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Fintech Adoption Framework for Developing Countries – A Literature Review based on Stakeholders Perspective

By

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Abstract

Fintech goes beyond financial innovation. It is sometimes called the creative innovation used to better traditional financial tactics and offer powerful solutions for budgetary administrations that are up to date with mechanical trends. Banking software and mobile financial apps demonstrate financial innovation. The massive fintech industry is growing with new firms and large financial institutions trying to improve financial services worldwide. The study is aimed to investigate the awareness of various Fintech products among the developing countries. For the study descriptive research design was adopted. The data was collected from awareness of the Fintech Products coming to India from Sri-Lankan, Bangladesh, Bhutan, Pakistan, Nepal, Malaysia, and Thailand**.** The data was collected from 421 respondents. Herein the researcher had adopted convenience sampling technique. From the analysis it can be interpreted that the majority of the Fintech users are male belonging to age category above 35 years belonging to Malaysia, Nepal and Thailand. It was found from the analysis that the majority of the country people having significant awareness on Online Banking, Mobile Banking, Mobile Payment, Insurance and Online Trading. Since 2009, fintech startups have been everywhere. Money-related innovation is thought to be a dangerous force that can change budgets, plans, and banks. New financial innovation keeps growing, attracting international investors and paving the road for market and fintech industry growth. Further, it can be interpreted that Mobile Banking, Insurance, Online Banking and Mobile Payment are mostly used Fintech products by the respondents belonging to developing considered developing countries.

Keywords: Fintech, Awareness, Usage, Developing Countries.

Introduction

The term "financial technology," more commonly abbreviated as "Fintech," refers to emerging technologies with the goal of enhancing and automating the delivery and utilisation of financial services. Fintech, at its core, refers to the application of specialised computer software and algorithmic processes to assist individuals, companies, and business owners in better managing their financial activities, processes, and lives. These applications are typically carried out on personal computers and, increasingly, mobile phones. "Financial technology" is what the word "fintech" comes from when put together [1].

When financial technology first began to emerge in the 21st century, the word "fintech" was initially used to refer to the technology that was utilised at the back-end systems of established financial organisations. Since then, there has been a shift towards services that are more consumer-oriented, and as a result, there has been a shift towards a definition that is more consumer-oriented. Fintech currently encompasses a wide range of industries and sectors, including investment management, education, retail banking, fundraising and nonprofit organisations, and charitable organisations, to name just a few [2].

The word "financial technology" refers, in a broad sense, to any innovation that occurs in the manner in which people do business. This can include the creation of digital money as well as double-entry bookkeeping. The growth of financial technology, on the other hand, has been phenomenal ever since the advent of the Internet and of mobile Internet and smartphone technologies. The term "fintech," which initially referred to the application of computer technology to the back offices of financial institutions or trading organisations, is now used to denote a wide range of electronic interventions into personal and commercial financial matters [3].

Today, the term "fintech" is used to refer to a wide range of financial operations that can be completed virtually without the assistance of a human being. These operations include sending and receiving money, depositing checks using a mobile device, applying for credit without visiting a bank branch, raising capital for a new business venture, and managing investment portfolios. According to EY's 2017 Fintech Adoption Index, one-third of consumers make use of at least two or more financial technology services, and these customers are also becoming increasingly conscious of the role that financial technology plays in their day-to-day lives [4].

The financial services industry is consistently ranked as one of the most severely regulated industries in the world. Since the number of fintech companies continues to grow, it should not come as a surprise that regulation has become the primary focus of governments. The integration of technology into the operations of providing financial services has resulted in an increase in the number of regulatory issues faced by such businesses. Technology may play a role in the origin of some of the issues, but not always. In other cases, they are a reflection of the eagerness of the technology industry to disrupt the financial sector. For instance, the automation of operations and the digitization of data both leave financial systems open to assault from malicious hackers. The ease with which malicious actors can obtain access to networks and create harm that cannot be undone has been illustrated by recent hacking incidents at financial institutions and credit card companies. In these kinds of situations, the questions that are going to be of the utmost significance to customers are going to concern who is responsible for the assaults, as well as the inappropriate use of personal information and crucial financial data [5].

