

IMPACT OF FINTECH ON TRADITIONAL FINANCIAL SYSTEM IN INDIA

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Abstract:-

In today's world of technology, we see and use various products and services which include some or the other kind of technologies. Technology have not left the financial institutions from its impact. No matter positive or negative, when it comes to affect society, economy or industry it becomes a matter of discussion. In this Journal a brief study on the new innovation of FINTECH and its impact on TRADFI has been covered. The purpose of the study is to make society aware of the innovation, its use and its impact through the observations taken in survey and descriptive research form.

Introduction:-

FinTech means the technology which is used by financial sector to provide better and more accurate services to their customers. These technologies are created to improve and automate the traditional forms of finance for businesses and customers. With the use of smart phones, computers and algorithms, it has become much easier to manage the financial services both for businesses and the customers.

Examples of Fintech includes Mobile banking, Trading platforms, peer-to-peer payment services, etc.

Traditional finance also known as **TradFi** can be described or introduced as; obtained from banking systems and/or capital markets. That assumes that investors are rational and make decisions based on all available information. In short, TradFi includes intermediaries/ third parties to manage the transactions of capital assets on behalf of the user in manual methods to organize finances:- lending, borrowing, and saving money. It is a centralized financial practice.

Examples of TradFi includes Bank loans, Bond issuance, Stock issuance, etc.

FINTECH	TRADEFI
Paytm	Bajaj Finserv
PolicyBazar	Aditya Birla Capital
PineLabs	Mahindra Finance
BillDesk	Muthoot Finance
Zerodha	Shriram Finance Limited
Upstox	Indiabulls Housing finance limited
Acko	Power finance corp.ltd.
Groww	HDFC Bank
Capital Float	Tata Capital Limited
Bank Bazar	Capital Float
PaisaBazar	Cholamandalam Investment and finance.
Financepeer	Many more...
Cleartax	
Lendingkart	
Moneytap	
Razorpay	
InCred	
Many more...	

