

Study on The Impact And Social Implications of Fintech

Zenith Shah¹, Om Ranashing², Hussain Shaikh³, Prateek Hajare⁴, Amrita Shirode⁵

^{1 2 3 4} Students, Department of Computer Engineering, AISSMS Polytechnic, Maharashtra, India

⁵ Professor, Department of Computer Engineering, AISSMS Polytechnic, Maharashtra, India

Abstract - Fintech's digital revolution has brought in significant changes to new frontier technologies, which have important consequences for financial markets and financial services. The purpose of this study is to determine the societal implications and impacts of fintech, how the fintech industry has changed traditional norms and outlook of the finance industry in today's technologically advanced environment. In conclusion, the goal of this paper is to serve as a catalyst for a new approach to building a shared knowledge of the fintech, its social ramifications, the impact of the fintech industry and challenges faced by the fintech industry.

Keywords - Fintech, Financial technology, Digital payments, Blockchain, Impact, Social Implication

I. INTRODUCTION

Financial technology is referred to as fintech. Any company that employs technology to change, extend, or automate financial services for businesses or customers is referred to as a fintech company. Fintech reduces the complexity of financial transactions for people and organisations, making them more accessible and affordable without the need for a third party. Fintech has had a huge impact because it has developed fintech advancements promising to provide easy and convenient access to financial services.

II. OVERVIEW

The terms financial and technology are combined to form the phrase "fintech." It's a blanket phrase that refers to any software or technological development in the financial services and goods market. Finance has long been seen as a tough subject to comprehend by the general population. However, the entrance and rapid growth of the fintech industry, which has made money more accessible through technological advancements, has shifted the tide. The Fintech technology industries are as follows:

1. Mobile Banking

Mobile banking is a service that banks and other financial institutions offer to its customers that allows them to conduct a range of transactions via an app. Customers can use the app to access and transact with their accounts from anywhere. You may open a new account, check your balance, transfer funds, and pay bills all with mobile banking. Consumers, particularly on

mobile devices, are increasingly seeking simple digital access to their bank accounts. According to a November 2016 study conducted in the United States, 72 percent of financial services consumers use internet channels to open checking accounts.

2. Digital Payments

When money is sent from one account to another via a digital device such as a smartphone, it is referred to as a digital payment. The unified payments interface (upi) is an example of a digital payment system (unified payments interface). This definition includes payments made by bank transfers, mobile money, and payment cards, including credit, debit, and prepaid cards.

3. Blockchain

The word "blockchain" refers to a distributed digital ledger that may record transactions across several computers and is immutable. It's retained in the form of blocks, each linked to the next in a chain. Blockchain is a decentralised digital asset platform that can be accessed over the internet. Bitcoin is a digital currency that is frequently used in blockchain transactions, and its popularity is expanding as more people use fintech.

4. Insurtech

Insurtech is the use of financial technology to the insurance industry. Insurtech has become one of the most well-known financial services in recent years. Many insurance firms are embracing technology, and it is now feasible to get insurance without ever having to leave the house. Individuals can also file claims over the internet.

5. Crowd funding

Crowdfunding is a rapidly growing financial sector. Crowdfunding is a method of generating finances that enlists the help of friends, family, clients, and individual investors. This technique enlists the help of a large number of individuals, mostly through social media and crowd-funding platforms, and makes use of their networks to expand reach and exposure. As a result of the rise of fintech, crowd funding has been steadily rising.

6. Peer-to-Peer Lending

Regular individuals lend money to others in need without the need of a financial institution as an

intermediary in peer-to-peer lending. A peer-to-peer (p2p) platform connects potential borrowers with lenders. The approach makes it simple, quick, and convenient to obtain credit. The purchase now, pay later business model has grown in popularity as a result of p2p lending since it allows customers to buy something now and pay for it later, even in little instalments.

7. Personal Finance Management

Fintech advancements have made personal money management easy for everyone, regardless of academic level. The fintech provides a solution that allows consumers to successfully manage their finances and gain insight into their spending patterns. This, in turn, benefits the users since they can keep track of their spending.

8. Robo-advisors

Robo-advisors are computer programmes that employ algorithms to assist individuals in making educated financial decisions. Robo-advisors are gaining popularity in the financial business, especially in portfolio management and stock markets, where they make trading simple, affordable, and mobile.

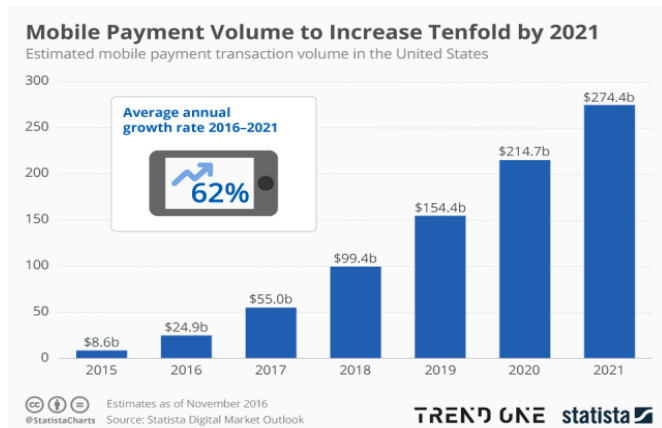


Fig.2.1. Mobile Payments Volume

Source : Statista Digital Market Outlook

III. IMPACT

The fintech revolution has had a huge impact on traditional financial institutions as well as the rest of the world. The new age fintech companies' services, such as easy digital banking, peer to peer lending, and the use of digital payments, are dramatically changing the financial climate. Payments can be done quickly and conveniently over the internet using mobile phones. These days, one of the most important advantages of internet buying is the ability to make payments online. Money can also be transferred simply from one bank account to another for a lower transaction cost, and the risk of fraud is reduced.