Also, there have been situations in which the collision of a culture inside the technology industry that adheres to the attitude of "Move fast and break things" with the cautious and riskaverse world of banking has resulted in unfavourable outcomes. In the new world of cryptocurrencies, regulation is another issue that needs to be addressed. Initial coin offerings, sometimes known as ICOs, are a relatively new method of financing that enables firms to solicit financial backing from individual investors. As a result of the lack of regulation in the majority of countries, they have become a breeding ground for cons and frauds. Because of the regulatory ambiguity surrounding initial coin offerings (ICOs), entrepreneurs have been able to get away with passing security tokens off as utility tokens in order to avoid having to pay fees and comply with regulations [6].

They have done this by establishing "fintech sandboxes" in order to investigate the potential effects of technology on the industry. Another effort that has been made to restrict the amount of personally identifiable information that may be accessed by financial institutions has resulted in the adoption of the General Data Protection Regulation (GDPR) in the European Union (EU). Some nations in which initial coin offers (ICOs) are quite common, such as Japan and South Korea, as well as other developing nations, have also taken the initiative to draught legislation for such offerings in order to protect investors [7].

Review of Literature

According to The Fintech Times, the year 2020 will mark the beginning of brilliantly coordinated efforts between Fintech trend-setters and corporates. In this ideal scenario, corporate organisations will put resources into Fintech rather than acquire other arrangements. In a similar vein, banks will work together with Fintech companies to resolve anomalies and provide benefits to customers through streamlined administration, improved customer service, and an expansion of innovative features that make it easier to complete activities.The most talked-about (and most funded) fintech startups all share a common trait: they are designed to be a threat to, challenge, and eventually usurp entrenched traditional financial services providers [8]. They do this by being more nimble, serving an underserved segment of the population, or providing faster and/or better service to their customers. The overall expansion of fintech in developing countries is being propelled by a variety of positive causes that are fueling the sector's growth [9].

The utilisation of distributed computing will result in a significant reduction in expenses due to the elimination of any additional financial investments required for the management of resources and apparatus. The cloud is able to accommodate varying requests and provides the versatility necessary to meet the ever-evolving requirements of customers. Cloud computing resources also have the ability to scale depending on need and facilitate easier integrations with new technologies [10].Since transactions involving money are susceptible to risks and attacks, ensuring adequate security is of the utmost importance. According to a report by EY, innovations like as Blockchain are going to be very popular in the future. The report cites the benefits of Blockchain, which include its straightforwardness, changelessness, discernibility, and audibility. Customers will be able to take advantage of Blockchain's ease of use and see a reduction in their overall operational costs as a result of the increased level of security it will provide for the transfer of money and sensitive data [11].

Up until this point, establishments that provide financial services have offered a wide range of services under a single roof. The breadth of these services was quite extensive, encompassing everything from conventional banking activities to those pertaining to mortgages and trading. The most fundamental application of fintech is the separation of these services into their respective offerings [12]. Fintech organisations are able to be more efficient and reduce the expenses connected with each transaction thanks to the integration of technology and the simplification of their product offerings.If there is one word that can describe how many innovations in fintech have affected traditional trading, banking, financial advice, and products, it is "disruption." For example, financial products and services that were once the domain of branches, salesmen, and desktops are now moving towards mobile devices, or they are simply democratising away from large, entrenched institutions [13].

For instance, the mobile-only stock trading app Robinhood does not charge any fees for trades. Moreover, peer-to-peer lending websites such as Prosper Marketplace, Lending Club, and OnDeck promise to cut rates by opening up competition for loans to broad market forces. Providers of business loans such as Kabbage, Lendio, Accion, and Funding Circle, amongst others, make it simple and quick for new and existing businesses to acquire working capital through their online platforms [14]. In March of 2018, Oscar, an internet insurance startup, was awarded capital in the amount of $165 million. Significant fundraising rounds like these are not uncommon for fintech businesses, and they take place all around the world [15].

