

ROLE AND CHALLENGES OF FINTECH IN MICRO-BUSINESSES

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ABSTRACT

This paper describes the significance of Financial Technology (FinTech) in promoting Micro-businesses financial inclusion via accessibility and support. Micro-businesses boost regional and national economic development while India's Micro-businesses face a capital shortage. Rapid expansion of FinTech's financing industry may be accessible by all levels of society via financial inclusion, which socialises the financial sector to allow public financial access. For the study the samples were determined via purposive sampling, which included those active in a weaving craft company and cultivated for at least 3 years. Questionnaires, documents, and interviews gather data. This study uses the multiple regression tests with SPSS for hypothesis testing to find out the areas in which the FinTech helps Microbusinesses. Accessibility and assistance study shows that financial technology boosts capital growth. Lenders obtain attractive returns by supporting Micro-businesses. Micro-businesses acquire business loans without collateral via a straightforward online approach.

Keyword: *FinTech, Role and Challenges, Microbusiness, India.*

INTRODUCTION

It has been shown that the Micro-businesses sector has been able to endure in the middle of the crisis that struck India in post 1991 and even now that Micro-businesses play an essential role in improving economic development in India. Micro-businesses made up 36% of India's overall gross domestic product (GDP) in 2011. Micro-businesses, however, also have challenges and limitations while performing their duties. Capital is one of the challenges Micro-businesses encounter. Since there are still relatively few Micro-businesses that have received formal financing, one issue that is increasingly in the spotlight is money (Lussak et al., 2020). In Indonesia, there are 59.2 million micro, small, and medium-sized enterprises (Micro-businesses), of which 58.52 million (98.72%) are mostly micro enterprises. However, 80.9% of all Indonesian microbusinesses do not currently have access to bank finance (Ministry of Cooperatives and Small and Medium Enterprises of Indonesia, 2017). Micro-businesses are still hindered by a variety of issues as an option to boosting economic development. The weak areas of capital, manufacturing, product marketing, and human resources are internal issues that limit the development of Micro-businesses. The owner's own funds are often the sole source of capital, and their expertise is the only constraint on the manufacturing and marketing that can be done. To prevent its growth from becoming too quick, marketing is often exclusively done through word of mouth. The expansion of Micro-businesses is hampered by external factors such as the promotion and development of Micro-businesses and the restricted access of individuals to financial institutions (Irmawati et al., 2013). The capital of Micro-businesses is impacted by limited public access to financial institutions since Micro-businesses entrepreneurs find it difficult to get money from these organisations. There are several facilities with the resources and expertise needed to manage Micro-businesses. Micro-businesses must use technology effectively in order to thrive in the modern world. Utilizing technology to facilitate each transaction is its primary purpose. Unfortunately, companies and consumers in India seldom utilise this feature. According to a research of the issues facing Micro-businesses, the issue with the usage and use of technology is still a significant issue for Micro-businesses (Maier et al., 2016). Today's transaction processing requirements are often met by financial technology. Financial technology services are a sort of technology that may be used as an alternative by financial institutions and their clients to provide and receive services. Fintech may introduce services to customers who haven't previously been reached by established organisations or businesses. Micro-businesses must use technology effectively in order to thrive in the modern world. This technology or service is a method that financial institutions and their clients may utilise as an alternative while giving and receiving services. Fintech may introduce services to customers who haven't previously been reached by established organisations or businesses. Fintech innovations of certain kinds may transform conventional financial products into a variety of new forms. For instance, Micro-businesses Fintech's may access funding options in savings and lending solutions that were previously restricted by bureaucracy in conventional financial institutions, such as banks. Fintech makes financing easier since it may provide loans without security. Borrowers may come from any group and in any quantity, while lenders might come from those who have more money. While still under government control, this removes some of the conditions and bureaucracy that were present in the earlier institutions (Yacob et al., 2021). One of the places in India where Micro-businesses

are developing quickly is Denpasar, which has a variety of Micro-businesses dispersed around the area. According to data from the Integrated Business Service Center (PLUT) -Denpasar 2018, Denpasar has 566 Micro-businesses in 2012, 1,500 in 2017, and 1,800 in 2018 (a total of 1,800 units). The assistance of the Indian government in promoting the rise of people's buying power, both from local visitors and international tourists, has a positive influence on enhancing the growth of Micro-businesses in India and is responsible for the Micro-businesses ' quick expansion. By assisting Micro-businesses players and facilitating simple access to financial technology facilities, the Government of India strives to accomplish the absorption of financial inclusion via financial technology, which is now operating successfully. This is done through the UMKM service. This is done in order to enable Micro-businesses players to progress and generate capital from these Micro-businesses. As the growth and potential of Indian Pharma Industry is very high the current research work measures the financial performance analysis of pharmaceutical industry in India.