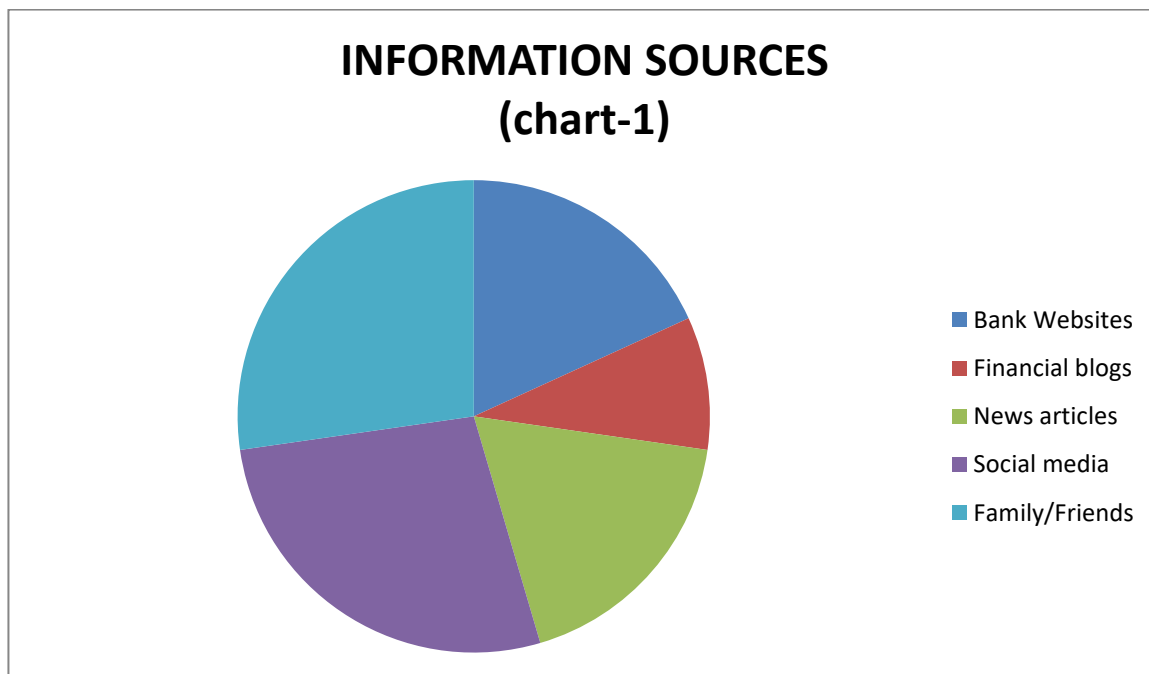
PEOPLE’S PREFENCE:-

When comes to choose between Fintech and Tradfi, it completely depends upon individual needs and preferences. Many people prefer the convenience and speed of fintech services like digital payments and nline banking. Even now a days, trading with stocks are also preferred through fintech platforms. And there are various platforms on which people relay upon, such as- AngleOne, Upstox, Paytm, Zerodha, etc.

Fintech is all about using technology to provide financial services, and make them easier, faster and more convenient. However, many people still prefer Tradfi for their transactions. The reasons are simple:-

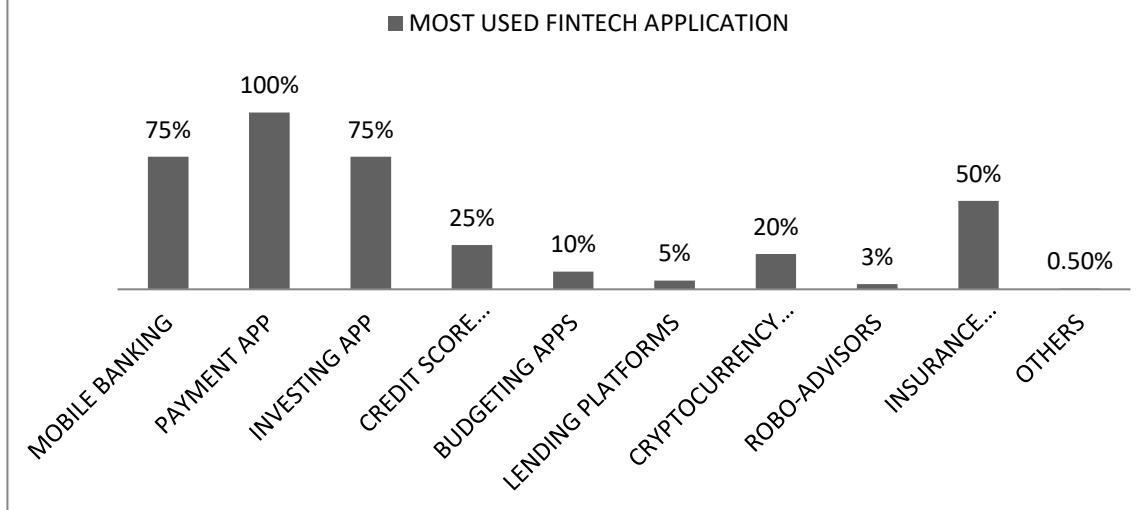
1. TRUST:- People feel more comfortable with intermediaries like banks and financial institutions.
2. FAMILIARITY:- Some people are used to the traditional way of banking and investment. Thus, find it easier to stay with what they already know and understand.
3. SECURITY:- Additionally, some people have concerns about security, privacy and reliability of fintech platforms thus, they prefer tradfi.

In a survey report, people mentioned about their fintech usage knowledge and other aspects. The data is summarized below in graphs and charts.