Emerging technologies, such as machine learning and artificial intelligence (AI), predictive behavioural analytics, and data-driven marketing, will eliminate habits of gambling and relying on intuition when making judgements pertaining to finances. Not only will "learning" apps learn the behaviours of users, which are frequently hidden from the users themselves, but they will also involve users in learning games to help them improve the habitual, unconscious spending and saving decisions they make. Fintech companies are also early adopters of automated customer service technologies. These companies make use of chatbots and artificial intelligence interfaces to assist consumers with basic tasks and to reduce the expenses associated with staffing. Fintech is also being used to combat fraud by using information about a customer's payment history to identify financial dealings that are not consistent with the typical pattern [16].

When it comes to customers, as is the case with the majority of technologies, the younger you are, the greater the likelihood that you are familiar with and able to effectively articulate what fintech is. The fact of the matter is that consumer-oriented fintech is primarily directed towards millennial because of the enormous size of this much-discussed demographic as well as the rising earning (and inheritance) potential of this group. Some observers of the financial technology industry are of the opinion that the reason why so much attention is being paid to millennial is less to do with their capability or desire in utilising financial technology than it is with the size of the market that they represent. However, fintech has a tendency to offer elder customers very little value because it does not address the challenges that they face.When it came to enterprises, prior to the development and widespread use of fintech, a business owner or founder of a startup would have approached a bank in order to obtain finance or cash for the venture. If they planned to take payments through credit card, they would need to form a partnership with a credit provider and even construct the necessary equipment, such as a card reader that is connected to a landline phone line. These challenges are a thing of the past thanks to advancements in mobile technology [17].

Objectives of the Study

The study is aimed to investigate the awareness of various Fintech products among the developing countries. Further to identify the most widely used Fintech products by the among the developing countries.

Methodology

For the study descriptive research design was adopted. The data was collected from tourist coming to India from Sri-Lankan, Bangladesh, Bhutan, Pakistan, Nepal, Malaysia, and Thailand**.** The data was collected from 421 respondents. Herein the researcher had adopted convenience sampling technique.

Analysis & Interpretation

Herein analysis was carried out to identify the demographic profile of the respondents considered for the study.

Table No. 1: *Percentage Analysis – Demographic Profile*

		Frequency	Percent
Gender	Female	198	47.0
	Male	223	53.0
	Total	421	100.0
Age	Less than 25	8	1.9
	25 - 35 Years	129	30.6
	35 - 45 Years	140	33.3
	Above 45 Years	144	34.2
	Total	421	100.0
Country	Sri-Lankan	54	12.8
	Bangladesh	58	13.8
	Malaysia	75	17.8
	Pakistan	48	11.4
	Nepal	66	15.7
	Bhutan	57	13.5
	Thailand	63	15.0
	Total	421	100.0

