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A STUDY ON PERFORMANCE EVOLUTION OF FINTECH COMPANIES IN RURAL INDIA

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Abstract: This research paper examines the evolution of fintech companies in rural India and their performance over time. Despite significant changes and improvements in product offerings, challenges in serving rural customers persist. Through an analysis of factors contributing to the success of fintech companies in rural India, such as government support, availability of digital financial services, and access to affordable internet connectivity, this paper provides a comprehensive assessment of the state of fintech in rural India. Challenges experienced by users of fintech services in rural India, including technological difficulties, lack of customer support, and limited-service offerings, are also examined. The paper concludes by providing suggestions for fintech companies to improve their performance in rural India and address the perception that their performance may not be as good as it is in urban areas or other countries. Such suggestions include developing tailored product offerings for rural customers, strengthening customer support systems, and providing targeted education and awareness campaigns to promote the benefits of fintech solutions. Overall, this research paper offers valuable insights into the performance and evolution of fintech companies in rural India, and its findings can inform the development of effective policies and strategies to address the unique challenges facing fintech companies serving rural populations.

Keywords - fintech, rural India, performance, evolution, government support, digital challenges, technology.

I. INTRODUCTION

The combination of "financial" and "technology," or "fintech," refers to the incorporation of new technical developments into financial products and services. Fintech refers to companies that utilise technology to improve or automate financial services and operations. It is a mix of the terms "financial" and "technology." The phrase refers to a quickly expanding sector that benefits both consumers and companies in various ways. Fintech offers a plethora of uses, ranging from cryptocurrencies and investment apps to mobile banking and insurance.

The way that consumers access and handle financial services has been completely transformed by financial technology, or "fintech."

Fintech businesses have become important players in India's financial services sector in recent years, providing a variety of services like online loans, mobile banking, and digital payments. Fintech has grown significantly in metropolitan regions, while its effects on rural places have received less attention.

Almost two-thirds of Indians live in rural areas, and the development of these areas is essential to the country's economy as a whole. Fintech firms could fundamentally alter how financial inclusion and access to financial services are provided in rural areas. Yet, there is a need for empirical study to understand the development and impact of fintech companies in rural India because their performance has not been thoroughly examined. This paper aims to examine the evolution of fintech companies in rural India and their performance over time, including the factors that have contributed to their success and the challenges they have faced.

Industry evolution

The first phase in the evolution of finance involved the development of infrastructure essential for Fintech. During the 1860s, Banks introduced signature-verifying technologies.

The second phase started in 1967, with the first ATM being installed by Barclays Bank. This was followed by the initiation of the first digital stock exchange, "NASDAQ." During the 1980s, computers were developed, which paved the way for online banking, and eventually, in 1998, PayPal was launched, leading to a revolutionary payment process.

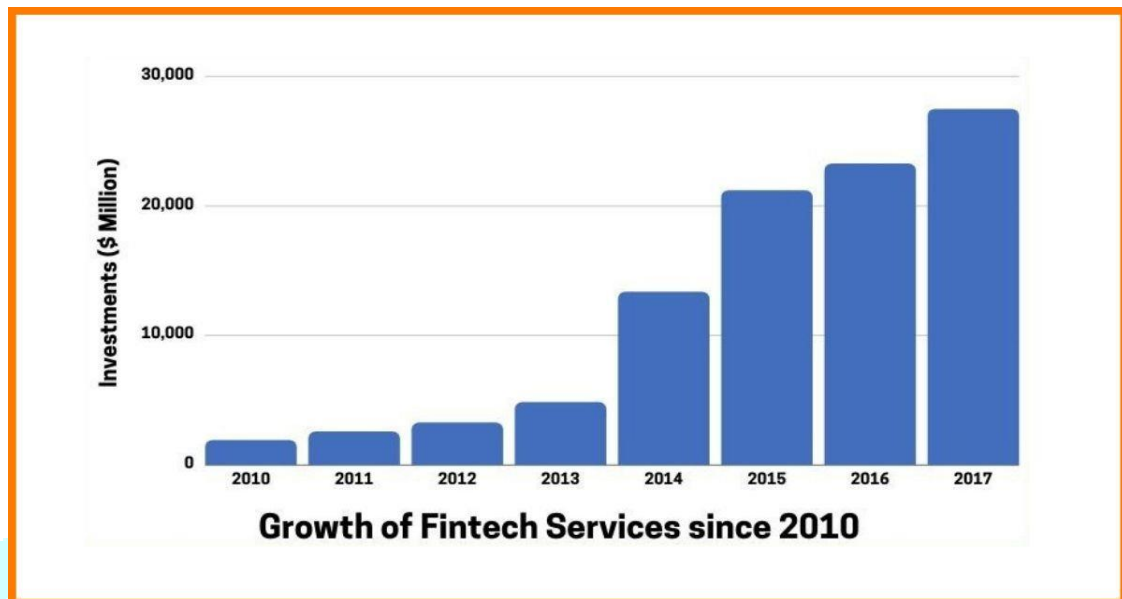
The post-financial crisis had completely transformed the outlook of Fintech. Smartphone usage increased immensely, leading to the fintech start-up era where there was rapid innovation and consumers drove a wave of new financial products and services. Venture Capital Firms invested in fintech start-ups, leading to Fintech firms receiving \$17.4 billion in 2016. CB Insights reported that in 2017, 26 VC-backed fintech firms had a valuation of \$83.8 billion. According to them, in 2018, 39 VC-backed fintech start-ups were worth \$147.3 billion.

