

Fintech and business growth in the banking industry: An outlook from Opay microfinance bank Nigeria limited

Kalu Alexandra Ogbonna^{a*}, Agodi Joy^a, Aniuga Chukwuma^a, Bashir Ogungbangbe^a

Abstract

The study strived to examine Fintech and business growth in banking sector using Opay microfinance bank as a case study. The emergence of fintech has brought about a paradigm shift in the financial industry, leading to new business models and innovative solutions. Fintech refers to a range of technological solutions that aim to improve financial processes and customer experience. The overall objective of this study is to determine the effect of Fintech application on business growth in South Western Nigeria. There is scanty empirical literature on Fintech as regards to Nigerian banking sector as there have been studies in this regards in developed nations. Survey research design was adopted and primary data was generated from 800 SMEs using Opay Fintech in South west Nigeria and the data was subjected to multiple regression analysis with the help SPSS version 22. The conclusion was that Nigerian SMEs are now in a better position to prosper because the majority of MFBs have recently provided cutting-edge Fintech that companies can use, and POS terminals, mobile applications, and online credit facilities are widely accessible in the area. These developments have completely changed the way businesses operate and have also significantly decreased the cost of carrying cash, supporting the CBN cashless policy. The study suggests that Opay MFB, should intensify the security algorithm of their platform and also ensure ease of use of their online interface so as to ensure user friendly and secured customer interface.

Keywords: Microfinance credit, Fintech, Sub-urban areas.

Author Affiliation: ^aDepartment of Marketing, College of Management Sciences, Michael Okpara University of Agriculture, Umudike, Nigeria, West Africa.

Corresponding Author: Kalu Alexandra Ogbonna, Department of Marketing, College of Management Sciences, Michael Okpara University of Agriculture, Umudike, Nigeria, West Africa.

Email: macy4marc@gmail.com

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1. Introduction

Fintech applications which is 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, Rafiq, Ahmad and Asim, 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 business operations which is targeted to 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).

Digitalization payment is aspect important from revolution Fintech. Agarwal et al. (2020) show that

Fintech has speed up the payment process, reduce cost transactions, and increase efficiency in various sector economy. This not only give benefit economy in matter efficiency operational, however also create environment more business-friendly consumer. Fintech in payment innovations seems promising in revolutionizing the way we pay and allows users on social media network to pay each other easily (Chiu, 2017; Frost, 2020). Fintech is the fusion of communication, information technology, and finance. seeking to develop goods and services that are quicker, easier to use, and more efficient. Fintech's benefits include, but are not limited to, making financial services easier to access, promoting financial inclusion, raising living standards, fostering the development of start-up businesses, providing a solution to high-interest loan issues, and giving MSMEs access to low-interest business capital. Along development technology information, Financial Technology (Fintech) has play role important in change ecosystem global finance. Awotunde et al. (2021) mention that Fintech is utilize technology for increase efficiency, accessibility and flexibility service finance. According to Dai (2020), Fintech is not just a tool for simplifying financial transactions; it can also act as an engine for economic growth. Fintech trust can lessen inequality in service finance access by offering

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more solutions that are easily accessible, inexpensive, and manageable (Cosma and Rimo, 2023). This issue has the potential to significantly impact the machine growth economy, which is the micro- and small-scale development sector. The resources available to them can be used more easily thanks to modern technology. Technology can be used to manage resources in an efficient and effective manner, which increases the community's benefit from its use (Darma et al., 2020).

However, despite the federal government clamour for the financial sector to purely cashless, most players and consumers of such financial services have been reluctant of moving towards a cashless society and this have really affected the usage and adoption of these Financial Technological platforms. Hence Nigeria as a nation has not actually started reaping the fully benefits of these financial digital platforms which from extant literature from other developed nations reduces financial fraud, reduces cost associated with carrying cash, saves time and reduces the manpower required to facilitate financial transactions and so on. Also there is scanty literature in this subject matter as just few studies have been carried out in the area of financial technology and its impact and effect on business and economic growth, hence this study is poised to bridge this gap.

2. Brief History of Opay Micro Finance Bank LTD

OPay was established in 2018. It offers a wide range of payment services, including money transfer, bill payment, airtime & data purchase, card service and merchant payments, among others. A leading fintech company, OPay, has highlighted its achievements in the year 2023 as it unveiled its plans to improve security on the platform, customer service and its corporate social responsibility in the New Year.

