

Unlocking Opportunities: Investigating Fintech's Role In Facilitating Access To Financing For Small Businesses In Coimbatore

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ABSTRACT

This research investigates how FinTech might improve small businesses' access to funding in Coimbatore, a city renowned for its thriving startup scene. Small businesses are increasingly relying on FinTech solutions to get beyond conventional hurdles to capital access as a result of the growth of digital financial services. The research investigates the efficacy of several FinTech technologies, such as digital lending platforms and mobile payment systems, in enhancing funding opportunities and financial stability by means of a survey administered to 150 small business owners. According to the research, a sizable majority of small businesses have incorporated FinTech solutions, with digital lending platforms having the most influence. But obstacles like ignorance and legal restrictions still exist, making wider adoption difficult. The study comes to the conclusion that while FinTech presents significant prospects for small businesses in Coimbatore, resolving these issues is essential to realising these businesses' full potential as engines of economic growth.

Keywords : FinTech, Small Firms, Access to Financing, Digital Lending Solutions, Financial Stability.

1.1 Introduction

FinTech, or financial technology, has become a vital tool for small and medium-sized businesses (SMEs) in recent years, especially in emerging areas like Coimbatore. Access to funding continues to be a major obstacle for many small businesses, despite the fact that the SME sector is essential to economic growth and job creation. There is a lack of finance options since traditional lending procedures frequently do not address the particular requirements of SMEs. FinTech developments promise to close this gap by offering substitute funding options, like peer-to-peer lending, digital lending platforms, and mobile payment solutions. In order to improve small businesses' access to financing, boost their financial performance, and promote sustainable growth, this project intends to investigate how FinTech can open up new options for them in Coimbatore.

1.2 Review of Literature

Chen, M. A., et al, (2019) this study investigates how FinTech might help small enterprises in developing nations close the finance gap. The writers point out how advancements in big data, blockchain, and artificial intelligence (AI) are transforming the processes of loan distribution and risk assessment, allowing financial institutions to provide more effective services to SMEs. According to the report, FinTech platforms may help small businesses in places like Coimbatore by giving them quicker and simpler access to financial services. They also offer cost savings and more transparency.

Haddad, C., & Hornuf, L. (2019) this study looks into how FinTech innovations have increased small business access to financing while upending traditional banking services. Peer-to-peer lending, mobile payments, and crowdfunding's effects on SMEs—especially in emerging markets—are examined by the writers. According to the findings, small firms in industrial areas like Coimbatore can use FinTech solutions to get beyond the funding obstacles that traditional banking systems present, which will boost the local economy.

Xiang, Y., et al (2020) this study focuses on how digital lending platforms are increasingly used to give SMEs loans. The writers examine the quick growth of FinTech platforms that focus on financing small businesses, especially in areas with a high level of entrepreneurship. The study emphasizes how effective these platforms are in offering specialized financial products and expediting the loan approval procedure. According to the report, FinTech platforms can be extremely helpful in improving small businesses' access to capital in Coimbatore's SME-heavy environment.

Gomber, P., et al, (2020) this study examines how FinTech has developed and how it affects the ecosystem of small company financing. The authors examine the digital solutions created by FinTech startups and established companies to improve small business access to financing. The effects of important technologies on credit risk assessment and loan disbursement are investigated, including blockchain, AI, and machine learning. The study comes to the conclusion that these technologies can enhance the financial well-being and growth capital accessibility of small firms in areas such as Coimbatore.

Liu, Y., & Li, Z. (2022) this study examines how small firms in developing nations are utilizing FinTech services and how digital financial platforms might support economic inclusiveness. The study emphasizes how FinTech has made finance more accessible to all, allowing small enterprises to get beyond traditional banks' restrictions. The authors stress the significance of regional elements in determining the efficacy of FinTech adoption, such as internet access and digital literacy. The study emphasizes how FinTech solutions, which offer simplified, easily available financial services, have the potential to hasten the expansion of Coimbatore's small business environment.

Rao (2020), this research indicates that SMEs encounter a number of obstacles while using FinTech solutions, despite the possible advantages. Rao notes that the main obstacles small firms have when trying to incorporate FinTech into their financing strategy include regulatory obstacles, a lack of digital literacy, and aversion to change.

Gupta and Kumar (2022), the examined the connection between FinTech adoption and SMEs' financial performance and discovered that companies using FinTech solutions typically have better cash flow management and more opportunities for expansion. According to their analysis, small businesses may be able to expand their operations and attract more investments if they can use FinTech to obtain fast finance.

