

CHALLENGES AND TRENDS IN FINTECH

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ABSTRACT

The main purpose of this paper accesses the opportunity and challenges in the fintech industry. It explains the evolution of the fintech industry and present financial technology (fintech) in the Indian finance sector. Digital transformation creates demanding situations in all industries and commercial enterprise sectors. The improvement of virtual transformation has additionally virtually prompted the emergence of fintech (economic generation) projects, that are diagnosed as a number of the maximum vital improvements in The economic Industry. These projects are growing rapidly, pushed in component via way of means of the sharing economy, regulations, and data era. However, studies with inside the area of fintech stays in its infancy.

Fintech gives numerous services, consisting of funding, payment (inclusive of digital wallets), e-aggregators-trading, and e-insurance, and cryptocurrencies consisting of Bitcoin. This affords a possibility to greater intently have a look at fintech's studies demanding situations and traits. This observes pursuits to (1) decide the Nation of the artwork of economic generation studies; (2) discover gaps with inside the economic generation study Areas; and (3) Discover demanding situations and traits for destiny studies potential. The fintech services India fastest growing in the world. The fintech services are going to change the habits and behaviour of the Indian finance sector.

Keywords: *Financial Technology, Artificial Intelligence, Open Banking, Block Chain, Financial Services, Fintech Revolution, Crypto Currency.*

INTRODUCTION

Fintech is a brand new monetary enterprise that applies generation to enhance monetary activities .fintech also can be taken into consideration as “any innovative ideas that enhance monetary carrier tactics with the aid of using featuring generation answers in line with different business

situations”. Advances in e-finance and cell generation for monetary companies, which drove the innovation of fintech, emerged after the worldwide monetary disaster in 2008. This development was characterised with the aid of using integration in e-finance innovation, Internet generation, social networking offerings, social media, synthetic intelligence, and huge analytic

data . This demanding situations many conventional financial institutions, which includes banks, to expand their commercial enterprise fashions in a extra sensible course In addition, start-ups noticed this as an possibility to go into the monetary offerings enterprise .Two forms of start-ups are applicable to this research, e-trade and monetary generation (fintech).Fintech is one of the maximum critical improvements with inside the monetary offerings enterprise and is pushed by economic sharing, regulation, policy, and facts generation .Like that of banks, the business model of fintech additionally specializes in fee and mortgage offerings. In addition, it consists of non-public financial consulting offerings, crowdfunding, digital currencies, and security (e.g., cyber security) Zavolokina et al. tested how fintech is perceived. The term “fintech” may be interpreted as the utility of facts generation with inside the fields of finance, monetary innovation, and

Innovation, similarly to start-ups (the monetary carrier enterprise out of doors of banks). There are sixFintech commercial enterprise models: coverage offerings, crowdfunding, payment, lending, wealth control, And capital markets .Clearly, the extra the extent of improvement of monetary generation offerings, The extra the demanding situations for businesses. Online mortgage offerings have precipitated controversy in communities, Which includes ethical hazard, mortgage defaults, and statistics asymmetry . The case of cash laundering through Bitcoin has additionally been broadly discussed. For this reason, it’s miles crucial for

regulators to formulate How this innovation have to be addressed with inside the rules. Regulators inspire innovation with inside the monetary

