

Digital Finance Revolution: A Technical Perspective on Opportunities and Threats in India's Fintech Sector

J Pradeep kumar

Koneru Lakshmaiah Educational Foundation, KLEF, Vaddeswaram, Guntur- 522302, Andhra Pradesh, India

ABSTRACT

Fintech means financial technology now these days various types of technologies are provided for banking sector. India has adopted information technology and has given the preference to internet banking. Fintech sector is playing an important role in reducing operation cost, management information system, point of sale technologies, ATM(automated teller machine), smart cards, mobile payment app (paytm, mobiwik, zaggle, pinelabs etc. Fintech plays an important role towards banking sector progress and is anticipated to get bigger in coming times. As per research government should take proper action to up skill people towards the adequacy of digital money product. Formal assistance, pedagogy and guidance of the fintech services will bring down the number of traditional method of legal tender transaction in the economy. In this research paper the challenges opportunities and threats of banking sector have been discussed.

Keywords: - Fintech, Financial technology, Banking sector, Customer awareness, Online banking

INTRODUCTION:-

The term fintech derives from two words financial and technology. Its main motive is to introduce new technologies for the financial services. In the current scenario the fastest growing fintech scope across the globe is India .due to which the walks in the banks have seen significant reduction. Fintech is giving the power in the hands of common people and helpful in reducing cost or cutting middleman and allowing transparency which is more important to make information accessible. India which used to be cash driven country but now it is taking multiple steps to create a cashless society. The mindset of people has changed towards the way they do their daily transactions and takes care of their hard-

earned. Which results in fast track use of mobile wallets, apps and other technology products designed for patrons? Fintech has increased accessibility and speeds up the rate approval for finance in many situations the process is completed at brisk speed. (Dorfleitner Hornuf, Schmitt, & Weber, 2017) Fintech firms aim to attract customers with products and services that are more user-friendly, efficient, transparent, and automated than those currently available. According to Leong and Sung (2018), fintech can also be considered as “any innovative ideas that improve financial service by process by proposing technology solutions according to different business situations”. A cashless arrangement is not a financial scheme with the out-and-out elimination of money but an economic setting in which goods and services are traded through various e-payment options (Adeyemo, Isiavwe, Adetula, Olusanmi, & Owolabi, 2020). According to Alonso, Jorge-Vazquez and Forradellas (2021), digital cash is the central bank’s digital currency which is an electronic form of money issued and backed by a central bank.

RESEARCH OBJECTIVES

1. To study the recent development opportunities and threats in fintech (financial technology)
2. To highlight the role of technology in banking sector.
3. To identify the consumer acceptance of new financial technology.
4. To come up with theoretical view about the fintech.

RESEARCH METHODOLOGY

This review is descriptive in nature and is based on secondary data gathered from various websites, journals, magazines, blogs, newspaper, reports, articles and publications. The leap up of technology has forced financial institutions to commute their functioning routine and adoption of new technology, opportunities and threats. Challenges faced by banks and consumer in the current scenario of financial technology.

REVIEW OF LITERATURE

Cordelia Onyinyechi Omodero (2021)

Digital money products are used in this study for analyzing the multiple regression

Research paper

© 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Issue 2, 2022

technique. The study suggests the complete execution of cashless policy, actual pedagogy to the people and provides benchmark to check the online duplicity. Financial inclusion received from fintech innovation. It demolished the gap between the banked and unbanked which result in impartial economic enlargement. The main aim for this study is to explore the e- money services for the economic development. E-money services have been proved as the booster for the economic activities and play a vital role for economic development in both public and private sector business activities.

Dr. C. Vijai (2019)

The Aim is to access the challenges and opportunity of the financial technology industry of India. The merits of fintech services include reducing of operation cost and are user friendly .These assistance will swap the nature and behavior of Indian financial sector. Some of future fintech innovations are:- cloud technology, digitaltransformation, process and service externalization ,advanced analytics , robotic process automation ,smart contracts , block chain, artificial intelligence

Vinay Kandpal(2019)

This research has shown now India has launched digital banking solution with support from big high tech supportcompanies to reach out to the bucolic groups and enlighten them about the financial services. The lack of awareness of the financial services and products to the rural population leads to hindrance in the economic growth of the nation as majority of population don't even have access to the credit policy of the banks .new technology will not be a success the transparency and relationship between the financial institutions and customers are up to mark i.e full privacy of the consumer and security.

According to KPMG (2016)

India is offering a platform to fintech starts ups to grow in to billion dollar unicorn and so as the fintech adoption index has shown a massive growth in adoption of financial services in 2017 leading India to second highest adoption in top 20 markets with a rate of 52% government has took initiative along with SEBI and RBI to make Indian economy cash free, cybernated and come out as a sturdy fintech ecosystem. Money progress has also been launched as just by starting the Jhan Dhan Yojna over 200 million unbanked people were added in to the banking sector.

P.Krishna Priya, K.Anusha (2019)

Research paper

© 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Issue 2, 2022

Superfluity of fintech comes in to view in India in all segments of financial services. By perceive the speed of fintech emergence the entrepreneurial potential of India cannot be declare untrue .there are approx 2600 fintech firms in India and among half of them just started their operations just 3 years back. All these firms need to be brush well technically and financially. In payments space there are many successful starts up and so is expected to be in other financial fragments, Government and other regulatory bodies to buoy up fintech industry.