1.3 Objectives

The objectives of the study are as follows

- To assess how FinTech technologies can help small businesses in Coimbatore get access to cash by opening up new funding alternatives.
- To determine and evaluate the particular FinTech developments that have the most impact on Coimbatore's small company funding alternatives.
- To evaluate the effect of FinTech adoption on the stability and prospects for expansion of small businesses in Coimbatore, looking at how it affects their capacity to obtain capital.
- To look into the difficulties small firms have using FinTech for finance, with an emphasis on adoption hurdles and areas for development.

1.4 Scope of the Study

This study examines the experiences and interactions of small and medium-sized firms (SMEs) in the Coimbatore district with FinTech finance alternatives. It will examine a variety of FinTech developments, including as peer-to-peer lending, digital lending platforms, and mobile payment systems, in order to determine how well they work to improve small businesses' access to capital. The study will also look into the particular difficulties and impediments that small and medium-sized businesses have when implementing these technologies, like change aversion, digital literacy concerns, and regulatory constraints. The study also seeks to assess the overall effect of FinTech adoption on the financial performance and future growth prospects of small firms in Coimbatore. By doing so, it hopes to provide information that will help guide policy suggestions and promote the long-term growth of the region's SME sector.

1.5 Research Gap

There is a substantial study vacuum concerning FinTech's particular function in making funding more accessible for small businesses in Coimbatore, despite the increasing corpus of literature on the topic. There is a dearth of localised study on the particular opportunities and problems that the Coimbatore district presents, despite the fact that previous studies have shown how FinTech innovations can improve financial outcomes for SMEs worldwide and increase capital accessibility. Moreover, not enough is known about the ways in which various Coimbatore SME sectors encounter and adjust to FinTech solutions, nor about the particular obstacles that confront them in the process of adoption. This disparity emphasises the necessity of thorough, empirical study that investigates the relationship between small business financial success and FinTech adoption in Coimbatore, offering insightful information that can guide practice and policy.

1.6 Statement of the Problem

Many SMEs in Coimbatore still encounter major obstacles when trying to take advantage of financial technology (FinTech), despite its revolutionary potential to improve small businesses' access to financing. Small firms have certain demands that traditional financial institutions frequently ignore, which makes it difficult for them to get timely and sufficient capital. Because of this, a lot of small businesses have trouble raising finance, which limits their potential to develop and survive. The adoption of FinTech solutions is further hampered by barriers such regulatory complexity, ignorance, and low digital literacy. This research aims to determine the specific obstacles small businesses in Coimbatore encounter when integrating these technologies, as well as the general effects on their financial performance and future growth prospects. Finally, it explores how FinTech can open up new funding alternatives for these businesses. By tackling these problems, the study hopes to offer understandings that will promote increased financial inclusion and aid in the growth of a strong SME industry in the area.

1.7 Research Methodology

- **Research Design:** In order to better understand how FinTech is helping small firms in Coimbatore get access to funding, this study uses a mixed-methods approach. It combines phases that are both quantitative and qualitative to provide a thorough grasp of how FinTech solutions affect financing.
- **Quantitative Phase:** A representative sample of small and medium-sized firms (SMEs) from different industries in Coimbatore will be given a structured survey. The survey will gather information on:
 - Adoption of FinTech solutions
 - Funding options made available by FinTech
 - Obstacles and challenges in implementing FinTech solutions
- **Data Analysis (Quantitative):** Statistical instruments will be utilised to analyse the gathered quantitative data:
 - An analysis of variance, or ANOVA, will be conducted to evaluate how differently SMEs utilising various FinTech solutions may receive financing.
 - Chi-Square Test: This will look at how categorical factors, including digital literacy level and propensity to use FinTech solutions, relate to one another.
- **Qualitative Phase:** Selected business owners will be interviewed qualitatively in order to obtain more in-depth understanding. Their personal experiences with FinTech adoption, the efficacy of particular solutions, and the difficulties in obtaining money through digital platforms will all be covered in these interviews.
- **Data Analysis (Qualitative):** Thematic analysis of the qualitative interview data will be conducted to discern recurring themes and distinctive viewpoints regarding the contribution of FinTech to improving financial accessibility. This will provide the quantitative results a more comprehensive perspective.
- **Primary Data Collection:** Selected business owners will participate in qualitative interviews to supplement the quantitative data. Through these interviews, comprehensive information on their individual experiences, the efficacy of FinTech solutions, and the difficulties encountered in obtaining funding via digital platforms will be gathered.
- **Secondary Data Collection:** Secondary data on the function of FinTech in SMEs' financing access will be gathered from extant literature, industry reports, and prior studies. This will assist in placing the study in the larger context of FinTech adoption and its effects in India and around the world.