Reviews of literature

Micro Enterprises are defined as productive businesses owned by people and/or individual business entities that fit the requirements of micro businesses as prescribed in the Act, as per the Law of India No. 20 of 2008 governing Micro, Small and Medium Enterprises. Small businesses are independent, productive economic ventures that are operated by people or companies that are not subsidiaries or branch operations and that meet the Act's definitions of small businesses by being directly or indirectly owned, controlled, or integrated into microbusinesses or large enterprises. A medium-sized business, on the other hand, is a profitable enterprise that operates independently, is run by a person or company that is not a subsidiary or branch, and that is directly or indirectly owned, controlled, or a member of micro, small, or large enterprises that satisfy the legal requirements for medium-sized enterprises. The value of net assets, or the value of assets excluding land and buildings, places of business, or yearly sales results, is the criterion used to designate microbusinesses as mentioned in Article 6 of RI Law Number 20 Year 2008. Micro enterprises must have yearly sales of no less than 300 million rupiahs and a net value of no more than 50 million rupiahs to qualify. Financial technology is divided into numerous categories, including: (1) Payment System, which includes authorization, clearing, final settlement, and payment execution, such as electronic currency and mobile payments. (2) Market supporters, such as those who provide comparative statistics on financial product or service information, are utilised to allow quicker and more affordable information distribution connected to financial goods and/or services. (3) Investment and risk management, including online insurance and investment products (4) Lending, Financing (financing or funding), and Capital raising, such as Peer to Peer Lending and financing or fundraising based on information technology-based lending and borrowing services (crowd-funding) The fifth category, Other Financial Services, excludes the first through fourth. the Bank India Regulation No.19 / 12 / PBI / 2017 Concerning Financial Technology Implementation, which governs financial technology in Indonesia. According to the OJK (2016), financial services organised to bring lenders and loan recipients together in the context of entering into loan agreements to borrow in rupiah directly through an electronic system using the internet network are known as information technology-based lending and

borrowing services. Peer to Peer (P2P) Lending is subject to rules and regulations in Indonesia, specifically Financial Services Authority Regulation Number 77/POJK.01/2016 Concerning Information Technology Lending and Borrowing Services. Three parties were engaged in the process: (1) Service Provider, a legal business registered in Indonesia that offers, administers, and runs information technology-based money lending and borrowing services; (2) Loan Recipients are people or legal entities that owe money as a result of service contracts for information technology-based lending and borrowing, and (3) Lenders are people or legal entities that owe money as a result of service contracts for information technology-based lending and borrowing. Peer-to-peer (P2P) lending service providers, according to Galloway (2009), will pair together borrowers and lenders. Following the loan recipient's disclosure of personal and financial information, the lender will determine whether or not to fund the loan request. In order for a loan to be completely financed, it will be supported by a number of lenders, each of whom will give a share of the loan. The loan will be paid back depending on its origination after it has been completely financed, and the lender will get a percentage of the principle and interest payments made up until the debt comes due.

RESEARCH METHODOLOGY

Population: The universe of present study consists of all weaving craft company, who are working in India.

Sample unit: 5 weaving craft companies were selected for the study.

Sample size: The study includes 5 weaving craft company with the period of study are from January, 2022 to June 2022.

Sampling Technique: In present research, the respondents were selected using convenience sampling from 5 organisations. A purposeful sampling technique was used to choose the sample, which had been nurtured for at least three years and had a weaving craft company.

The Secondary data: It was collected through Annual report of the selected pharma companies with Books, Articles with international research papers.

Data analysis Tool: data gathered from the annual report of the selected companies were analysed with the statistical tool of with ANOVA.

Data Analysis Model

This research seeks to ascertain the function of financial technology for the growth of capital and financing of microbusinesses in the entrepreneurial hubs under the Rajasthan National Crafts Council, based on the problem's historical context.

