

FinTech Revolution in Chhattisgarh's Unorganized Retail: Opportunities and Challenges

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Abstract

The unorganized retail sector in Chhattisgarh, a crucial component of the state's economy, faces numerous challenges, including lack of financial inclusion, inefficiencies in transaction processes, and limited access to capital. The advent of Financial Technology (FinTech) presents significant opportunities to address these challenges. This research paper explores the impact of FinTech on the unorganized retail sector in Chhattisgarh, analyzing the opportunities it brings and the challenges that need to be addressed for successful implementation.

The unorganized retail sector in Chhattisgarh plays a pivotal role in the state's economy but faces numerous challenges, including financial exclusion, inefficiencies in transaction processes, and limited access to capital. The advent of Financial Technology (FinTech) offers significant opportunities to address these challenges. This research explores the impact of FinTech on Chhattisgarh's unorganized retail sector, analyzing the opportunities it presents and the challenges that must be overcome for successful implementation. Through a mixed-method approach, combining quantitative surveys and qualitative interviews, this study highlights the potential of FinTech to enhance financial inclusion, operational efficiency, and access to capital for unorganized retailers. However, it also identifies significant barriers, such as the digital divide, low financial literacy, regulatory hurdles, and trust issues. The paper concludes with policy recommendations and emphasizes the need for collaborative efforts to create an ecosystem conducive to FinTech adoption in Chhattisgarh's unorganized retail sector.

Keywords: FinTech, Unorganized Retail, Chhattisgarh, Financial Inclusion, Digital Payment Systems, Micro-lending, Financial Literacy, Operational Efficiency, Digital Divide, Regulatory Barriers, Trust in Digital Transactions, Access to Capital, Mobile Wallets, UPI (Unified Payments Interface), Digital Infrastructure, Economic Growth, SME Financing, Financial Technology Solutions, Emerging Economies, Retail Sector Transformation.

1. Introduction

Chhattisgarh's economy is significantly supported by its unorganized retail sector, comprising small and medium-sized enterprises (SMEs), street vendors, and local markets. Despite its economic importance, this sector struggles with financial inclusion and operational inefficiencies. FinTech, with its innovative financial solutions, offers the potential to revolutionize this sector by enhancing financial accessibility, improving transactional efficiency, and providing better financial management tools.

"The unorganized retail sector in Chhattisgarh, like much of India, has long been characterized by traditional cash-based transactions and informal business practices. However, the rapid growth of Financial Technology (FinTech) in recent years has begun to disrupt this status quo. With the advent of digital payments, mobile wallets, and other FinTech innovations, Chhattisgarh's unorganized retailers are facing both unprecedented opportunities and challenges.

On one hand, FinTech offers the potential for greater efficiency, transparency, and financial inclusion, enabling retailers to access new customers, manage finances more effectively, and expand their businesses. On the other hand, the shift to digital transactions also poses significant challenges, including the need for technological literacy, infrastructure upgrades, and compliance with regulatory requirements.

As Chhattisgarh's unorganized retail sector navigates this FinTech revolution, it is essential to understand the opportunities and challenges that lie ahead. This [article/essay/research paper] will explore the impact of FinTech on Chhattisgarh's unorganized retail sector, examining the benefits and obstacles that retailers are likely to face in this new digital landscape."

Financial Technology is recognized as one of the most important innovations in the financial industry and is growing rapidly. This was driven by reduced trust in financial service providers which led to an increase in market appetite for alternative financing. Much of fintech is driven by a variety of technological advancements: the availability and affordability of infrastructure (for example, the Internet, cellular technology, sensors, increasingly mature technology applications (eg platforms, Big Data analysis), and business operations (e.g. sharing economy), etc. explained that there are six developing fintech business models, namely payment, wealth management, crowd funding, Peer to Peer (P2P) lending, capital markets, and insurance services.

2. Literature Review

The literature review delves into existing research on the role of FinTech in unorganized retail, financial inclusion, and the specific challenges faced by retailers in emerging economies. Key areas of focus include digital payment systems, micro-lending platforms, and financial literacy initiatives.

