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ANTECEDENTS AND CONSEQUENCES OF FINTECH ADOPTION IN MSMEs

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ABSTRACT

The fast expansion of technology has put the globe in the hands of humans, such as mobile money transfers. Consequently, information technology is seen as a development instrument that influences the well-being of people. This study aims to examine the impact of fintech adoption on the financial well-being of Micro, Small, and Medium Enterprises (MSMEs) in Coimbatore, an emerging economy. The research utilized the Unified Theory of Acceptance and Use of Technology (UTAUT) model to analyze the relationship of fintech adoption with the financial well-being of MSMEs. A total of 311 samples have been collected from MSMEs in Coimbatore using a simple random sampling method, with an 87% response rate. The data has been analyzed by using AMOS software (v24). The results indicate that fintech adoption antecedents significantly influence behavioral intention, and use behavior has a significant impact on financial well-being.

Keywords: *Fintech adoption, Behavioral intention, Use behaviour, UTAUT, Financial wellbeing*

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INTRODUCTION

Technology is viewed as the means of bridging the gap that exists between developed and developing nations large and micro-small and medium-sized businesses and privileged and underprivileged social groups (AlBar and Hoque 2017). Information technology has actually been shown to increase people's income and skill (Pick Gollakota & Singh 2014 Rahman & Das 2005). It is also regarded as a development tool that encourages a wide variety of innovation in various societies (Qureshi 2015). But the development of computer-assisted mobile technology and information technology or mobile financial services has spurred a lot of success in money mobility especially in developing nations (Awunyo-Vitor 2016). Studies reveal that individuals from various socioeconomic backgrounds and with distinct motives are utilizing mobile financial services. In certain developing nations mobile financial services have been specifically examined in relation to small and medium-sized businesses (SMEs). This phenomenon calls for accelerating MSME digitization particularly through the use of Fintech.

The difficulty lies in the fact that implementing new technologies is not simple; the target user is likely to resist or be unable to adapt. Hence it is necessary to thoroughly identify the numerous elements that influence digitalization behavior or the adoption of digital technology in the growth of its business. The Unified Theory of Acceptance and Use of Technology (UTAUT) an expansion of the Technology Acceptance Model (TAM) (Gaoa, Krogstiea and Siau 2017) is one of the approaches to technology adoption. The three exogenous variables in this approach—Context

Personal Initiatives Characteristics and Trust—make up six variables total. Four endogenous variables—behavioral intention use behavior social influence effort expectancy and wellbeing—have an impact on the antecedents of fintech adoption. These variables are the result of personal initiative traits.

It is important to understand the conditions of MSMEs' behaviour intention towards fintech and the fintech use behaviour induce their financial wellbeing on MSMEs. Therefore the research questions of this study are:

RQ1: what are antecedents influence to adopt fintech service on MSMEs?

RQ2: how fintech usage creates financial wellbeing to the MSMEs?

RQ3: whether attitude towards fintech will impact the financial wellbeing?

Extensive literature has been carried out on Unified Theory of Acceptance and Use of Technology (UTAUT) and financial wellbeing in different circumstance but still there is a gap. This study is to elucidate the conditions of MSMEs' behaviour intention and various antecedents that influence them to adopt fintech in their business. Beyond merely fostering financial prosperity and greater money mobility fintech has the potential to advance human development in a multitude of other ways. Although the primary goal of fintech is to make financial transactions easily accessible to individuals across all socioeconomic classes this study has demonstrated that it also has the ability to improve ICT proficiency encourage the use of mobile fintech and lead to a state of well-being. There is still division among policymakers and practitioners regarding the best ways to protect the welfare of the impoverished class. Increasing fintech usage could lead to an improvement in MSMEs well-being. Therefore in order to increase the intention and usage behavior of fintech services policymakers' social development activists and fintech service providers must come up with innovative strategies. The expansion of fintech by practitioners could actually give them access to more resources which would help MSMEs grow even more.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

UTAUT model

The Unified Theory of Acceptance and Use of Technology (UTAUT) is a theoretical model developed by Venkatesh et al. (2003) to understand user acceptance and usage behavior of information systems. The UTAUT model identifies four core determinants of intention and usage: performance expectancy, effort expectancy, social influence, and facilitating conditions. Chauhan and Jaiswal (2016) conducted a study on the adoption of e-commerce in Indian MSMEs and found that performance expectancy and facilitating conditions were significant predictors of adoption intention. Similarly, a study by Das and Mishra (2018) on cloud computing adoption in MSMEs in Indonesia revealed that effort expectancy and social influence played crucial roles in influencing adoption decisions.

