



Fintech Changing Face Of Banking Sector

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ABSTRACT

The gradual changes in technology have changed the mindset of consumer or users which has resulted into producing impact on business and banking segment. It is anticipated that with great uses of technology has made India a technology driven economy where every solution is somewhat based on people who are tech savvy and working more on it furnish leading resolutions for the emerging problems with ease. It has also mitigated the gap between people who are under privilege and stayed untuned to financial services. The study highlights the development of fintech under the banking sector and how the beneficiaries are having ease in all kind of financial transactions and dealings. Through the study it is found that fintech provide innovative and hassle-free banking solutions to the users or account holders. Different solutions are being imparted to compete with competitors.

Keywords: Fintech technologies, Revolution, Segment, Fintech companies

1. INTRODUCTION

Applications based on updated financial technologies has brought paradigm shift in consumer thought process and their behaviour towards fintech solutions has increased tremendously. The regulatory framework has also reduced the gap of digital divide so that more transparency can be introduced in the system. In country like Indonesia financial technologies have increased since 2010 along with infrastructure ((Imam, 2018). Developing countries like Indonesia, Mexico, Bangladesh, China, India, Nigeria and Pakistan had been the center of financial technologies development during pandemic and COVID-19. Over the past span of journey between 2010 to 2017 financial inclusion pace had been little slow enough that contributes to 0.6 billion adults.

The adoption of these technologies and applications have been quite obvious as the protocols of COVID-19 were unavoidable and these services were affordable at easy cost in order to maintain same kind of economic activities (World Bank, 2020). In the inception of 2020 number of banks switched to digital banking and initiated to provide

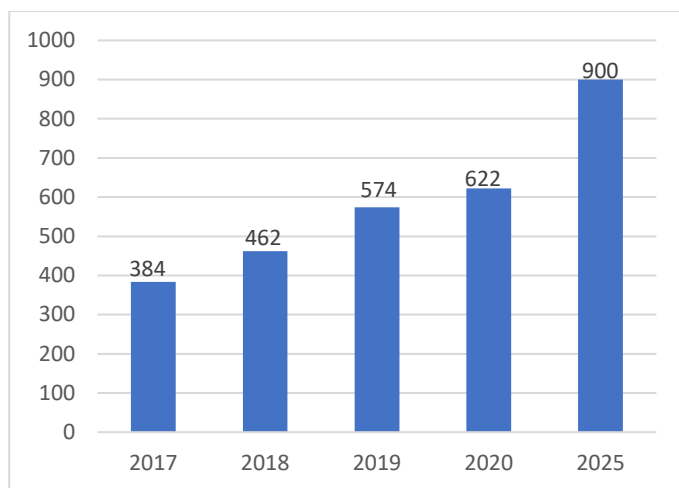
online banking solutions. Banks had been playing a vital role in promoting financial technologies by facilitating number of financial services. Furnishing facilities in this way will help users to manage their budget, check their statements for incomes and accordingly save money out of their routine nature of expenses (Saputro & Lestari, 2019). Conventional system of funding was envisaged as quite expensive way for incorporating financial inclusion and through these fintech it has become convenient to provide financial services (Ali, Abdullah, & Zaini, 2019; Anikina & et. al., 2016).

The pace of development of fintech were further assisted by innovative business model. According to (CB Insight, 2019) global fintech announced in 2018 was \$ 40 billion which was \$ 18 billion in 2017 for fintech funding. It was discovered that Asia had been the region of major fintech funding to the extent 270% growth. Giant like Google, Apple, Tesco, Samsung have grown their business tremendously through technology driven solutions (Gerstner, 2016). The study also states that these corporates have been collecting bulk of user's information for the purpose of making more appropriate predictions of usage of products and services.

2. LITERATURE REVIEW

The role of financial intermediary was found in the era of 1960s. Allen & Santomero (1998) analysed that these intermediaries play role of risk hedging and an instrument of the market. (Servigny & Renault, 2004) explained the role of banks as liquidity, risk and information intermediatory. Digital based Fintech platforms was initially developed in Indonesia which helped to accomplish all kind of financial transactions and dealings (Frost & et. al., 2019). The study also states that they work on defined strategy of lending services, insurance, savings and investment. According to the 2020 data of Indian population there are 1433 million and out of which 622 million are active users of internet and by 2025 it is anticipated that it would cross 900 million active users of internet. Nuryakin, Aisha, & Massie (2019) pointed in their study that fintech is anticipated to furnish convenient financial service viability. The concept of mobile banking had been introduced that assist in facilitating hassle-free banking services for 24 hours (Tayibnapi, Wuryaningsih, & Gora, 2018). In order to develop banking or financial services customer feedback has become a useful tool to tap requirements at the customer doorstep and assisting financial institutions to develop innovative products and services. It is not only high income group but rather low income group requirements are also cater and more financial inclusion are being ensured (Friedline, Despard, & Birkenmaier, 2018).

Figure 1 Number of active internet users (in milliion)



The above figure 1 reflects the status of number of active internet users (in million) where the users have tremendously increased from 2017 to 2025. It is quite precise from the figure that in 2017 the users were 384 million which was doubled in within the span of 4 years and escalated to 622 million. It is further anticipated that by 2025 the users will increase upto 900 million which shows huge demand of online learners and users as well

3. OBJECTIVES OF STUDY

1. To study the role of Fintech in banking segment
2. To study the contribution of Fintech in making financial transactions
3. To study the revolutions taken under financial technologies
4. To study about the companies engaged in providing financial services through Fintech.

