

## FINTECH LENDING THAILAND

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**ABSTRACT:** *In the industry 4.0 model, innovation and technology are adopted to revolutionize business models with a particular focus on repeatable and scalable business models. This study investigates the opportunities and challenges of FinTech startup firms using Thailand as a case study. A mixed-method approach is adopted using secondary data accessed from Thailand FinTech associations and primary data collected from in-depth interviews. Descriptive analysis and content analysis were used to achieve robust results. The empirical results show a snapshot of FinTech firms in Thailand, and how they generate both opportunities and challenges for development and growth. Findings indicate that these opportunities and challenges occur as a result of the national technology system and financial regulations, symbiotic relationships, and the inter-relationship through digital literacy, financial literacy, and financial inclusion. The study discusses each factor in detail and proposes suggestions for further studies. The findings could be used by policy makers and local authorities to make improvements, as well as minimize the potential risks for FinTech startup firms and contribute to sustainability in the economy as a whole.*

**Keywords :** Opportunities, Challenges, Fintech, Startup.

### INTRODUCTION

In the 4.0 Financial Industry, innovation and technology play an important role in encouraging and supporting small businesses to grow faster. The development of technological tools such as block chain, bit coin, libra, and various financial platforms offer convenient choices with secure systems for individuals to access a variety of services and financial products (Gomber, Kauffman, Parker, & Weber, 2018; S. Lee, 2015). Such choices are beneficial to users in terms of addressing the concerns of distance, service fees, wasted time, and safety (P. Lee, 2015). Haddad and Hornuf (2019) found that the development of technology and innovation offers opportunities for startup firms to enlarge their market share. FinTech firms are "companies that are creating innovation for integrating distributed digital banking, mobile solutions and delivery platforms, micro-finance, payment solutions, peer-to-peer lending and crowd-funding" (Digital Finance Institute, 2015). FinTech focuses on technological innovations and technological development (Gomber, Koch, & Siering, 2017). In Southeast Asia,

Thailand (19%) ranks second after Singapore (43%) in the number of FinTech firms (Vrara, 2017). It is interesting that Fintech venture capital investments are relatively more common in countries with weaker regulatory enforcement and without a major financial center (Cumming & Schwienbacher, 2018).

According to the Ministry of Industry, in 2017 in Thailand, 8000 startup firms were operating in the Agricultural (AgriTech), Health (HealthTech), Financial (Fintech), Manufacturing (IndustryTech), Travel (TravelTech), Lifestyle technology (LifestyleTech), Ecommerce, Education (EdTech), and Property (PropertyTech) industries. Only 1,700 of these firms were registered with the National Innovation Agency (Public Organization). Among the 8000 startup firms, the highest number of startup businesses were operating in the Financial sector, and involved in lending and credit transactions, retail investment and personal finance, or payment and blockchain (Digital Finance Institute, 2015). According to Dorfleitner, Hornuf, Schmitt, & Weber (2017), failure occurs because FinTech firms have higher operating costs than their competitors. These firms pay greater attention to the development of financial functions rather than focusing on how to solve problems (pain points) for potential users. Additionally, the innovation and technology created are inappropriate, or difficult to use, particularly for individuals who have limited digital literacy. However, whatever the reasons, the failure of these startup firms affects the confidence of investors for investing in this private financial market, resulting in deficiency of financial capital. Consequently, it limits the growth of new Fintech businesses at the countrywide level.

In Thailand, FinTech firms operating in the Business tool/comparison/marketplace sector are those who provide accounting software or platforms and act as intermediaries between customers and users. The crowdfunding sector provides a fundraising platform and acts as a bridge between businesses and investors. The institutional infrastructure provides a system for brokers and investors to support efficiency in investment and financing. Insurance involves all types of insurance such as peer-to-peer, spot, usage-driven, insurance contract management, and brokerage services, as well as claims and risk management services. Lending and credit facilities provide lending platforms for transactions, connect creditworthy borrowers, provide payment gateways, and match borrowers directly with lenders to offer them finance at a lower cost. Fintech operating in the payment sector provides new and innovative payment solutions, such as mobile payment systems, e-wallets, or crypto currencies (Haddad & Hornuf, 2019). Personal

finance (asset management) offers services such as wealth management, personal financial management application, retirement planning, and retail investment. Remittance provides a money transfer system across the globe. Blockchain offers services to remove the middleman in financial services, provides a platform for cryptocurrency exchange, and builds a platform for cryptocurrency investment.

Currently there is a noteworthy increase in initiatives to support the growth of startup firms in Thailand. The Stock Exchange of Thailand (SET) is one of the major promoters of the development of startup firms by providing knowledge, sources, materials and even networks for individuals who are interested in investing in these firms, and those who prefer financial capital. A new track of promoting fundraising in private financial markets was started in 2017. The main duty of SET is to educate university lecturers as well as discuss how universities can act as supporters to both startup firms and investors who are interested in investment. Also, an increase in business incubators and accelerators indicates that many entities are paying attention to this development. With the opportunity to access resources, enlarge market share and growth faster for startup firms in this advanced technological era, it is critical for entrepreneurs, investors, and other related entities to understand factors which support the sustainability of startup firms as well as the reasons underlying their failure. This paper investigates the opportunities and challenges of Fintech startup firms by analyzing secondary data and primary data collected from semi-structured interviews with startup founders.

## RESEARCH METHODS

Thailand, the context for this empirical research, has one of the highest economic growth rates in Southeast Asia, as well as an increasing number of startup firms.