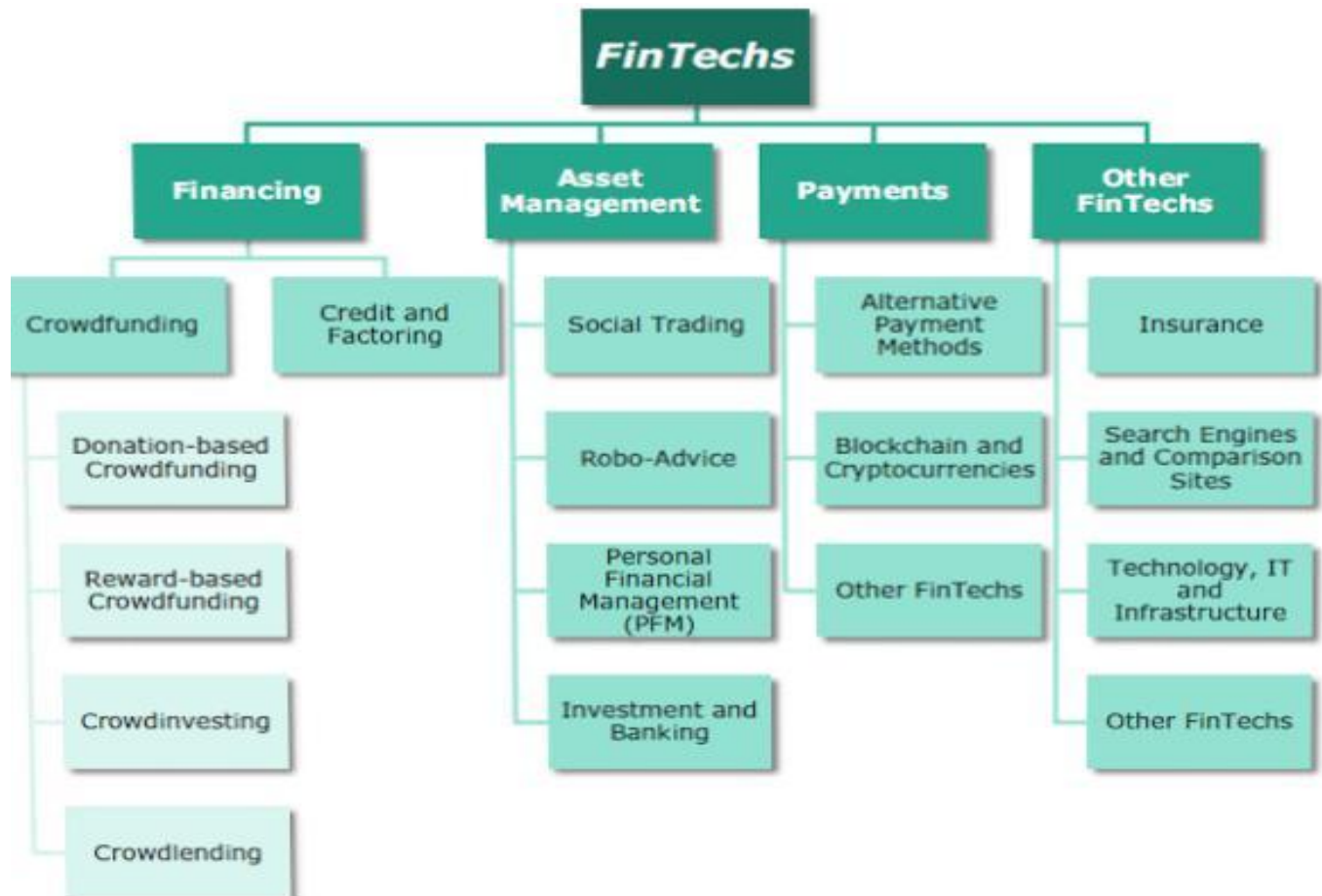
Region and follow the concepts of patron safety and danger control to attain secure and Suitable monetary offerings The records of technological innovation with inside the monetary region commenced with the emergence of checks As a method of payment. Subsequently, the Bank of America produced the primary credit score card (1958),And ATMs regarded to assist method monetary transactions in 1967, accompanied through the issuance of a debit Card as a transaction tool. In the 1990s, supported through the development of the Internet, Internet banking Turned into launched. In the 2000s, fintech trends of cellular bills and crowdfunding were Introduced. This suggests that fintech is a fast-developing enterprise, and it’s miles as a result essential to review Preceding studies to seize the evolution of monetary offerings To growth the expertise of academics, enterprise players, and regulators approximately the volume to Which the fintech enterprise is developing. This aims To: (1) decide kingdom of the artwork of monetary generation; (2) perceive gaps with inside the monetary generation Studies; and (3) perceive demanding situations and traits for future .