For this purpose two areas of service and accessibility were checked. First the SERVICE (independent variable) provided by them as role and Challenge is measured with following hypothesis:

H1= Service provided by Fintech to Micro Business can be measured as role and Challenge of Micro Businesses in India.

To measure the above hypothesis the data gathered were analysed and following results were obtained:

Table-1: Results of Multiple regression analysis

Descriptive Statistics				
Variable	SPSS Code	Mean	Std. Deviation	N
SERVICE	Serv	1.5122	.50293	82
Speed in service	Ser_1	1.3171	.46820	82
Service in accordance with needs,	Ser_2	1.4634	.50173	82
Accuracy when providing services	Ser_3	1.4024	.49341	82
Creation of a welcoming environment	Ser_4	1.5854	.49569	82
All signs of good service	Ser_5	1.3049	.46319	82

Correlations							
		Serv	Ser_1	Ser_2	Ser_3	Ser_4	Ser_5
Pearson Correlation	Serv	1.000	.141	.369	.353	.664	.010
	Ser_1	.141	1.000	.681	.456	.573	-.053
	Ser_2	.369	.681	1.000	.634	.584	-.031
	Ser_3	.353	.456	.634	1.000	.590	-.165
	Ser_4	.664	.573	.584	.590	1.000	-.088
	Ser_5	.010	-.053	-.031	-.165	-.088	1.000
Sig. (1-tailed)	Serv	.	.104	.000	.001	.000	.463
	Ser_1	.104	.	.000	.000	.000	.319
	Ser_2	.000	.000	.	.000	.000	.391
	Ser_3	.001	.000	.000	.	.000	.069
	Ser_4	.000	.000	.000	.000	.	.216
	Ser_5	.463	.319	.391	.069	.216	.
N		82	82	82	82	82	82

Model Summary				
Model	R	R ²	Adjusted R ²	SE
3	.742 ^c	.550	.533	.34370
c. Predictors: (Constant), Ser_4, Ser_1, Ser_2				

ANOVA ^a						
Model		SS	df	MS	F	Sig.
3	Regression	11.274	3	3.758	31.811	.000 ^d
	Residual	9.214	78	.118		
	Total	20.488	81			
d. Predictors: (Constant), Ser_4, Ser_1, Ser_2						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
3	(Constant)	.560	.139		4.027	.000
	Ser_4	.819	.099	.807	8.241	.000
	Ser_1	-.505	.117	-.471	-4.336	.000
	Ser_2	.219	.110	.218	1.992	.050

a. Dependent Variable: Serv

The results revealed that 3 variables Ser_4, Ser_1, Ser_2 are predicting the Services provided by Micro Business can be measured as role and Challenge of Micro Businesses in India with the value of Adjusted R2 of 53.3% Which is found significant with f Value of 31.811 and $p < 0.05$. Thus, we can say that the 3 variables Creation of a welcoming environment (Ser_4), Speed in service (Ser_1) and Service in accordance with needs (Ser_2) predicting the Services provided by Micro Business can be measured as role and Challenge of Micro Businesses in India.

In next step the accessibility (independent variable) provided by them as role and Challenge is measured with following hypothesis:

H1= Accessibility provided by Fintech to Micro Business can be measured as role and Challenge of Micro Businesses in India.

To measure the above hypothesis the data gathered were analysed and following results were obtained:

Table-2: Results of Multiple regression analysis

Descriptive Statistics				
Variable	SPSS Code	Mean	Std. Deviation	N
ACCESSIBILITY	Access	1.5244	.50248	82
How simple it is for Micro-businesses to get the given goods	Acc_1	1.5000	.50308	82
Clear and comprehensive information	Acc_2	1.3171	.46820	82
Credit and financing,	Acc_3	1.0976	.29855	82
Unburdensome terms	Acc_4	1.4756	.50248	82
Simple transactions	Acc_5	1.6707	.47284	82
Quick credit and funding release,	Acc_6	1.4634	.50173	82
Easily accessible websites are all signs of accessibility.	Acc_7	1.6098	.49081	82