In a statement released recently, OPay said that it had successfully carved its niche in the financial industry and is set to reach new milestones in 2024 under the visionary leadership of its Chief Executive Officer, Mr Dauda Gotring (Punch, 2024). Gotring said, "In 2023, OPay gained significant milestones gaining dominance and relevance in the financial industry evident with the exponential growth of its customer base, people empowerment with the Agent and Merchant networks, provided affordable financial services through our robust technology payment platform, resilient to our mission in making financial services more inclusive through Technology. I say thank you to our esteemed customers for your continued patronage and regulators for their guidance to ensure strict conformance in our service offerings."

On its 2023 milestone achievements, OPay said that its success stories span across three key areas namely; business achievement. It said that leveraging on its modern robust technology, OPay provided superfast financial payments to customers, Agents and Merchants during the redesign of the Naira notes causing a cash crunch and fall over to digital payments as a primary means of payment in Nigeria.

"In the same year, a significant milestone of achievement was millions of Verve debit cards issued at a subsidised price, deployed with the most seamless card-linking technology made available to the entire Nigerian populace, customers were able to purchase debit cards from Agents within their localities. We opened up 17 customer centre locations across Nigeria to resolve customer complaints, and inquiries, amongst other Agent and Merchant solutions with the goal to make financial services more inclusive through technology. "Continued reinforcement of the platform's security system to mitigate fraud and scams prominent within the Digital Payment

System to protect customer funds by building a 'Safe and Secure platform," part of the statement read.

In terms of brand recognition, OPay was recognised by various independent organisations for its outstanding financial service offerings to its customers as a result of its modern, robust technology, a few of which include: September 2023, CNBC and Statista global ranking as the "Sole" Nigerian Digital Platform. November 2023, Digital Nigeria 2023 Awards organized by NITDA for 'Innovation Solutions, Customer Satisfaction, Social Impact and Market Penetration' and ADVAN African Consumer Choice Award 2023 for Best FINTECH (Punch, 2024).

3. Overview of Business Growth

Growth is used as a corporate strategy. Growth is where the net profits, assets, and sales increase significantly, and there is the chance of taking advantage of a curve where the unit per cost of the sold products will be reduced, meaning there is an increase in the profits. Different indicators are grouped into business outputs, qualitative indicators, business outcomes, and capacity (Absanto, 2013).

The indicators fall under four major groups, capacity, business outcomes, qualitative indicators, and business outputs. The outcome indicators include the profit, which is the difference between the costs and revenues. The profit any company makes is the function of the revenues it generates and its efficiency level. If the profits increase, it will show that the efficiency and the sales have increased (Funk, 2022). Therefore, it is possible to see the company's growth through an increase in efficiency and sales. Output indicators are the sales of the products. The level of production is a reasonable business size indicator as it the business capacity and the potential the business have for making a profit. The value of the produced goods is not available to people outside. Thus, the value of sales is used to indicate growth. When the produced business products increase, it shows that a business is growing. The capacity indicators reflect the business's potential of producing outcomes and outputs. They will include the invested capital, workforce size, assets value, and production capacity. Managers will realize the growth of their business through observing an increase in the production capacity and assets, not forgetting the invested capital and increase in employees' number. The qualitative indicators include the management practices, formalization degree, and the structure of the business. When the business structure is expanded, allowing decentralization, and when the practices of management increase and are more complicated, the formalization degree will increase, meaning there is growth in the business (Funk, 2022).

4. Theoretical Framework

The reductionist theory known as technological determinism, which was chosen for this investigation, holds that a society's technological advancements follow an internal logic of efficiency that governs the evolution of the social structure and cultural values (Drew, 2021). The American sociologist and economist Thorstein Veblen (1857-1929) is credited with coining the phrase. Probably the most radical technological determinist in the United States during the 20th century was Clarence Ayres, a disciple of John Dewey and Thorstein Veblen. William Ogburn was also known for his radical technological determinism and his theory on cultural lag. Technological determinism seeks to show technical developments, media, or technology as a whole, as the key mover in history and social change (Drew, 2021). This theory is supported by "hyperglobalists," who contend that increased globalization is unavoidable due to the

widespread availability of technology. Thus, innovation and technological advancement become the main forces behind social, economic, and political change (Heder, 2021). Adherents of technological determinism who are strict do not think that the degree to which a technology is or can be used determines how much influence it has. Technological determinism views technology as the foundation of all human activity, rather than as a subset of a wider range of human endeavors (Drew, 2021).