Currently, fintech has evolved from traditional ATM machines and credit cards to blockchain technology and digital banking services.

With ever-changing digital technology, fintech has managed to change the whole world of banking and finance.

Digital technologies such as chatbots, expenditure tracking, and online budgeting tools are moving the financial services into the modern era.

At least [52% of the companies](#) were involved with fintech digital solutions from the year 2016 to the year 2018.



(Source-startuptalky.com)

The Indian Fintech programming business sector is expected to touch \$2.4 billion by the end of 2020 from the current \$1.2 billion in FY 2019.

Over the last couple of years, the Indian economy, which is altogether money-driven, has exploited the Fintech opportunity. With a scope of choices that includes digital wallets, loaning, and protection, the assortment of administrations gave an enormous impact to change the manner of money-related activities

II. LITERATURE REVEIW

Ms. Bhawana Bhatere, Mr. Ahmed Sayyed, Ms. Paheli Nigam in their study described about the sustainable rural growth of Fintech and Banking industry. The report demonstrates how the introduction of fintech has changed India's overall banking sector and how issues have arisen with the adoption of fintech in rural areas. The study uses an exploratory research style and tries to explain how things work and highlight the study's historical context. FinTech has made improvements to how loans, payments, wealth management, and insurance services are delivered. The presence-less and paperless money transaction paradigm, which is supported by technologies like machine learning, artificial intelligence, and data analytics, has been created gradually by FinTech businesses. These technologically advanced models have revolutionized how unsecured credit is accessed in India. Reaching out to the underbanked rural areas of India has always been difficult because of few demographic or geographic reasons.

Dr. S. Tamilarasi, Aashiek Cheriyan in his study highlights the significance of the Fintech revolution in the current digital era, emphasizing the shift in the banking operations towards Fintech-based models. The Fintech revolution enables machines and programmed languages to learn and forecast the future of the financial market, minimizing human interaction in the process. Microfinance plays a critical role in bridging the gap between rural and urban economies, providing opportunities for Fintech companies to expand their reach and enhance financial inclusion. The review notes the increasing investments and popularity of Fintech, indicating a bright future for Fintech companies.

Dr. Jatinder Kaur Mentions that Fintech Ecosystem in India is in nascent stage but still have a lot of growth potential. Various Government initiatives like Jan DhanYojna, UPI, Adhar number act as catalyst for the Fintech market. Fintech system are planned to disrupt financial services industry. It's important to frame regulations in a manner which protect consumers and promote the ecosystem as well. India's huge population, young entrepreneurs, technology up gradations, and those who are new to banks by govt. initiatives are the creators of opportunities for this sector. The country has made a good start and continuously showing upward graph of growth. But this upward shift has many obstacles too that need to be cover up. Fintech industry has to change the habits of Indian population specifically related with financial preferences to bring the revolution in the industry.

