A STUDY OF OPPORTUNITIES, CHALLENGES AND FUTURE OF FINTECH IN INDIA

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***Abstract*: The financial technology industry encompasses technology-enabled firms offering financial services, as well as entities providing technology services directly to financial institutions. Fintech companies employ technology to support financial transactions among businesses and consumers. Technological advances, changing demand for financial products and competition in financial services are all driving a new wave of fintech startups and investments that have drawn attention to the industry in recent years. The study aims to provide the opportunities available and the challenges faced by Indian industries in fintech.**

***Keywords*: Finance technology, block chain, AI, digital payments.**

I.INTRODUCTION:

Any technology that provides financial services through software, such as online banking, mobile payment apps, or even cryptocurrency, is referred to as fintech, or financial technology. While there are many distinct technologies included in the broad category of "fintech," its main goals are to alter how people and businesses access their funds and to compete with established financial services. At a compound annual growth rate (CAGR) of 20%, the value of Fintech transactions is predicted to increase from US$66 billion in 2019 to US$138 billion in 2023. As of financial year 2021, India had had significant growth in the area of digital payments, with a monthly volume (total digital transactions) of over 5.7 billion transactions totaling almost US$2 trillion.

II. Evolution of Fintech in India:

Traditional financial institutions, including banks, flourished on fintech before the 1990s and the internet era. The number of commercial bank branches increased from about 13,500 in 1950 to over 83,000 in 2008, according to the Federal Deposit Insurance Corporation. Online fintech firms like PayPal joined the market in the late 1990s and early 2000s, but it wasn't until the global financial crisis of 2008 that they started to really threaten the established infrastructure. While millennials embraced free and online financial services during this period, many consumers lost faith in traditional banking.

III. Review of literature:

Thomas Puschmann (2017) studied about the evolution phases of FinTech in different economies of the world. Itay Goldstein, Wei Jiang, G Andrew Karolyi (2020) examined the lessons learned from the FinTech-related project submissions and the ones that were chosen to be finished and published in this special edition. In order to direct future research in the developing field of FinTech, the study made a number of observations. Thomas Philippon(2016) financial stability and access to services are the main topics of this paper's assessment of the prospective effects of FinTech on the finance sector. Research focused on financial services continue to be unexpectedly pricey, which accounts for the appearance of new competitors. On the other side study concludes that FinTech has the potential to bring about profound changes but is likely to present significant regulatory issues. W. Arner, J.Barberist and R.Buckley(2016) studied latest evolution of FinTech led by startups, a new era of FinTech emerging in developed world.

IV.OBJECTIVE OF THE STUDY:

1. To study the various opportunities & challenges by Fintech companies in India.
2. To provide an overview of Fintech
3. To study the future of fintech.

V. Types of Fintech:

One of the most common types of fintech is found in mobile wallets and payment apps. Peers can send money to each other or businesses can accept payments from clients using services like PayPal, Venmo, Square, Apple Pay, and Google Pay.

By enabling consumers to invest money in companies, goods, and people, crowdfunding platforms like Kickstarter and GoFundMe have challenged conventional funding methods.

Some of the most well-known and closely researched examples of fintech include cryptocurrency and blockchain technologies. Users can purchase or sell cryptocurrencies on cryptocurrency exchanges like Coinbase and Gemini. Blockchain technology has the potential to eliminate fraud in industries other than banking.

Robo-advisors use algorithm-based portfolio management and suggestions to cut expenses and boost productivity.

As investors may trade stocks from anywhere using their mobile device rather than going to a stockbroker, stock trading apps like Robinhood and Acorns have grown in popularity and innovation.

Many various insurance products, including auto and house insurance, have been challenged by insurtech firms. Examples of insurtech businesses that have joined the healthcare and personal finance sectors include Oscar Health and Credit Karma.

According to a Market Screener survey, the FinTech market will reach $26.5 trillion in value by 2022 and increase at a CAGR of 6%. The actual cause of this growth is the rising demand for investments, insurance, and loans. Through their effective financial tactics, the quick advent of various fintech start-ups in the banking industry has aided in the expansion of many other industries. The industry can develop more effectively and make more money with this scope.

