

Chapter 5

FinTech:

A Study of Enablers, Opportunities, and Challenges in the Banking and Financial Services Sector

Vibha Bhandari

College of Applied Sciences Nizwa, Oman

ABSTRACT

Businesses have been forerunners in providing innovative techniques and technology to the market. These emerging processes, techniques, and technologies have disrupted the existing ones and met the requirements of the existing customers. Today's banking and financial sector is facing an unprecedented change wherein various new players are entering the market and disrupting the traditional modes of operation. These players are a part of the latest disruption in the banking and financial sector, which is popularly known as Fin Tech (which is an amalgamation of finance and technology). They are providing alternative solutions and business models that are overhauling the manner in which this sector and its customers function. This disruption not only opens doors for completely different business opportunities but also poses challenges to the existing set up of business. The chapter aims to study the emerging trends associated emerging opportunities and challenges of FinTech in the banking and financial sector globally.

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INTRODUCTION

Business has existed since the early times of human race. Though started with simple barter system involving exchange of goods for goods and services, business has undergone multiple changes to meet the varied requirements of human beings. Businesses have reformed and renovated the ways of dealing with the ever-changing requirements of the market. In this reformation and renovation of business models, technology has played a very important role. In fact, it can also be said that change in the business models have been possible due to the new techniques and technologies provided by the businesses themselves. The changes ushered by the technological innovations have made it possible for the businesses to meet the requirements of the existing base and extension or creation of new market bases. Today, technology in business is an inevitable requirement. As time progresses, the business world is leaning more and more towards it, making it almost impossible to separate the two from each other. The primary objective of business is to generate and maximize returns for its stakeholders. To achieve this objective, businesses need to be innovative. Technology facilitates in providing innovative solutions to businesses which in turn makes them profitable and sustainable in the long run. In order to be sustainable, technology needs to be sold and accepted – which is made possible only by business. Thus it can be said that business and technology are complementary to each other and the existence of one without the other is not possible.

While constructing new playing fields for the existing businesses, technology has also posed some challenges for the existing businesses in the related and other fields. For example, the introduction of smart phones have not only created new markets for apps, online transactions, easier communication – thus creating a full package for information sharing, communication and entertainment through the usage of internet .But at the same time seriously damaging the photo reel business, markets for audio and video entertainment, postal services, to name a few. Thus, a new technology not only opens doors for new opportunities but also slims down the existing ones and creates windows of challenges. The same holds true for the banking and financial services sector.

The banking and financial sector today is amidst an insurrection of unprecedented opportunities and challenges which have been ushered by the fourth industrial revolution. This fourth industrial revolution is driven

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