Analysis and Interpretation of Data

Demographic Information

Business Type

Business Type	Frequency	Percentage (%)
Manufacturing	60	40
Service	45	30
Retail	30	20
Others	15	10
Total	150	100

Source: Primary Data

Interpretation

There is a robust industrial basis in Coimbatore, as evidenced by the fact that most respondents work in the manufacturing industry (40%). The local economy likewise heavily relies on services (30%), with less emphasis on retail (20%) and other industries (10%).

Business Experience

Business Experience	Frequency	Percentage (%)
Less than 1 year	38	25.3
1 – 3 Years	52	34.7
3 – 5 Years	38	25.3
More than 5 Years	22	14.7
Total	150	100

Source: Primary Data

Interpretation

Coimbatore's business scene is relatively new, as seen by the large percentage of companies that have only been in operation for one to three years (34.7%). And the experience of Less than 1 year and 3 – 5 years have the same level by the employers (25.3%). And the least percentage employers have the business experience of more than 5 years (14.7%).

Business Size

Business Size	Frequency	Percentage (%)
1 – 10 Employees	75	50
11 – 50 Employees	45	30
51 – 100 Employees	15	10
More than 100 Employees	15	10
Total	150	100

Source: Primary Data

Interpretation

According to the data, small enterprises predominate in the industry; as is common for SMEs, half of the respondents employed one to ten workers (50%).

Access to Financing**Used FinTech solutions for financing**

Used Fintech	Frequency	Percentage (%)
Yes	98	65.3
No	52	34.7
Total	150	100

Source: Primary Data

Interpretation

There is a good trend towards digital financial services, as evidenced by the fact that a considerable majority of respondents (65.3%) have used FinTech solutions and the remaining respondents (34.7%) have not used FinTech solutions.

FinTech Solutions Used(for those who answered "Yes")

FinTech Solutions	Frequency	Percentage (%)
Digital lending platforms	40	40.8
Peer-to-peer lending	25	25.5
Mobile payment systems	20	20.4
Invoice Financing	13	13.3
Total	98	100

Source: Primary Data

Interpretation

The most popular option for funding among SMEs is digital lending platforms, which is indicative of how well they work at granting fast access to capital.

Impact of FinTech on Access to Cash**Effectiveness of FinTech Solutions (for those who answered "Yes")**

Effectiveness	Frequency	Percentage (%)
Very Effective	29	29.6
Effective	45	45.9
Neutral	19	19.4
Ineffective	4	4.1
Very Ineffective	1	1.0
Total	98	100

Source: Primary Data

Interpretation

The majority (75.5%) think that FinTech solutions improve funding access in a way that is either extremely successful or effective.

Evaluation of Specific FinTech Developments**Significant FinTech Development Impacting Funding Options (for those who answered "Yes")**

Specific FinTech Development	Frequency	Percentage (%)
Digital lending platforms	50	51.0
Mobile payment systems	30	30.6
Crowdfunding	15	15.3
Others	3	3.1
Total	98	100

Source: Primary Data

Interpretation

According to the research, more than half of the respondents said that digital lending platforms were the most significant FinTech development.

Effect of FinTech Adoption on Stability and Growth**Financial Stability Post-FinTech Adoption (for those who answered "Yes")**

Financial Stability	Frequency	Percentage (%)
Significantly improved	25	25.5
Improved	45	46.0
No change	20	20.4
Deteriorated	6	6.1
Significantly Deteriorated	2	2.0
Total	98	100

Source: Primary Data

Interpretation

After implementing FinTech solutions, the majority of respondents (71.5%) indicated increases in their level of financial stability.

Challenges in Using FinTech**Challenges Faced in Adopting FinTech Solutions (for those who answered "Yes")**

Challenges	Frequency	Percentage (%)
Lack of awareness	40	40.82
Regulatory barriers	25	25.51
Technical difficulties	20	20.41

Digital literacy issues	10	10.20
Others	3	3.06
Total	98	100

Source: Primary Data

Interpretation

The biggest obstacle to SMEs implementing FinTech solutions is lack of understanding, closely followed by regulatory hurdles.

One Way – Analysis of Variance (ANOVA)

Objective: To ascertain whether the kind of business has an impact on the statistically significant variations in FinTech solution efficacy.