VI.OPPURTUNITIES & CHALLENGES:

1. Opportunities available in Fintech sector :

Indian FinTech firms have the ability to change three aspects of the financial services industry:

- FinTech startups will probably cut expenses and raise the standard of financial services. Benefits of leaner operating models can be passed on to customers because they are not constrained by expensive physical networks, outdated operations, or IT systems.
- The financial technology sector will provide original and cutting-edge methods for evaluating risks. The penetration of financial services in India will increase through utilizing big data, machine learning, and alternative data to underwrite credit and produce credit scores for customers with little credit history.
- A more diverse, safe, and stable financial services environment will be produced through fintech. Compared to traditional banks, fintech companies are less homogeneous and provide excellent learning examples for enhancing competencies and culture.
- Fintech businesses can learn from and use best practises that have proven successful for the majority of Indian banks and financial service providers in the areas of risk and internal controls, operational excellence, compliance culture, and employee engagement.

2. Challenges & Solutions for Fintech sector:

The fintech sector, however, constantly faces a number of additional significant difficulties. Now let's discuss about this.

- Cyber security: It has become one of the major concerns in the Internet world – be it mobile banking, payment apps, or Fintech in general. As we know, traditional banking systems are confident with security guards, CCTVs, vaults, and heavy bulletproof doors to keep their data safe and secure, But when we talk about virtual security, things are not as easy as we think. Vulnerabilities are much more discreet and have potentially more impact on users, as not only their money is at stake but their personal data too.
- Solution: With the assistance of a Fintech app development business, you may create a high-level security app. The following elements could be included in the app to increase security:
- permission via two factors
- authentication via biometrics
- Data obfuscation and encryption
- Real-time notifications and alerts
- analysis of behavior
- Legal Regulation and Compliance: The slowdown of Fintech start-ups in the Indian financial industry is necessarily caused by numerous rules. These rules are difficult to follow, and they also make it difficult for Fintech companies to join the Indian markets. In order to combat fraud, compliance regulations are put in place as a stringent regulatory framework. However, they too serve as significant impediments to entry for new Fintech players. Before they even begin operations, Fintech start-ups must complete a long number of requirements.
- Solution: Make sure to verify the software's legal compliance before using it or developing an application. Additionally, if necessary, you can hire a legal adviser to walk you through all the fundamental guidelines and policies. Make sure your legal staff is aware of the most recent government regulations before you hit the market so you can make the necessary changes right away.
- Lack of knowledge of mobile technologies : Some banks or financial organisations in the fintech sector lack adequate or practical mobile banking capabilities. Although some banks attempt to mimic websites, nobody would choose a mobile application in today's digital environment. Every user seeks a simple and practical alternative.
- As a result, applications that don't make the best use of mobile devices due to a lack of fintech mobile app development skills are not user-friendly. NFC chips, geolocation capabilities, fingerprint unlocking, and other features, for instance, might not be useful to apps. With the help of these features and technology, a fintech bank can provide incredible experiences.
- Solution: To enable users to use fintech app development services, your mobile device must have the following features: Two-factor identification using a finger print • Automatic scanning of a credit card number using a lense • QR-code for payments in public transportation • NFC chip in stores.
- Big data and AI : Accenture reports that 82% of US bankers and 79% of bankers worldwide believe AI will transform the way banks obtain data and communicate with consumers.
- Big data and artificial intelligence, as we all know, have an effect on every firm. Organizations can gather personal data about consumers, from social status to financial conduct, habits, and in-app activity, using big data.
- For banks, this information is crucial, especially when it comes to providing high-risk banking services and credit ratings. Big data enables AI to fully automate the process of identifying fraud, doing a risk analysis, and efficiently managing transactions.
- Solution: You must use machine learning to train AI in order for big data and AI to work together. To train your system for this, you will need a lot of data. The majority of banking apps can't parse and fetch several different data sets. Therefore, by using a one-shot learning model that enables you to train your machine learning system on less quantities of data, you may tackle this problem.