WHAT IS FINTECH?

Fintech refers to the radical techniques and merchandise that come to be to be had for monetary services way to virtual technological advancements. More precisely, the Financial Stability Board defines fintech as —technologically

enabled monetary innovation that might bring about new commercial enterprise models, applications, techniques or

merchandise with an related cloth impact on monetary markets and establishments and the availability of monetary services.



Segments and elements of FinTech :

FINTECH IN INDIA

According to the file of India is transitioning right into a dynamic surroundings offering Fintech start-ups a platform to probably develop into billion greenback unicorns. From tapping new Segments to exploring overseas markets, fintech start-ups in India are pursuing more than one aspirations. The Indian fintech software program marketplace is forecasted to the touch USD 2.4 billion through 2020 from a currents 1.2 billion,

as in line with NASSCOM. The historically cash-pushed Indian economic system has responded Properly to the fintech opportunity, often brought on through a surge in e-commerce, and Smartphone Penetration. The transaction price for the Indian fintech zone is expected to be approximately USD 33 billion in 2016 and is forecasted to attain USD 73 billion in 2020 developing at a five-yearCAGR of twenty-two percent. The investor interest has been focused

toward hi-tech towns in 2015, with Bengaluru Witnessing 11 VC-sponsored funding offers of USD 57 million, accompanied through Mumbai and Gurgaon with 9 and 6 offers, respectively. Bengaluru, the start-up capital of India has Benefitted from the equal and is ranked 15 a number of the world's foremost start-up towns. India's increase wave may also nevertheless now no longer be of the dimensions whilst regarded in opposition to its worldwide counterparts, butut's far stacked well, in large part because of a robust skills pipeline of easy-to-rent and cheaper Tec workforce. From wallets to lending to insurance, the offerings of fintech have redefined the manner in which corporations and customers perform ordinary transactions. The growing adoption of these developments is positioning India as an appealing marketplace worldwide.

ADVANTAGES OF FINTECH

❖ **Greater accessibility:**

- This additionally interprets into an growth with inside the banked populace considering every body with net get right of entry to can open an account and follow for a mortgage with none problem. On average, Fintech have reaction instances for candidates that variety from 10 minutes to forty eight hours.

❖ **Time optimization:**

- Thanks to the reality that each one strategies are performed via the Internet, it isn't necessary, in

maximum cases, to visit a bodily branch.

❖ **Variety of offerings:**

- Fintech have controlled to section offerings, in order that an entire variety of offerings is offered, consistent with the wishes of each economic offerings customers and providers.
- On the customers' side, economic offerings variety from commencing a financial savings account, making use of for a credit score card, numerous styles of insurance, to making an investment in a employer soliciting for budget to expand, in addition to in worldwide economic markets
- On the a part of economic carrier providers, fintech provide answers starting from reading the profiles of credit score candidates, storing statistics with inside the cloud, streamlining charge methods, amongst many others.

❖ **Cost reduction:**

- Another of the top notch differentiators of fintech, with which maximum of them intend to compete in opposition to conventional economic companies, is that the significant majority of fintech provide decrease commissions than banks.

DISADVANTAGES OF FINTECH

- ❖ **Lack of bodily branches:**

- This may be a drawback while there may be a trouble with inside the provision of the service, in view that the whole thing should be handled through e mail or social networks
- Although on this issue a few fintech provide as a differentiator using block chain era to enhance security, now no longer they all do so, a state of affairs that places the safety of consumer records at risk
- Although for lots it's far as clean as the use of their smartphones, the reality is this situation straight away excludes a totally big a part of the populace that doesn't have get admission to the Internet, and therefore, can have problems to grow to be banked, inspite of the lifestyles of Fintech.
- ❖ **Lack of regulation:**
- It is a fact that it's far one of these infamous phenomenon that government round the arena continue, in lots of cases, to have a look at and legislate this phenomenon.
- So, the policies round fintech with inside the international aren't perfect, and there may be the opportunity that a number of those can be a few capability fraud with inside the absence of regulations.

