6.75	5
3.	Recharge(Mobile, DTH, Telephone)	39	52.70	1
4.	Service Bill Payments (Electricity *etc.*)	10	13.51	3
5.	Online shopping	9	12.16	4
6.	Insurance services	3	4.05	6

Source: Primary Data

Table 3: Perception of Respondents Towards Fintech Services

Sl. No	Statements	Mean	SD	CV	p value	Level of Satisfaction
1	FinTech is beneficial for people	3.50	3.98	113.61	0.735	Good
2	FinTech is Beneficial in increasing the standard of Living	3.48	4.01	115.12	0.749	Good

3	Fintech will be helpful to the lowest strata of the economy to open the bankacc	3.27	3.86	118.19	0.891	Good
4	FinTech leads to increase in expenses of people	3.34	3.87	115.74	0.854	Good
5	FinTech will help the Poor to join the mainstream	3.17	3.83	120.95	0.933	Good
6	FinTech services are effective to solve the problem of financial exclusion	3.49	3.95	113.21	0.744	Good
7	There is need to improve Security in FinTech Services	3.78	4.11	108.60	0.529	High

Source: Primary Data

Mean Percentage Score (MPS) is used to identify the level of satisfaction of the variables. The mean score of the questions for all 100 respondents is found out, based on which we calculate the mean percentage score. This score is classified into one of the four groups as Low/Poor if the mean percentage score is less than 35 per cent, Average if the mean percentage score is between 35 to 50 per cent, Good/Medium if the mean percentage score lies in the interval 50 to 75 per cent and High if the 9 mean percentage score is above 75 per cent. The study reveals that the customers have 'good/ medium' level of satisfaction towards FinTech services. Also the respondents highly opined that there is need to improve the safety and security in FinTech services.

8. FINDINGS

1. It is identified from the study that 55% of the respondents uses various types of FinTech services like Google Pay, Phonepe, and Paytm etc.

2. 53% of the respondents uses such FinTech services mainly for recharging their mobile phones.

3. It is identified from the study that majority of the respondents consider FinTech services beneficial in their day to day life.

4. The study revealed that FinTech is playing pivotal role in linking the lowest strata with the main stream of the economy.

5. It can also be seen that even though majority of the respondents are making use of the FinTech services they are still concerned about cyber security.

9. SUGGESTIONS

i. The government and Reserve Bank of India should take necessary steps to enhance awareness about various financial products and FinTech services among the ordinary people.

ii. All eligible beneficiaries should be made fully aware of the provisions, facilities and objectives of the FinTech services by providing awareness and campaigns.

iii. Banks and other financial institutions are charging convenience fees for the online payments made by the customers in the recent time. This might lead to a disinterest in making online payments from the side of customers. So, the FinTech service providers should try to avoid charging such fees and demotivate the customers from using such services.

iv. Banks should ensure that timely and adequate FinTech services are provided to the account holders.

v. The role of private sector banks in the area of financial inclusion is to be improved.

vi. The data security of FinTech services should be properly ensured.

vii. The general public should be made aware of the digital services and thereby enhancing their digital literacy.

10. CONCLUSION

FinTech is becoming the numero uno factor in driving the growth trajectory of India. As a nation, India has a tremendous opportunity to enhance financial inclusion through FinTech. India is steadily developing as a data rich country and bringing together data, technology and consumer insights in order to propel the vision of financial inclusion in the right direction. India presents a strong potential in developing further financial inclusion initiatives through FinTech, banking on the pillars of digitalization and infrastructure creation .Digital payments have seen a tremendous upsurge following governments "cash-less economy" subsequent to Covid restrictions. This calls for immediate attention to utilize FinTech momentum not only in traditional financial services but also other areas such as insurance and wealth management. Harnessing the benefits of financial inclusion through FinTech will only be fruitful if the possible risks are also taken into consideration. For example, digital literacy of all citizens should be improved to protect them against possible digital frauds when getting themselves involved in technology based financial transactions. Thus, regulatory and supervisory frameworks need to be strengthened to

enable technology in evolving "a new financial system which is more inclusive, cost effective and resilient" .There is no doubt in the fact that random efforts towards achieving the goal of universal financial inclusion in India will not be generative unless synergistic endeavors between mainstream financial entities and other FinTech institutions are ensured. This systematic collaboration acts as a catalyst in creating inclusion through innovation.

India has already jumped at the opportunity present and is already leveraging machine learning and big data to improve penetration of financial services. To accelerate financial inclusion in the country, access opportunities towards the same should also be looked into. As one of the leading nations looking forward towards achieving "universal financial inclusion" through FinTech, at costs which are affordable for the masses, the post Covid panorama stands a defining moment, and India should seize the opportunity at the earliest.

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