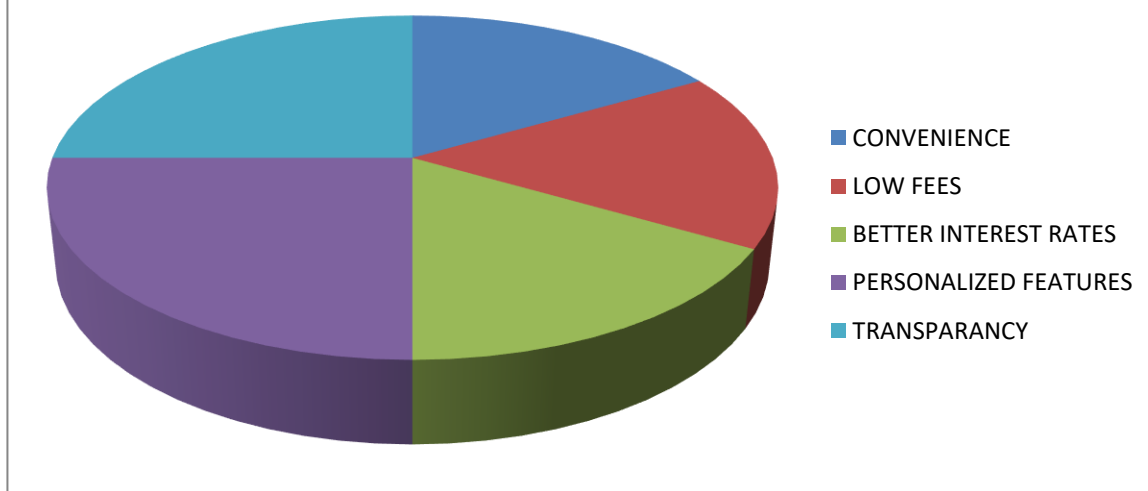
In a survey, it was found that 75% of people get information about fintech from social media and family/friends and 50% of people get the information from bank and institutions and 25% of people get the information from blogs news articles and other sources. This clarifies that social media is playing a vital role in catching peoples's attention towards fintech platforms, which results in getting more users on such platforms.

MOST USED FINTECH APPLICATION (chart-2)



In a survey it is found that in India, Almost everyone uses mobile applications for payment. Also this made increase in mobile banking. As a result, banks have introduced their own applications for the users for their convenience. This made a link with insurance platforms and increased its usage . Internet also made people aware about various other aspects of investing which increased its customers to 75% in very less time.

MAIN REASONS TO USE FINTECH (chart-3)



As in the above pie chart, we can observe that there are many reasons why people are choosing Fintech over TradFi. This chart is based on the survey conducted online. It is clear that 75% of people like to use fintech because they get personalized features and transparency for their banking transactions and investing options. Other 50% of the people prefer and use fintech because it is convenient for them to access and also low fees and better interest rates charged by the fintech platforms.

WHAT MADE FINTECH GROW IN INDIA:-

There are many reasons why fintech is rapidly growing in India. Here we are discussing few reasons:-

- 1) **Banking through mobile and internet:-** Fintech has been growing since past decade in India mainly because of adoption of technology in the banking sector. Now-a-days, hardly any bank is left without the technology. From ATM (AUTOMATED TELLER MACHINE) to UPI (UNIFIED PAYMENT INTERFACE), banks are constantly updating their technology. This is not only because they are providing more convenient services to the customers but also to compete in the market. Banks now started their own applications for the customers, where the manual things can be done through easy clicks and security pins. Moreover, these experiments are successful because users have accepted and adopted with the technology.
- 2) **Online payment systems:-** In India, around 10 years ago, hardly anyone could think that they could pay someone just by scanning a QR Code in just a few seconds. Now we can see even a fruit seller have its own QR code through which he can receive payments for his sale. In fact, people are now dependent on this online payment mechanism. The reasons could be;
 - a) They don't need to carry bunches of cash notes for large payments and cards.
 - b) Risk of cash theft and card hacking decreases.
 - c) In case of emergencies when card is inaccessible or do not have cash.
- 3) **Online trading platforms:-** Online trading platforms gained popularity due to increase in number of retail traders and investors. People are getting Robo-advisors which encourage them to invest in stocks, mutual funds, derivatives and other financial instruments. Fintech platforms offer flexible products and advise to meet the needs of both investors and businesses. These platforms offer cost-effective solutions that can help profitable trade transactions.

fintech made it easier for general public to invest and deal in stock specially in equity, SIP and mutual funds. And hence, it gained popularity in Indian market.

- 4) **Insurtech innovations:-** The another main reason of growth of fintech in India is insurtech i.e., technology used for insurance. Now-a-days, people are being more concerned about their expensive goods/belongings, such as; mobile phones, bikes, cars, furniture, etc. Earlier in times, traditional financial services didn't had such facility for these kind of goods. Insurance were available only for medical, life, fire, theft, or marine. But collaborated payment platforms made it a new and successful concept where people can get insurance for their products online in a few steps. Also fintech made many facilities such as low cost EMI purchase, and many more which made the consumers invested in the schemes. Hence, fintech help in free-flow of money in the market in many ways.