OBJECTIVE OF THE STUDY

- To examine the factors limiting the Fintech sector's development in India's rural areas
- To evaluate Fintech companies' rural outreach efforts
- To evaluate the remedial steps done to increase the availability and usefulness of fintech services in rural regions

HYPOTHESIS

Fintech companies that provide services to rural areas in India have experienced a significant improvement in performance.

Fintech companies that provide services to rural areas in India do not have experienced a significant improvement in performance.

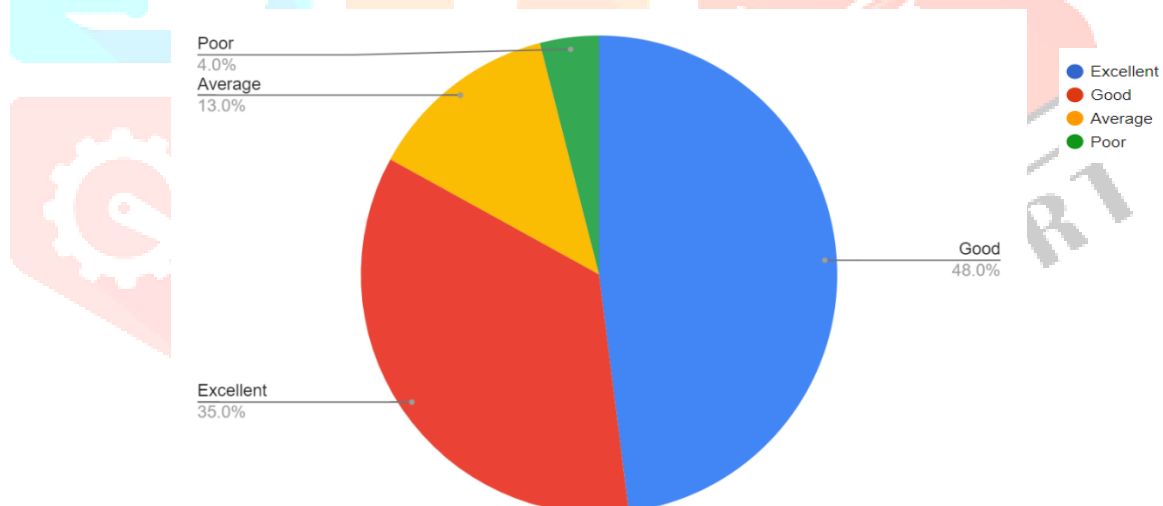
III. RESEARCH METHODOLOGY

- **Research design:** Descriptive search
- **Method Of Data Collection:** Primary data
- **Population:** The sample size of 100 respondents has been selected
- **Sampling method:** Random sampling
- **Data representation:** The data collected is represented in form of Table, graph, pie charts, line & area chart

IV. DATA ANALYSIS AND INTERPRETATION

4.1. How would you rate the overall financial performance of the fintech company in rural India over the past three years?

S. No.	Particulars	No. of Respondents	% of Respondents
1	Good	48	48%
2	Excellent	35	35%
3	Average	13	13%
4	Poor	4	4%



Interpretation

majority of respondents (48%) rated the three-year financial performance of fintech businesses operating in rural India as "Excellent." An additional 35% of respondents gave it a "Good" rating. Only 13% of the respondents gave it an "Average" rating, while only 4% gave it a "Bad" rating.

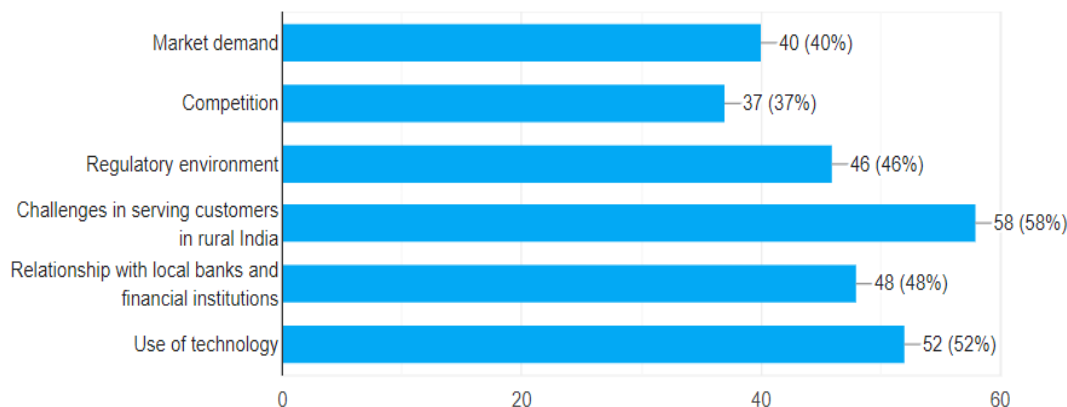
4.2. How has the fintech company's product offering in rural India changed or evolved over time?

