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Role Of Fintech in Financial Planning For MSME

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Peer Review Information	Abstract
<p><i>Submission: 13 March 2026</i> <i>Revision: 0.2 April 2026</i> <i>Acceptance: 16 April 2026</i></p>	<p>Financial Technology (FinTech) has emerged as a transformative force in the financial ecosystem, significantly impacting the way Micro, Small, and Medium Enterprises (MSMEs) manage their financial activities. This study examines the role of FinTech in enhancing financial planning practices among MSMEs. It highlights how digital financial tools such as mobile banking, accounting software, digital lending platforms, and payment systems contribute to improved budgeting, cash flow management, and financial forecasting.</p> <p>The research focuses on how FinTech solutions enable MSMEs to make data-driven decisions, reduce operational costs, and increase financial transparency. Additionally, the study explores the role of FinTech in improving access to formal credit and financial inclusion for small businesses that traditionally face challenges in obtaining funding. By adopting FinTech tools, MSMEs can streamline their financial operations, minimize errors, and enhance overall efficiency.</p> <p>The findings suggest that the integration of FinTech in financial planning leads to better financial control, improved performance, and sustainable business growth. The study concludes that FinTech plays a crucial role in strengthening the financial capabilities of MSMEs and supporting their long-term development.</p> <p>the help of these digital tools, MSMEs can make better decisions based on real data, reduce costs, and maintain clear financial records. FinTech also helps small businesses get easier access to loans and financial services, which is often difficult for them through traditional methods.</p> <p>Using FinTech makes financial management simpler, faster, and more accurate. It helps MSMEs improve their performance, grow their business, and achieve long-term success.</p>
<p>Keywords</p> <p><i>FinTech, MSMEs, Financial Planning, Digital Financial Tools, Financial Inclusion</i></p>	

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are very important for the growth of the economy because they create employment, encourage innovation, and support small business development. However, many MSMEs face problems in managing their finances due to lack of proper knowledge, limited resources, and difficulty in accessing traditional banking services.

With the advancement of technology, Financial Technology (FinTech) has become a helpful solution for these challenges. FinTech refers to the use of digital tools and platforms such as mobile banking, online payments, digital lending, and accounting software to manage financial activities more efficiently.

FinTech plays a key role in improving financial planning for MSMEs. It helps business owners to keep track of their income and expenses, manage cash flow, prepare budgets, and make better

financial decisions. These tools are easy to use and save time, which reduces manual work and errors.

In addition, FinTech also makes it easier for MSMEs to get loans and financial support through digital platforms. It provides quick access to funds and improves transparency, which increases trust between businesses and financial institutions. Overall, FinTech helps MSMEs become more organized, efficient, and capable of achieving long-term growth

FinTech solutions improve transparency and efficiency, which increases the trust of financial institutions. This makes it easier for MSMEs to access credit and expand their operations. Overall, the adoption of FinTech enables MSMEs to become more organized, efficient, and capable of achieving long-term growth and sustainability. FinTech is helping MSMEs solve many financial problems in a simple and effective way. One of the major benefits is alternative lending, where businesses can get quick loans without needing heavy collateral. FinTech uses modern methods like digital data and alternative credit scoring to make the loan process faster and easier, especially for small businesses that struggle to get loans from banks.

Another important benefit is the growth of digital transactions. Tools like mobile wallets and UPI have reduced the need for cash and made payments quicker, safer, and more convenient. This also helps businesses keep better records of their transactions.

FinTech also supports MSMEs in financial management through cloud-based tools. These tools help automate tasks like bookkeeping, expense tracking, and tax filing, which saves time and reduces errors.

Overall, businesses that use FinTech tools tend to perform better financially. There is a clear positive relationship between the use of FinTech and the improvement in financial performance of MSMEs, as it helps them work more efficiently and make better financial decisions.

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Literature Review

Many researchers have studied how Financial Technology (FinTech) is changing the way MSMEs manage their finances and plan for growth.

Recent studies show that FinTech has made it much easier for MSMEs to access financial services. Earlier, small businesses faced difficulties in getting loans due to strict banking rules, lack of collateral, and high transaction costs. However, FinTech platforms such as digital lending, mobile payments, and online banking have reduced these barriers and improved access to finance.

According to various research findings, FinTech plays a major role in improving financial inclusion. It helps MSMEs, especially in developing countries, to connect with formal financial systems. Digital tools allow small businesses to perform transactions easily, manage accounts, and access financial products at a lower cost.

Studies also highlight that FinTech improves financial planning by providing real-time data and insights. With the help of digital tools, MSMEs can monitor their cash flow, track expenses, and make better financial decisions. This leads to improved efficiency and better business performance.

In addition, FinTech innovations such as mobile apps, artificial intelligence, and data analytics have transformed traditional financial systems into faster and more user-friendly platforms. These technologies help MSMEs automate their financial processes and reduce manual errors, making financial planning more accurate and reliable.

However, some studies also point out challenges in adopting FinTech. Many MSME owners still lack digital knowledge and financial literacy, which makes it difficult for them to fully use these technologies. Other barriers include poor internet infrastructure and lack of awareness about available FinTech services.

