

FINTECH AND BUSINESS DEVELOPMENT IN MICROFINANCE BANKS: EMPIRICAL EVIDENCE FROM MONIEPOINT MICROFINANCE BANK NIGERIA LIMITED

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ABSTRACT

The study focused on Fintech and business development in Microfinance banks with special emphasis on Small and Medium Scale Enterprises (SMEs) that uses Moniepoint Microfinance bank innovative technology and services. FinTech is the term used to describe new financial services, products, and models that incorporate elements of emerging technology and have the potential to significantly influence established financial markets and services. There is paucity of empirical literature on Fintech as regards to Nigeria as similar studies have been done in most developed nations focusing on the banks rather than the SMEs. Survey research design was adopted and primary data was generated from 400 SMEs using Moniepoint Fintech in South East Nigeria and the data was subjected to multiple regression analysis with the help SPSS version 22. It was concluded that SMEs in Nigeria are now better positioned to thrive as most of the MFBs in recent time has dished out cutting-edge Fintech that businesses can leverage on and that POS terminal, Mobile application and online credit facilities are readily available in the region and these have reshaped how businesses are carried out and have also reduced drastically the cost of carrying cash thereby promoting the CBN cashless policy. The study recommended that Moniepoint MFB just like every other bank should carry out more sensitization communication on the benefit of their online credit facilities, mobile applications and the ease of use of their POS terminal.

INTRODUCTION

Fintech applications which are a short form of ‘financial technology’ have the potential to completely transform the global economy. Fintech has a lot of room in the banking sector, especially when it comes to the duties related to micro banking needs. Fintech's potential is overstated for microfinance Banks (MFBs) when the majority of the population lacks access to banking and is financially excluded; as a result, MFBs place a far higher value on Fintech than do commercial or Islamic banks (Sultan, et al. 2023). The micro financial sector in Nigeria has in recent time experienced tremendous changes as a result of innovative applications of the Fintech in day-to-day business operations which is targeted at majorly Small and Medium Scales Enterprises (SMEs) in mostly sub-urban areas of various states. According to Anagnostopoulos (2018), FinTech is the term used to describe new financial services, products, and models that incorporate elements of emerging technology and have the potential to significantly influence established financial markets and services. FinTech has a lot of promise. FinTech has enormous potential to influence Microfinance banks and enable the provision of a greater range of financial services (Lin & Dong, 2024).

The efficient distribution of microfinance credit to small and medium-sized enterprises (SMEs) has emerged as a critical concern for Nigeria's economic growth in light of the swift advancement of Fintech (Lin & Dong, 2024). SMEs confront both previously unheard-of opportunities and constraints in the distribution of microfinance bank (MFB) credit in the modern digital age. Since SMEs are the backbone of the economy, their needs for MFB credit financing are substantial because of things like information asymmetry and funding challenges (Zhu, 2023). Simultaneously, a number of factors affect the availability of commercial credit, including the willingness and confidence of outside parties to offer commercial credit, such as suppliers and financial institutions (Zhou & Li, 2023). The emergence of digital finance has affected the availability of commercial credit from outside sources while simultaneously providing SMEs with new avenues for funding and cutting-edge instruments. Thus, it is crucial to conduct a thorough empirical investigation of the impact of digital finance on the distribution of commercial loans to SMEs.

The distribution of MFB credit among SMEs has been impacted by digital finance in two ways, notably in the areas of capital flow and loan supply (Zheng, 2023). First, Zhang and Mao (2023) observed that SMEs' financing efficiency has increased due to the widespread use of Fintech. It lessens financial troubles and thus lowers the demand for MFB credit financing by providing online financing channels (Guo et al., 2023a; Jin et al., 2023). Second, Yujin et al. (2023) research suggests that digital finance is crucial to SMEs' ability to get commercial loans. By means of the utilization of digital technologies, the degree of MFB credit supply is raised, information asymmetry is lessened, and credit evaluations become more accurate. Furthermore, Zhang et al. (2023) contend that Fintech offers more flexible means of allocating MFB credit to SMEs and lowers the cost of micro credit supply by processing enormous amounts of data through Fintech. This establishes a strong theoretical framework for more comprehensive empirical research on the dynamics of digital finance in SMEs' commercial loan allocation.