4. FINTECH REVOLUTION IN INDIA

The report of India-briefing states total Fintech unicorns stands 21 as of June 2020. As per report over the next few years Fintech sector will engage maximum number of start-ups in India. In the recent past on 3rd December,2020 InFinity forum on Fintech was launched by Indian Prime Minister Narendra called as “Fintech Revolution” protected with security credentials of users for the purpose of seeking investments, insurance and institutional credit. The adoption rate of Fintech in India had been 87% which is much greater than global adoption rate of 64%. According to Amitabh Kant (CEO, NITI Aayaog), the Indian Fintech industry has a funding of US\$27.6 billion and it is anticipated to be valued at US\$150 billion by 2025. Around 2100 Fintech companies are working in India and out of them 68% have been established in last span of five many years. There had been exponential growth in this segment of more than US\$8 billion at various stages of investment in year 2020. The Fintech transactions value is expected to grow from US\$65 billion in 2019 to US\$ 137 in 2023. India has seen enormous growth on all kind of digital platforms constituting transactions worth US\$ 2 trillion as of September 2020. The global presence of these Fintech is 187 out of which 21 unicorns are in India. These are Acko, BharatPe, BillDesk, Chargebee, Paytm, Mobiwik, Oxyzo, PhonePe, Pine Labs, Coin DCX,

Coinswitch Kuber, CRED, Slice, Razorpay, Cred Avenue, DIGIT, Groww, Policy Bazaar, Zerodha, Zeta.

5. FINTECH SEGMENTS IN INDIA

Payments related with real time, quick approval of pre-approved loans, peer to peer lending services that conventionally required manual interface are now being channelized through digital platform. They are working more on meeting customer requirements as well as MSMEs. Beside these services other services related with gold bonds, insurance, personal finance is also incorporated in this segment.

- a) **Pay Tech:** It includes services related with prepaid card/ e-wallet, QR code payment etc. Fintech plays role through offering payment gateway services, programming the payment interface. PhonePe, Google Pay, Paytm, MobiWik are the participants in this sector.
- b) **LendTech:** The services offered in this segment are mostly consumer centric and based on the concept of buy now and pay later. They are probably concerned with education loan, loan taken against salary, personal finance, auto loans. Services often provided in this segment covers credit bureau, credit scoring, service rendering, loan originating and management system. Google Pay, M-Swipe and Rozar Pay are working for consumers as well as for merchants.
- c) **Digital Banking:** The advantage of technology is taken through establishment of digital subsidiary of banks, retail neobanks, as well as SME. Neobanks are the digital interface for business banks. The services engaged in such banking covers account aggregators, conversational platforms, banking as a service and core banking solutions. Yono, Kahatabook and Crazybee are involved in digital banking.
- d) **InsurTech:** The services offered in this segment covers insurance comparison of different companies that provide competitive price benefits with additional medical riders advantage. It can be digitally controlled providing access to all kinds of policies like life insurance or term insurance and accordingly Fintech can be engaged to furnish services related with claim management, mitigating risk management, sales management, insurance administration system. The major player of this segment is policy bazar.
- e) **WealthTech:** The technology in this segment is disseminated by providing services of wealth management through brokers, mutual fund investment interface, research interface, alternative investment options, securities management. Major firms in this segment are Zerodha.
- f) **Regulation Tech:** In order to fulfil the compliance and regulatory requisites like updating of KYC, fraud detection, anti-laundering, regulatory framework of banking and risk mitigation.

6. FACTORS INFLUENCING FINTECH REVOLUTION IN INDIA

i) Supply factors: They are mostly driven by macroeconomic factors such as rising disposable income, enhanced internet access, gradually changing e-commerce interface, unbanked population. The government has taken major steps to make digital India by offering broadband connections to people with great speed internet access in rural segments of the community to bridge the gap of digital divide, imparting digital education, programmes that can promote Fintech companies. It includes all kinds of Startup India, Jan Dhan Yojna, recognition of P2P lenders, IRDA for Fintech. With more security aided features through Aadhar, Unified Payment Interface a robust digital interface is adequate to enhance the technological transition in India. The regulatory frameworks designed by SEBI, IRDA, RBI have taken measures and developed a secured system of financial transactions. As per the record of October 2020 UPI had seen participation of 261 banks with a record of 4.21 billion monthly transactions worth over US\$ 100 billion.

ii) Demand factors: The evolving financial industry has been good enough in providing a competitive edge technology solution and this way the approach becomes consumer-centric. The products are being offered as per customer requirements in tier-1 and tier-2 cities. From wire mode transactions the customers have switched to smart phone banking. It has become easier to target new customers through internet facilities. According to estimates before the pandemic COVID-19, 22 million Indians were seeking credit every month.

7. CONCLUSION

Financial technologies have become a milestone for millions of financial transactions. It has become more convenient and user-friendly platform to settle all kinds of dealings with more accountability and transparency. There is no doubt about its adaptability among people over the span of the next decade. It will ease users to establish more integrity, especially in the banking sector and create great flexibility by making users a regular one. It will assist in making a paperless economy on easy terms and conditions provided the benefits are derived as and when transactions are processed. Number of companies will have leverage to establish their entity in the market and promote these fintech enormously in times to come. Through these technologies' deposits, withdrawal, payments of bills will bring better transparency in the official accounts and it will assist government to generate fair competition in the market.

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