IMPACT OF FINTECH IN INDIA:-

FinTech has had a significant impact on the financial landscape of India. From digital payments to online banking and lending platforms, fintech has revolutionized how people manage their finances in the country. It has brought convenience, accessibility, and efficiency to traditional financial services.

The Indian government has played a crucial role in supporting the growth of fintech in company. They have implemented various initiatives and policies to create a conducive environment for fintech innovation and adoption. For example, the government of India launched the “ Digital India” campaign, which aims to promote digital payments and financial inclusion. They have also introduced the Unified Payment Interface (UPI), a real-time payment system that has facilitated seamless and secure transactions. Additionally, regulatory bodies like the Reserve Bank of India (RBI) have introduced guidelines and frameworks to regulate fintech activities, ensuring consumer protection and fostering trust in the ecosystem. These supportive measures fostering trust in the ecosystem. These supportive measures have encouraged fintech startups to thrive and contribute to the digital transformation of India's financial sector.

IMPACT OF UPI IN INDIA:-

Let me explain more about the impact of UPI in India. UPI, which stands for Unified Payments Interface, has had a tremendous impact on the Indian financial landscape. It is a real-time payment system that allows users to instantly transfer money between bank accounts using their smartphones. UPI has revolutionized digital payments in India by providing a seamless, secure, and convenient way to make transactions.

One of the key impacts of UPI is the significant increase in digital payments adoption. With UPI, users can make payments directly from their bank accounts, eliminating the need for cash or physical cards. This has led to a surge in digital transactions, making it easier for people to pay for goods and services, split bills, and even send money to friends and family.

UPI has also contributed to financial inclusion in India. It has enabled millions of people, including those in rural areas, to access digital payment services. With UPI, individuals who previously did not have access to traditional banking services can now make transactions and participate in the digital economy.

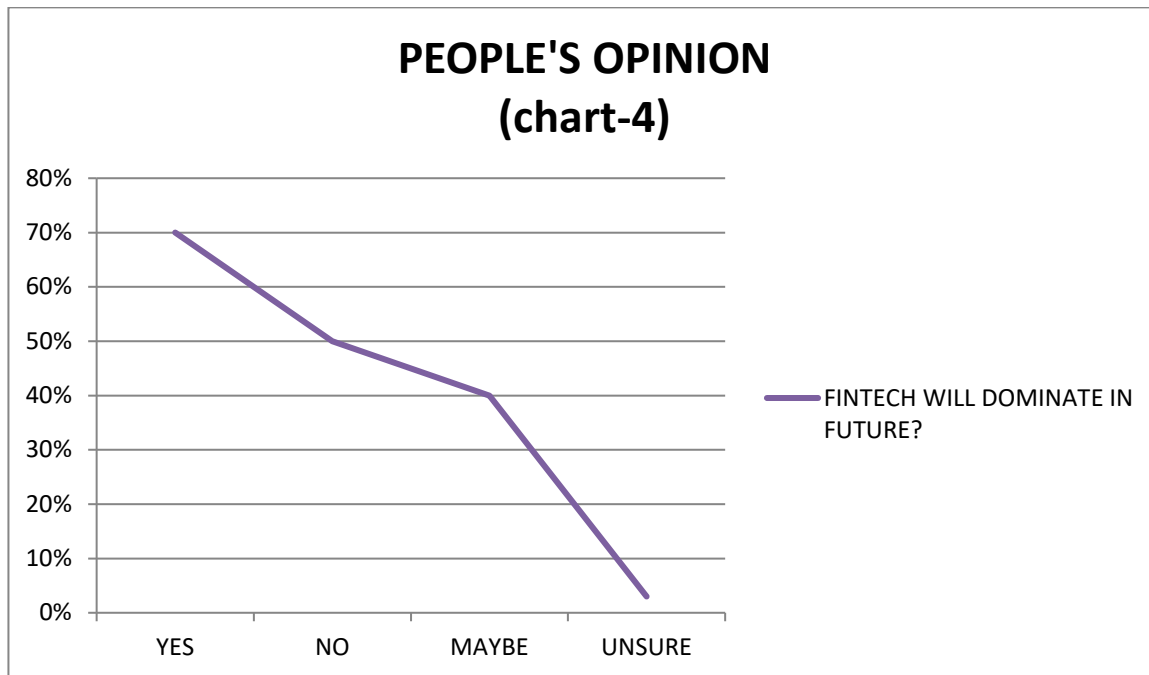
Moreover, UPI has fostered the growth of fintech startups in India. Many innovative payment apps and platforms have emerged, leveraging the UPI infrastructure to provide users with a wide range of financial services, such as bill payments, online shopping, and peer-to-peer lending.