S. No.	Particulars	No. of Respondents	Percentage of Respondents
1	No changes	7	7%
2	Minor changes	28	28%
3	Moderate changes	45	45%
4	Major changes	20	20%

Interpretation

7% of the overall respondents claimed that the fintech company's product line in rural India had not changed over time. In comparison, 45% of respondents indicated moderate changes, while 28% reported only slight ones. The remaining 20% claimed that the product lineup has seen significant alterations.

4.3. Which of the following factors do you believe have had the greatest impact on the fintech company's performance in rural India?

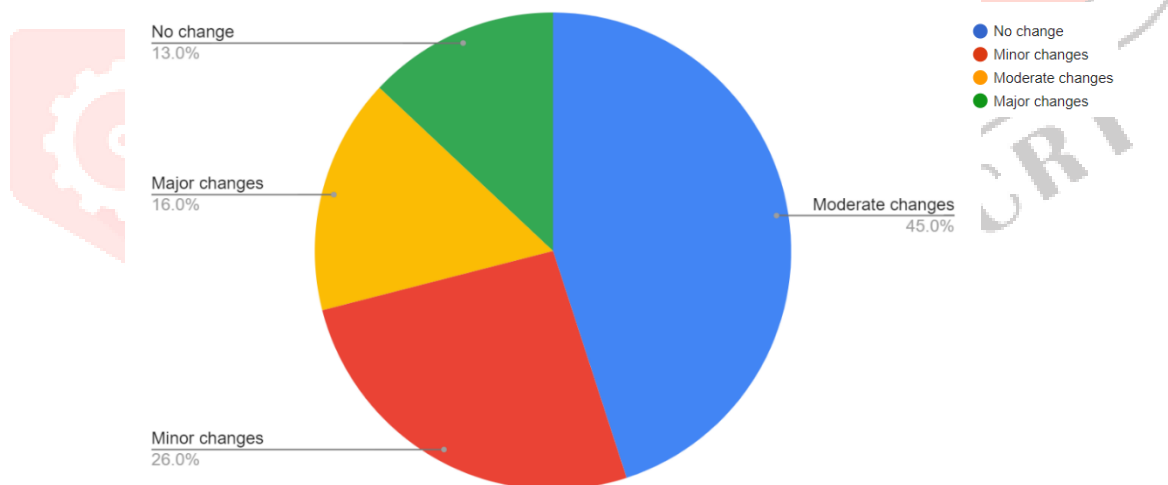


Interpretation

The challenges of providing consumers in rural regions were cited by 58% of respondents as having the greatest impact on the performance of the fintech company in rural India. The usage of technology was ranked as the second most important factor by 52% of respondents.

According to 46% and 48% of respondents, respectively, the regulatory environment and the connection with regional banks and financial institutions both significantly impacted the performance of the fintech company. Moreover, market demand and competitiveness were cited as significant considerations by 40% and 37% of respondents, respectively.

4.4. How has the fintech company's target customer base in rural India changed over time?



Interpretation

With 55.17% of respondents selecting this response, it appears that the target client base of fintech companies in rural India has undergone very minor changes over time. Just 15.52% of respondents indicated significant changes in the target consumer base, compared to 22.41% who reported minor changes.

5.17 percent of those surveyed said that the target market for fintech startups in rural India has remained the same.

4.5. How effective have the fintech company's solutions been in addressing the challenges it has faced in serving customers in rural India?

