A Study of Trust and Responsiveness as antecedents of Fintech Services in Indian Business

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Abstract: FinTech is an emerging paradigm in financial services industrywhich is becoming the additional source of revenue generation not only forbanking companies but also for telecommunication and retail companies.Despite the numerous benefits of FinTech, its acceptance with users is not asper the industry expectations. This can be attributed to various factors such aslack of trust or responsiveness in available FinTech services.India is a growing market for Fintech with a population of nearly 1.3 billion. A huge percentage of unbanked and under banked population is making India an exhilarating global space for financial technologies. Fintech is regarded as a game changer and disruptive innovation which is capable of shaking up the traditional financial markets. Fintech has been growing rapidly in India in the last five years and is expected to grow further in the nearest future. At this outset the article focuses on the basic types of financial technologies and their functions and also discusses the opportunities and challenges it has in the Indian business environment.

Keywords: perceived usefulness; perceived ease of use; FinTech; intention to use; trust; responsiveness.Financial innovation, Customer experience, Payments, Security

Introduction: Multiple Innovative technologies and their ubiquity are bringing a paradigm change in the present financial service industry which is witnessing a disruptive structural change. Financial technology (FinTech) is understood as a technological innovation that is challenging the traditional banking and financial companies (World Economic Forum, 2015). Consumers are drifting away from conventional payment methods to Fintech services as they offer an enhanced and efficient client experience and thus, constant innovations make FinTech an important dimension of financial services industry. Although, there is growth in number of FinTech users, there is no conclusive research findings which determine antecedents affecting usefulness and intention to use FinTech services.The term 'Fintech', the short form of the phrase financial technology denotes industry that is comprised of companies which use technology for efficient delivery of financial services. It is an emerging type of service in this 21st century. The new start - up companies are trying to replace the traditional transaction system with the new, effective methods by applying technology in financial sectors for mobile payments, loans, money transfers and even for asset management. Some more examples of technology applied to the financial transactions are peer-to-peer lending, peer-to-peer payment technology, digital wallets, Block chain and mobile banking. These aim in bringing further benefits and achieving high efficiency for the financial transactions. They also help to reduce costs incurred for customers.

OBJECTIVES OF THE STUDY

To identify both the Motivators for adopting financial technologies, Barriers and Challengers for adopting financial technologies

To fill the gap in the current academic literature regarding the financial technology (Fintech) companies and its functions.

To provide a conceptual overview of the Fintechs and adoption of Fintech among digitally active consumers.

FINTECH IN INDIA: The financial services landscape in India is being transformed by Fintech firms. The Research conducted (EY Fintech Adoption Index 2017) showed that India has moved forward to the second place after China with regard to the adoption of Fintech services. Fintech adoption in India is surprisingly very high. Powered by mobile wallets, and many more recent innovations like the Unified Payment Interface (UPI) platform, the Indian consumers have welcomed the use of mobile payments in their regular dayto-day transactions. Consumers are running through thebank sites for comparison shopping. Adoption of Fintech has increased significantly over the last two years in India .And according to EY's Fintech Adoption Index 2017, India was in the second highest place in Fintech adoption rate (52%) covering 20 markets globally. This was observed in each of the five categories of services.

However, we see selective adoption of FinTech services. To put things in perspective, at present, though, there are numerous FinTech services available, yet only few of them have been proven successful. Existing studies indicate that customers' reluctant is attributed to lack of stability and reliability of service providers and confidence in online system (Paul and McDaniel, 2004; Ratnasingham, 1998; Min and Galle, 1999; Lee and Turban, 2001; Dhiman et al., 2018). Also, users believe Fintech services to be more uncertain than traditional channels. This contribute to the unwillingness of customers to try FinTech as they lack confidence in available service and their providers. Customer trust is important for success of FinTech services. Willingness of potential users to use technological innovation and trust in services largely determines success and large-scale adoption of any technology (Rogers, 1983). Intention to use is the necessary precursor and is thus, adopted as measure of performance for technology products or services.

In many studies, additional variables have been introduced to increase the predictive power of TAM variables. Research suggests that trust and responsiveness also significantly influence acceptance of technology (Cronin and Taylor, 1992, Venkatesh and Davis, 1996; Barnes and Vidgen, 2002). For FinTech service providers the pertinent question is: what attributes enhanced consumer perceptions that makes FinTech services easy, useful, trustworthy and responsive? This study examines intention to use FinTech from technology acceptance perspective adding constructs for trust and responsiveness as additional factors. Also, this study investigates trust and responsiveness as antecedents of usefulness and ease of use of FinTech services through a comprehensive framework weaving sub-constructs of service quality. In Section 2, review of literature is presented on intention to use technology adoption explaining various factors affecting it. Based on this review, the study explores antecedents of usefulness and ease of use affecting intention to use FinTech and formulate associated research hypothesis. Research methodology is discussed in Sections 3 and 4 discusses the research findings from the analysis of empirical data. Section 5 concludes the paper with discussion, limitation of the study, managerial implications and future research directions.

