

Technology Adoption in Microfinance: a Blessing or a Burden

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ABSTRACT

Purpose: Financial inclusion has become a global agenda for providing equitable opportunities to the poor. Bringing a large base of un-banked population to the banking sphere, financial markets are emphasizing an inclusive system with a slogan of financial access to all. A recent surge in mobile phone usage and internet usage is noticed globally, showing unprecedented opportunities for microfinance institutions, policy makers, and governments to use technology as a driving force for financial inclusion. Digital financial services have a great potential for microfinance to increase outreach, client base, and expand inclusion among the poor, especially women. Adoption of technology for microfinance providers in providing financial access to the poor is a critical step for reducing poverty and increasing financial inclusion. Considering the significance of technology in microfinance, this study aims to explore the role of technology adoption in lending process of microfinance providers and to identify the challenges in technology adoption for microfinance institutions.

Design/Methodology/Approach: A qualitative approach has been used to explore the perspective of microfinance providers in technology adoption. Semi-structured interviews have been conducted from microfinance providers to explore how technology adoption is facilitating their operations and what are the challenges they are facing in the adoption of technology.

Findings/Results: The findings of the study revealed the significant role of technology as an enabler for microfinance providers. Furthermore, key challenges in adoption of technology include unavailability of funds, increased cost of operations, infrastructural and Government support. The respondents also highlighted the key areas for improvement which can ease the spread of technology in the industry.

Practical Implications: The findings of the study will help apex body and regulators to know how technology adoption in microfinance industry can be accelerated that can leverage its potential to increase financial inclusion. Furthermore, microfinance institutions can also create effective linkages to embrace technology for better delivery of financial services, improving risk management, and enhancing outreach. The findings of the study also have implications for other stakeholders including other industry players.

Originality/Value: This study signifies the critical role of technology for microfinance sector in improving the financial inclusion. The study highlights the role of technology for microfinance institutions by exploring views of people who are actually practicing through qualitative methods which will provide a true picture of current state of technology adoption.

Keywords: *Microfinance, Microfinance Providers, Technology, Financial inclusion.*