Antecedents to behavioural intention

i) Performance Expectancy

Performance expectancy is the degree to which an individual believes that using a system will help attain gains in job performance. In the context of MSMEs, this could involve expectations around increased efficiency, improved customer service, and enhanced decision-making capabilities. Studies have shown that MSME owners and employees are more likely to adopt technology if they perceive it to have significant benefits for their business operations (Chauhan & Jaiswal, 2016).

ii) Effort Expectancy

Effort expectancy is the degree of ease associated with the use of the system. For MSMEs, simplicity and ease of use are critical, as employees may have limited technical skills. Technologies that are user-friendly and require minimal training are more likely to be adopted. Research indicates that MSMEs prefer technologies that integrate seamlessly into their existing processes without causing significant disruptions (Das & Mishra, 2018).

iii) Social Influence

Social influence refers to the degree to which an individual perceives that important others believe they should use the new system. In MSMEs, this can include influence from business partners, customers, and industry networks. Positive social influence can significantly boost

technology adoption, as MSMEs often rely on external validation and peer recommendations when making decisions (Thongmak, 2015).

iv) Facilitating Conditions

Facilitating conditions refer to the degree to which an individual believes that an organizational and technical infrastructure exists to support the use of the system. For MSMEs, this includes access to technical support, availability of financial resources, and the presence of government incentives. Studies have highlighted that MSMEs are more likely to adopt technology when they have access to adequate support and resources (Olugbola, 2017).

FINANCIAL WELLBEING

Financial wellbeing is a critical factor in the sustainability and growth of micro, small, and medium enterprises (MSMEs). This literature review aims to explore various dimensions of financial wellbeing within MSMEs, including access to finance, financial literacy, and the impact of financial management practices. Understanding these elements can help in formulating policies and practices that enhance the financial health of these enterprises. Beck, Demirgüç-Kunt, and Maksimovic (2005), MSMEs often struggle with limited access to formal financial services due to high transaction costs and perceived risks by financial institutions. This constraint hampers their ability to invest in growth opportunities and manage day-to-day operations effectively. Lusardi and Mitchell (2014) suggest that financial literacy directly influences the financial behavior and performance of small businesses. Entrepreneurs with better financial knowledge are more likely to engage in sound financial practices, such as budgeting and financial planning, which contribute to the overall financial health of their enterprises. Abanis, Sunday, Burani, and Eliabu (2013) indicates that MSMEs with robust financial management systems are more likely to achieve financial sustainability. The study highlights that proper bookkeeping and regular financial analysis help in identifying potential financial problems early and taking corrective actions.

RELATIONSHIP BETWEEN UTAUT TO FINANCIAL WELLBEING

However, MSMEs often face significant challenges, including access to finance, technological adoption, and maintaining financial wellbeing. The Unified Theory of Acceptance and Use of Technology (UTAUT) provide a comprehensive framework to understand the factors influencing technology adoption. This literature review explores the relationship between UTAUT constructs and the financial wellbeing of MSMEs. Performance expectancy significantly influences technology adoption in MSMEs. Research indicates that MSMEs are more likely to adopt financial technologies (fintech) and other digital tools if they perceive these technologies as beneficial to their financial performance (Venkatesh et al., 2012). Technologies that are user-friendly and require minimal effort to use are more likely to be adopted (Gupta et al., 2017). Easy-to-use financial management tools can help MSMEs efficiently track their finances, manage expenses, and plan for future financial needs, positively impacting their financial wellbeing. Social influence impacts technology adoption through peer pressure, recommendations, and industry standards. MSMEs are likely to adopt technologies endorsed by influential stakeholders such as business associations, industry leaders, or financial advisors (Oliveira & Martins, 2011). Facilitating conditions, such as the availability of technical support, training, and infrastructure, are essential for the successful adoption of technology in MSMEs (Ramdani et al., 2013).