- Governmental inaction and lack of support: Government incentives and assistance for FinTech's to safeguard their interests in the Indian financial markets are severely lacking. For new Fintech players, this can be very discouraging. Fintech's are essential for generating economic growth and must be provided with all the resources they require to succeed.
- Solution: To disrupt the financial sector, we must, however, always strike a balance between the use of new technology and adherence to the established order.
- User Experience and User Retention: User experience and retention are two of the top problems for the fintech industry. A financial app should, however, strike a balance between security and user experience.
- Solution: You must ensure that the UI/UX component of a fintech software is safe and user-friendly while designing it. Users are also prepared to utilise two-factor authentication to access an app. However, having to repeatedly enter their login information may irritate them.
- Marketing Strategies that Work to Bring in Customers: Typically, fintech companies lack an understanding of their goals, target market, and specialization. Nowadays, as the majority of people still utilize traditional banking services, Fintech companies struggle to overcome this obstacle.
- Solution: Make sure you are significantly better than your competitors if you want to improve your business and strategy. And to achieve that, you must either spend a lot of money, time, and human resources to provide your consumers with seamless services, or you must join the traditional banks.
- Offering the best product is not what your customers would anticipate in this cutthroat marketplace. Telling them about your creations is how you should promote yourself. Additionally, you need to develop a solid and efficient marketing plan that uses teamwork, advertising, and other tactics. Not only will this help you become more well-known, it will also help you increase brand recognition.

In general, the Indian financial industry is undergoing significant changes, such as the transition to a cashless society. Through tools like UPI, digital wallets, e-KYC, Aadhaar, and BHIM, among others, the Indian government is actively encouraging the use and use of technologies to turn India into a cashless society. After demonetization, India experienced a sharp increase in the number of Fintech start-ups. These start-ups operate in a number of Fintech industry segments, including peer-to-peer (P2P) transactions, financing, insurance, and mobile point of sale (POS). They start innovative financial and technological developments. However, a number of obstacles also prevent the Fintech sector in the Indian economy from expanding.

VII. Future of Fintech in India:

Building more equitable and effective financial services and fostering economic growth are both made possible by the ongoing digitization of money and financial services. In India, there are more than 2100 Fintech businesses, and more than 67 percent of those were founded in the last five years. In 2021, investments of more than $8 billion were made at various phases of the Fintech sector in India, which has also experienced exponential growth in finance. At a compound annual growth rate (CAGR) of 20%, the value of Fintech transactions is predicted to increase from US$66 billion in 2019 to US$138 billion in 2023. As of June 2020, India had had significant growth in the area of digital payments, with a monthly volume (total digital transactions) of over 5.7 billion transactions totaling almost US$2 trillion.

There are currently 187 unicorns in the fintech sector worldwide, 21 of which are located in India. The names of these companies are Acko, Bharat Pe, Bill Desk, Charge bee, Paytm, Oxyzo, Phone Pe, Pine Labs, Coin DCX, Coin switch Kuber, CRED, Slice, Razor pay, Cred Avenue, DIGIT, Groww, Policy Bazaar, Zerodha, Zeta, and Open.

In order to monetize the data and user base, the majority of these platforms have now adopted financial services re-bundling by combining a number of services under one roof. These businesses cross-sell various financial services and products. For instance, Pine Labs, formerly a POS/Payment gateway company, has expanded into merchant lending, rewards and loyalty programs, consumer finance, neo banking, and value-added services for retailers. Similar to Yono, which was originally primarily a digital banking platform, the business today also offers pre-approved consumer loans, insurance, and online shopping.

VIII. Conclusion:

Some of the main forces influencing the Fintech revolution in India are supply side enablers like exponentially growing computing power, widespread internet penetration, and increased internet speed and coverage, combined with demand side stimulants like the need for inclusive financial services, customer expectations, and the business need to reduce costs while providing faster, safer, and more reliable services. We can contribute to the development of a new financial system that is more inclusive, cost-effective, and robust by enabling innovations and controlling risks. In India, there are more than 2100 Fintech businesses, and more than 67 percent of those were founded in the last five years. In 2021, investments of more than $8 billion were made at various phases of the Fintech sector in India, which has also experienced exponential growth in finance.

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