ijamrsd.com JAMRSD ISSN: 2583-6404
Journal of Advanced Multidisciplinary Research Studies and Development
Peer Reviewed Referred Journal Bi-monthly Open Access

FINTECH ADOPTION AND FINANCIAL PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN MUMBAI

Mr. Rajnish R. Yadav
Assistant Professor, Department of Management Studies, Sheila Raheja School of Business Management and Research.

Abstract:
The rapid development of FinTech has significantly altered India's financial environment, particularly the way micro and small companies (MSEs) operate. MSEs are vital to India's goal of becoming a developed economy under Viksit Bharat 2047 since they contribute significantly to GDP, job creation, and overall growth. Using secondary data sources, this study seeks to assess the popularity and trends of FinTech adoption, as well as its impact on MSE financial performance. Data from reports released by the Reserve Bank of India (RBI), the Ministry of MSME, the National Payments Corporation of India (NPCI), and other industry studies are used in this descriptive design study. The analysis focuses on the years after 2016, when digital payment methods including mobile wallets, UPI, and digital lending platforms increased quickly. The results show a significant rise in FinTech use, which improves transaction efficiency, lowers costs, and increases access to formal financial services. However, irregular adoption among microbusinesses is still loaded by differences in digital infrastructure and literacy. According to the survey, FinTech plays an important role in promoting overall growth and improving financial performance. The study comes to the conclusion that in order to maximize the advantages of FinTech for MSEs and significantly contribute to the attainment of the Viksit Bharat 2047 vision, strategic policy support and focused digital initiatives are crucial.
Keywords: FinTech Adoption, Micro and Small Enterprises (MSEs), Financial Performance, Digital Payments, Financial Inclusion.

► *Corresponding Author: Mr. Rajnish R. Yadav*

Introduction

Viksit Bharat 2047 (also written as Viksit Bharat @2047) is the Government of India’s official long-term vision to change India into a fully developed nation by the year 2047 — the centenary (100th anniversary) of India’s independence in 1947. India is leading the way in redefining the financial composition of emerging economies through the incorporation of financial technology (FinTech) into commercial operations.

The global financial environment has undergone a fundamental transformation due to the development and rapid evolution of financial technology (FinTech); with India have one of the fastest adoption rates in recent years. FinTech, which combines technology with financial services has made possible faster, more effective and more economical financial transactions. Initiatives like online lending platforms, mobile banking, and digital payments have extremely changed how businesses function in India, especially for micro and small enterprises (MSEs).

An important sector of the Indian economy, small and micro businesses make important contributions to exports, industrial output, and the job creation. These businesses regularly struggles to maintain financial efficiency, manage cash flows, and obtain formal financing because to their inadequate financial resources. FinTech has become a game-changing tool by providing creative solutions that lower the transaction costs, increase financial accessibility, and boost overall operational efficiency.

The transition to a cashless and digitally inclusive economy has been increased by the introduction and broad use of systems like the Unified Payments Interface (UPI), digital wallets, and fintech-driven lending platforms. Mumbai, India's financial hub, offers a highly suitable backdrop for analyzing these developments because it is home to a dense concentration of micro and small businesses that operate in a variety of industries, including manufacturing, services, and retail.

In addition, the Government of India's goal of Viksit Bharat 2047 highlights the importance of innovation, technology, and inclusive growth in attaining sustained economic growth. According to this example, increasing productivity, competitiveness, and sustainability requires MSEs to implement FinTech in order to increase their financial capacities.

Even though FinTech usage is clearly increasing, there is still a need of general agreement about how it actually affects micro and small businesses' financial performance, especially when it comes to secondary data insights. Research that are now available frequently concentrate on either adoption patterns or more general financial inclusion results, with little integration of both aspects in a localized setting.

In order to fill this gap, this study analyzes FinTech adoption patterns and looks at how they affect Mumbai's micro and small businesses' financial performance. In line with the more general goals of Viksit Bharat 2047, this study focuses on secondary data sources to create an organized and evidence-based understanding of how FinTech helps to efficiency, cost reduction, and financial inclusion.

By offering an organized, secondary-data-based combination of FinTech adoption and its financial association for micro and small businesses, this study adds to the body of current work. The current study combines adoption trends with performance outcomes in an urban setting, in contrast to earlier research that mostly relies on primary data or concentrates on discrete FinTech features. It provides both scholarly and policy-level significance by further aligning the analysis with Viksit Bharat 2047's national developmental vision.