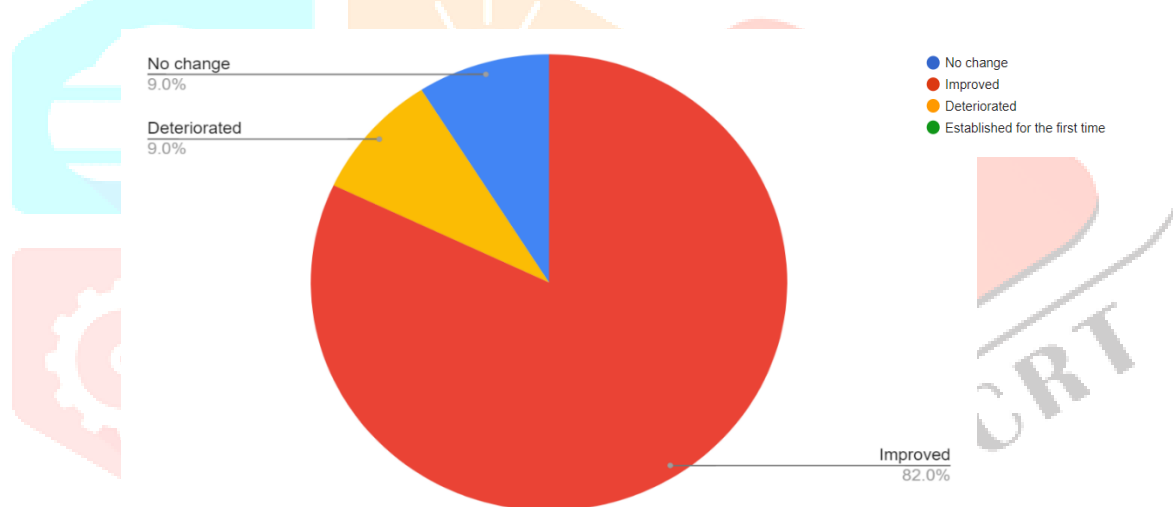
S. No.	Particulars	No. of Respondents	Percentage of Respondents
1	Somewhat effective	33	33%
2	Somewhat ineffective	3	3%
3	Neutral	35	35%
4	Very effective	25	25%
5	Very ineffective	1	1%

Interpretation

The efficiency of fintech companies' solutions in resolving the issues they have encountered when serving customers in rural India varies, according to survey respondents.

The effectiveness of these methods was rated by respondents as extremely effective by 25% and fairly effective by 33%. 35% of respondents indicated they were undecided regarding the efficacy of these strategies. Just 3% of respondents said that these remedies had been somewhat ineffective, and 1% said that they had been completely ineffective.

4.6. How has the fintech company's relationship with local banks and financial institutions in rural India evolved over time?



Interpretation

According to the survey respondents, the majority, 82%, believe that the relationship between fintech companies and local banks and financial institutions in rural India has improved over time. Only 9% of respondents reported a deterioration in this relationship, and the same percentage reported no change.

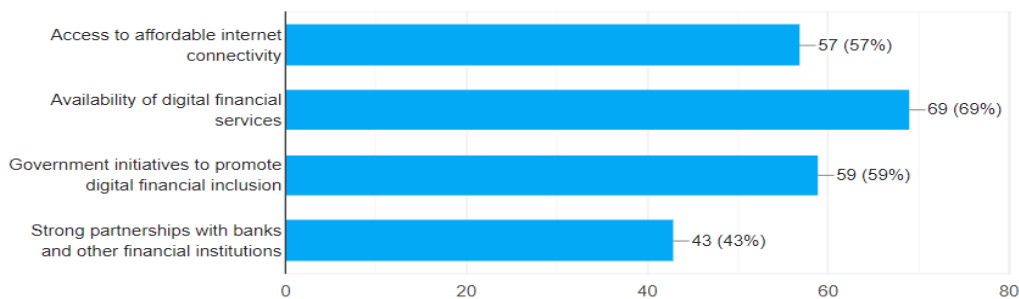
4.7. To what extent do you believe the fintech company has had an impact on financial inclusion and access to financial services in rural India?