ECOSYSTEM COVERAGE OF THE INDIAN FINTECH SECTOR

Government

- The authorities is evidently the prima facie catalyst for the fulfilment or failure of fintech in a

heavily Regulated monetary industry. The Government of India together with regulators which include SEBI and RBI are aggressively helping the ambition of the Indian financial system to emerge as a cashless digital Financial system and become a robust fintech surroundings through each investment and promotional tasks. (Fintech in India KPMG file 2016)

- The following multi-pronged technique has been taken to permit penetration of the digitally Enabled monetary systems to the institutional and public communities:

Funding Support

- The Start-Up India initiative released with the aid of using the Government of India in January 2016 includes USD 1.5 billion fund for start-ups.

Financial inclusion and enablement

- Jan Dan Yojana: brought over two hundred million unbanked people into the banking sector
- Aadhar has been prolonged for pension, provident fund and the Jan Dhan Yojana.

Tax and surcharge relief

A few fantastic tasks in this the front are:

- Tax rebates for traders accepting greater than 50 percent of their transactions digitally.
- eighty percent rebates at the patent charges for start-ups.

- Income tax exemption for start-ups for first 3 years.
- Exemption on capital profits tax for investments in unlisted corporations for longer than 24 Months (from 36 months wished earlier).
- Surcharge on on line and card bills for availing of presidency offerings proposed to be Withdrawn with the aid of using the Ministry of Finance.

IP facilitation guide

- Start-ups gets guide from the authorities in charges of facilitators for his or her patents filing, Trademark and different layout work.

Infrastructure guide

- The Digital India and Smart Cities initiatives have been launched to promote digital infrastructure development in the country as well as attract foreign investments.
- The government recently launched a dedicated portal to provide ease in registration to start-ups.



THE FUTURE OF FINTECH IN INDIA

As we understood, Fintech has already brought about a revolution and Fintech marketers have begun to disrupt the economic offerings enterprise in numerous forms. Let us now discover the Fintech environment and the sectors in Fintech with a purpose to roll the following set of innovations.

Blockchains-

Traditionally, transactions wished a 1/3-celebration validation to take place. Then got here blockchains which did away with 1/3 element reconciliation and supplied cryptographic security. Bitcoins, which use the blockchain technology, have already turn out to be a rage. But blockchains are anticipated to move manner past simply bitcoins, price transactions, banking enterprise and foray into diverse different sectors like media, telecom, tour and hospitality etc.

Alternate lending-

Traditional banking enterprise located it unprofitable to lend to small Marketers. Fintech marketers took benefit of this possibility through diving into Peer to Peer (P2P) primarily based totally lending and constructing internet systems to carry collectively the creditors and Debtors at decrease hobby rates. This fashion is ready to retain and different trade lending Avenues like crowd investment are set to emerge similarly.

Robo advisory-

Earlier intermediaries performed an essential position among the inventory marketplace and The investors. Many instances this brought about non-traceable and inefficient transactions. Robo advisory Will make the inventory marketplace simpler to access, obvious and traceable and provide greater cost Addition to the smarter investors.

Digital payments-

Fintech start-ups have elevated the velocity and comfort of payments. Mobile wallets have already changed conventional wallets in a number of locations and could penetrate Similarly with higher and quicker price options. And yes, ATMs becomes redundant too.

Insurance sector-

Currently, we will locate diverse on-line marketplace locations wherein purchasers can Evaluate their coverage rules and take prudent decisions. Fintech will similarly carry in Technological revolution with inside the coverage cost chain via automation pushed through information and Thereby now no longer simplest lessen the value of operations however boom the duration and breadth of products To be had with inside the marketplace.

