

Chapter 5

Navigating the Fintech Wave and Its Background and Challenges

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ABSTRACT

The paper attempts to identify the background and transformative impact of fintech, including relevant challenges and trends emerging from this fast-moving domain of research. We also try to discuss talent shortages, dynamics of regulation, and what role competition plays in influencing the arena of innovation. We analyze, based on an integrated summary of current fintech developments, an analysis of the disruptive potential of fintech and its implications in affecting financial ecosystems globally. Finally, we highlight pathways to future research, including ethics, technological advancements, and cross-disciplinary impacts.

INTRODUCTION

Fintech (Financial Technologies) consist of two words finance and technology. It means the use of technology for financial product and services. Fintech (financial technology) refers to innovative technological solutions that enhance, automate, and simplify financial services and processes. These technologies cover a broad spectrum of applications, from online banking and blockchain technology to payment platforms and algorithmic trading. Fintech is changing the landscape of financial sector and has become a disruptive technology by providing faster, cheaper, and customized products and captures the profit of the banking sector (Varga, 2017).

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Due to the development of IT and digitalization business model of financial service industries are changing. Financial products based on information less physical interaction are required except client advisory. The new business player (i.e. fintech companies) entered the market with innovative products (Puschmann, 2017). The emergence of fintech is not happened by chance but it depends on the bequest of financial technologies. It is the advancement of IT from physical media to digital technologies. In Europe, fintech growth is primarily driven by regulatory support for innovation, as seen with the European Union's open banking initiatives. Conversely, Africa's fintech landscape is characterized by rapid adoption due to mobile banking's accessibility, which has provided financial services to millions who were previously unbanked.

The main key forces of Fintech are the transformation of services and process disruption which differentiate it from digital or e-finance (Alt et al., 2018). To remain competitive in a dynamic environment it is necessary to understand the fintech ecosystem and make competitive or collaborative strategies by financial institutions (Lee & Shin, 2018). Fintech is the new disruptive technology and is still in its initial phase. This chapter discusses the brief background of fintech and new challenges associated with it. This chapter is divided into two sections, the first section will deliberate about the background of fintech and the section will discuss the challenges associated with fintech.

Research Methodology

This paper uses a qualitative research methodology to discuss the fintech environment in transformation, its influence on the finance sector as well as associated problems. Data collection entailed extensive reviewing of the available academic journals, the industry reports, and recent reports that were published between 2022 and 2024. It takes a secondary data analysis approach that integrates data from respected sources which include World Bank, FSB, and surveys of industry from Deloitte and PwC, entities who have framed considerable narratives on fintech.

To provide an all-rounded perspective, the paper also features case studies of major fintech companies (e.g., Square, Stripe), and areas in which significant growth has occurred in fintech, including North America, Europe, and Asia. This study draws on Disruptive Innovation Theory to provide a framework for the disruption effect of fintech. For key themes such as regulatory issues, talent gaps, and competition, the disruptions effects of fintech are probed. Thematic analysis is also used to identify emergent trends, for example, decentralized finance, DeFi, and artificial intelligence, AI, and their implications to industry practice. This methodology ensures the holistic exploration of fintech globally and with diversified challenges that accompany growth.

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