S. No.	Particulars	No. of Respondents	Percentage of Respondents
1	Very significant impact	25	25%
2	Somewhat significant impact	49	49%
3	Little or no impact	5	5%
4	Neutral	21	21%

Interpretation

According to the survey respondents, the fintech company has had a significant impact on financial inclusion and access to financial services in rural India. 49% of respondents believe that the impact has been somewhat significant, while 25% believe it has been very significant. Only 5% of respondents reported little or no impact, and 21% expressed neutrality.

4.8. In your opinion, what factors have contributed to the success of fintech companies in rural India?



Interpretation

According to survey respondents, the success of fintech companies in rural India can be attributed to the availability of digital financial services, government initiatives to promote digital financial inclusion, access to affordable internet connectivity, and strong partnerships with banks and other financial institutions. The majority of respondents believe that the availability of digital financial services has contributed to this success, with government initiatives and affordable internet connectivity also playing significant roles. Strong partnerships with banks and other financial institutions were also cited as a contributing factor

4.9. How have government partnerships or collaborations with the fintech company impacted its performance in rural India?

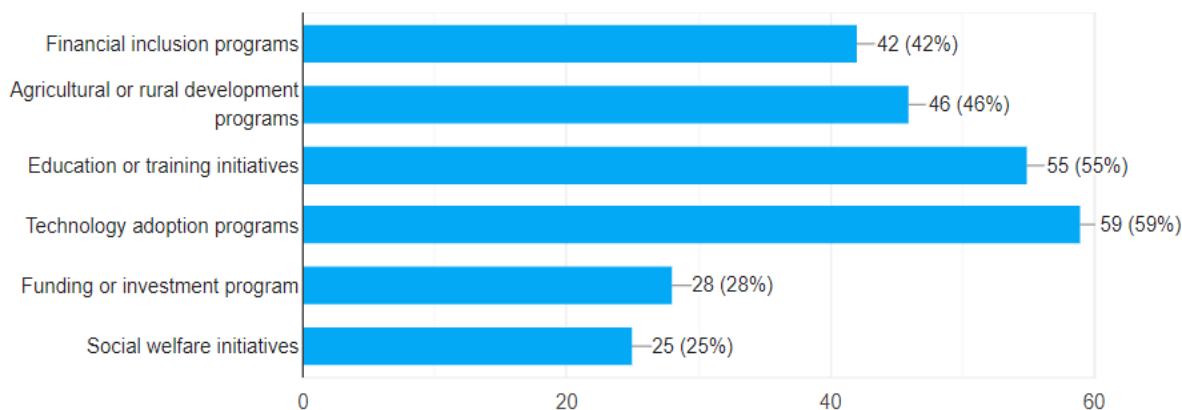
S. No.	Particulars	No. of Respondents	Percentage of Respondents
1	Positive impact	61	61%
2	Neutral impact	26	26%
3	Don't know/no opinion	9	9%
4	Negative impact	4	4%

Interpretation

Government partnerships or cooperation with fintech companies have reportedly improved their performance in rural India, with 61% of survey respondents attesting to this.

According to 26% of respondents, they are unsure of how these partnerships or collaborations will affect them. 4% of respondents think that these alliances or collaborations have hurt the performance of the fintech company.

4.10. Which of the following government initiatives have had the greatest impact on the fintech company's performance in rural India?



Interpretation

The majority of survey respondents—59% and 55%, respectively—reported that technology adoption programs and education or training initiatives had a positive impact on the performance of the fintech company in rural India.

With 46% and 42% of respondents claiming such an impact, respectively, financial inclusion programs and agricultural or rural development projects were also mentioned as having a substantial impact on fintech enterprises in rural India.

Less respondents (28% and 25%, respectively) claimed that funding or investment programs and social welfare activities had an effect on the performance of the fintech company in rural India.