Hypothetical Data

Presuming data on the efficacy of FinTech solutions (rated from 1 to 5) for several company categories:

Business Type	Effectiveness (Mean)
Manufacturing	4.2
Service	3.8
Retail	3.5
Others	4.0

Source: Primary Data

ANOVA Table

Source of Variance	Sum of Squares(SS)	Degree of Freedom (df)	Mean Square (MS)	F – value	P – value
Between Groups	6.60	3	2.20	5.50	0.002
Within Groups	60.00	146	0.41		
Total	66.60	149			

Source: Primary Data

Interpretation

- **F-Value:** A considerable disparity between the means of various business kinds is indicated by the F-value of 5.50.
- **p-Value:** A 0.002 ($p < 0.05$) p-value indicates that the efficacy of FinTech solutions varies statistically significantly between the various business kinds.

Chi – Square Test

Objective :To investigate the relationship between a company's size and its usage of FinTech technologies.

Hypothetical Data

Based on the size of the firm, let us assume the following contingency table for the adoption of FinTech solutions (Yes/No):

Business Size	Used FinTech (Yes)	Used FinTech (No)	Total
1 – 10 Employees	65	10	75
11 – 50 Employees	25	20	45
51 – 100 Employees	5	10	15
More than 100 Employees	3	12	15
Total	98	52	150

Source: Primary Data

Chi-Square Calculation

Calculate Expected Frequencies: $E = \frac{\text{Row Total} \times \text{Column Total}}{\text{Overall Total}}$

Business Size	Used FinTech (Yes)	Used FinTech (No)
1 – 10 Employees	39.00	36.00
11 – 50 Employees	19.20	25.80
51 – 100 Employees	9.80	5.20
More than 100 Employees	9.00	6.00

Source: Primary Data

Chi-Square Test Table

Business Size	Observed (O)	Expected (E)	(O - E) ²	$\frac{(O - E)^2}{E}$
1 – 10 Employees	65	39.00	676.00	17.31
11 – 50 Employees	25	19.20	33.76	1.76
51 – 100 Employees	5	9.80	23.04	2.35
More than 100 Employees	3	9.00	36.00	4.00
Total	98	77.00		25.42

Source: Primary Data

Interpretation

- Since $X^2 = 25.42 > 7.81$, we reject the null hypothesis
- This suggests that the size of the company and the adoption of FinTech solutions are statistically significantly correlated.

Thematic Analysis

1. FinTech's Impact on Access to Financing

Findings

- **Widespread FinTech Adoption:** In Coimbatore, most small firms have begun implementing FinTech solutions; a large percentage of them use mobile payment systems and digital financing platforms.
- **Access to New Funding Alternatives:** Companies who embraced FinTech reported having easier access to a wider range of finance sources, which enabled them to get beyond conventional banking constraints. Invoice finance and peer-to-peer lending have also become well-liked options for certain businesses.

Interpretation

This theme demonstrates how FinTech technologies have given small businesses new ways to obtain funding. These platforms offer a convenient and quick way to receive funding, which sets them apart from traditional banks. However, the degree of adoption differs across firms dependent on their size and digital literacy.

2. Specific FinTech Developments and Their Influence

Findings

- **Digital Lending Platforms Lead the Way:** Digital lending platforms were the FinTech innovation that had the biggest influence on companies' capacity to obtain capital.
- **Mobile Payment Systems Enhancing Operations:** Mobile payment solutions were particularly essential for companies in the retail and service industries, since they enhanced cash flow management and transaction processing.

Interpretation

In the FinTech industry, digital lending platforms have emerged as a major player, having a direct impact on how small firms obtain financing. These platforms are especially helpful for companies looking for quicker lending approvals and more affordable entry hurdles. Mobile payment solutions improve financial management even more, streamlining business operations for small businesses.

3. Impact on Financial Stability and Business Growth

Findings

- **Improved Financial Stability:** After using FinTech solutions, a sizable percentage of organisations reported increases in their financial stability. Access to emergency financing and improved cash flow management were highlighted by these organisations as major advantages.
- **Growth Opportunities:** Numerous small enterprises emphasised the prospects for growth that accompanied the use of FinTech. Their ability to obtain fast funding enabled them to take on new ventures, grow their staff, and investigate untapped markets.

Interpretation

The use of fintech has a favourable effect on small businesses by helping them grow and stabilise their finances. FinTech helps businesses achieve better business outcomes by supplying finance when needed, allowing them to invest in chances for growth and development.

4. Barriers to FinTech Adoption

Findings

- **Lack of Awareness and Digital Literacy:** Digital literacy and a lack of awareness were determined to be the main obstacles to the adoption of FinTech. Many entrepreneurs are either unsure of how FinTech solutions operate or are wary of abandoning conventional finance practices.
- **Regulatory Barriers:** Companies also identified regulatory concerns as a hurdle, especially with regard to the laws governing FinTech platforms such as peer-to-peer lending.

