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FUTURE OF FINANCIAL TECHNOLOGY (FINTECH) IN INDIA: OPPORTUNITY AND CHALLENGES

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Abstract

Financial Technology *(FinTech) refers to the scope of financial services that can be available on digital platforms. It is a catch-all term referring to software, mobile applications, and other technologies created to improve and automate traditional forms of finance for businesses and consumers the same. Some examples include mobile banking, peer-to-peer payment services, automated portfolio managers or other trading platforms.*

India's Financial Technology (FinTech) sector may be young but is growing rapidly, fueled by a large market base, an innovation-driven startup landscape, and friendly government policies and regulations. India is amongst the fastest growing Fintech markets in the world. Currently there are 2,000+ DPIIT-recognized Financial Technology startups in India with this number growing fast.

Our country is making significant efforts to build a strong environment for FinTech. It has 23 Fintechs which have gained 'Unicorn Status'. 1/5 Startup Unicorns are from Fintech. India recorded the largest absolute number of real-time transactions in the world; India's real-time transactions crossed 48 Billion, which is 6.5 times of the combined volume of the world's leading economies: U.S., Canada, U.K., France and Germany in 2021, resulting in cost savings of $12.6 Billion for Indian businesses and consumers in 2021. India's digital payments market is at an inflection point and is *expected to more than triple from $3 Trillion today to $10 Trillion by 2026. As a result of this unprecedented growth, digital payments (non-cash) will constitute nearly 65% of all payments by 2026 i.e., 2 out of 3 transactions (by value) will be digital.*

Keywords: FinTech, Large market base, Digital platforms, Digital Payments, Trading Platforms*.*

INTRODUCTION

FinTech is gaining importance across the globe. Different countries are making significant efforts to build a strong environment for FinTech. Let's understand what is FinTech? It means "Financial technology" which is used by the companies/financial institutions for providing financial services. The non-banking financial sector also adds up over and above the traditional banking sector as it also facilitates mobilization of savings, generating funds for establishing new ventures, enhancing the flow of funds, contributing in economic growth of the country etc.

With a population of around 1.3 billion, India is a growing market for Fintech. A large percentage of unbanked or under banked population and the fact that it is a young nation witnessing high growth in digital penetration make India an exciting global space for Fintech.

With over half a billion dollars flowing into startups, Fintech in India has grown rapidly in the last three years and the segment is expected to grow further. Banks and financial institutions have taken note of this and are actively participating in the ecosystem. The government and regulators have also taken several initiatives to boost the Fintech ecosystem and provide startups with new opportunities to launch competitive products.

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FINTECH

The term **'fintech'** is commonly used in the financial services industry, but what actually is it? 'Fintech' means financial technology, and refers to the innovation and technology aimed at challenging traditional methods used in the financial services industry. Although it seems simple enough, 'fintech' is an umbrella term, covering a vast number of services that are changing in the new digital era.

TECHNOLOGIES OF FINTECH

Modern fintech is primarily driven by AI, big data, and blockchain technology — all of which have completely redefined how companies transfer, store, and protect digital currency. Specifically, AI can provide valuable insights on consumer behavior and spending habits for businesses, allowing them to better understand their customers. Big data analytics can help companies predict changes in the market and create new, data-driven business strategies. Blockchain, a newer technology within finance, allows for decentralized transactions without inputs from a third party; tapping a network of blockchain participants to oversee potential changes or additions to encrypted data

TECHNOLOGY AND FINANCIAL SERVICES IN THE INDIAN MARKET

Fig. 1

Understood simply, fintech refers to the scope of financial services that can be available on digital platforms. This new disruption in the banking and financial services sector has had a wide-ranging impact. Key service offerings to emerge on digital platforms include:

- ***Peer-to-Peer (P2P) Lending Services:*** Companies use alternative credit models and data sources to provide consumers and businesses with faster and easier access to capital. P2P lending allows online services to directly match lenders with borrowers who may be individuals or businesses.

Examples are Lendbox, Faircent, i2iFunding, Shiksha Financial, GyanDhan, and MarketFinance.