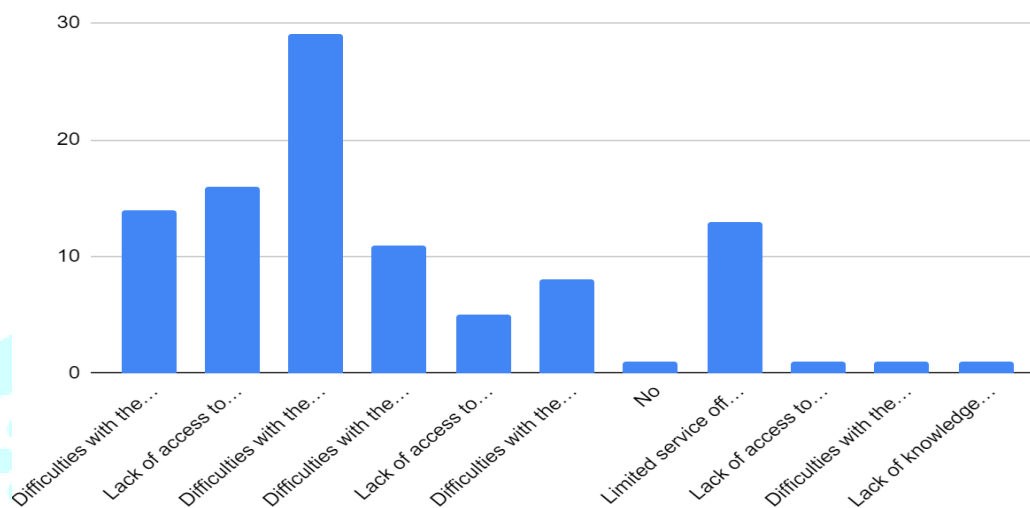
4.11. Do you believe that government initiatives in the fintech sector in rural India have been well-planned and implemented?

S. No.	Particulars	No. of Respondents	Percentage of Respondents
1	Yes	85	85%
2	No	15	15%

Interpretation

According to the survey, the majority of respondents, 85%, believe that government initiatives in the fintech sector in rural India have been well-planned and implemented, while 15% do not share this view.

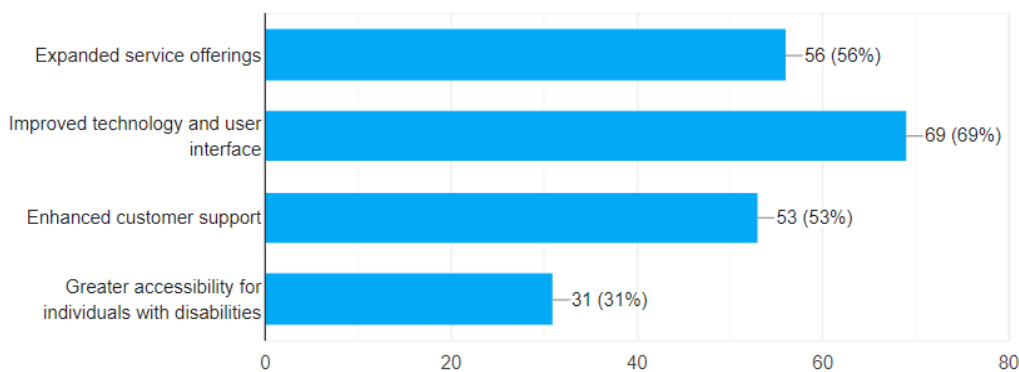
4.12. Have you personally experienced any challenges while using fintech services in rural India?



Interpretation

Out of the respondents, 62% experienced difficulties with the technology or user interface of fintech services in rural India, 48% reported a lack of access to customer support, and 37% encountered limited-service offerings. Additionally, 3% reported other challenges that were not specified.