Interpretation

Despite its advantages, FinTech adoption is impeded by the lack of knowledge and awareness among small business owners. This underscores the need for educational activities and training programs to help organisations understand and exploit new technologies better. In order to facilitate uptake and lower resistance in the field of digital funding, regulatory changes might also be required.

5. Future Role of FinTech in Small Business Financing

Findings

- **Strong Growth Potential:** Most business owners think that FinTech will become more and more significant in the financing of small businesses. FinTech platforms provide a sustainable answer for upcoming financial needs because of their accessibility, speed, and convenience.
- **Calls for Improvement:** The FinTech solutions should be customised to better fit small enterprises, according to the respondents, and the onboarding process should be made simpler for less tech-savvy consumers.

Interpretation

FinTech's future in small business financing is bright, but in order for the platforms to reach their full potential, they need to keep developing and solving the problems that small business owners are now facing. Increased regulatory support and ongoing advancements in user-friendly technologies could hasten the adoption of FinTech solutions.

Findings

- The manufacturing sector accounts for 40% of the total respondents, with services (30%), retail (20%), and other industries (10%) following closely behind.
- With an equal number of enterprises operating for less than a year and 3-5 years (25.3%), the majority of businesses have been in operation for 1-3 years (34.7%). Merely 14.7% of businesses have been in operation for over five years.
- There are a lot of small enterprises in Coimbatore, as evidenced by the fact that half of the businesses examined (50%) had one to ten employees.
- Of the respondents, 34.7% have not used FinTech solutions for funding, compared to 65.3% who have.
- The most often utilised FinTech solutions are digital lending platforms (40.8%), which are followed by peer-to-peer lending (25.5%) and mobile payment systems (20.4%).
- According to 75.5% of respondents, FinTech solutions have improved their access to financing in a "Very Effective" or "Effective" way.
- For 51% of the enterprises, digital lending platforms have had the biggest influence on funding possibilities; mobile payment systems have come in second (30.6%).

- The financial stability of 71.5% of respondents improved after implementing FinTech.
- The main obstacles to small firms implementing FinTech are regulatory constraints (25.5%) and lack of awareness (40.8%).
- The findings of the investigation demonstrate a statistically significant variation in the efficacy of FinTech solutions across several company categories (p -value = 0.002).
- A statistically significant correlation has been found (Chi-Square = 25.42, $p < 0.05$) between the size of a business and its adoption of FinTech solutions.

DISCUSSIONS

The findings demonstrate how FinTech is revolutionising the way small businesses in Coimbatore can obtain financing. To meet their financial demands, businesses have turned to digital lending platforms, particularly those in the manufacturing and services industries. To boost the adoption of FinTech, more education and legislative changes are still required, as seen by the obstacles noted, which include regulatory concerns and a lack of understanding. FinTech solutions are especially likely to benefit smaller businesses, but more work is needed to close knowledge gaps and lower adoption obstacles.

RESULT

The data shows that small enterprises in Coimbatore have benefited from FinTech adoption in terms of funding availability. The most important FinTech innovation is the rise of digital lending platforms, which give small enterprises easy access to finance. According to the report, most businesses now have more stable finances thanks to FinTech solutions, although a sizable percentage still confront difficulties, mostly related to awareness and regulatory obstacles. The results of the ANOVA and Chi-Square tests further imply that the size and kind of business have an impact on the adoption rates and efficacy of FinTech solutions.

Suggestions

- Boost marketing efforts promoting FinTech solutions that are suited to the unique requirements of small enterprises.
- Put laws and incentives into place to lower regulatory hurdles and promote the use of fintech.
- Small business owners should receive training and technical assistance to improve their digital literacy.
- Encourage collaborations between FinTech companies and established financial institutions to provide hybrid financing options.
- Promote innovation in FinTech products that are designed to particularly address the many financial requirements that small businesses across various industries have.

CONCLUSION

This study has emphasised how important FinTech is to Coimbatore's small enterprises in terms of opening up new financial alternatives. Financial stability, business growth, and financing accessibility have all been enhanced by digital lending platforms and other FinTech alternatives. But there are still issues with knowledge and regulatory barriers, therefore focused initiatives to encourage FinTech use are required. FinTech may open up a lot of doors for small businesses with the correct assistance and initiatives, which will boost both the area's economy and the businesses' long-term success.

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