Overall, UPI has transformed the way Indians transact, bringing speed, convenience, and security to digital payments. It has empowered individuals, boosted financial inclusion, and fueled the growth of the fintech ecosystem in India. And this is also proven in a survey summary mentioned above in the chart-2 that 100% of fintech users use payment applications. And the people belong from all the age groups from 18 to 65 above.

WILL FINTECH DOMINATE IN FUTURE? :-

After a lot of studies, researches and surveys, the big question comes in front is – “ Will fintech dominate the Indian financial market in future?” There is no clear answer with that concern but, it totally depends on how smartly fintech usage is handled by people, government, businesses, groups and others.

In past decades its effects are seen in both positive and negative ways. People also give their opinion which is summarized in a chart-4 below:-



As seen above, there can be many positive and negative aspects of fintech. Some are discussed below.

Positive aspects:-

1. **Digital Payments:** Fintech has made it easier and more convenient to make digital payments, reducing the reliance on cash.
2. **Online Banking:** With fintech, people can access their bank accounts, make transactions, and manage their finances online, anytime and anywhere.
3. **Lending Platforms:** Fintech has revolutionized the lending industry by providing alternative lending platforms that offer quick and convenient access to loans for individuals and businesses.
4. **Financial Inclusion:** Fintech has played a significant role in promoting financial inclusion by providing access to financial services to previously underserved populations.
5. **Cost Efficiency:** Fintech solutions have streamlined processes and reduced operational costs for financial institutions, leading to cost savings that can be passed on to consumers.

6. **Enhanced Security:** Fintech has introduced advanced security measures, such as biometric authentication and encryption, to protect user data and transactions.
7. **Personalized Financial Services:** Fintech has enabled the development of personalized financial services and products that cater to the specific needs and preferences of individuals.
8. **Improved Customer Experience:** Fintech has focused on enhancing the overall customer experience by providing user-friendly interfaces, 24/7 customer support, and personalized recommendations.
9. **Innovation and Competition:** Fintech has fostered innovation and increased competition in the financial industry, driving traditional financial institutions to improve their offerings.
10. **Financial Education:** Fintech platforms often provide educational resources and tools to help individuals improve their financial literacy and make informed financial decisions.

Negative aspects:-

1. **Cybersecurity Risks:** Fintech platforms are susceptible to cyberattacks, which can lead to data breaches and compromise the security of users' personal and financial information.
2. **Privacy Concerns:** Fintech involves the collection and processing of large amounts of data, raising concerns about how this data is used, shared, and protected.
3. **Exclusion of the Technologically Disadvantaged:** Fintech relies heavily on digital platforms, which can exclude individuals who lack access to technology or are not comfortable using it.
4. **Job Displacement:** The automation and digitization of financial processes through fintech can lead to job losses in certain sectors, particularly those that rely on manual or repetitive tasks.
5. **Lack of Human Interaction:** Fintech services often lack the human touch and personalized guidance that traditional financial institutions can provide, which may be a drawback for individuals who prefer face-to-face interactions.

6. **Overreliance on Technology:** Fintech's reliance on technology means that system failures, glitches, or technical issues can disrupt services and cause inconvenience for users.
7. **Regulatory Challenges:** The rapid growth of fintech has posed challenges for regulators to keep up with evolving technologies, potentially leading to gaps in oversight and consumer protection.
8. **Digital Divide:** Fintech advancements may deepen the digital divide, as individuals with limited access to technology or digital literacy may be left behind in accessing financial services and opportunities.
9. **Financial Fraud and Scams:** Fintech platforms can be vulnerable to fraudulent activities, such as phishing scams or identity theft, which can result in financial losses for users.
10. **Lack of Financial Education:** While fintech platforms offer educational resources, there is a risk that individuals may rely too heavily on automated financial advice without fully understanding the underlying principles, potentially leading to poor financial decisions.