TOP FINTECH COMPANIES IN INDIA

Ranking	Company Name	Business Categories	City	Total Funding (In Million \$)
1	Paytm	Mobile wallet, e-commerce platform and payment bank.	Noida	890
2	Mobikwik	Mobile wallet, recharge, bill Payments.	Gurgaon	87

3	Bank Bazzar	Online marketplace providing customized rate quotes on loans and insurance products.	Chennai	80
4	Policy Bazzar	Leading online insurance aggregator in India.	Gurgaon	70
5	Fino Pay Tech	Financial inclusion technology Provider.	Mumbai	66
6	ItzCash	Multi Purpose Prepaid Cash Card.	Mumbai	51
7	CapitalFloat	Online lending platform for small Businesses.	Bangalore	43
8	Mswipe	PoS terminal for accepting card payments.	Mumbai	37
9	Ezetap	Payment device maker.	Bangalore	37
10	Citrus Pay	Payment gateway and mobile In Wallet.	Mumbai	36.5

CHALLENGES AND FUTURE PERSPECTIVES

- ❖ India, recognition of diverse cashless modes bills turned into visible after demonetization notes.
- ❖ The authorities itself recommended everybody in the direction of the cashless technology like virtual Wallets, Internet banking, and the mobile-pushed factor of sale (POS).
- ❖ Linking with the Aadhaar card, eKYC, UPI and BHIM had restructured the economic quarter

in India. After the ban of 500 and a thousand notes, it turned into suggested that virtual transactions raised up to 22% in India FinTech start-ups like PayTM noticed 435% of greater site visitors to the web sites and Apps. This brought about the boom of many FinTech start-ups in India as there are many Possibilities to grow.

- ❖ Digital Finance corporations have benefited from many authorities' start-up policies. Reserve Bank Of India additionally allowed an clean manner to begin a FinTech start-up.
- ❖ Government is likewise offering theEconomic help for start-up's up to one crore.
- ❖ Customers began out accepting the virtual Forex for each private and business use.
- ❖ Due to diverse modifications with inside the Indian economy, the economic shape of Indian banks and Economic establishments had been modified and virtual pockets have become a obligatory channel for the Switch of bills.
- ❖ Integration of IT with finance brought about the growth with inside the price of virtual cash like Bitcoins.
- ❖ Crypto forex, Block chain machine brought about quicker transactions of virtual bills.
- ❖ Banks like HDFC, Federal Bank etc. connected there legitimate virtual transactions with the smallStartup in India like Start-up Village which brought about the boom even in small FinTech start-ups.
- ❖ Modernization of the lifestyle quarter of banking and finance had

elevated greater customers, Decreased the time and had been capable of offer rapid and short offerings to the customers.

- ❖ FinTech enterprise additionally has few challenges, like Fintech start-ups, discover a little tough to reach The developing section with inside the commercial enterprise cycle.
- ❖ Collaboration and adoption rate is quite less but the ratio is moving upwards with a 59% Increase in the digital payments.

CONCLUSION

The end result of this study indicates that Fintech enterprise alternate for the economic offerings in India. And India's quickest developing fintech enterprise with inside the world. In the feature, Indian fintech software program market Is forecasted to the touch USD 2.four billion with the aid of using 2020 from a present day USD 1.2 billion, as consistent with NASSCOM.The historically cash-pushed Indian financial system has answered properly to the fintech opportunity, In general caused with the aid of using a surge in e-commerce, and Smartphone penetration. The transaction value For the Indian fintech quarter is envisioned to be about USD 33 billion in 2016 and is Forecasted to attain USD seventy three billion in 2020 developing at a five-yrs. CAGR of twenty-two percent. The Indian Authorities additionally makes a speciality of and encourages fintech enterprise and sell new thoughts and Improvements talk to the fintech enterprise. Fintech is an rising idea with

inside the economic enterprise. Financial era innovation in India greater gain for the Indian financial system, the Fintech offerings greater steady and user-friendly. The Fintech offerings lessen their expenses for economic offerings.

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