

Chapter 15

Fintech: Evolution, Trends, and Directions

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ABSTRACT

Technology is a buzzword today. Financial companies are leveraging technologies to enhance their operations. Blockchain technology is transforming how transactions are recorded and verified, making it more secure and efficient. Machine learning and AI are used for fraud detection, risk assessment, and trading algorithms. Cloud computing is being utilized to securely store and process vast amounts of financial data. Data analytics is used to understand customer behaviour and preferences, resulting in more personalized marketing and product recommendations. The chapter is divided into three parts. The first part includes an overview of financial technology including the introduction, evolution, global fintech scenario, and the scope of technologies used in the financial industry. The second part includes the Indian financial technology (fintech) industry: government initiatives, factors responsible for the success and growth of fintech in India, and challenges faced by the Indian fintech industry. The third part will include implications, recommendations, and future directions.

INTRODUCTION

Financial Technology, often referred as 'Fintech', is a rapidly growing industry that leverages technology to improve and streamline financial operations, both for businesses and consumers. It seems very lucrative to use technology in finance industry as it gives birth to many start-ups, makes processes easy and convenient for users and reduces cost. During recent pandemic, the whole world was afraid of COVID-19. People were avoiding moving out of the house to buy goodies and avoiding the exchange of physical money, the Fintech companies emerged as a caretaker and provided solutions for their concerns. The COVID-19 pandemic had a significant impact on the growth of the Fintech industry. The daily downloads of finance-related mobile applications increased. General banking apps were among the top downloaded finance apps across the country and have exhibited notable growth during the COVID period (Funathan & Mishra, 2022). Financial technology has proved as a tool for improving household and small businesses' resilience to pandemic fears and shocks. Financial Technology uses computer applications and other technologies to provide automated and improved financial services to its users. The chapter

DOI: 10.4018/979-8-3693-2346-5.ch015

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discuss about the evolution, trends and directions in financial technology. The whole chapter is divided into three parts. The first part includes an overview of financial Technology: introduction, evolution, global fintech scenario, and technologies used in the financial Industry. The second part talks about sustainability and fintech. Third part of the chapter discuss about Indian financial technology (Fintech) Industry: government initiatives, factors responsible for the success and growth of fintech in India, challenges faced by the Indian fintech Industry and future prospects of financial technology in India.

BACKGROUND

Financial industry encompass retail banking, commercial lending, insurance, credit cards, mortgage banking, investment advisory, asset management, and etc, (Hatzakis et al., 2010). Fintech, as defined by Leong and Sung (2018), refers to innovative ideas that leverage technology solutions to enhance financial service processes across various business contexts. It is a multidisciplinary field that combines elements of finance, technology, management, and innovation management. Fintech has played a transformative role in elevating businesses by fostering development and entrepreneurship, capitalizing on technological progress, and delivering accessible and cost-effective financial services. (Abu Amuna et al. (2019). Zavolokina et al. (2016)) Fintech is a multifaceted phenomenon, encompassing domains such as start-ups, services, technologies, companies, digitalization, industry advancements, the emergence of new financial products, as well as opportunities and threats. Initially, Fintech referred mainly to technological advancements applied to the backend operations of established financial institutions. However, over time, the term has evolved to encompass any technological innovation within the financial sector, spanning improvements in financial literacy, retail banking, investment, and the emergence of cryptocurrencies such as Bitcoin,

In a study titled ‘Fintech in India: Key Trends’ by Deloitte in 2019, six important fintech segments are given. These are presented in the table-1.

Table 1. Fintech segments

Digital Payments	Electronic Payment Solutions Covering Both Remittances and Merchant Payments; These Also Include Enterprise Payments
Alternative lending	Technology enabled solutions for alternative credit scoring (for credit workflows) to provide loans to underserved MSME and retail consumers
InsurTech	Solutions using a new technology to expand the distribution of insurance products and re-imagine them according to the unique requirements of different types of customers
Investment Tech	Technology solutions for significantly greater ease of investing and personal wealth management; these include robo-advisory solutions that use artificial intelligence technologies for the automation of investment advice
RegTech	Technology solutions for the improved automation of regulatory compliance
Bank Tech	Any other technology solutions not covered above but help banks and financial institutions meet the ever-increasing and changing requirements of customer

Banks, insurance firms, credit card companies, credit unions, investment banks, and other entities offer instant financial solutions just on a simple click. These financial institutions provide improved accessibility and deliver convenience to their users in various operations such as money transfers and payments, borrowings, investments, and personal finance management etc. Since a long time, traditional physical bank branches have been performing a central role in retail banking, however, with advancements

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