FINANCING Fin Tech companies are changing the financing or lending process. People need not to turn to banks for borrowing money anymore. Many Fin Tech firms are now lending loans directly to consumers. They can seek loans through online and get them approved quickly. Firms assess the borrowers' credit worthiness and automate the underwriting process quickly.

There are two ways of financing. They are Crowd funding and Credit & Factoring.

Crowd Funding There are different types of crowd funding options. Each one of them has their own distinct benefits for businesses and investors. Customer has to choose one of them according to his/her needs

Donation based crowd funding Donation crowd funding is used for charities or for a particular cause. Here donations are given in expectation to nothing in return except satisfaction.

Reward based crowd funding It is one kind of a source for funding small businesses. This is mostly used for creative projects. This permits investors to fund the venture for non-financial benefits. It is like a tired system. The more he donates the greater will be the reward (Reward are like tickets to an event, coupons, free gifts etc.).The reward given is not going to cost much to deliver. This is going to be the benefit to the business.

Crowd investing It is the term given where a large group of people or the crowd, co-invest in people or business through online. Crowd investing comprises of both equity and debt forms.Those investing together need not know each other before they have decided to invest. They either get interest with their investment or shares in return.

Crowd lending Crowd lending helps businesses and private individuals to secure loans from the public. It provides a platform for both the lenders and borrowers. Through an efficient and powerful it brings both the investors and borrowers come together and lend and borrow money. The lender will be receiving certain percentage of money as interest for the money lended. This platform perform various functions performed by the banks.

CREDIT & FACTORING As such like lending, factoring also has moved to the internet. Fin tech companies are offering online applications with just a simple mouse click. This is providing a new way to get access to working capital for small business entrepreneurs. With a simple button push companies can sell the account receivables and have money in their accounts within a very short period of time. In short, factoring is a lending option where a seller can avail loan on his receivables.

FinTechFinTech denotes technological innovation having a bearing on financial services (RBI Report, 2001). The Fintech is categorised in six broad categories: payment and clearing settlement; deposits, lending and capital raising, market provisioning, investmentmanagement, data analytics and risk management (World Economic Forum, 2015). The innovations in these categories are going to impact financial services businesses in a big way. Therefore, at present, it can be witnessed that FinTech is not limited to financial sector but has expanded to retail groups and telecom operators as well (RBI, 2017). These new stakeholders are providing financial services through their existing networks and in innovative way. These rapid developments of financial system and institutions can be attributed to development of FinTech. It has made use of financial services convenient by doing technological advancement in fundamental services and building new applications for delivery such as making payments, saving, borrowing, managing risk and seeking financial advice (He et al., 2017). With digital transformations in other industries as well, there is an increased demand of technology based financial solutions by consumers (Saal et al., 2017). FinTech companies are meeting these consumer demands with convenient and less costly ways to transfer, borrow or invest money (Manyika et al., 2016; Morgan, 2017).

Perceived trust Trust is a psychological perception that a service provider will consider the benefit of its users and act benevolently (Bradach and Eccles, 1989; Rousseau et al., 1998; Bunduchi, 2005). One key reason for not doing online financial transactions by users regardless of being internet users is because of the belief about safety of the transactions (Gefen and Straub, 2003). Security of online transactions as well as reputation of the service provider are the key factors influencing belief about trust while doing financial transactions (Pavlou, 2003). Trust is a recurring phenomenon for interpersonal relationships. With the growth in internet, many studies are conducted on the concept of trust (Ba and Pavlou, 2002; Bhattacherjee, 2002; Gefen et al., 2003; Pauleen, 2003; Piccoli and Ives, 2003; Pavlou and Gefen, 2004). As compared with brick-and-mortar financial services providers, trust perception on the service and company is more critical while doing online financial transactions (Reichheld and Schefter, 2000; Grewal et al., 2004) as it lacks control on transactions after initiation. Because of absence of face-face interaction while using FinTech services, users feel a greater risk and uncertainty. Building trust is the most effective tool for reducing this risk and uncertainty (Suh and Han, 2002; Pavlou, 2003) and is critical for success of FinTech. Many prior empirical studies included trust as factor into TAM (Gerrard et al., 2006; Sujana, 2008). Results show trust to be an antecedent of usefulness (Pavlou, 2003; Dahlberg et al., 2003). As trust is based on pro-longed experience giving a sense of familiarity and directly impacting ease of use of the services (Siau and Shen, 2003).