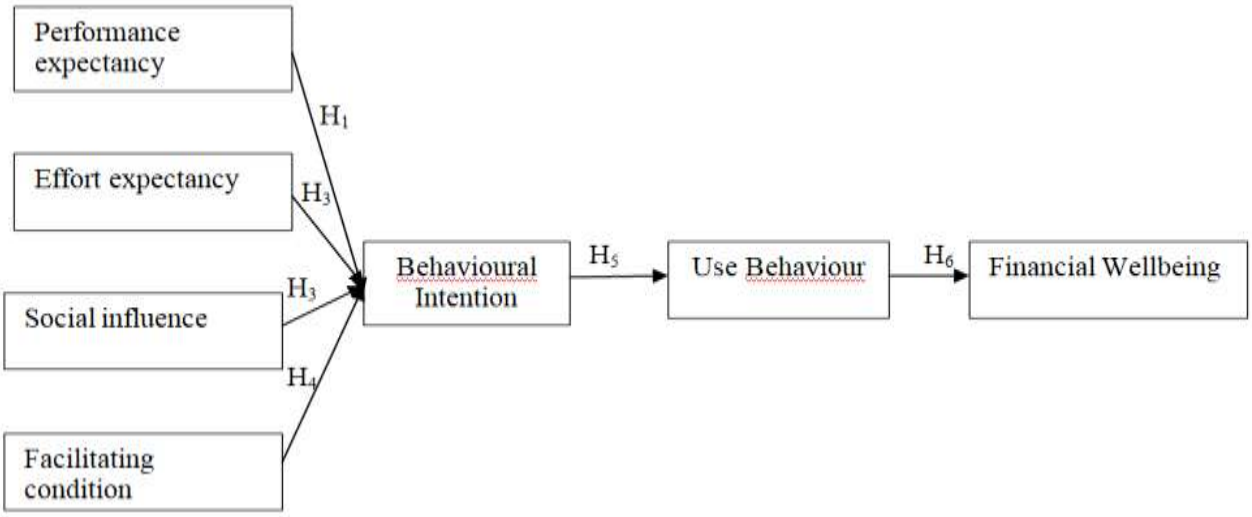
H_1: Performance expectancy is positively related to behavioural intention
H_2: Effort expectancy is positively related to behavioural intention
H_3: Social influence is positively related to behavioural intention
H_4: Facilitating condition is positively related to behavioural intention
H_5: Behavioural intention is positively related to use behaviour
H_6: Use behaviour is positively related to financial wellbeing

The UTAUT model provides a valuable framework for understanding the factors influencing technology adoption in MSMEs. The constructs of performance expectancy, effort expectancy, social influence, and facilitating conditions are closely linked to the financial wellbeing of MSMEs. By

leveraging technology effectively, MSMEs can improve their financial management practices, enhance profitability, and achieve greater financial sustainability.

CONCEPTUAL MODEL

Figure 1



Source: Venkatesh, V., Morris, M. G., Davis, G. B., & Davis, F. D. (2003), Venkatesh, V., Thong, J. Y. L., & Xu, X. (2012), Mukhamad Najiba , Farah Fahma (2020)

RESEARCH METHODOLOGY

The study is based on a quantitative approach to analyse the relationship between fintech adoption and financial wellbeing. A cross sectional study has collected samples from 311 MSME proprietors in Coimbatore city. This research employs a self-administered questionnaire to gather data from proprietors of MSME. Primary data on how MSMEs perceive the variable indicators created in this study was the type of data used in this investigation. Examination (Table 1): utilising a questionnaire instrument, data is gathered via survey methodology. The perceptional data of particular indicators serves as the study's primary source of data. The Likert scale, which ranges from 1 to 5, is employed to predict the perceptional data. The scale of (strongly disagree to strongly agree).