Correlations									
		Access	Acc_1	Acc_2	Acc_3	Acc_4	Acc_5	Acc_6	Acc_7
Pearson Correlation	Access	1.000	.904	.596	.313	.565	.736	.493	.690
	Acc_1	.904	1.000	.577	.247	.464	.701	.489	.700
	Acc_2	.596	.577	1.000	.483	.138	.477	.103	.384
	Acc_3	.313	.247	.483	1.000	.345	.230	-.223	.010
	Acc_4	.565	.464	.138	.345	1.000	.667	.437	.562
	Acc_5	.736	.701	.477	.230	.667	1.000	.651	.876
	Acc_6	.493	.489	.103	-.223	.437	.651	1.000	.743
	Acc_7	.690	.700	.384	.010	.562	.876	.743	1.000
Sig. (1-tailed)	Access	.	.000	.000	.002	.000	.000	.000	.000
	Acc_1	.000	.	.000	.013	.000	.000	.000	.000
	Acc_2	.000	.000	.	.000	.108	.000	.180	.000
	Acc_3	.002	.013	.000	.	.001	.019	.022	.464
	Acc_4	.000	.000	.108	.001	.	.000	.000	.000
	Acc_5	.000	.000	.000	.019	.000	.	.000	.000
	Acc_6	.000	.000	.180	.022	.000	.000	.	.000
	Acc_7	.000	.000	.000	.464	.000	.000	.000	.
N		82	82	82	82	82	82	82	82

Model Summary				
Model	R	R ²	Adjusted R ²	SE
3	.927 ^c	.859	.853	.19253
c. Predictors: (Constant), Acc_1, Acc_4, Acc_2				

ANOVA ^a						
Model		SS	df	MS	F	Sig.
3	Regression	17.560	3	5.853	157.913	.000 ^d
	Residual	2.891	78	.037		
	Total	20.451	81			
d. Predictors: (Constant), Acc_1, Acc_4, Acc_2						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	-.078	.085		-.923	.359
	Acc_1	.716	.059	.717	12.110	.000

	Acc_4	.211	.049	.211	4.315	.000
	Acc_2	.165	.057	.154	2.907	.005
a. Dependent Variable: Access						

The results revealed that 3 variables Acc_1, Acc_4, Acc_2 are predicting the Accessibility provided by Micro Business can be measured as role and Challenge of Micro Businesses in India. With the value of Adjusted R2 of 85.3% which is found significant with f Value of 157.913 and $p < 0.05$. Thus, we can say that the 3 variables how simple it is for Micro-businesses to get the given goods (Acc_1), Clear and comprehensive information (Acc_2) and Unburden some terms (Acc_4) were predicting the Services provided by Micro Business can be measured as role and Challenge of Micro Businesses in India.

If there are parallels in the data collected at several points in time, the study's findings are credible. The consistency of the questionnaire in identifying the same symptoms is assessed using reliability testing.

The financial services industry's ability to provide financial services is significantly impacted by financial technology or digitalization. Banks presently engage in traditional operational operations, such as depending on activities via branch offices, which have a tendency to be exclusive, since the role of financial technology is increasing so quickly for the global economy today. However, banks must be innovative in their operations, and one way to achieve this is through working with Fintech firms. As a result, all businesspeople in all parts of Indonesia will have access to the goods given by banks thanks to their collaboration with Fintech firms. Banking will be more accessible to industry actors (Micro-businesses). In the meanwhile, the growth of Micro-businesses was also aided by the existence of many Fintech firms. Fintech's function has evolved beyond only assisting with venture capital funding to include a number of other areas, including digital payment systems and financial arrangements.

CONCLUSION

The findings demonstrate how the services offered by fintech businesses impact the growth of MSME capital. This demonstrates that the fintech firms' services and goods were highly helpful to microbusinesses, and the facilities they offered may have assisted in their capital growth. According to the statistical analysis's findings, accessibility factors had a large impact on MSME players' capital growth. Micro-businesses that use technology in their everyday lives are being committed by the community. A significant change and effect on the field of digital technology are brought about by this century. Fintech has the power to discourage individuals from engaging in time-consuming activities like standing in line at the bank for money transfers and other similar ones. Fintech firms should be able to provide more help to Micro-businesses in addition to their services. Assistance is given in order to better manage and boost the growth of MSME capital. Assistance might take the shape of advice about loans and capital as well as support throughout the financing and credit process and clear communication with clients. The fintech for the Micro business should be able to benefit from the accessibility or ease of access

to facilities offered by fintech businesses as a result of technological advancements, which may also boost corporate capital.

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