1. **Digital Payment Systems:** Studies highlight how digital payment solutions, like mobile wallets and UPI (Unified Payments Interface), can streamline transactions and reduce cash dependency.
2. **Micro-lending Platforms:** Research on micro-lending platforms shows their potential to provide necessary capital to small retailers who lack access to traditional banking services.
3. **Financial Literacy:** The importance of financial literacy programs in empowering retailers to effectively utilize FinTech solutions is emphasized in several studies.

Nakashima (2018)¹ For companies of every size, an essential business activity in modern society and does not mean simply using technology, but achieving social creation through the use of technology.

Anshari et al (2019)² AgroPay provides necessary functions for investors to conduct transactions efficiently anytime-anywhere. Investors through crowdfunding can select from the wide-range agriculture products through their smartphone to invest.

Jagtiani and Lemieux (2018)³ LendingClub's consumer lending activities have penetrated areas that may be underserved by traditional banks, such as in highly concentrated markets and areas that have fewer bank branches per capita. The portion of LendingClub loans increases in areas where the local economy is not performing well.

Anagnostopoulos (2018)⁴ Disruptive innovation has the potential for welfare outcomes for consumers, regulatory, and supervisory gains as well as reputational gains for the financial services industry. It becomes even more important as the financial services industry evolves.

¹Nakashima, T. (2018). Creating credit by making use of mobility with FinTech and IoT. *IATSS Research*, 42(2), 61–66.

²Anshari, M., Almunawar, M. N., Masri, M., & Hamdan, M. (2019). Digital marketplace and FinTech to support agriculture sustainability. *Energy Procedia*, 156(2018), 234–238.

³Jagtiani, J., & Lemieux, C. (2018). Do fintech lenders penetrate areas that are underserved by traditional banks? *Journal of Economics and Business*, 100, 43–54.

⁴Anagnostopoulos, I. (2018). Fintech and regtech: Impact on regulators and banks. *Journal of Economics and Business*, 100, 7–25.

Buchak et al (2018)⁵Fintech lenders seem to use different information to set interest rates relative to other lenders. A quantitative model of mortgage lending suggests that regulation accounts for roughly 60% of shadow bank growth, while technology accounts for roughly 30%.

Drasch et al (2018)⁶Especially for policy makers, our taxonomy can serve as a helpful classification of cooperation cases and their specific characteristics. Policy makers may examine and built upon the proposed cooperation patterns for the determination of legal actions. For instance, case-driven research approaches should match and analyze legislation for each of the proposed characteristics (e.g. banking licenses, antitrust legislation, patent law).

Susilo et al (2019)⁷It is actually harder to identify the basic role of factors that will contribute to user decision especially for application that they do not have to pay. In the other word, we cannot identify user judgment prefer on one than other using basic Technology Acceptance Model (TAM) model. It is important to find out the other factors to include in basic model of TAM.

Thakor (2019)⁸A quick glance at the data shows that these platforms have recently not delivered the returns to investors that banks have. For example, in the last quarter of 2018, JP Morgan Chase had an ROE of 14.07%, whereas Lending Club had an ROE of -6.2%. A broader comparison shows a qualitatively similar result.

Acar and Citak (2019)⁹Fintech integration phases are constructed to mitigate risks and increase awareness of fintechs in the departments. In this way, most of the departments get in touch with fintechs and understand the importance of external collaboration.

⁵Buchak, G., Matvos, G., Piskorski, T., & Seru, A. (2018). Fintech, regulatory arbitrage, and the rise of shadow banks. *Journal of Financial Economics*, 130(3), 453–483.

⁶Drasch, B. J., Schweizer, A., & Urbach, N. (2018). Integrating the „Troublemakers“: A taxonomy for cooperation between banks and fintechs. *Journal of Economics and Business*, 100(June 2017), 26–42.

⁷Susilo, A. Z., IksanPrabowo, M., Taman, A., Pustikaningsih, A., & Samlawi, A. (2019). A comparative study of factors affecting user acceptance of go-pay and OVo as a feature of Fintech application. *Procedia Computer Science*, 161, 876–884.