4.13. What improvements would you like to see from fintech companies in rural India in the future?

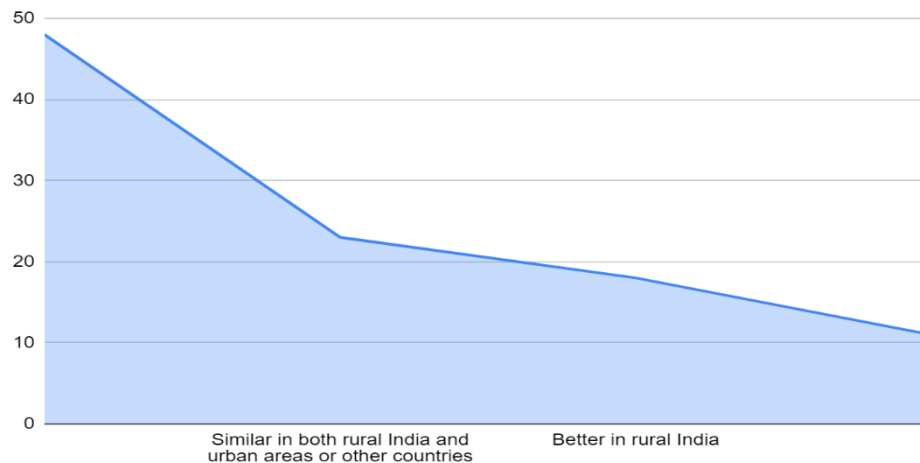


Interpretation

The majority of respondents would like to see improvements in the service offerings, technology, and user interface of fintech companies in rural India. Specifically, 56% of respondents want to see expanded service offerings, 69% want improved technology and user interface, and 53% want enhanced customer support. Additionally, 31% of respondents want greater accessibility for individuals with disabilities.

4.14. How does the fintech company's performance in rural India compare to its performance in urban areas or other countries, in your opinion?

S.No.	Particulars	No. of Respondents	Percentage of Respondents
1	Better in urban areas or other countries	48	48%
2	Similar in both rural India and urban areas or other countries	23	23%
3	Better in rural India	18	18%
4	Don't know/no opinion	11	11%



Interpretation

The majority of respondents, 48%, believe that the fintech company's performance is better in urban areas or other countries compared to rural India. 23% of respondents believe the performance is similar in both rural India and urban areas or other countries, while 18% of respondents believe that the performance is better in rural India. 11% of respondents did not have an opinion on the matter.

V. RESULTS AND FINDINGS

- The fintech company has been successful in meeting the financial needs of its rural customers in India.
- The fintech industry in rural India has undergone significant changes and evolution in its product offerings over time.
- The challenges of serving rural customers, along with the effective use of technology, are critical factors that fintech companies need to address to improve their performance in rural India.
- While there have been some changes in the target customer base of fintech companies in rural India, the majority of these changes have been moderate.
- There is a need to raise awareness and educate people about the benefits of fintech solutions in rural India, as well as to continue improving these solutions to better meet the needs of the people.
- Fintech companies in rural India have been successful in building positive relationships with local banks and financial institutions. This is a positive trend, as these relationships can help fintech companies expand their reach and provide better services to rural customers.
- A combination of factors has contributed to the success of fintech companies in rural India, including support from the government, availability of digital financial services, and access to affordable internet connectivity.
- Government partnerships or collaborations with fintech companies are generally perceived as having a positive impact on their performance in rural India.
- Technology adoption programs and education or training initiatives are viewed as the most impactful government initiatives for fintech companies operating in rural India.
- The most common challenges experienced by users of fintech services in rural India were difficulties with the technology or user interface, lack of access to customer support, and limited-service offerings.
- There is a perception among some respondents that the performance of fintech companies in rural India may not be as good as it is in urban areas or other countries.

VI. LIMITATION OF THE STUDY

- The study only included 100 participants, which is a relatively small sample size and could not be entirely typical of the population.
- Because the respondents were self-selected, it is possible that they are not all representative of the population as a whole.
- The study did not take into account any other factors that might have an impact on the functioning of the fintech business outside of its exclusive emphasis on rural India.
- Multiple-choice questions were the only quantitative data collection method used in the study, which may have made it difficult to fully grasp the experiences and viewpoints of the respondents.
- The results of this study may not be applicable to different contexts or time periods because it was only done at one moment in time.

VII. CONCLUSION/SUGGESTIONS

- Fintech companies should invest in user-friendly technology and develop solutions that are easier for rural customers to use.
- Adequate customer support should be provided to help rural customers overcome any issues they may face while using fintech services.
- Fintech companies should continue to expand their service offerings to better meet the needs of rural customers.
- Government support for fintech companies operating in rural India is important for their success, and partnerships or collaborations with government agencies can be beneficial.
- Fintech companies should focus on raising awareness and educating people about the benefits of fintech solutions in rural India.
- Technology adoption programs and education or training initiatives should be prioritized to improve the adoption of fintech solutions in rural India.
- Fintech companies should work on building positive relationships with local banks and financial institutions to expand their reach and provide better services to rural customers.
- To address the perception that fintech companies perform worse in rural areas, companies should continue to improve their performance and increase their presence in rural areas.

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