



SMALL AND MEDIUM-SIZED BUSINESSES (SMES) IN ASIAN NATIONS CAN BENEFIT FROM FINTECH'S EFFICIENT SOLUTIONS.

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Article history:	Abstract:
Received: 20 th April 2023 Accepted: 20 th May 2023 Published: 21 st June 2023	The same qualities of many platforms offer excellent solutions for small and medium-sized businesses as FinTech continues to expand. This study investigates if FinTech provides practical business tools for SMEs in particular ASIAN nations. Indonesia, Malaysia, Philippines, Singapore, and Thailand are the ASIAN nations included by the research. The study divided the FinTech-SME nexus into five variables using factor analysis. Surveys and interview questionnaires were used to get the opinions of 300 SME owners. According to our research, the COVID-19 new FinTech and SMEs "collisions" (our name for new use) are the key drivers of FinTech development and SMEs' resilience. Additionally, we used the Kruskal-Wallis test to confirm our findings and rank the variables in comparison to the ASIAN nations. We offer practical recommendations for accepting FinTech technologies to ease digital transactions for policymakers, regulatory organizations, ASIAN nations, and SMEs.

Keywords: SME, COVID-19, ASIAN nations, FinTech ,market.

INTRODUCTION

FinTech, or financial technology, has been rapidly growing in popularity in recent years as a solution for many financial challenges faced by small and medium enterprises (SMEs). In ASIAN countries, where SMEs make up a significant portion of the economy, FinTech has the potential to provide effective solutions to some of the challenges these businesses face, such as limited access to finance and complex regulatory requirements. In this article, we will explore the impact of FinTech on SMEs in ASIAN countries and discuss whether it is providing effective solutions to their financial needs. FinTech refers to any company that uses technology to improve financial services and advancements through automation. It is the synthesis of financial amenities with cutting-edge technology. FinTech is a quickly expanding sector that offers several advantages to both businesses and consumers. According to the Global FinTech Adoption Index, consumer usage currently exceeds two-thirds (64%) of the accessible FinTech companies, up from a rate of 16% in 2015. According to Young (2019), 75% of the customers surveyed used FinTech solutions for money transfers and payment settlements in the preceding year. Businesses are increasingly turning to FinTech, which enables elements like digital payments or other technology-driven transactions, as a result of the COVID-19 pandemic (Alawi et al., 2022; Karim et al., 2022a; Karim et al., 2022b; Naeem et al., 2022a; Naeem et al., 2022b).

Businesses view the ASIAN area as a potential location for growth due to the region's sizable market of \$2.3 trillion and 600 million customers. The vast potential client base, according to nearly three-quarters (76%) of the FinTech executives we polled, is what motivates them most to conduct business in ASIAN nations. With a 56% increase of FinTech solutions and the subsequent launch of new FinTech goods in these countries, existing products have subsequently entered other markets and expanded there.

Due to their long-term association, there is a connection between financial inclusion and economic activity (Singh and Ghosh, 2021). Productivity is a major driver of long-term economic growth and is essential for raising family and wage earnings, which improves living conditions. According to Surya et al. (2021), Karim and Naeem (2022), Karim et al. (2022c), and Karim et al. (2022d), the productivity growth of ASIAN countries is influenced by how well individual firms—including small and medium-sized enterprises (SMEs)—perform in a country and by how resources are distributed among those firms.

SMEs make up a large share of all businesses in ASIAN, accounting for between 89% and 99% of all enterprises. Between 52% and 97% of the ten ASIAN Member States (AMSs) are thought to be employed overall (Pratama, 2019). Micro, Small, and Medium Enterprises (MSMEs) account for over 90% of all domestic businesses and 75%–90% of ASIAN's non-



agricultural labor force. MSMEs create the framework for suppliers that support the expansion and advancement of major worldwide businesses (Corporation, 2017). Unquestionably, ASIAN has the most international investment agreements (IIAs). As of April 2021, ASIAN Member States have signed 221 treaties with investment provisions (TIPs) and 287 bilateral investment treaties (BITs) with non-ASIAN Member States as part of the free trade agreement (FTA) system (Young et al., 2021).