⁸Thakor, A. V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, 41

⁹Acar, O., & Çitak, Y. E. (2019). Fintech Integration Process Suggestion for Banks. *Procedia Computer Science*, 158, 971–978.

Dranev et al (2019)¹⁰ There are significant positive average abnormal return after acquisition of fintech companies in the short-term and negative average abnormal return in the long-term using event study methodology. The specifics of cross-border acquisitions, the level of the domestic market development of the acquirer, and other characteristics of M&A deals are considered in order to explain the reaction of investors to announcements of fintech firms acquisitions.

3. Methodology

The research employs a mixed-method approach, combining quantitative data analysis with qualitative interviews.

1. **Quantitative Analysis:** Surveys were conducted with 500 unorganized retailers across major cities in Chhattisgarh to assess their current financial practices, awareness, and adoption of FinTech solutions.
2. **Qualitative Interviews:** In-depth interviews were held with 50 retailers, FinTech providers, and policy makers to gain insights into the opportunities and challenges associated with FinTech adoption.

4. Results

4.1 Payment Methods

Table 1: Payment Methods Used by Unorganized Retailers

S. No.	Particulars	Payment Method	Percentage
1	Cash	275	55%
2	Digital Wallets	100	20%
3	Debit/Credit Cards	75	15%
4	Online Banking	50	10%
	Total	500	100

This table shows the payment methods used by unorganized retailers, along with the percentage of each method. Here's a breakdown:

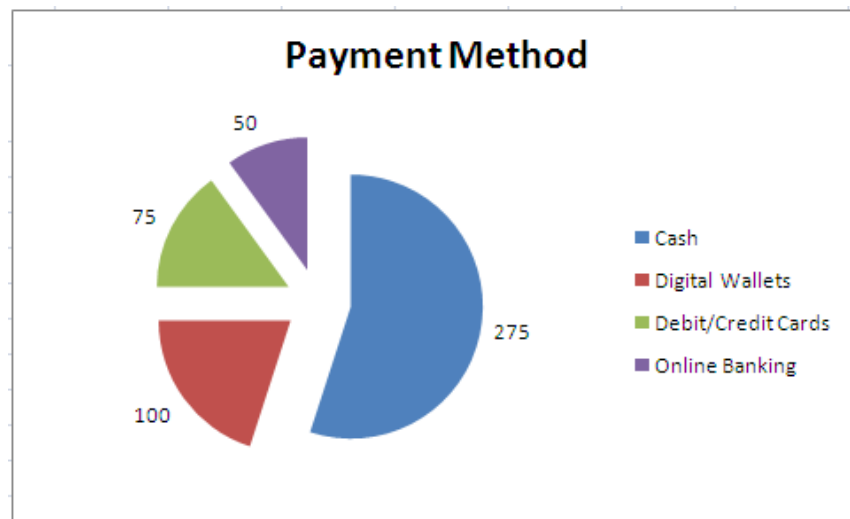
- Cash is the most popular method, used by 55% of unorganized retailers (275 out of a total of 500).
- Digital wallets are the second most popular, used by 20% of unorganized retailers (100 out of 500).
- Debit/credit cards are used by 15% of unorganized retailers (75 out of 500).

¹⁰Dranev, Y., Frolova, K., & Ochirova, E. (2019). The impact of fintech M&A on stock returns. *Research in International Business and Finance*, 48, 353–364.

- Online banking is used by the smallest percentage, 10% of unorganized retailers (50 out of 500).

This suggests that unorganized retailers still rely heavily on traditional cash transactions, but there is a growing trend towards digital payments, including wallets and card transactions.