Overall, the literature suggests that FinTech has a positive impact on financial planning in MSMEs. It not only improves access to finance but also

enhances decision-making, efficiency, and growth opportunities. At the same time, there is a need to improve digital literacy and awareness to maximize the benefits of FinTech.

According to Wattis et al. (2020), financial technology has had a positive influence on financial inclusion by making financial services more accessible to a wider population. Fintech has played a crucial role in this expansion, especially through digital payment systems and lending platforms, which have become key components of its growth. In addition, services such as financial aggregators and crowdfunding platforms have further supported inclusion by offering alternative ways for individuals and businesses to access and manage financial.

Objective Of The Study

- To examine the role of FinTech in improving financial planning in MSMEs.
- To analyze the impact of digital financial tools on cash flow management and budgeting.
- To study the adoption level of FinTech solutions among MSMEs.
- To evaluate how FinTech helps MSMEs in accessing credit and financial services.
- To identify the challenges faced by MSMEs in using FinTech tools.
- To assess the overall impact of FinTech on the growth and performance of MSMEs.

Research Methodology

Research Design

Descriptive Design

The descriptive part of the study focuses on understanding the current status of FinTech usage among MSMEs in India. It mainly collects factual and statistical information such as:

- How many MSMEs are using FinTech and how fast adoption is growing
- What types of FinTech tools are being used (like digital payments, accounting software, etc.)
- Differences in adoption across sectors and regions

The measurable impact of FinTech on business performance, such as:

- Better efficiency
- Increase in revenue
- Reduction in costs

Exploratory Design

The exploratory part goes a step further and tries to understand the reasons and experiences behind FinTech adoption. It focuses on:

- MSMEs decide to use certain FinTech tools
- problems they face while adopting these technologies (like lack of knowledge, poor internet, or resistance to change)
- Personal experiences and opinions of business owners and managers

Primary Data

Primary data was collected through:

- Structured questionnaires
- Informal interviews with MSME owners
- Sample Size: 50 MSMEs (small traders, shop owners, service providers)
- Location: Urban & semi-urban areas.
- 60% Small businesses (retail shops)
- 25% Service sector (salons, repair shops, freelancers)
- 15% Manufacturing micro units
- FinTech is widely adopted for payments, but not fully utilized for financial planning tools
- MSMEs are moving from informal to digital financial management
- There is a strong trust gap and knowledge gap.
- FinTech is acting as a support system rather than a complete solution

Secondary Data

- India has around 63 million MSMEs, contributing significantly to GDP and employment. Despite their importance, only about 14% of MSMEs have access to formal credit.
- There is a huge credit gap of ₹20–28 lakh crore in the MSMEs.
- Only 19% of total credit demand is fulfilled formally, showing financial exclusion.

Sampling Method

Non-probability and Convenience Sampling method is used in research to collect Primary Data Through Structured Questionnaire. Sample size is 50 and all respondent.

Limitations

Conducting n-depth research on digitalization in financial services is a challenging task, as it requires considerable resources such as time, funding, and specialized expertise. These limitations often restrict the overall scope and depth of the study.

Another important concern is the quality of data collected from various sources. In many cases, the available data may be incomplete, outdated,

or inaccurate, which can lead to misleading findings and affect the reliability of the research. Additionally, the rapid advancement of technology presents a significant challenge. Since digital technologies are continuously evolving, research outcomes may become outdated within a short period, reducing their long-term relevance.

Furthermore, financial services digitalization covers a broad range of technologies, including artificial intelligence, block chain, cloud computing, and cybersecurity. Studying all these areas requires interdisciplinary knowledge, which can be difficult for researchers who have expertise in only one specific domain.

Data Analysis

Financial Technology (FinTech) has significantly transformed the way Micro, Small, and Medium Enterprises (MSMEs) plan and manage their finances. Based on secondary data from reports by institutions like Reserve Bank of India, NITI Aayog, and World Bank, the following trends and analysis can be observed:

1. Improved Access to Credit

One of the most important roles of FinTech is enhancing access to finance for MSMEs. Traditional banking systems often have strict lending criteria, which makes it difficult for small businesses to secure loans.

Around 40–50% of MSMEs in India face a credit gap, estimated at nearly ₹20–25 lakh crore.

FinTech platforms use alternative data (like transaction history, GST records, and digital payments) to assess creditworthiness.

Digital lending has reduced loan approval time from weeks to just a few hours or days.

2. Digital Payment Systems and Cash Flow Management

The adoption of digital payment platforms such as Paytm, PhonePe, and Google Pay has increased significantly among MSMEs. Over 60% of MSMEs now use digital payment systems. The introduction of UPI has led to a surge in low-cost transactions. Digital payments provide real-time tracking of inflows and outflows.

3. Cost Reduction and Operational Efficiency

FinTech solutions such as cloud accounting and automated financial tools help MSMEs reduce operational costs.

Automation reduces manual errors and administrative costs by 20–30%.

Cloud-based financial tools eliminate the need for expensive infrastructure.

