A Study on Fintech's Impact on Present and Future

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ABSTRACT

Financial technology (Fintech) has been growing rapidly globally. This study investigates the key factors of Fintech growth, its role in reinventing the field of financial services, and the potential influence on industry models of operation. The study also examines Fintech investment trends in global and regional markets, as well global alternative finance market, and identifies a number of strategic obstacles and possibilities for incumbent financial institutions.

Keywords: Banks, Technology, Finance

OBJECTIVE OF THE STUDY

- Understanding about Fintech
- Future of fintech and its impact.

INTRODUCTION

FinTech popular phrases emerge. FinTech is being described as "disruptive," "revolutionary," and "armed with digital weapons" that will "tear down" walls and established financial institutions. FinTech's do indeed offer the same services that banks do, but differently and unbundled. Technologies may even make this possible. For instance, crowdsourcing platforms change savings and investments just like banks do. But unlike banks, they do not carry out risk and maturity transformation; instead, they directly match lenders and borrowers, investors and investment opportunities. Their information is based on big data rather than long-term relationships, and access to services is only decentralised through internet platforms. Disintermediation exists in this situation. These are solely FinTech-related actions. However, the scope of these pure FinTech unbundled activities is constrained. For instance, platforms find it challenging to provide their customers with various investing choices without carrying some of the risk themselves or otherwise securitizing loan portfolios.

Banks continue to provide support for other activities that FinTech's do in place of banks, such as payment systems (such as Apple Pay in place of credit cards). Because of the effectiveness of these new systems, banks expand their range of activities while losing some of their margins but keeping the final interaction with their clients. Therefore, banks and FinTech's may work well together in this instance. There are numerous bundled services and activities in the value chain of banks.

FinTech often perform one or a few of these tasks separately. However, bundling offers significant scope economies. The ability of banks to package services like deposits, payments, loans, etc. is precisely the foundation and the core of banking economics. As a result, if FinTech's want to grow their business (as in the case of the crowdfunding example above) or link their services with those of banks (as in the case of the payment systems example above), they will also need to package a number of services.

How does Fintech work?

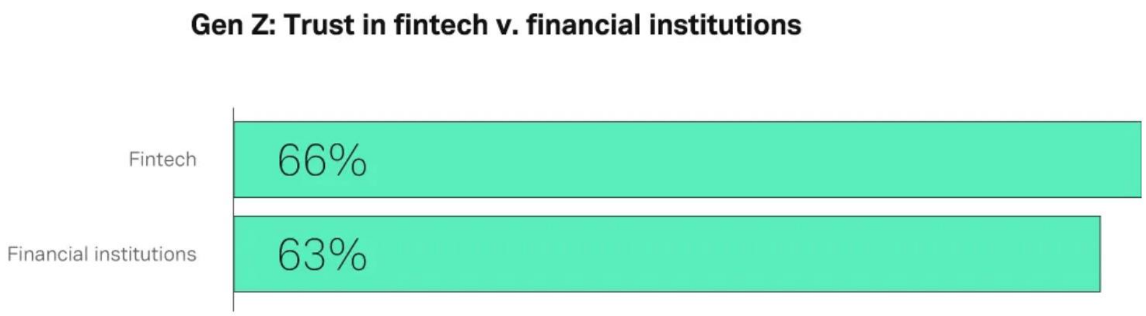
Fintech apps come in a variety of varieties and operate in various ways. With an app or service that performs an activity to augment or enrich such data, financial account data (such as transactions and account balances) can be securely unlocked.

For instance, wealth and financial management applications will compile financial account data from many accounts into a single, simple-to-read snapshot, giving consumers fast access to all of their financial data. Based on the information supplied, the same applications can also recommend actions users might take to strengthen their financial situation.

Fintech apps can also be funded from current bank accounts and then used to carry out transactions like stock or cryptocurrency trading. Users can quickly and easily transfer money from their bank accounts into a separate account where they can make a variety of investments using platforms like Robinhood and Coinbase, which are classic examples.

The following forms of "plumbing" are required for fintech apps to function:

Financial APIs (application programme interfaces) enable users to transfer money, share financial data, and authenticate their identities by connecting their bank accounts to fintech services and apps in a safe and secure manner.



Mobile apps: The majority of fintech businesses include a mobile app so that customers can access their money and data at any time. Mobile apps are almost always associated with fintech, whether they be investing platforms, financial management tools, or digital banking apps.

Web-based solutions: In addition to providing a mobile app, some (but not all) fintech companies also provide a web-based option that allows customers to log in and use the same features as the mobile app.

Types of Fintech

Business-to-business (B2B), business-to-consumer (B2C), and peer-to-peer (P2P) marketplaces all include a variety of use cases for fintech. The financial services sector is evolving because to several fintech types, some of which are listed below.

Banking:

Banking services, one of the core elements of the financial system, have been disrupted by the fintech sector. Technology like Plaid's own Auth and Identity, respectively, has made things like account opening and funding as well as a decrease in fraudulent sign-ups quick and simple. Neo-banks like Current, in contrast, provide adaptable personal checking accounts, quicker direct deposits, and even teen banking products—all without the standard fees that often prevent people from attaining their economic goals.

Payments:

Payments made without cash are increasing. Cashless transactions now account for 31% of all payments in the US and 60% in the UK since the start of the pandemic. Payment services and apps have proliferated concurrently. That's because getting customers signed up and authenticated has been quicker and simpler, and collecting payments via direct bank transfer is substantially less expensive than getting them using credit cards. By using the ACH network, Plaid enables users in the US to rapidly link their bank account to an app or service in order to make digital payments (Shift, for instance, wants to make buying a used automobile less complicated).