The idea that technology plays a major role in regulating society is known as technological determinism. Technology ultimately determines societal growth through its influence on relationships and ways of living within a culture. Shields (2012) highlights how this evolution affects how people use and incorporate technology into their daily lives, which in turn affects ways of living. In order to provide an example, consider this: "The development of the wheel transformed human mobility, enabling people to go farther and lift heavier objects" (Heder, 2021).

5. Diffusion of innovation theory

The diffusion of innovations theory explains why and how participants adopt innovations in a social system and the user's characteristics (Rogers, 2010). The theory was developed in 1962 by E.M. Rogers and is concerned with innovation and its effects. Similarly, as a third object of study, the concept of financial innovation diffusion appears to have received more attention in the financial literature (Khraisha & Arthur, 2018). For example, Tufano's (1989) diffusion study is one of the most notable studies of financial innovation. Tufano discovered that innovation spreads through imitators who attempt to replicate profitable innovations introduced by banks. Studies also argued that the diffusion of financial innovation could spread quickly, especially regarding securities innovation (Cavanna, 1992). Thus, non-patentability, as a feature of financial innovations, is the primary reason for this rapid diffusion. The diffusion of innovation concerns how something new passes from conception to use. The theory's basic premise is that people embrace new concepts or goods at various rates. Rogers contributed immensely to understanding the theory of innovation. Based on the preceding discussion, the innovation theory can explain the adoption of fintech on various financial services to achieve the desired level of development (Medlin, 2001; Parisot, 1995). The Theory explains that spread of innovations can have positive impact on the society. This means that diffusion of financial innovations can positively impact the banking sector, the customers, the financial institutions, the regulatory authorities and the society at large which in turn can drive overall national development.

6. Research Methodology

The researcher used survey design. This study involved 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 growth in the banking industry with special emphasis on OPay online Microfinance bank and Multiple and Simple Regression model will be employed to analyze the data. Data will be elicited from 800 SMEs in South Western Nigeria States as regards the effect of OPay innovative financial technologies on their business development.

7. Results and Findings

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

Table 4.1 indicates that out of the 800 questionnaires distributed, 580 were retrieved, accounting for 72.5%

of the total number. Based on the analysis of this work, it was determined that 460 out of the retrieved copies of the questionnaire, or 57.5% of the distributed copies, were deemed valid. This means that 120 copies were eliminated because of irregularities from the respondents. But when a survey questionnaire is used in the research, it has been amply demonstrated in the literature that a response rate of more than 50% is a good and acceptable level (Crimp and Wright, 2005).

7.2 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 4.2 above demonstrates that the Fintech variables have mean scores with a standard deviation ranging from 0.61 to 0.67 and a central tendency between 3.6 and 3.9. Compared to the other business growth variables, the mean satisfaction score is lower. Considering the traits of the selected Fintech categories, this is understandable. Furthermore, it has been noted that online credit is less common than Fintech POS terminals because financial services are marketed primarily to low-income individuals and businesses, who may not actually require the credit due to preconceived notions about loans and unheard-of interest rates. Additionally, a large portion of this population does not own Android phones, which would be the means of accessing internet banking services. Hence, there is little or no role that online credits play with regards to business growth in the study area.

The means for the business growth variables display a 3.5 central tendency and .64 standard deviation. Based on the features of the selected construct of business growth—which was broken down by business credit availability, Fintech usability, application suitability for business needs, etc.—this was a reasonable expectation.

7.3 Hypotheses Tests Results

Hypotheses One

A multiple regression analysis was utilized to test the hypotheses Ho1, Ho2, and Ho3. This is justified by the fact that both the item scaling and the aggregated variable construction involve multiple factors. Table 4.3 displays the results of this analysis.

Hypotheses One

Ho1: there is no significant relationship between Online credit and business Growth for SMEs using OPay Fintech in South West Nigeria.

The t-test 10.320, of the coefficient of the variables representing independent variables shows that the independent variable online credit have a significant effect on business growth for SMEs using OPay Fintech in South West Nigeria, = .654; P= .001.

This means Ho1 is rejected and the alternative accepted.

The results of the Ho1 test demonstrate that the expansion of businesses for SMEs in South West Nigeria that use OPay Fintech is attributed to online credit access to OPay credit facilities, which in turn promotes positive growth in the operations of SMEs and ease of use for both personal and professional reasons. Entrepreneurs would feel secure in the knowledge that, in the event that additional funding is required for their business, they can readily rely on a credit window.