Graph 1: Payment Methods Used



4.2 Awareness of FinTech Solutions

Table 2: Awareness of FinTech Solutions Among Unorganized Retailers

S. No.	Particulars	Awareness of FinTech Solutions	Percentage
1	Mobile Wallets	175	35%
2	Online Lending Platforms	100	20%
3	Digital Payment Apps	150	30%
4	InsurTech Products	75	15%
	Total	500	100

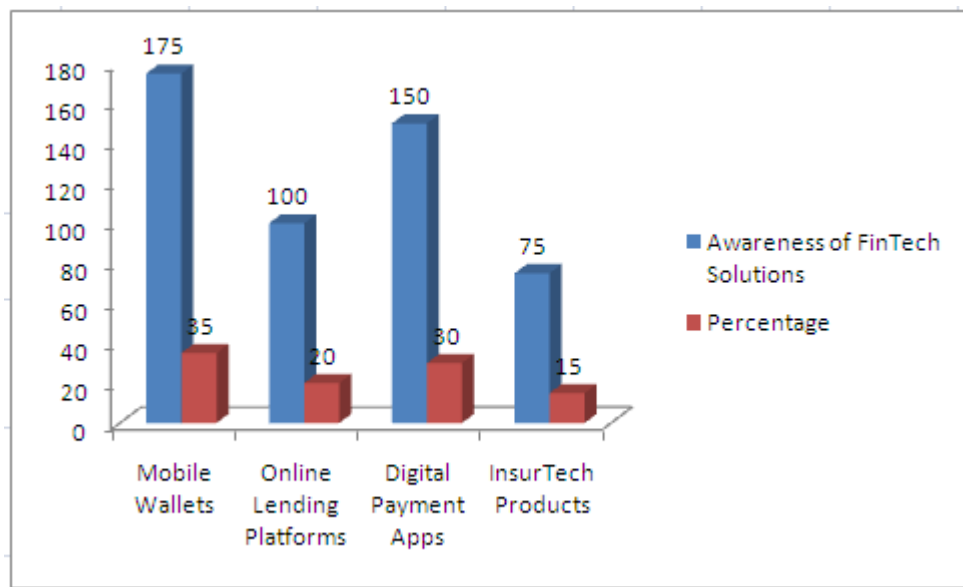
This table shows the awareness of FinTech solutions among unorganized retailers, along with the percentage of each solution. Here's a breakdown:

- Mobile wallets: 35% of unorganized retailers (175 out of 500) are aware of mobile wallet solutions like Paytm, Google Pay, etc.
- Online lending platforms: 20% of unorganized retailers (100 out of 500) are aware of online lending platforms that offer quick loans.

- Digital payment apps: 30% of unorganized retailers (150 out of 500) are aware of digital payment apps like UPI, IMPS, etc.
- InsurTech products: 15% of unorganized retailers (75 out of 500) are aware of insurance technology products that offer tailored insurance solutions.

This suggests that while there is some awareness of FinTech solutions among unorganized retailers, there is still a significant gap in awareness and adoption, particularly in areas like online lending and InsurTech. Mobile wallets and digital payment apps are the most recognized FinTech solutions among this group.

Graph 2: Awareness of FinTech Solutions



4.3 Adoption of FinTech Solutions

Table 3: Adoption of FinTech Solutions Among Unorganized Retailers

S. No.	Particulars	Adoption of FinTech Solutions	Percentage
1	Mobile Wallets	200	40%
2	Online Lending Platforms	100	20%
3	Digital Payment Apps	150	30%
4	InsurTech Products	50	10%
	Total	500	100