Source: *(Primary data)*

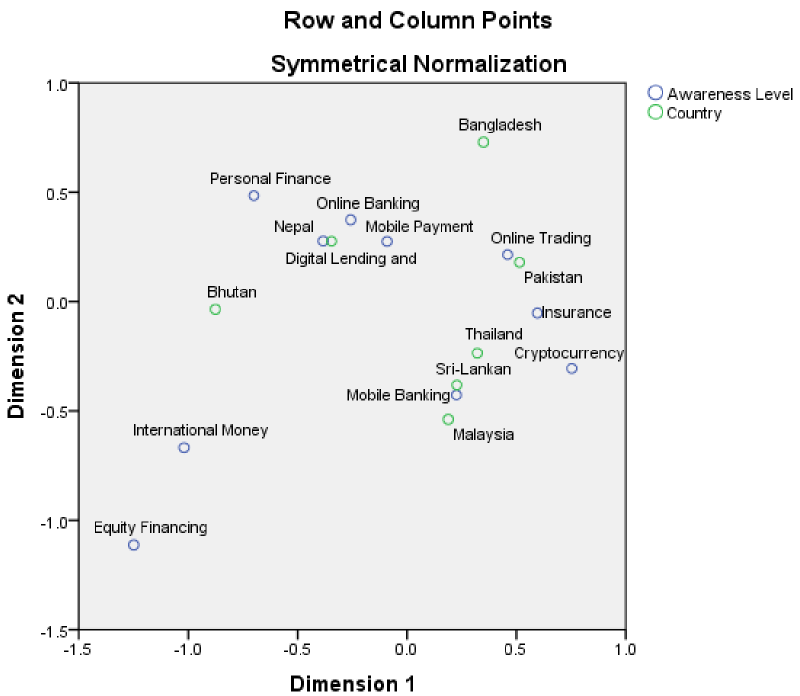
From the percentage analysis it can be interpreted that majority of the Fintech users are male belonging to age category above 35 years belonging to Malaysia, Nepal and Thailand.

Herein analysis was carried out to identify the awareness of the various Fintech products by the different country people considered for the study.

Table No. 2: *Correspondence Analysis – Awareness of the Fintech Products*

Country	Awareness Level										
	Online Banking	Mobile Banking	Mobile Payment	Insurance	Online Trading	International Money Transfer	Personal Finance	Equity Financing	Digital Lending	Cryptocurrency	Active Margin
Sri-Lankan	10	14	10	6	4	2	0	2	2	4	54
Bangladesh	13	9	14	10	5	0	2	0	3	2	58
Bhutan	15	12	17	6	3	6	6	5	4	1	75
Pakistan	7	10	10	10	3	1	3	0	1	3	48
Nepal	17	12	15	7	2	3	3	2	3	2	66
Malaysia	9	15	9	11	3	2	1	3	2	2	57
Thailand	7	15	13	13	3	3	3	1	2	3	63
Active Margin	78	87	88	63	23	17	18	13	17	17	421

Dimension	Singular Value	Inertia	Chi Square	Sig.
1	.229	.053		
2	.155	.024		
3	.135	.018		
4	.076	.006	44.468	.819[a]
5	.060	.004		
6	.034	.001		
Total		.106		



Source: *(Primary data)*

From the correspondence analysis and graph it can be well interpreted that the majority of the country people having significant awareness on Online Banking, Mobile Banking, Mobile Payment, Insurance and Online Trading.

Herein analysis was carried out to identify the important Fintech products are used by the respondents belonging to different developing countries.

Table No. 3: *Rank Analysis – Fintech Products Used*

Descriptive Statistics	N	Mean	Rank
Online Banking	421	4.1971	3
Mobile Banking	421	4.2090	1
Mobile Payment	421	4.1900	4
Insurance	421	4.2019	2
Online Trading	421	4.1853	5
International Money Transfer	421	3.7957	9
Personal Finance	421	3.7815	10
Equity Financing	421	3.8124	7
Digital Lending and Credit	421	3.8670	6
Cryptocurrency	421	3.8052	8

Source: *(Primary data)*

From the rank analysis made using the mean score it can be interpreted that Mobile Banking, Insurance, Online Banking and Mobile Payment are mostly used Fintech products by the respondents belonging to developing considered developing countries.

Findings and Conclusion

From the analysis it can be interpreted that the majority of the Fintech users are male belonging to age category above 35 years belonging to Malaysia, Nepal and Thailand. It was found from the analysis that the majority of the country people having significant awareness on Online Banking, Mobile Banking, Mobile Payment, Insurance and Online Trading. Further, it can be interpreted that Mobile Banking, Insurance, Online Banking and Mobile Payment are mostly used Fintech products by the respondents belonging to developing considered developing countries.

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