Objectives of the Study

1. To analyze the trends and extent of FinTech adoption among micro and small enterprises using secondary data.
2. To examine the impact of FinTech adoption on the financial performance of these enterprises in the connection to Viksit Bharat 2047.

Literature Review

Gupta, Agarwal, and Nautiyal (2022), in their study on FinTech adoption among Indian MSMEs, focused on the crucial role that financial technology plays in increasing financial inclusion by providing services such as digital payments, alternative loans, and insurance solutions. According to their research, FinTech platforms assist MSMEs in overcoming traditional financial barriers, particularly when it comes to obtaining financing and properly managing transactions.

Kumar (2023) used a qualitative and secondary-data-based methodology to examine the function of FinTech in the Indian MSME sector. According to the study, FinTech solves important problems with microfinance and payment systems while also greatly increasing transaction volume and financial accessibility. It also emphasized how FinTech increases service penetration and lowers operational inefficiencies to support MSMEs' overall growth and sustainability.

Khurana et al. (2025) used panel data analysis to understand the connection between financial inclusion and FinTech adoption in India. The results showed that digital payment systems, especially UPI, have been crucial in expanding banking service accessibility and enhancing the caliber and utilization of financial services throughout various geographical areas. The significance of FinTech as a motivation for inclusive economic growth in India is highlighted by this study.

Jamal et al. (2025) looked into the regulatory and behavioral issues affecting MSMEs in India's adoption of FinTech. According to their research, FinTech acceptance is growing, but its full potential is still being constrained by issues like behavioral resistance, regulatory restrictions, and ignorance. The significance of institutional support and policy frameworks in promoting successful adoption was also emphasized by the study.

Research Methodology

This study adopts a **descriptive study methodology that just uses secondary data,** with no use of statistical or econometric analysis. The methodology is structured to provide a systematic and interpretative understanding of FinTech adoption trends and their implications for the financial performance of micro and small enterprises (MSEs).

Data Analysis and Interpretation

To understand the development of FinTech in India and its consequences for the financial performance of micro and small enterprises (MSEs), this section provides a descriptive and interpretive study of secondary data. The investigation focuses on patterns seen between 2016 and 2024, a time when digital financial services rapidly expanded.

Growth of FinTech in India

India has been one of the world's top FinTech adopters thanks to regulatory measures, growing smartphone entrance, and technology improvements. The 2016 launch of the Unified Payments Interface (UPI) was a major turning point in the financial services industry's digital revolution.

The Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI) have provided secondary data that shows the rapid change increase of digital transactions over time. The result leads to the development from cash-based to digital payment methods, both the number and value of digital payments have significantly increased. Government programs like demonetization and Digital India expedited this shift even more.

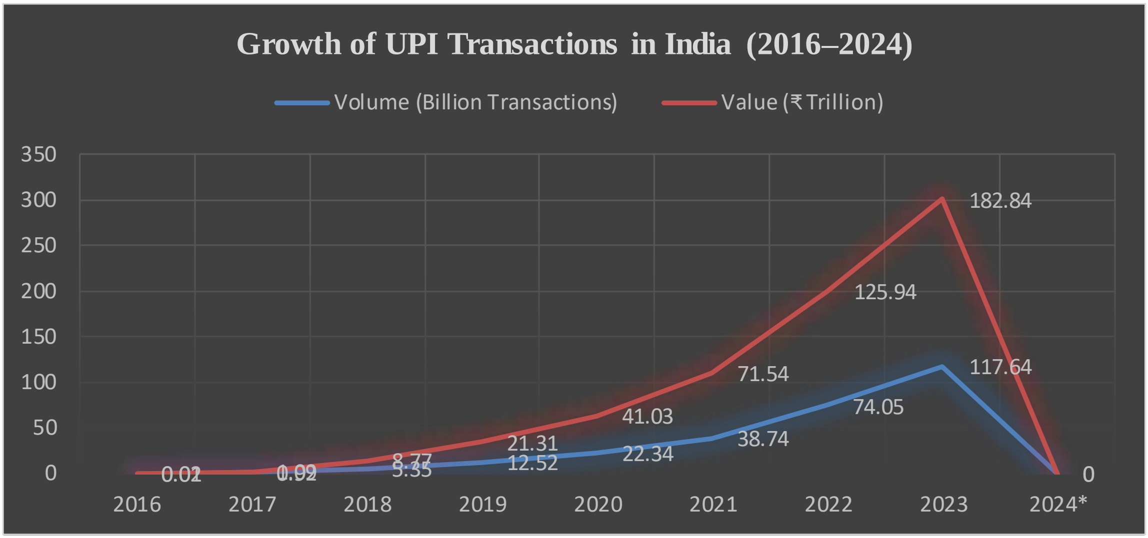
Because the FinTech industry has grown so quickly, businesses, especially small and medium-sized ones, can now use digital financial tools in their daily work.