Hypotheses Two

Ho2: there is no significant relationship between Mobile Application and business growth for SMEs using OPay Fintech in South West Nigeria.

According to this hypothesis, the companies

should have a robust mobile application, which will lead to successful business expansion. Business growth is positively impacted by mobile applications. According to Table (4.3), the independent variable (mobile application) has a significant impact on business development =.769, P =.001, as indicated by the t-test (10.341).

This means Ho2 is rejected and the alternative accepted.

The Ho2 test result demonstrates that any MFB company that exhibits a noteworthy degree of user-friendly mobile application features will undoubtedly have satisfied customers who recommend their goods and services to their network, resulting in enhanced marketing efficacy and business expansion for the SMEs and the firm's offerings. This is accurate, as the study's findings from business owners corroborate the idea that mobile apps have revolutionized the finance sector by providing businesses and consumers with easy-to-use, efficient financial services.

Hypotheses Three

Ho3: there is no significant relationship between PoS Terminal and business growth for SMEs using OPay Fintech in South West Nigeria.

Testing of Ho3 postulates that PoS Terminal deployed by OPay MFB and business growth 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 growth = .582; P= .001.

This means Ho2 is rejected and the alternative accepted.

The coefficient of variation calculation indicates a significant relationship between the two variables, indicating that effective PoS terminal deployment and application into business day-to-day operations that is transparent, clear, and consistent. POS systems will help stimulate economic growth by reducing operating costs while maintaining or even surpassing performance standards and boosting productivity.

8. Conclusions

Since Fintech are electronic means of conducting business, their significance cannot be understated. But the cash-based payment system in Nigeria cannot and has not ensured the vitally important efficient and effective transactions necessary for long-term economic growth. Nigeria's small and medium-sized businesses are now in a better position to prosper since, in recent years, the

Table 4.1 shows the distribution and retrieval of copies of questionnaire

Distribution	Retrieval	% Retrieval	Rejected	% Rejected	Valid	% Valid
800	580	72.5	120	15	460	57.5

Sources: Field Survey 2024

Table 4.2: Descriptive Statistics

Variables	N	Mean	Std. Deviation
1. Fintech			
Online Credit	460	3.6153	.67292
Mobile Applications	460	3.7958	.65943
POS terminal	460	3.9534	.61230
2. Business Development			
Business Development	460	3.5858	.64553

Source: Researcher's Computation from SPSS 22.0

Table 4.3: Multiple regressions dimensions of Fintech on Business Growth

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	10.320	.001**			
Mobile Application	.748	10.341	.001**			
PoS Terminal	.575	15.854	.001**			

**Significant at the (.01) level

Source: Researcher's Computation from SPSS 22.0

have satisfied customers who recommend their goods and services to their network, resulting in enhanced marketing efficacy and business expansion for the SMEs and the firm's offerings. This is accurate, as the study's findings from business owners corroborate

the idea that mobile apps have revolutionized the finance sector by providing businesses and consumers with easy-to-use, efficient financial services.

Hypotheses Three

Ho3: there is no significant relationship between PoS Terminal and business growth for SMEs using OPay

majority of MFBs have embraced cutting-edge Fintech, which lowers operating expenses and cash handling costs. The competition between banks and fintechs for client loyalty is not new. However, new and advanced technologies are showing that alliances are becoming more and more popular. The region is home to many POS terminals, mobile applications, and online credit facilities, all of which have revolutionized business operations and significantly decreased the expense of carrying cash, supporting the CBN cashless policy. In the Fintech industry, direct collaboration between banks and challengers has already supplanted rivalry. If banks have an open, flexible digital architecture and a modern core, they will be better positioned to benefit from the changes and prosper.

Recommendations

Because technology has revolutionized traditional methods of money operation in modern society and greatly impacted banks, businesses should be encouraged to embrace and incorporate these Fintech platforms into their operations. Fintech is currently aiding in the quicker transition of banks that provide microfinance. Like all other banks, OPay MFB ought to do more to raise awareness about the advantages of their mobile applications, online credit facilities, and PoS terminal usability.

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 constrained by the 800 respondents that made up the small sample size. As a result, a bigger sample size can be used for the same study by future researchers. More financial sector industries should be included in future research since doing so could produce results that differ from those of this study. Future research should also include additional Fintech and business growth constructs in its investigations, as its findings may differ from that of the current study.

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