Despite the push by the federal government of Nigeria through Central bank of Nigeria (CBN) to digitalized the financial system within the banking system, there is paucity on empirical literature on the extent that the financial technologies has impacted on business development in the microfinance bank subsector of the banking industry. The majority of the research that has already been written concentrates on how electronic finance affects corporate financing as a whole rather than carefully examining its twin roles in supply and demand for MFB credit. Specifically, it is still unknown how Fintech specifically affects business development and how this is explained. The goal of this study is to fully investigate the mechanisms and real effects of Fintech on SMEs' business development in microfinance bank with special emphasis on Moniepoint Micro Finance Bank Nigeria Ltd. It explores, by empirical study, the ways in which Fintech affects the supply and demand for credit financing among SMEs. This produces more precise and comprehensive theoretical references for the academic community, business decision-makers, and policymakers.

Brief History of Moniepoint Micro Finance Bank Ltd

Under the supervision of the Central Bank of Nigeria (CBN), Moniepoint Microfinance Bank is the go-to bank for small and medium-sized enterprises in Nigeria. After meeting at Interswitch, Tosin Eniolorunda and Felix Ike launched Moniepoint Inc, a Fintech company, in 2015. Originally called "TeamApt," Moniepoint Inc. was established to offer back-end services to banks in Nigeria. Nigeria granted Moniepoint Inc. a switching license in 2019. After obtaining a banking license from the Central Bank of Nigeria in 2022, Moniepoint started providing micro financial banking services to Nigeria's retailers. The bank became so popular in Nigeria through their massive integration of Point of Sale (POS) terminals in the

SME's business operations in Nigeria which went a long way in reshaping the way businesses are carried out within the country and also gave small firms easy access to micro credits through their mobile applications as against the cumbersome and bottleneck circumstance associated with commercial bank access to credit. Through aggressive deployment of POS terminal machines, the bank have captured over 40% of the rural and low income earners financial markets, thereby tailoring specific Fintech products to meet up to their financial needs. People no longer need to go to the bank to deposit and withdraw their funds rather they just initiate the transactions through Moniepoint pay point in their neighbourhood.

A merchant can access micro credit within few minutes through their digital platforms which was not obtainable before now. The traditional commercial credit environment is being significantly transformed by Fintech, especially through innovative financial services like POS, internet finance and mobile payments. According to Xu et al. (2023), Fintech makes it more likely for small and medium-sized businesses (SMEs) to obtain funding by providing more affordable and convenient financing channels. This has an immediate effect on their credit requirements. The possible benefits of this work over earlier research are threefold: First, it carefully examines and validates the dual functions of Fintech in the provision of MFB credit to SMEs and the need for financing for such credit. Second, it closes the study gap in earlier literature by building an empirical model to examine the particular effect of Fintech on business development in SMEs' micro credit allocation. This model focuses on the mechanisms that actually influence how SMEs allocate MFB credit. Thirdly, at the policy-making level, the heterogeneity study also helps to clarify the effects of Fintech on the distribution of MFB credit among various business kinds and geographical areas.

Theoretical Framework

Information technology adoption and utilization can benefit individuals and organizations in the short and long term by improving performance, saving money and time, and providing convenience (Curley, 1984; Marikyan, & Papagiannidis, 2023). Management research has long been driven by the potential benefits of technology to investigate people's propensity to adopt new technologies (Davis, 1989). During the 1980s, when personal computer use was increasing, research on technology adoption gained significant attention. The absence of actual data on users' reactions to information system performance, however, posed a significant barrier to the advancement of research on the adoption of personal computers. TAM's main goal was to shed light on the mechanisms that support technology adoption in order to forecast technological behaviour and offer a theoretical justification for its effective use.