Roy Kurniawan (2021)

The online lending platforms offer loans and other benefits to the undeserved segments. But shallow communal confidence is one of the most crucial challenge of Financial technological industry and the reason for that is money online lending platform do not comply with the regulations and they play trump card with the individual who are in monetary problems and are in need of money. So to get the trust of the public these online lending service providers should introduce their services on social media .so as public can have the acceptance of their services and can avail the benefits.

Ahmad Daragmeh , Csaba Lenter ,Judit Sagi (2021)

Financial institution and financial technology has increased their investments in fintech innovations. Mobile payments has changed the perception of people how they view their mobile. It has changed the way the customer and merchant transact. It has reshaped the way of making payment anywhere and anytime. Pandemic has bolster up payments habits and has increased society acceptance towards smart payments solutions.

Asror Nigmonov , Syed Shams, Khorshed Alam(2021)

Peer to peer lending is taken as a market place to connect the borrower and Investor of funds electronically. A simple registration form is filled by borrower and lender for a rigorous credit assessment. No prior relationship between the parties is required. It reduces the time of processing the loans and analysis the credit worthiness ofthe borrower faster. Although the online lending industry is expected to grow at 52% from 2016 to 2022, still there are many challenges for lenders, borrowers and platform providers which needed to be take care of.

Opportunities

- **Facilitate the access to capital:** - P2P platforms helps in furbish money

- overdraft to borrowers and to those who do not have the opportunity to use bank loans.
- **Technology innovation:** - Digital finance has broad dissemination to financial services as technology has reached remote locations.
- **Money value:** - Bitcoins and Cryptocurrency has increased the value of digital money.
- **Cost advantage:** - Fintech enterprise offers lower transaction cost and swift banking. Transfers and payments are made at brisk speed and the cost of doing it are lower.
- **Intensification of technology:** - Fintech platforms are providing different means to shield anonymity and prevent statistics leakage.
- **Time saving:-** Modernization will lead to increase in client , reducing their time and provide better services In less time

THREATS

Fintech risk and threats comes from concern about functioning insecurity, obedience, equity of banks finding initiator and the stakes. The risks involved in fintech are as follows:-

- **Market share:-** The speed of separation of banks to other non banking firms or bigtech firms increases risk of profit of individual banks. They might lose their share if new bigtech firms use innovations more effectively and provide less expensive services.
- **Risk of fraud or malpractice:-** Frauds can occur at both lending or purchase of securities on tech platforms.
- **High operational risk:-** The appearance of new fintech enterprise to the banking sector increase the trust of apparatus and new players which might have bounded proficiency and understanding in managing risk which may result in high operational risk.
- **Cyber crime:-** High dependency of API, cloud computing or other technology open the door for inter connecting of data could make the banks server more in jeopardy to cybercrimes and might expose sensitive data to potential breaches.
- **Liquidity risk :-** The new technology can create opportunities for customers switch

- between savings account and demand accounts mutual funds to have a higher return .this can effect customer loyalty which in turn could results in higher liquid risks for banks.
- **Intensification of technology:-** Fintech platforms are providing different means to shield anonymity and prevent statistics leakage.

CONCLUSION

India is the 3rd largest country towards the adoption and implementation of fintech services. In today's scenario we can say that India is not that same old India that it used to be 10 years back. Today's India is the advanced India which has adopted all new financial innovation for digitalization and development of banking. This level of Development, includes new tools and techniques that the country has adopted so well that it has gone from a fullfledge cash transaction system to cash less transaction.

REFERENCE

- [1]. FinTech and macroeconomics: Dataset from the US peer-to-peer lending platform ,Asror Nigmonov *, Syed Shams , Khorshed Alam : Business School, University of New South Wales, Australia; School of Business, Centre for Health Research University of Southern Queensland, Australia
- [2]. Financial geography II: The impacts of FinTech – Financial sector and centres, regulation and stability, inclusion and governance, DariuszW´ojcik, University of Oxford, UK, Progress in Human Geography 2021,Vol.45(4) 878–889 ^a The Author(s) 2020 Article reuse guidelines: [sagepub.com/journals-permissions](https://www.sagepub.com/journals-permissions) DOI:10.1177/0309132520959825 journals.sagepub.com/home/phg
- [3]. Progress in Human Geography,2021, Vol. 45(4) 878–889 ^a The Author(s) 2020, Article reuse guidelines: [sagepub.com/journals-permissions](https://www.sagepub.com/journals-permissions), DOI: 10.1177/0309132520959825 journals.sagepub.com/home/phg
- [4]. FinTech payments in the era of COVID-19: Factors influencing behavioral intentions of “Generation X” in Hungary to use mobile payment ,Ahmad Daragmeh a, Csaba Lentner b,*, Judit Sági c a Doctoral School of Economics and Regional Studies, Hungarian University of Agriculture and Life Sciences, H-2100