SMEs, the majority of which are family-owned, face severe financial limitations and risk factors. Governments have launched loan programs to support these businesses in an effort to ensure their survival during the pandemic, but these have largely fallen short due to the increased need for cash flows for employee retention and payment of their fixed costs (Caballero-Morales, 2021; Naeem et al., 2022c; Naeem et al., 2022d). The growth of SMEs is challenging and frequently still rely on conventional business practices, including access to finance. However, the performance of SMEs has altered as a result of digital technology, which has also shown to be a substantial contribution to the digital economy. The joint efforts of e-commerce enterprises in the promotion of goods and the digital economy payment system play a crucial part in achieving this goal (Naeem and Karim, 2021; Tut, 2020). In the "new normal" period, digital integration is recommended as a solution for SMEs. This includes a move to FinTech to facilitate digital payments, which is achievable when SMEs integrate into the larger market (Ahlstrom et al., 2020). The "new normal" and the worldwide epidemic have forced SMEs to think of ways to stay in touch with their clients. Due to the movement in consumer attention in online shopping, SMEs must also continue to expand their processes into digital operations with all the advantages offered (Ulas, 2019). The COVID-19 pandemic has caused a "new normal" state to arise in SME business transactions that weren't already there (Wiyono and Kirana, 2021). The COVID-19 epidemic quickly created demand for several ways to conduct financial settlements remotely and online by leveraging digital technology because it severely limited people's ability to communicate physically. This element created the path for SMEs in ASIAN nations to utilize technology and maximize their resources, which sped up the development of fintech in the area.

The COVID-19 pandemic had a negative impact on the world economy. The pandemic's effects on the FinTech sector first worried the corporations, but it appears that they weren't as bad as first thought. For instance, it appears that the epidemic did not affect Indonesia's FinTech sector. The overall amount of FinTech payment transactions in 2020 hit a high (Sugandi, 2021) and the Indonesian revenues for several FinTech products were

larger in 2020 than in 2019 (Sugandi, 2021). Small firms, which are the ultimate beneficiaries of technical advancements, are getting more competitive and interesting in recent times, as is the global trade environment (Akpan et al., 2020). ASIAN had a record amount of FinTech investment during the first three quarters of 2021, reaching US\$3.5 billion, and a growth in internet users in tandem. The survey questions are divided into five main categories: (i) the effect of FinTech startups on SMEs' growth; (ii) the relationship between FinTech startups and economic development; (iii) the collision of FinTech and SMEs during COVID-19; (iv) obstacles to FinTech in SMEs; and (v) SMEs' understanding of FinTech. These inquiries enable us to determine if the growth trajectory of FinTech and SMEs, which are interconnected, was maintained throughout COVID-19 across ASIAN nations.

In many respects, our work adds to the body of literature already in existence. Due of the importance of SMEs to these economies' economy, we first look at the interaction between FinTech and SMEs in the ASIAN countries. In order to determine if the FinTech and SME nexus during COVID-19 in the five chosen ASIAN nations worked out favorably, we also constructed the five survey criteria. Third, using factor analysis, we determined which elements were most and least critical to the relationship between FinTech and SMEs. The Kruskal-Wallis test is used to confirm our results, assuring their reliability and the ranking of SMEs relative to ASIAN nations. The discussion of the policy implications for regulatory agencies, decision-makers, ASIAN nations, and SMEs is then based on this strong set of findings, and strategies for fostering FinTech solutions to ease digital transactions are suggested.

According to the findings of the factor analysis, new FinTech usage by SMEs, or "collisions," during COVID-19 was one of the most important reasons in the expansion of the FinTech sector in ASIAN. This demonstrates their progress and knowledge of FinTech solutions. We also note that conventional financial institutions and regulatory bodies erected obstacles for SMEs in the form of a lack of loan availability and restricted access to financing options like credit. The ASIAN economies outperformed many others during COVID-19 because of their focus on digital transactions, peer-to-peer (P2P) financing, and custom rules. These other nations had lesser degrees of FinTech integration. Therefore, we outline the varied effects of the widespread use of FinTech on policymakers, regulators, ASIAN nations, and SMEs, as well as potential changes to their adoption and regulation of strategies to simplify digital financial operations.

In conclusion, FinTech is proving to be a game-changer for small and medium enterprises in ASIAN countries. It is providing effective solutions to the financial



challenges faced by these businesses, such as limited access to finance and complex regulatory requirements. The adoption of FinTech solutions has enabled SMEs to access affordable financing, streamline their operations, and reach new customers. However, there are still some challenges that need to be addressed, such as cybersecurity risks and the need for better regulatory frameworks. Overall, the future of FinTech in ASIAN countries looks bright, and it is expected to continue driving growth and innovation in the region's SME sector.

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