Chapter 4
FinTech Adoption for SMEs:
Innovation and Opportunities Worldwide

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ABSTRACT

The available Financial Technology or more commonly known as FinTech has simplified ways that the small businesses can access financial services for their growth solutions. Out of these, the leading forms of finance technology such as third-party payment systems, peer-to-peer online lending, crowdfunding have promoted cross border electronic trade, credit processes and sources availing financial backing to ideas. These technologies enhance the efficiency, speed and convenience hence attracting small businesses which have issues such as high cost of collateral and

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high training costs. In this way, the FinTech platforms use big data and algorithms to fill the existing funding gap that the conventional sources failed to provide. FinTech differs to some extent around the world, mobile money is most used in developing countries while P2P lending is widely used in the developed countries.

1.INTRODUCTION

Fintech refers to the provision of digital solutions for conventional financial concerns. Under the general term "fintech," companies use innovative technology to build and offer financial services and solutions (Puschmann & Engineering, 2017). Fintech is a new financial amenities model created by advances in information technology (Hsueh & Kuo, 2017). Lähteenmäki, Nätti, and Saraniemi (2022) illustrated Fintech as it emphasizes the significance of buyer needs and inclinations in driving innovation, is defined as hi-tech advancements allowing the provision of tailored solutions for individualized prerequisites

The meaning of small and medium-sized enterprises (SME) varies worldwide. The most common criteria for defining SMEs globally is determined by quantity of workers, assets, and turnover. In the United States, small companies are categorized those having less than 500 employees. These enterprises symbolize 99.7% of all business activities, provide half of the country's jobs, and add to more than half of the nonfarm GDP (Vives, 2022). Likewise, a Small Enterprise (SE) is a company that employs no more than 50 people and has yearly revenue-v/ of no more than Rs. 150 million in Pakistan and a business entity classified as a Medium Enterprise (ME) is one that employs fifty or more people, or less than one hundred employees in the case of trade openings with returns between PKR 150 million and PKR 800 million (Puschmann & Engineering, 2017).

The objective of this chapter is to thoroughly examine how the proliferation of FinTech has transfigured the businesses, reshaped traditional models and generating new opportunities through technological intrusion. The following section outlines the progression of FinTech. In the third section, the adoption of FinTech is detailed. Subsequently, the objectives of the chapter are outlined, followed by innovations for SMEs in sections four and five. Next, opportunities and challenges faced by SMEs in both developed and developing nations are examined through a comparative analysis. Finally, this chapter concludes with a discussion on regulatory and policy frameworks, along with an acknowledgment of future trends and predictions curtailing from this study.