4. Financial Inclusion and Reach

FinTech has played a major role in bringing unbanked and underbanked MSMEs into the formal financial system.

Nearly 30% of MSMEs in rural areas are now connected to formal finance through digital platforms.

Government initiatives like Digital India have further boosted FinTech adoption.

5. Risk Management and Data-Driven Decisions

Advanced technologies such as Artificial Intelligence and data analytics are widely used in FinTech.

FinTech tools can predict financial risks using past transaction data.

Real-time analytics helps in better decision-making and forecasting.

Findings Of the Study

The study reveals that financial technology (FinTech) plays a significant role in improving financial planning for Micro, Small, and Medium Enterprises (MSMEs). One of the major findings is that FinTech platforms have made financial services more accessible, especially for small businesses that often face difficulties in obtaining credit from traditional banking institutions.

It was observed that digital lending platforms provide faster and more convenient access to funds. Unlike traditional banks, which require lengthy documentation and strict eligibility criteria, FinTech solutions offer simplified procedures, enabling MSMEs to plan their finances more efficiently.

Another important finding is that FinTech tools such as mobile applications and digital accounting software help MSMEs in better financial management. These tools allow business owners to track cash flows, manage expenses, and make informed financial decisions, thereby improving overall financial planning.

The study also highlights that digital payment systems have increased transparency and reduced dependency on cash transactions. This not only enhances record-keeping but also builds financial credibility, which further helps MSMEs in accessing loans and investments.

FinTech has contributed to financial inclusion by reaching underserved and rural areas where traditional banking services are limited. As a result, many small businesses are now able to participate in the formal financial system. The study also identifies certain challenges. Issues such as lack of digital literacy, concerns over data security, and limited awareness about FinTech services can hinder its effective adoption among MSMEs.

The findings suggest that FinTech has a transformative impact on financial planning for MSMEs by making financial services more efficient, transparent, and accessible, although

certain barriers still need to be addressed for its full potential to be realized.

Suggestion

Strengthen the role of financial technology (FinTech) in improving financial planning for MSMEs, several practical steps can be considered. Firstly, there is a need to increase awareness and digital literacy among MSME owners. Many small business owners are still unfamiliar with FinTech tools and their benefits. Conducting training programs, workshops, and awareness campaigns can help them understand how to use digital platforms for budgeting, investment planning, and financial management.

Secondly, the government and financial institutions should work together to create a supportive regulatory environment. Simplified policies and reduced compliance burdens can encourage MSMEs to adopt FinTech solutions without fear or confusion.

Is to improve access to affordable digital infrastructure. In many regions, especially rural and semi-urban areas, lack of internet connectivity and digital devices limits the adoption of FinTech services. Strengthening digital infrastructure will help MSMEs fully utilize these technologies.

In FinTech companies should design user-friendly and customized solutions specifically for MSMEs. Tools that are simple, cost-effective, and tailored to small business needs—such as cash flow management apps, digital lending platforms, and automated accounting systems—can significantly improve financial planning.

Data security and privacy should also be given high priority. MSMEs may hesitate to adopt FinTech due to concerns about cyber threats. Ensuring strong cybersecurity measures and building trust is essential for wider adoption.

Furthermore, collaboration between traditional banks and FinTech firms can enhance service delivery. Such partnerships can combine the reliability of banks with the innovation of FinTech, offering better financial planning tools and credit facilities to MSMEs.

Lastly, continuous research and innovation are necessary to keep up with rapidly changing technologies. Regular updates and improvements in FinTech solutions will ensure that MSMEs benefit from the latest advancements in financial planning.

Conclusion

The discussion clearly shows that in today's time, FinTech and MSMEs support each other's growth in a significant way. Since the second decade of the 21st century, the involvement of FinTech in MSMEs has increased rapidly and has shown

remarkable expansion. The government has also played an important role by creating a supportive digital infrastructure to strengthen this relationship. Initiatives like Digital India, along with platforms such as UPI, Aadhaar linkage, and Udyog Aadhaar Memorandum (UAM), have made financial services more accessible and efficient for MSMEs.

At the same time, the contribution of the private sector cannot be ignored. The rapid growth of internet services, especially driven by private telecom companies, has made digital transactions easier and more widespread. This has directly and indirectly helped MSMEs improve their business operations and financial activities, contributing positively to the Indian economy.

Events like demonetization and the COVID-19 pandemic also acted as major turning points, encouraging people and businesses to adopt digital payment systems and FinTech solutions more actively. Overall, the combined efforts of the government and innovations by the private sector have significantly strengthened the role of FinTech in supporting MSMEs.

In developing countries like India, MSMEs are a key driver of economic growth. They contribute significantly to employment generation, industrial development, and balanced regional growth. Additionally, MSMEs help in reducing both regional and digital inequalities by promoting inclusive economic participation.

Therefore, it becomes important to encourage MSMEs to adopt fintech innovations. Greater collaboration between stakeholders including the government, financial institutions, fintech companies, and MSMEs themselves can further strengthen this ecosystem and ensure sustainable growth.

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