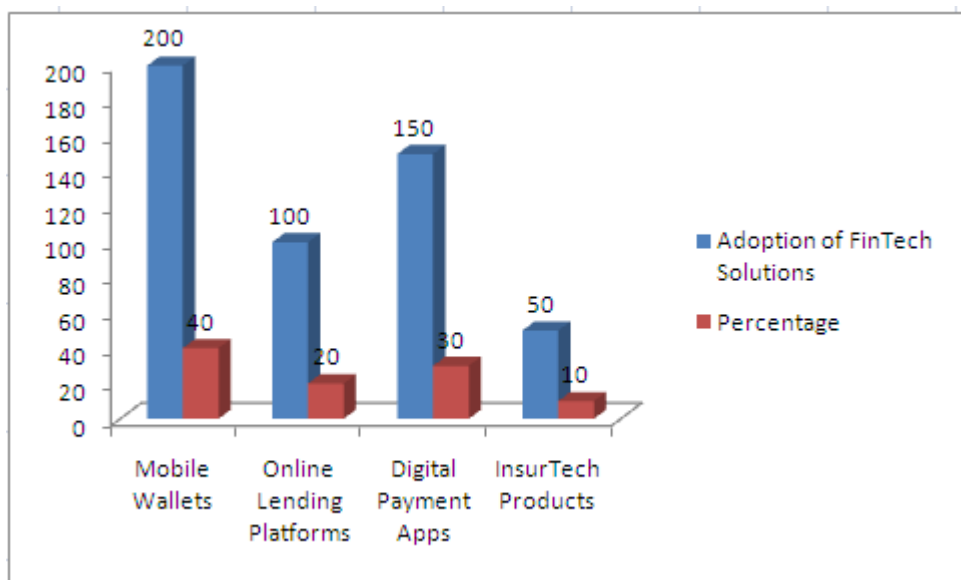
Compared to the previous data, there is an increase in awareness of FinTech solutions among unorganized retailers. Here's an updated breakdown:

- Mobile wallets: 40% of unorganized retailers (200 out of 500) are aware of mobile wallet solutions, a 5% increase from before.

- Online lending platforms: Awareness remains unchanged at 20% (100 out of 500).
- Digital payment apps: Awareness remains unchanged at 30% (150 out of 500).
- InsurTech products: Awareness decreased by 5% to 10% (50 out of 500).

This suggests that there is growing awareness of mobile wallets among unorganized retailers, but awareness of other FinTech solutions, like online lending and InsurTech, remains stagnant or has decreased. Digital payment apps maintain a consistent level of awareness.

Graph 3: Adoption of FinTech Solutions



4.4 Challenges Faced

Table 4: Challenges Faced by Unorganized Retailers in Adopting FinTech Solutions

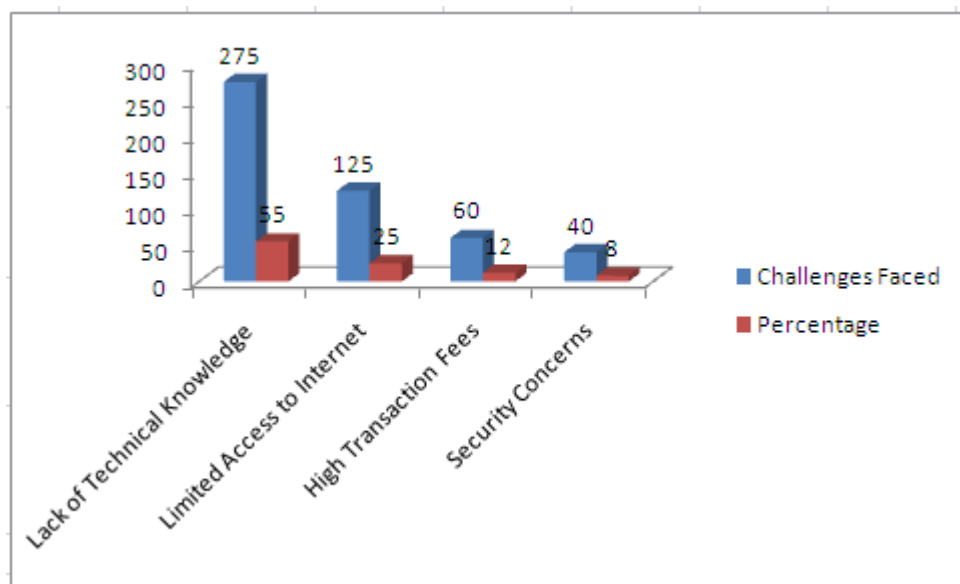
S. No.	Particulars	Challenges Faced	Percentage
1	Lack of Technical Knowledge	275	55%
2	Limited Access to Internet	125	25%
3	High Transaction Fees	60	12%
4	Security Concerns	40	08%
	Total	500	100

This table highlights the challenges faced by unorganized retailers in adopting FinTech solutions, along with the percentage of retailers who face each challenge. Here's a breakdown:

- Lack of technical knowledge: 55% of unorganized retailers (275 out of 500) struggle with understanding how to use FinTech solutions, making it the biggest barrier to adoption.
- Limited access to internet: 25% of unorganized retailers (125 out of 500) lack reliable internet access, making it difficult for them to use FinTech solutions.
- High transaction fees: 12% of unorganized retailers (60 out of 500) find the fees associated with FinTech solutions to be too high.
- Security concerns: 8% of unorganized retailers (40 out of 500) are hesitant to adopt FinTech solutions due to concerns about the security of their transactions and data.