Personal finance management (PFM):

These apps make it simpler for customers to remain on top of their money by combining financial data from numerous accounts into a single dashboard. People who use these services can better budget, manage, and understand their finances.

Wealth:

Financial advisors and wealth management platforms can better develop assets under management (AUM) and provide more comprehensive financial advice by aggregating held-away account information with the use of fintech solutions. For instance, Atom Finance provides a range of services and tools to enable consumers to explore and manage all of their investments in a single location. Customers can easily and affordably access investment, education, and financial advising items through the subscription platform Stash.

Embedded finance:

Financial services that are smoothly integrated into customers' everyday lives through non-financial goods and services are referred to as embedded finance. For instance, Shopify users may manage their businesses and be paid more quickly with the help of Shopify Balance's business checking accounts. Shopify Balance is a financial product that is "embedded" in a non-financial product because Shopify is not a financial institution. Through API connections that integrate financial services directly into the product or user experience of non-financial enterprises, businesses like Unit and Checkout.com are contributing to the widespread adoption of this.

REVIEW OF LITERATURE

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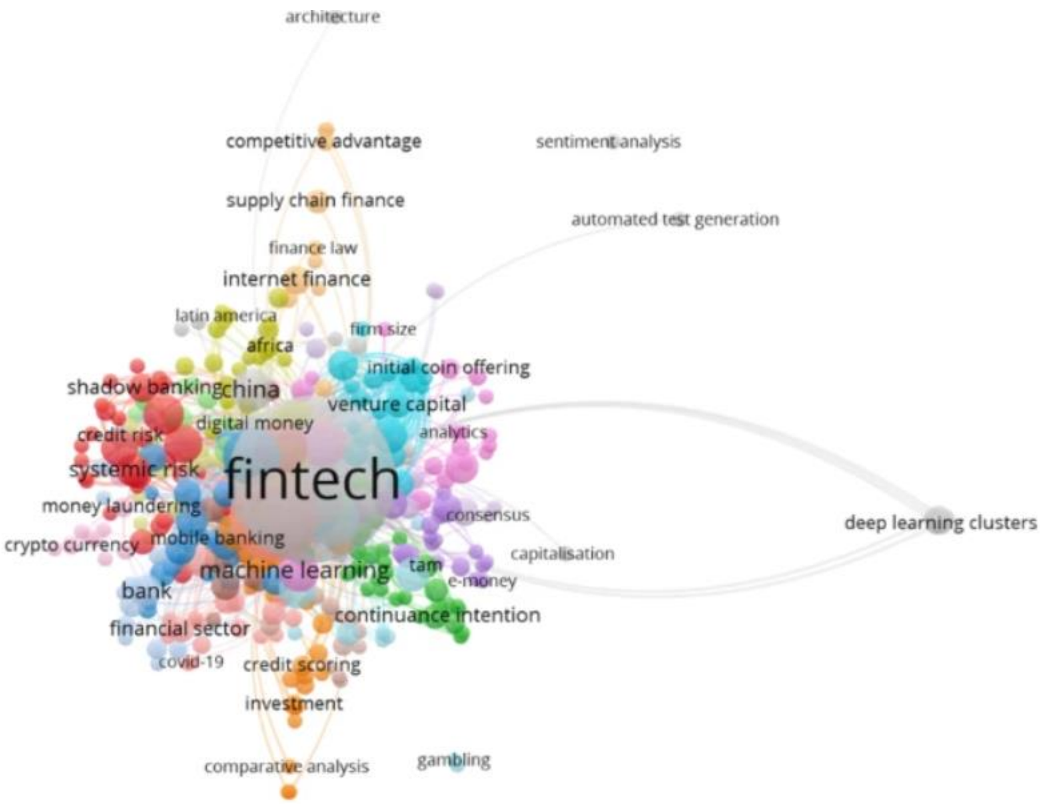
- Degryse, H., and Ongena, S. (2007). The impact of competition on bank orientation. Journal of Financial Intermediation, 16, 399-424.
- The Pulse of Fintech 2018: Global Report on Fintech Investment Trends. KPMG, April.
- An issue in the regulatory debate is whether and how FinTech will affect financial stability (Demertzis et al., 2017, Vives, 2017).
- Increased regulatory burdens might favour the emergence of shadow banking (Buchack et al., 2017).

RESEARCH METHODOLOGY

In this article the data presented is one of the most widely used databases. The contents in the derived documents are representative, including title, abstract, keywords, citations and references.



Like mentioned in the above picture the Fintech research can be done in various fields such as bank, machine learning, continuance intension, capitalisation and many more...

The future of Fintech

The future is all about the technological advancements, various updated and machine automations wherein the financial sector is growing more rapidly in different pace which is a positive note especially for India. Fintech is quickly spreading across the world, being driven by innovators and closely followed by academics. Regulators are increasingly taking notice of this phenomenon. Fintech, in its broadest sense, refers to both the novel financial services that are enabled by technology and the business models that support them.

Fintech is a general phrase that can be used to refer to any innovation that has to do with how companies try to enhance the production, distribution, and usage of financial services. The legacy financial institutions in developed economies will be forced to explain their strategies, build new capabilities, and change their cultures as a result of this trend, which has so far mostly affected developing economies like China and India (Ernst & Young, 2017).

Conclusion

Fintech is quickly spreading across the world, being driven by innovators and closely followed by academics. Regulators are increasingly taking notice of this phenomenon. Fintech, in its broadest sense, refers to both the novel financial services that are enabled by technology and the business models that support them. Fintech is a general phrase that can be used to refer to any innovation that has to do with how companies try to enhance the production, distribution, and usage of financial services. The legacy financial institutions in developed economies will be forced to explain their strategies, build new capabilities, and change their cultures as a result of this trend, which has so far mostly affected developing economies like China and India (Ernst & Young, 2017).

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