Table 1

This table represents construct, statements, factor loading and source of the variables

Statements	Factor Loadings	Source
Performance expectancy (PF)		Rahman et al., (2019)
I find fintech useful in my daily life.	0.959	
Using fintech services increases my chances of achieving things that are important to me.	0.959	
Using fintech services helps me accomplish things more quickly.	0.959	
Using fintech services increases my productivity.	0.959	
Effort expectancy (EF)		
Learning how to use fintech is easy for me.	0.995	
My interaction with fintech is clear and understandable.	0.995	
I find fintech easy to use.	0.995	
It is easy for me to become skillful at using fintech.	0.985	
Social influence (SI)		
People who are important to me think that I should use fintech.	0.995	

People who influence my behavior think that I should use fintech.	0.995	
People whose opinions that I value prefer that I use fintech	0.945	
Facilitating condition (FC)		
I have the resources necessary to use fintech.	0.995	
I have the knowledge necessary to use fintech.	0.995	
Fintech is compatible with other technologies I use	0.995	
I can get help from others when I have difficulties using fintech.	0.995	
Behavioural intention (BI)		
I intend to continue using fintech in the future	0.959	
I will always try to use fintech in my daily life.	0.995	
I plan to continue to use fintech frequently.	0.959	
Usage behaviour (UB)		
Usage frequency of the financial services per day	0.995	
Usage duration of the financial services per day	0.995	
Financial wellbeing (FW)		Dzogbenuku et al., (2021)
I feel fulfilled with fintech services always	0.995	
Fintech service bring me excitement	0.995	
Using fintech service is economical	0.995	
Am confident of fintech service as it has helped to obtain remittances from clients	0.945	
Fintech has helped to improve my financial status	0.995	
The fintech services have been beneficial	0.985	
Extraction Method: Principal Component Analysis.		

DATA ANALYSIS AND RESULTS

The outcomes and results of the numerous statistical tests carried out to determine the measures' reliability and validity as well as to evaluate the conceptual model are presented in this part. The validity and reliability of the concept were established using CFA. The CFA provides important information for determining if the scales being employed have convergent validity (Anderson and Gerbing, 1988), such as whether the observed variables are loading on their respective latent components (Kline, 2010). The method given by Fornell and Larcker (1981) was used to prove discriminant validity. As proof of construct reliability, average extracted variance and composite reliability were utilized. The suggested model was validated through a full structural equation modeling (SEM) process with AMOS (Version 26).

Table 2 : Model fit indices

Fit indices	Value	Accepted value	Result
Cmin/df	1,966	Less than 3	Supported
GFI	.992	Value greater than .90	Supported
CFI	.934	Value greater than .90	Supported
IFI	.964	Value greater than .90	Supported
RMSEA	.046	Value less than .08	Supported

Source: Kline, 2010

The above table 2 shows the model evaluation for the goodness of fit indices for the relationship between performance expectancy, effort expectancy, social influence, behavioural intention, use behaviour and financial wellbeing. Referring to the thumb rule of (Schermelleh-Engel et al., 2003), the essential estimates GFI, AGFI, CFI, CMIN/DF and RMSEA fall in values that highly fall in the good fit category. Based on maximum likelihood was carried out the SEM model results suggest that the data are a good fit to the proposed model: X^2 (4) = 8.232, p < .000; X^2/df =

2.058; GFI= .983; AGFI = .916; CFI = .922, RMSEA = .052. Therefore, the hypothesis model supports the empirical data; the model is good and reliable. Table 3 presents the results for the proposed hypotheses. Therefore, the hypothesis model supports the empirical data; the model is good and reliable.