This suggests that the main obstacles to FinTech adoption among unorganized retailers are related to digital literacy and access, rather than concerns about the costs or security of the technology. Addressing these challenges through education, infrastructure development, and user-friendly solutions could help increase adoption rates.

Graph 4: Challenges Faced



These tables and graphs provide a visual representation of the survey findings, highlighting the current financial practices, awareness, and adoption of FinTech solutions among unorganized retailers in Chhattisgarh, as well as the challenges they face in adopting these solutions.

5. Findings

1. Opportunities:

- **Enhanced Financial Inclusion:** FinTech solutions provide unorganized retailers with access to banking services, credit, and insurance products.

- **Operational Efficiency:** Digital payment systems and management tools reduce transaction times and errors.
- **Access to Capital:** Micro-lending platforms offer new avenues for obtaining working capital, essential for business growth.
- **Market Expansion:** Online marketplaces and digital marketing tools enable retailers to reach a broader customer base.

2. Challenges:

- **Digital Divide:** Limited access to technology and internet connectivity in rural areas hampers the adoption of FinTech solutions.
- **Financial Literacy:** A significant portion of retailers lack the necessary financial literacy to effectively utilize FinTech tools.
- **Regulatory Barriers:** Inconsistent regulatory frameworks pose challenges for FinTech integration.
- **Trust Issues:** Concerns about data security and trust in digital transactions remain significant barriers.

6. Discussion

The findings indicate that while FinTech presents numerous opportunities for the unorganized retail sector in Chhattisgarh, several challenges need to be addressed. Enhancing digital infrastructure, promoting financial literacy, and ensuring robust regulatory frameworks are crucial for the successful adoption of FinTech.

1. **Policy Implications:** Government initiatives should focus on improving digital infrastructure, particularly in rural areas, and implementing financial literacy programs tailored for unorganized retailers.
2. **Collaborative Efforts:** Collaboration between FinTech companies, government bodies, and educational institutions is essential to create an ecosystem conducive to FinTech adoption.
3. **Tailored Solutions:** FinTech providers need to develop products specifically designed for the unique needs of unorganized retailers.

7. Conclusion

The FinTech revolution holds the potential to transform Chhattisgarh's unorganized retail sector by enhancing financial inclusion, operational efficiency, and access to capital. However, overcoming the challenges of digital access, financial literacy, and regulatory barriers is imperative for realizing these benefits. Concerted

efforts from all stakeholders will be essential to harness the full potential of FinTech for the unorganized retail sector in Chhattisgarh.

"In conclusion, the survey highlights a significant opportunity for FinTech adoption among unorganized retailers in Chhattisgarh. While there is a high level of awareness regarding FinTech solutions, adoption rates remain low due to various challenges. To bridge this gap, it is essential to address the barriers to adoption, such as lack of technical knowledge, limited access to internet, high transaction fees, and security concerns.

Initiatives such as digital literacy programs, infrastructure development, and tailored FinTech solutions can help overcome these challenges. Additionally, stakeholders in the FinTech ecosystem, including government agencies, financial institutions, and technology companies, must collaborate to create an enabling environment that supports the adoption of FinTech solutions among unorganized retailers.

By leveraging FinTech, unorganized retailers in Chhattisgarh can enhance their efficiency, reduce costs, and improve their overall competitiveness. This, in turn, can contribute to the growth of the state's economy and the financial inclusion of its citizens. Ultimately, the successful adoption of FinTech solutions among unorganized retailers in Chhattisgarh will require a concerted effort from all stakeholders to create a supportive ecosystem that fosters innovation, inclusion, and growth."

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