- [6]. *Research paper* © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Issue 2, 2022
- [7]. Páter Károly str.1., Gödöllő, Hungary Faculty of Public Governance and International Studies, National University of Public Service, Budapest, H-1083 Ludovika sq. 1., Budapest, Hungary Faculty of Finance and Accountancy, Budapest Business School – University of Applied Sciences, H-1149 Buzogány str. 10-12., Budapest, Hungary
- [8]. International Journal of Recent Technology and Engineering (IJRTE) ISSN: 2277-3878, Volume-8 Issue-3, September 2019 , 904 *Published By: Blue Eyes Intelligence Engineering & Sciences Publication Retrieval Number: C4087098319/19©BEIESP DOI:10.35940/ijrte.C4087.098319*, Fintech Issues and Challenges in India
- [9]. Examination of the Variables Affecting Customers', Acceptance of Online Lending Platform Roy Kurniawan
- [10]. Information Systems Department, School of Information Systems Bina Nusantara University
- [11]. Jakarta, Indonesia 11480, roy_kurniawan@binus.ac.id
- [12]. Sustainable Development of a Mobile Payment Security Environment Using Fintech Solutions Yoonyoung Hwang 1, Sangwook Park 1,* and Nina Shin 2,*Citation: Hwang, Y.; Park, S.; Shin,
- [13]. N. Sustainable Development of a Mobile Payment Security Environment Using Fintech Solutions. Sustainability 2021, 13, 8375. <https://doi.org/10.3390/su131583754.0/>.
- [14]. . Available online 3 December 20200040-1625/© 2021 The Author(s). Published by Elsevier Inc. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).
- [15]. Has Covid-19 accelerated opportunities for digital entrepreneurship? An Indian perspective Sachin Modgil a, Yogesh K. Dwivedi b, Nripendra P. Rana c,* , Shivam Gupta d, Sachin .
- [16]. *Int. J. Business Excellence, Vol. 11, No. 1, 2017*, Copyright © 2017 Inderscience Enterprises Ltd. A study on customer's perception of online banking and e-service quality among Chennai customers

Research paper

© 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Issue 2, 2022

- [18]. G. Kumar* and V.M. Shenbagaraman Faculty of Management,SRM University, Kattankulathur, Tamil Nadu, India
- [19]. Presented in the International Conference on Economics and Administrative Sciences ICEAS2018 Applied Sciences University, Jordan. 11-12 April 2018. 1 Financial Technology in Banking Industry: Challenges and Opportunities *Ahmed T.Al Ajlouni* Monir Al-hakim***
- [20]. FINANCIAL INCLUSION: THE ROLE OF FINTECH AND DIGITAL FINANCIAL SERVICES IN INDIA,VINAY KANDPAL* AND RAJAT MEHROTRA***Indian Journal of Economics & Business, Vol. 19, No.1 (2019) : 85-93*
- [21]. Impact of COVID-19 On Fintech Industry, Dakshata Nair1*, Mounika Veeragandham2, Priya Pamnani3, Sumit Prasad4, M. Guruprasad5 1,2,3,4,5Department of PGDM, Universal Business School, Karjat, India
- [22]. Challenges and Trends of Financial Technology(Fintech): A Systematic Literature Review Ryan Randy Suryono 1,2 , Indra Budi 1,* and Betty Purwandari 1
- [23]. International Journal of Future Generation Communication and Networking Vol. 13, No. 3, (2020), pp. 4143– 41504143 ISSN: 2233-7857 IJFGCN Copyright ©2020 SERSC Fintech In India ,C.Vijai1, D.Joyce2, M. Elayaraja3
- [24]. Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 6, 2021, Pages. 5419 - 5431 Received 25 April 2021; Accepted 08 May 2021. 5419 <http://annalsofrscb.ro> Impact of Fintech on the Profitability of Public and Private Banks in India Dr.Girish Kumar Painoli1,Dr.D.Paul Dhinakaran2,Dr.C.Vijai3
- [25]. DOI MUNBER: 10.5958/2319-1422.2019.00002.X FINTECH IN INDIA – OPPORTUNITIES AND CHALLENGES Dr. C. Vijai*ISSN: 2319-1422 Vol 8, Issue 1, January 2019, Impact Factor SJIF 2018 = 5.97
- [26]. . Article Sustainable Development of a Mobile Payment SecurityEnvironment Using Fintech Solutions Yoonyoung Hwang 1, Sangwook Park 1,* and Nina Shin 2,*Citation: Hwang, Y.; Park, S.; Shin,
- [27]. N. Sustainable Development of a Mobile Payment Security Environment Using Fintech Solutions. Sustainability2021, 13, 8375.

[29]. *Research paper* © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Issue 2, 2022

<https://doi.org/10.3390/su13158375>

[30]. Indian Journal of Science and Technology, Vol 8(33), DOI:

10.17485/ijst/2015/v8i33/78280, December 2015

[31]. *,Banking Technology Innovations in India: Enhancing Customer

Value and Satisfaction . V. Rao and SrinivasaRao Budde

[32]. The Fintech Revolution: A Threat to Global Banking?No. 14, April 2018, Juan J.

Cortina Sergio L. Schmukler