Table 1  
Demographics of the case studies

Cases	Years in operation	Sector	No. of founders	Stage	Employees	Source of finance
1	2012	Business tool	2	Maturity	>350	Capitalist
2	2013	Payment/credit	6	Growth	>130	Capitalist
3	2018	Payment/credit	3	Prototype	6	Financial bootstrapping
4	2015	Retail investment	2	Growth	21	Capitalist
5	2003	Payment/credit	1	Launched	200	Capitalist

6	2018	Blockchain	3	Launched	50	Capitalist, Business angel
7	2014	Business tools	3	Growth	20	Capitalist
8	2012	Personal finance	5	Growth	14	Capitalist
9	2007	Blockchain	2	Idea	10	Financial bootstrapping

This research study used a mixed method design utilizing content analysis to evaluate semi-structured interviews and document investigation. The research investigation divided the data collection process into two phases which are presented in Table 2. In phase 1 the secondary data, information about 66 startup firms in the Thai FinTech Association was collected from their individual websites. In Stage 2, more details were explored concerning the opportunities and challenges faced by entrepreneurs of each firm by followup semi-structured interviews. Samples were selected based on the availability of the firms' founders. The founders of these FinTech startup firms were contacted via email and asked for their availability. At this point, nine participants agreed to be interviewed (Table 1). To identify and understand the opportunities and challenges of FinTech startup firms, 16 people regarded as FinTech users were interviewed.

In the first stage of data collection, secondary data were gathered from websites focusing on the demographics of the key founder, characteristics of the firm, business purpose and plans, sources of finance, and the laws and regulations affecting each firm. Descriptive analysis was then undertaken, with results presented in the form of contingency tables.

In the second stage, Nvivo was applied to code, cluster, and count the frequency of words, in order to summarize the key variables from the semi-structured interviews. The coding started by inserting the interview responses which were.

Tabel 2

The data collection process transcribed into writing, then inserted into the software. The study codes words and sentences relating to the opportunities and challenges of FinTech firms. They were then taken into nodes categorized according to different names. Normally, the names of each node are based on the subject emphasis of particular codes. Content analysis was adopted for analyzing

Phase	Research process and samples	Key themes investigated
1	Document search from Thai FinTech Association 66 startup FinTech firms	Demographics of the founder Characteristics of the firm Stage of business Source of finance

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2	Semi-structured interview 9 startup FinTech firms	Strengths of the business Weaknesses of the business Opportunities of the business Threats to the business
	Semi-structured interview 16 FinTech users	Financial transactions Digital and technological knowledge Financial knowledge Mobile/internet applications

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The interview scripts. This technique is appropriate for analyzing text, documents, and narrative conversations by predetermined categories (Bryman, 2012). Content analysis examines a large amount of textual information, in order to find the frequency, trends, and pattern of words, sentences or paragraphs (Grbich, 2013). Themes and patterns in interview scripts were then identified as being samples for citation. Specified categories from related theories, were followed by coding the contents of the interview transcripts with a focus on the opportunities and challenges FinTech startup firms.

## DISCUSSION

This study provides two main contributions to the literature regarding opportunities and challenges for FinTech startups. First, drawing on the concept of symbiosis (Kijkasiwat, 2019), this study found that FinTech startup firms in Thailand have a greater opportunity to grow and develop when they co-operate with other firms in both similar and different sectors. The study demonstrates that it is the idea of flying solo that limits the ability to improve the risk and return situation in startup firms. Additionally, cooperation from the government and related public authorities, in terms of providing feasible policies, is necessary and beneficial to both FinTech startup firms and users accessing their financial products and services. The centralization of related entities could impact on opportunities and challenges for FinTech firms. Strategies for setting up a national technology system and financial regulations which can support the growth of FinTech startups, as well as increase the confidence of FinTech users, must be considered.

Second, this study contributes to a theoretical framework regarding the association between the context of digital literacy, financial literacy, and financial inclusion. The study raises issues from previous studies which link financial technology and financial activities (Long, 2016), then provides in-depth discussion. The necessity for using financial products and services in individuals' daily activities impacts on their technology learning endeavors. Knowledge in finance affects the use of financial technology. People who understand some financial products tend to access financial digital devices which depend on a level of financial inclusion. The study shows the inter-relationship of digital literacy, financial literacy, and financial inclusion.

In terms of policy implications, it is suggested that the Thai government and public authorities should establish specific policies which offer opportunities for FinTech startup firms

to grow. At the same time, the Thai government should develop security systems in the FinTech sector which protect its users against illegal digital transactions. Banks and FinTech firms should co-operate and use their expertise to support each other, in order to increase positive opportunities and reduce negative challenges (Mollick, 2014). Government authorities could motivate Thai people to use local FinTech platforms rather than international ones. The risk of big data divulgence to international rivals could be a threat which may consequently reduce the competitive ability of Thai startup firms. While supporting local firms through local policies, relaxing some legal regulations which obstruct corporate development should be considered. Reducing tax for startup firms could encourage corporate development, whereas omitting fees for technology users might motivate individuals to access these local financial instruments. Similar policy recommendations were argued for by Wonglimpiyarat (2018) and guidelines issued by the Startup Thailand Association to local authorities, propose that all parties should work together. These parties include local entities and FinTech startup firms, startup firms and private authorities, and the government and local people.

This study suggests future research opportunities. First, future studies could use a social analysis approach to investigate the associations between FinTech startups and other entities. This could provide more information to identify and examine the opportunities and challenges faced by FinTech startups. Second, future research could generate robust discussion by comparing the findings of this study with findings from other research studies which investigate the circumstances of FinTech startups in other countries.

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