Responsiveness: Responsiveness refers to user perception of the effectiveness and excellence of service offered online. It refers to the accuracy of the services delivered and clear, current and complete information available on the website. It is largely affected by website or interface performance about prompt service and assistance provided while doing financial transactions. Buyer perceptions about nature of interaction with the service provider is largely affected by responsiveness. It also helps customer in absence of awareness of technology use or any unforeseen event which requires effective information. Thus, effective communication is the key factor determining the perceived quality of the online service and thus, responsiveness is also a major element of service quality (Parasuraman et al., 1985; Cronin and Taylor, 1992). It influenced user assessment for perceived usefulness and ease of use of the technology and indirectly affects the user adoption (Gefen, 2000). It has been empirically shown to have a significant impact on quality of service and the second strongest predictor of behaviour intention and attitude towards an online interface (Wolfinbarger and Gilly, 2003). Enhanced responsiveness at the time of crisis or problem also increases the trust on services.

OTHER FINTECHS The Fintech businesses which are providing other services apart from traditional banking functions like financing, payments and asset management are described as other Fintech's. It includes insurance, Search engines & comparison sites, Technology, and IT & Infrastructure.

InsuranceInsurance market was also been captured by the financial technology companies. Majority of the companies are focussing on distribution in this category. These companies are trying to reach the customers through different apps. They are very flexible rather than the traditional insurers. The companies are trying to partner with traditional insurance provides as the insurance market is highly regulated. These Fintech's are regarded as InsurTech's.

Search engines & comparison sites This is a sub segment which comprises of search engines enabling comparison of various financial products and services available from various service providers.

Technology, IT & Infrastructure Technology, IT and Infrastructure sub segment comprises of Fintech's which provide necessary technical solutions for different financial services providers

CHALLENGES OF FINTECH IN INDIA

Fintech despite of having huge opportunities has still atough path to walk on. Below is the probable roadblocks listin the path of Fintech enterprises

1. It is not very easy to enter into the Indian market andperform due to the restrictive regulatory frameworkdesigned to prevent frauds. It acts as a huge barrier for thenew entrants. They need to fulfil lot of formalities before thestart of its operations itself

2. Unbanked population, Poor infrastructure in terms ofInternet Connectivity and low literacy level are the otherhindrances. Still a huge Indian population donot have bank accounts which are a must for conductingonline transactions. Even though the people have bankaccounts they still face the issues of poor internetconnectivity which takes more processing time to finish thetransaction. So people tend to prefer a cash transactionrather than online transaction. Keeping aside, the point ofhaving a bank account and internet connectivity the majorityof the Indian population still do not have enough financialliteracy level suitable to go for it.

3. It is very tough to change the conservative approach ofmerchants and users who deal the daily transactions withcash. Majority of the aged people have been doing thesetransactions in cash from a long time and it's hard to

suddenly change their old habits and introduce them to newavenues at this age.

4. Different frauds leading to loss of money in onlinetransactions is a very hard bite to swallow for the customers.People's money is looted by the fraudsters by usingtechnology and this has been a great challenge in front of thefin tech firms. So the firms indeed have to work hard forbringing improvements in infrastructure and being moreconsumer friendly.

5. Fin tech in India is deprived of lack of governmentsupport and Incentives for protecting their interests. At avery basic level this demoralizes the entrepreneurs. Theywere not provided the right guidance and support to startthough it is something for the

betterment of the country'seconomy as well.

6. Like in any industry gaining investors trust is verydifficult in these days for the Fin tech industry too. Gettingthe required seed capital and other investment on time isbecoming very difficult and this is going to reflect negativeon the operations and functioning.

Results and Discussions:

In all segments of financial services there is a plethora ofFin Techs emerging in India. By observing the pace of fintechs emergence, the fact that India has enormousentrepreneurial potential cannot be denied. There are around1500 Fin Tech startup firms operating in India, and of these,nearly half were started in the past two years. Bothtechnically and financially the fin tech firms need to begroomed well. We can see a majority of successful startups

in a payments space and it is expected the same with theother financial segments as well. The fin tech industry needto be encouraged further with different initiatives by thegovernment and other regulatory bodies.

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