TAM's practical goal was to educate practitioners about potential actions they may take before putting systems in place. Several actions were taken in order to meet the theory's goals (Davis, 1989; Davis, 1993). By defining the mechanisms governing the relationship between IS characteristics (external factors) and actual system use, Davis started to create the model of technology acceptance. The Theory of Reasoned Action, which offered a psychological viewpoint on human behaviour, served as the foundation for the model. The theory of Technological Acceptance model was adopted as the theoretical underpin for this study since the theory clearly explains the role that integration rate plays in acceptance of new technology by target market.

METHODOLOGY

The researcher used survey design. This study involves the use of structured questionnaires designed on a 5-point Likert scale to measure the responses of the respondents on the effect of Fintech on Business development in the Microfinance bank with special emphasis on Moniepoint Microfinance bank. Multiple and Simple Regression models will be employed to analyze the data. Data will be elicited from 400 SMEs in South Eastern Nigeria States as regards the effect of Moinepoint innovative financial technologies on their business development.

RESULTS

The study adopted primary source of data collection. The primary data collection utilized a 17-item questionnaire to elicit responses from the respondents.

Table 1: Shows the distribution and retrieval of copies of questionnaire.

Distribution	Retrieval	% Retrieval	Rejected	% Rejected	Valid	% Valid
400	290	72.5	60	15	230	57.5

Sources: Field Survey 2024

Table 1 above shows that a total of 400 copies of questionnaire were distributed, 290 of these were retrieved as 72.5% of the total number distributed. 230 copies of the retrieved copies of questionnaire representing 57.5% of distributed copies of questionnaire were considered valid, meaning that 60 copies were dropped due to irregularities from the respondents and this formed basis for the analysis of this work. However, it was clearly supported within literature that response rate above 50 per cent is good and acceptable level when the research uses survey questionnaire (Crimp and Wright, 2005).

Descriptive Statistics

Descriptive statistics are used to describe the basic features of the data in the study and provide simple summaries about the sample and the measures.

Table 2: Descriptive Statistics

Variables	N	Mean	Std. Deviation
1. Fintech			
Online Credit	230	3.8034	.66280
Mobile Applications	230	3.7758	.65443
POS terminal	230	3.9633	.61130
2. Business Development			
Business Development	230	3.5758	.64443

Source: Researcher’s Computation from SPSS 22.0

Table 2 above shows that the Fintech variables have mean scores that show central tendency between 3.8-3.9 with standard deviation ranged from 0.61- 0.66. Mean score of satisfaction is lower than the rest of the Business development variables. This could reasonably be expected, based on the characteristics of the chosen Fintech categories. It is also observed that online credit is lower than the POS terminal Fintech due to the financial services are sold to most low-income earners and businesses who might not necessarily need these credits because of their stereotype belief about loans and unprecedented interest rates and also considering the fact that most of them do not have android phones where the internet banking services would be initiated. Hence, there is little or no role that online credits play with regards to business development in the study area. The business development variables have

mean scores that show central tendency of 3.5 with standard deviation of .77. This could reasonably be expected, based on the characteristics of the chosen construct of business development which was decomposed by business credit access, ease of use of the Fintech, suitability of the Fintech applications to the business needs etc.