The use of blockchain technology in the fintech sector, which opens up a whole new world of possibilities and prospects. Financial services such as deposits and credit facilities have long been provided by traditional financial institutions. However, major advancements in financial inclusion have been made thanks to the fintech industry. Banking has become a hassle-free process thanks to the fintech industry's technological advancements, whether it's for money transfers or payments. Fintech financial services are shifting the banking system from a branch-specific procedure to a variety of digital channels such as internet, social, and mobile. Traditional remittances, which were expensive, difficult, and time-consuming, were first a source of frustration. These internal and outbound transactions may be made simple, easy, and quick with the help of Fintech companies. It also decreases the bank's reliance on its physical locations to operate.

As a result, several banks are lowering their branch count by implementing omnichannel banking. Neo banks are a type of digital bank. Another evidence of the expansion of Fintech financial services is the massive increase of E-wallets. PayPal and Apple Pay are amongst the world's well known E-wallets. P2P payments, top-up & utility bills, foreign transfers, ticket booking, and many other uses are all possible with these wallets. Due to their huge success, many financial institutions are now realizing its importance and are recognizing e-wallets as a collaborative measure to embrace the technological advancements.

Small Businesses & Entrepreneurs, Fintech has been a watershed moment for entrepreneurs and small business owners. For most start-ups, obtaining a loan from a traditional banking institution is challenging. Fintech, on the other hand, has made a difference. Fintech allows SMEs to obtain loans and process payments. Small businesses, which have been viewed as high-risk in the past, are one of the major areas where Fintech has had the most impact in terms of reforming and developing..



Fig 3.1. Global Consumption Adaption

Source: E-Y global fintech adoption

IV. CHALLENGES

1) Data Protection

Whether it's mobile banking, payment apps, or Fintech in general, data security has become a key worry in the Internet world. However, when it comes to virtual security, Vulnerabilities are more subtle and have the potential to have a greater impact on users, as not only their money is at risk, but also their personal information.

2) Lack of technological expertise and scalability

Mobile and technological know-how are still in short supply. Some finance organisations or banks in the fintech industry lack adequate knowledge and reach. Every user desires a simple and easy-to-use solution or the financial services provided by fintech. As many users are not aware about the use of fintech technology or do not have the resources to avail the fintech services it becomes difficult to scale and to reach a wider range of audience.

3) Blockchain Integration

There are numerous fintech applications that include blockchain technology. Some businesses do not see blockchain as a viable option, while others see it as a way to improve data interchange. Implementing a blockchain can improve the trustworthiness of the Fintech business. Because it allows to examine and trace all steps of a transaction and prevent any alterations, users can keep an eye on it at all times. This also helps in making transactions and financial process transparent. Banks and other financial organisations have been hesitant to catch on to the blockchain trend up until now. New age firms, on the other hand, are more likely to use blockchain to disrupt the Fintech industry.

4) Adherence to government rules and regulations One of the most heavily regulated industries is finance. One of the main Fintech challenges facing new institutions is managing regulatory risk and compliance.

V. IMPACT OF FINTECH IN INDIA

Fintech has been one of the most profitable areas in the last five years. It has a sizable fund. Fintech contributes to the financial sector's digital platform activity. Fintech has greatly impacted India's banking and financial sector as a result of the increase of innovation and technology. As a result of the introduction of this technology, customers' saving, investing, asset management and spending behaviours have changed significantly. Fintech services also makes it easier to choose the best investment by allowing users to compare

from several different options. Fintech Technology has impacted the Indian market in positive way in almost every sector, from purchasing clothes, footwear to essential things, Indians started to pay using some kind of Fintech Technology, study shows that at 52%, India has the highest Fintech adoption rate in the world against the global average of 33% and that percentage is going higher and higher.

VI. SOCIAL IMPLICATIONS

The social Fintech industry attempts to dispel the notion that for-profit financial companies can't have a primary social impact goal. Impact investment has surged by nearly ten percentage points since 2012, according to a recent Morgan Stanley analysis, and over 70% of impact firms generate more income than traditional corporations. As a result, a corporation can engage in traditional financial activities and profit while simultaneously contributing to the advancement of society. Because of its social appeal, the fintech business is attracting an increasing number of users. According to a World Bank study, more than 2 billion people are still unbanked, or without access to banking and financial services. Providing basic and safe access to remittances, savings accounts, and mobile payment systems in many impoverished nations might go a long way toward promoting technological development. By offering these services, social fintech companies are assisting in the integration of thousands of people into the financial system.

VII. CONCLUSION

Fintech's inventive ideas are helping to move us closer to a cashless society. In just a few decades, the whole financial services, financial goods, and financial operations business has evolved and improved dramatically as a result of technological advancements. The financial institutions' techniques and manner of operation have undergone significant changes. Collaboration between technology and financial services has resulted in a shift in traditional banking, investment, and trading processes. Fintech has changed the way individuals handle their money and perform their daily transactions. Fintech is one of the most popular businesses right now, with a lot of long-term promise.

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