PATH ANALYSIS

Figure 2

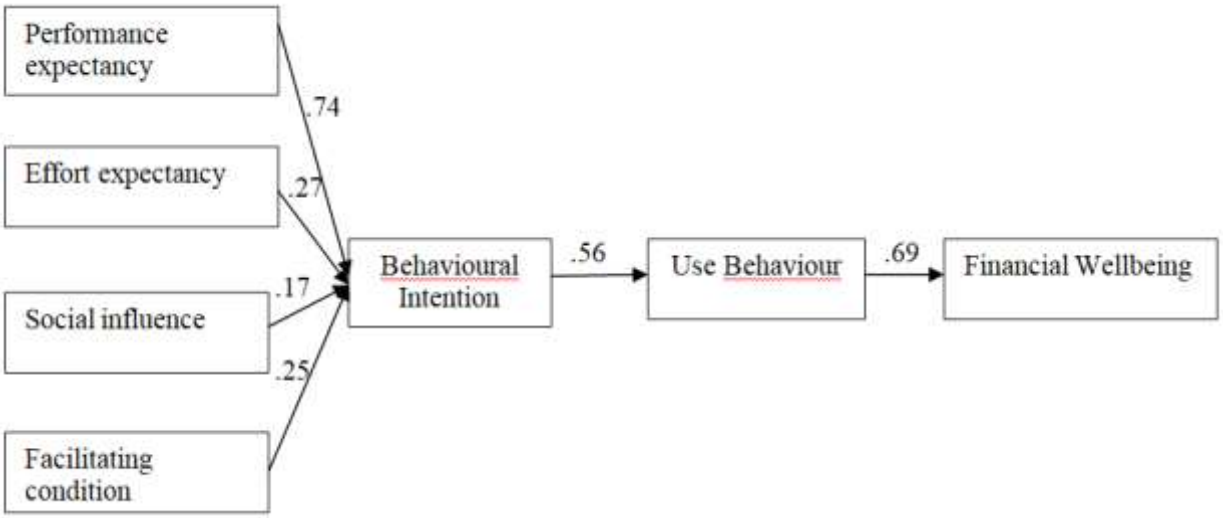


Table 3 : This table represents hypothesis and relationships between variables

Hypothesis	Path	Estimates β	C.R	P value	Supported
H_1	PF → BI	.745	1.098	.000	Yes
H_2	EF → BI	.271	2.460	.000	Yes
H_3	SI → BI	.171	6.478	.000	Yes
H_4	FC → BI	.253	2.741	.000	Yes
H_5	BI → UB	.565	2.014	.000	Yes
H_6	UB→ FW	.699	1.847	.000	Yes

The result of path value showed that (PF) Performance expectancy (β = .745, P < 0.000) positively influence Behavioural Intention (BI), thus H_1 were supported. Effort expectancy (EF) (β = .271, P < 0.000) positively influence Behavioural Intention (BI), thus H_2 were supported. Social influence (SI) (β = .171, P < 0.000) positively influence Behavioural Intention (BI) thus H_3 were supported. Facilitating condition (FC) (β = .253, P < 0.000) positively influence Behavioural Intention (BI) thus H_4 were supported. Behavioural Intention (BI) (β = .565, P < 0.000) positively influence use behaviour (UB) thus H_5 were supported and Use behaviour (UB), (β = .699, P < 0.000) positively influence financial wellbeing (FW), thus H_6 were supported.

DISCUSSION

The rapid expansion of technology has transformed the global landscape, putting unprecedented power in the hands of individuals. Mobile money transfers, a prime example of this technological revolution, have become instrumental in reshaping economic interactions. This study underscores the role of information technology, specifically fintech, as a development tool that significantly influences the well-being of individuals and businesses, particularly Micro, Small, and Medium Enterprises (MSMEs). The findings reveal that the antecedents of fintech adoption significantly influence behavioral intention. Moreover, use behavior has a profound impact on the financial well-being of MSMEs. These results highlight the critical role of performance expectancy, effort expectancy, social influence, and facilitating conditions in shaping behavioral intentions towards fintech adoption. Each of these factors was found to have a positive and significant influence on behavioral intention, which in turn, significantly influenced use behavior and ultimately financial well-being. To achieve this, policymakers, social development activists, and fintech service providers need to develop innovative strategies to boost the intention and usage behavior of fintech

services. Expanding fintech access can provide MSMEs with more resources, facilitating their growth and contributing to overall economic development.

CONCLUSION

The study provides compelling evidence that fintech adoption significantly enhances the financial well-being of Micro, Small, and Medium Enterprises (MSMEs) in Coimbatore. These findings align with previous research that underscores the transformative role of technology in bridging economic disparities and fostering innovation across various sectors (AlBar & Hoque, 2017). The study also supports the notion that mobile financial services are particularly effective in promoting economic growth in developing nations by enhancing money mobility and financial inclusion (Awunyo-Vitor, 2016). Therefore, it emphasizes the need for targeted strategies by policymakers, social development activists, and fintech service providers to foster fintech adoption among MSMEs. Enhancing fintech usage not only promotes financial prosperity but also contributes to broader socio-economic development by improving ICT proficiency and encouraging innovation. Expanding the scope of antecedents beyond the UTAUT model could provide a more comprehensive understanding of factors influencing fintech adoption. Future studies could incorporate additional variables such as cultural factors, regulatory environments, and technological infrastructure to offer a holistic perspective.

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