Table 1: Growth of UPI Transactions in India (2016–2024)

Year	**Volume (Billion Transactions)**	**Value (₹ Trillion)**
2016	0.02	0.01
2017	0.92	1.09
2018	5.35	8.77
2019	12.52	21.31
2020	22.34	41.03
2021	38.74	71.54
2022	74.05	125.94
2023	117.64	182.84

2024*	140+ (estimated)	200+ (estimated)

Source: RBI Annual Reports, NPCI Statistics
(*2024 indicative trend-based values)



1. Rise of Digital Payment Systems

In India, digital payment methods—particularly UPI, mobile wallets, and online banking—have taken center stage in financial transactions. Because of its user-friendliness, interoperability, and free transaction features, UPI in particular has experienced impressive growth. The reliance on cash transactions has considerably decreased due to the growing use of digital payments. This change has enhanced record-keeping, transaction speed, and transparency for MSEs. Additionally, it has made it possible to follow cash flows more effectively, which is crucial for financial planning and decision-making.

FinTech has been deeply ingrained at the grassroots level, as evidenced by the broad acceptance of QR code-based payments at small retail establishments, street vendors, and service providers, particularly in major centres like Mumbai.

2. FinTech Adoption Among Micro and Small Enterprises

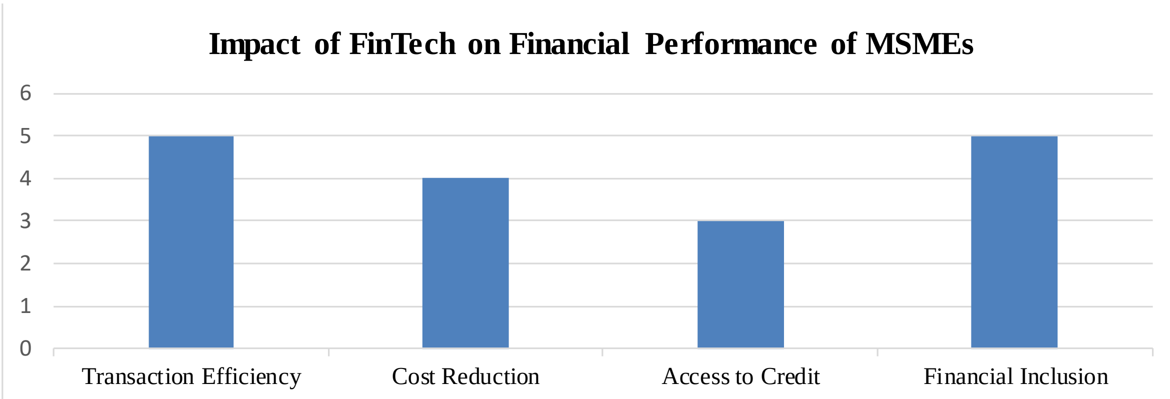
FinTech solutions are becoming more and more integrated into the operations of micro and small businesses. According to secondary statistics, mobile banking and digital lending services are the next most popular FinTech tools among MSEs, behind digital payment systems. Adoption is mostly motivated by:

• Transactional ease and convenience
• Reduced operating expenses
• Enhanced financial services accessibility.
• Incentives and awareness campaigns from the government

Adoption rates, however, differ within the industry. Due to their greater access to resources and higher levels of digital literacy, small businesses typically adopt FinTech more quickly than micro businesses.

Table 2: Common FinTech Services Used by MSMEs

FinTech Service	Purpose	Adoption Level
UPI Payments	Daily transactions	Very High
Mobile Wallets	Small payments	High
Internet Banking	Business transactions	Moderate
Digital Lending	Access to credit	Growing
POS Machines / QR Codes	Retail payments	Very High



3. Impact on Financial Performance

Since firm-level financial data is not directly available, the impact on financial performance is interpreted using proxy indicators derived from secondary sources.

a) Transaction Efficiency

FinTech adoption has significantly enhanced the speed and reliability of financial transactions. Digital payments eliminate delays associated with cash handling and banking processes, allowing businesses to operate more efficiently.

b) Cost Reduction

The use of digital platforms reduces costs related to cash management, physical record-keeping, and transaction processing. Lower transaction costs contribute to improved financial efficiency for MSEs.

c) Access to Credit

FinTech-based lending platforms have improved access to formal credit for small businesses by using alternative data for credit assessment. This has helped bridge the financing gap traditionally faced by MSEs.

d) Financial Inclusion

FinTech has enabled a larger number of enterprises to become part of the formal financial system. Increased inclusion enhances access to banking services, insurance, and investment opportunities, contributing to overall financial stability.