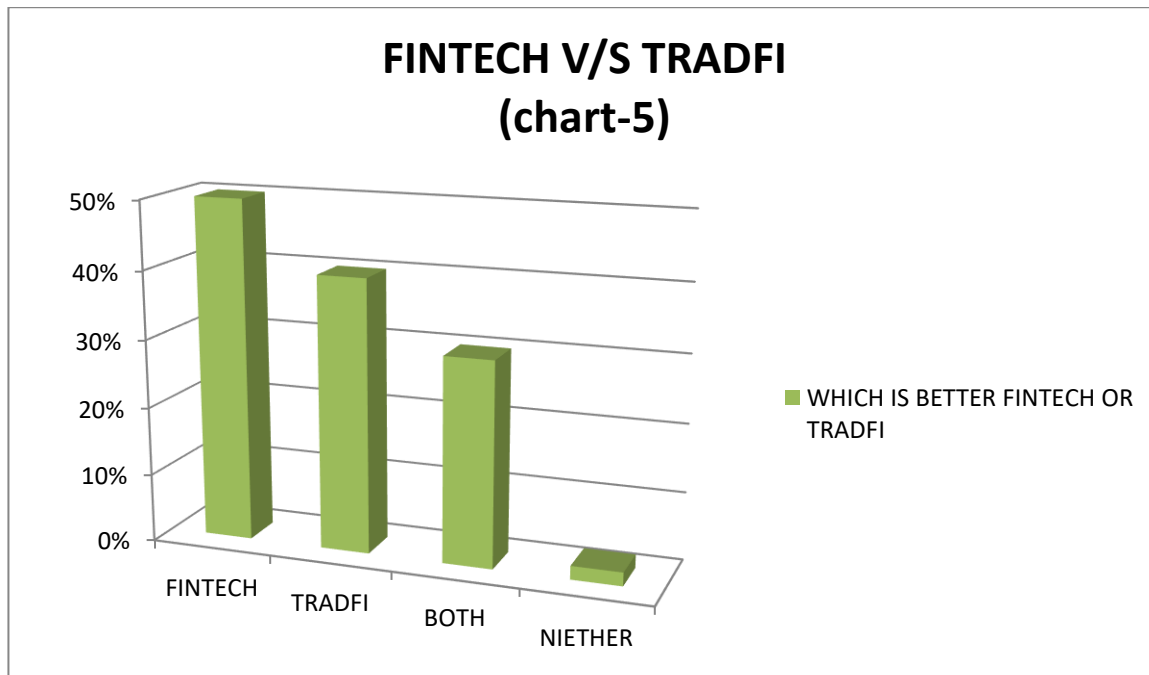
It's important to remember that these negative aspects can be mitigated through proper regulations, user awareness, and ongoing improvements in technology.

THE CONCLUSION :-

In conclusion, the impact of fintech on traditional financial services in India has been significant. Fintech has disrupted traditional banking and financial institutions by introducing innovative technologies and digital solutions. It has brought about greater convenience, accessibility, and efficiency in financial services.

One of the major impact is the digitization of payments. This has made financial transactions more convenient and accessible to a larger population, especially in rural areas. With the use of technology, fintech companies have been able to reach underserved population and provide them various services. This has helped bridge the gap between the formal banking sector and the unbanked / underbanked population.

However, traditional financial institutions have also recognized the potential of fintech and have started to embrace it. Many banks have partnered with fintech companies or developed their own digital platforms to stay competitive and offer services to their customers. Look at the survey summary below in char-5:-



Overall, fintech has transformed the financial services landscape in India. It has brought about greater efficiency, accessibility and financial inculsion. While traditional financial institutions have faced disruption, they have also adopted to the changing landscape by incorporating fintech solutions into their operations. The future of fintech in India looks promising with continued innovation and collaboration between traditional players and fintech startups.