Hypotheses Tests Results

In order to test Ho₁, Ho₂, and Ho₃, we employed a multiple regression analysis. The rationale for this is that the scaling of the items, as well as the construction of the aggregated variables is of a multiple nature. The findings from this analysis are shown in Table 4.3

Table 3: Multiple regressions dimensions of Fintech on Business Development

Independent Variables	B	T-test		F-test		R ²
		Value	Sig.	Value	Sig.	
Constant	.325	2.599	.001**	417.93	.001**	67.0
Online Credit	.663	10.490	.001**			
Mobile Application	.748	10.261	.001**			
PoS Terminal	.575	15.854	.001**			

**Significant at the (.01) level

Source: Researcher’s Computation from SPSS 22.0

Ho₁: There is no significant relationship between Online credit and business development for SMEs using Moniepoint Fintech in South East Nigeria. The t-test 10.490, of the coefficient of the variables representing independent variables shows that the independent variable online credit has a significant effect on business development for SMEs using Moniepoint Fintech in South East Nigeria, = .663; P= .001. This means Ho₁ is rejected and the alternative accepted.

The Ho₁ test result proves that business development for SMEs using Moniepoint Fintech in South East Nigeria is considered as the outcome of online credit access to Moniepoint credit facilities, hence leading to positive development in the SMEs operations and ease of use for business and personal purposes. Business owners would have confidence knowing full well that there is a credit window that they can easily rely on in the course of their business should the need for more fund arise.

Ho₂: There is no significant relationship between Mobile Application and business development for SMEs using Moniepoint Fintech in South East Nigeria.

This hypothesis Suggest a strong Mobile Application of the firms which translates to positive business development. Mobile Application Mobile Application has a positive effect on business development. Table (4.3) shows the t-test (10.261) of the independent variable (Mobile Application) have a significant effect on the business development = .748, P= .001.

This means Ho₂ is rejected and the alternative accepted.

The Ho₂ test result proves that, any MFB firm that shows a significant level of customer friendly Mobile Application with ease-of-use features, such customers will definitely talk good about their products and services to their circle and thus leading to improved marketing performance and business development for the SMEs and firm’s offering.

Ho₃: There is no significant relationship between POS Terminal and business development for SMEs using Moniepoint Fintech in South East Nigeria.

Testing of H_{03} postulates that POS Terminal deployed by moniepoint MFB and business development is based on the positive or negative characteristics that they associate the firm's Fintech, marketing communication and competitiveness.

A non-significant positive effect of POS Terminal on business development
 $= .575$; $P = .001$.

This means H_{03} is rejected and the alternative accepted.

Effective POS terminal deployment and application into business day-to-day operations which is transparent, clear and consistent, by the coefficient of variation calculation shows that there is a significant relationship between the two variables.

CONCLUSION

SMEs in Nigeria are now better positioned to thrive as most of the MFBs in recent time have dished out cutting-edge Fintech that businesses can leverage on. The rivalry for customer loyalty between Fintechs and banks is not new. But cutting-edge technological tools and new technology are now indicating a trend in favour of alliances. POS terminal, Mobile application and online credit facilities are readily available in the region and these have reshaped how businesses are carried out and have also reduced drastically the cost of carrying cash thereby promoting the CBN cashless policy. Direct cooperation between banks and challengers has already replaced competition throughout the Fintech sector. Banks will be better positioned to take advantage of the benefits and thrive if they have a modern core and an open, flexible digital architecture.

RECOMMENDATIONS

Technology has transformed traditional means of money operation in contemporary society, significantly affecting banks in the process. At the moment, Fintech is helping to accelerate the transition of micro finance banks.

Moniepoint MFB just like every other bank should carry out more sensitization communication on the benefit of their online credit facilities, mobile applications and the ease of use of their PoS terminal.

MFBs need to rethink their operational strategies and business philosophies in order to modernize their enterprises using technologies like cloud computing, big data, data mining, and artificial intelligence.

LIMITATION/SUGGESTION FOR FURTHER STUDIES

The study was limited by the small sample size of 400 respondents that was used for this study. Hence future researchers can do the same study with a larger sample frame. Future studies should incorporate more MFBs in their study as this might give a different result from what was obtained in this study. Also, future studies should incorporate more constructs of Fintech and Business development in their studies as their finding may contradict the result of this current study.

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