4. Relevance to Mumbai

Due to Mumbai's status as India's financial hub, the trends seen at the national level are extremely applicable to the city, despite the paucity of city-specific secondary data. The city is a major benefactor of FinTech expansion due to its sophisticated digital infrastructure, high smartphone penetration, and dense concentration of micro and small businesses.

Digital payment systems are extensively incorporated into the operations of Mumbai's retail, food services, and small-scale industrial sectors. The adoption ecosystem is further supported by the existence of FinTech firms and financial institutions.

Findings

1. Significant Growth in FinTech Adoption

The data indicates a substantial and continuous increase in the adoption of FinTech services in India, particularly after 2016. Digital payment systems such as UPI, mobile wallets, and internet banking have become widely accepted across business segments, including micro and small enterprises. This reflects a strong shift towards a digital financial ecosystem.

2. Enhanced Transaction Efficiency

FinTech adoption has significantly improved the speed, convenience, and reliability of financial transactions. MSEs are now able to conduct real-time transactions, reducing delays and improving overall operational efficiency. This has streamlined business processes and facilitated smoother day-to-day operations.

3. Reduction in Operational Costs

The transition from cash-based to digital transactions has led to a noticeable reduction in cash handling costs, storage, and manual record-keeping. Lower transaction and administrative costs contribute to the financial efficiency of enterprises.

4. Increased Financial Inclusion

The expansion of digital financial services has brought a larger number of MSEs into the formal financial system. This increased inclusion enables enterprises to benefit from a wider range of financial products and services, thereby strengthening their financial stability.

5. Uneven Adoption Among Micro Enterprises

Despite overall growth, the adoption of FinTech is not uniform across all segments. Especially those Micro enterprises, with limited digital literacy and resources, face challenges in adopting and effectively utilizing FinTech solutions.

6. Strong Relevance to Urban Business Ecosystems like Mumbai

The trends observed at the national level are highly important to Mumbai, where digital infrastructure, financial awareness, and business density support higher levels of FinTech adoption. The city’s ecosystem enhances the affirmative impact of FinTech on enterprise performance.

Conclusion

The current study looked at how FinTech adoption patterns affect the financial performance of micro and small businesses (MSEs) using secondary data. The report says that FinTech has become a disruptive force in the Indian financial ecosystem, especially since 2016, when digital payment systems and technology-driven financial services have grown quickly. The results show that more MSEs can use formal financial services, transactions are faster, operating costs are lower, and access to formal financial services is easier thanks to the rise of FinTech.

These findings are really significant for Mumbai because the city has a very advanced financial system and a lot of small and micro businesses. FinTech makes it easier for everyone to use financial services and makes them more efficient, which helps the MSME sector, which is important for economic growth and job creation.

References

1. Gupta, P., Agarwal, R., & Nautiyal, S. (2022). Financial technology adoption: A case of Indian MSMEs. *International Journal of Innovation Science*, *14*(3), 345–360.
2. Jamal, A., Verma, S., & Khan, I. (2025). Behavioral and regulatory challenges in FinTech adoption in India. *Journal of Economic and Administrative Sciences, 41*(1), 55–70.
3. Khurana, S., Gupta, V., & Mehta, R. (2025). FinTech and financial inclusion: Evidence from India. *Journal of International Economic Research, 12*(1), 88–104.
4. Kumar, R. (2023). Role of FinTech in the growth of Indian MSMEs. *International Journal of Management Studies, 10*(2), 112–120.
5. Reserve Bank of India (2023). *Annual report 2022–23*. RBI Publications.
6. Reserve Bank of India. (2024). *Report on trend and progress of banking in India*. RBI Publications.
7. Ministry of Micro, Small and Medium Enterprises. (2023). *Annual report 2022–23*. Government of India.
8. National Payments Corporation of India. (2024). *UPI product statistics*. NPCI Publications.
9. NASSCOM. (2023). *FinTech ecosystem in India: Growth and opportunities*.
10. PwC India. (2022). *FinTech in India: Powering digital economy*.
11. Boston Consulting Group. (2023). *India's digital payments report*.