- ***Payment Services:*** Companies allow both private individuals and businesses to accept payments over the web and on mobile without needing merchant accounts. Transfers are made directly to the bank account linked to the payee in order to secure against fraud. Examples are Mobikwik, Paytm, and Oxigen Wallet.
- ***Remittance Services:*** A few startup ventures, albeit registered abroad, are trying to address the gaps in remittance transactions (both inbound and outbound) as the current process is cumbersome and expensive. These startups aim to disrupt the current monopoly held by firms like Western Union and MoneyGram. Examples are Instarem, FX, and Remitly.
- ***Personal Finance or Retail Investment Services:*** Fintech companies are also growing around the need to provide customized financial information and services to individuals, that is, how to save, manage, and invest one's personal finances based on one's specific needs. Examples are FundsIndia.com, Scripbox, PolicyBazaar, and BankBazaar.
- ***Miscellaneous Software Services:*** Companies are offering a range of cloud computing and technology solutions, which improve access to financial products and in turn increase efficiency in day to day business operations. The scope of fintech is rapidly diversifying at both macro and micro levels, from providing online accounting software to creating specialized digital platforms connecting buyers and sellers in specific industries. Examples include Catalyst Labs in the agriculture sector, AirtimeUp which provides village retailers the ability to perform mobile top ups, ftcash that enables SMEs to offer payments and promotions to customers through a mobile based platform, Profitbooks (online accounting software designed for non-accountants), StoreKey, and HummingBill.
- ***Equity Funding Services:*** This includes crowdfunding platforms that enable the funding of a project or business venture by raising funds from a

large number of people. Such internet-mediated platforms are gaining popularity across the world as access to venture capital is often difficult to secure. These services are particularly targeted at the early stage of a businesses' operation. Examples include: Ketto, Wishberry, and Start51.

- **Mobile payments:** Ever used ApplePay or Samsung Pay? Or used a service like PayPal or Venmo to send money to a friend? These are mobile payments applications. One billion people are predicted to use a mobile payment app worldwide in 2022-23.
- **Digital banks:** Budgeting and tracking your finances using a spreadsheet or pen and paper is a thing of the past. Digital banks have stormed the banking industry, completely changing our expectations of traditional banks. Also known as 'challenger banks', everything you need is usually kept in one place: an app on your smartphone. Big dogs of the industry like Revolut boast a global customer base of over 10 million. Venturing into uncharted territory, many now offer business accounts too.
- **Insurance:** Insurtech (insurance technology) has changed the way consumers buy and use insurance. As a result of technology, insurance premiums are calculated automatically. Products like telematics (black boxes) are now offered to young or inexperienced drivers to allow them to bring down their car insurance premium.
- **Cryptocurrency:** Bitcoin is an example of a cryptocurrency, a form of digital or virtual money. Entirely electronic, no physical banknotes or coins are involved. Although a controversial subject, investment in cryptocurrencies have soared over the last decade.
- **Blockchain:** In the simplest terms, Blockchain can be described as a data structure that holds transactional records and while ensuring security, transparency, and decentralisation.
- **Crowdfunding platforms:** Crowdfunding platforms allow internet and app users to send or receive money from others on the platform and have

allowed individuals or businesses to pool funding from a variety of sources all in the same place. Companies like Kickstarter or GoFundMe have made it possible for startups to skip going to a traditional bank for a business loan, and straight to investors.

EVOLUTION OF FINTECH IN INDIA

Indian market saw the emergence of fintech during the period 1980s when banks started experimenting online mode. The ICICI bank was the first bank to enter Internet banking though with limited banking services and Central bank of India was the first to launch credit card. India is evolving as one of the fastest growing fintech market and is leaving behind China in Fintech deals. The Indian government began liberalizing its banking industry post-1990 with the introduction of technology-savvy banks. The government also took legislative action to boost the banking system and pushed new technology such as MICR, electronic funds transfer and other electronic payments that revolutionized the banking system and in turn boosted the Indian economy. However, for two decades from 1991, the technological innovation in financial services and banking were government-driven and witnessed slow growth.

Mimicking the global trend, the Indian banking and financial industry has witnessed the penetration of startups or Fintech in the consumer-facing offerings from the mid-2000s. One of the initial offerings, which came up at around 2005, was the banking correspondent (BC) model, which was used to increase penetration of financial services to the rural household. With agents having basic technology to perform financial transactions BCs offered a low-cost alternative to setting up branches for FIs to serve the rural population. FinoPayTech and Eko India were the major startups that took advantage of this opportunity and built their services around the BC model. 2010 saw an emergence of payment startups in mobile wallets; e-bill payment and mobile recharge services. Major Fintech startups such as Oxigen, MobiKwik, Paytm and Freecharge originated between 2005-10. From 2010, there have been multiple Fintech startups that have mushroomed in different segments such as lending (100+ startups), personal finance management (40+ startups) and investment management (90+ startups). Fintech has gained even more prominence with VC firms displaying keen interest with a 40% growth in investments or funding activity between 2014 and 2016. Banking technology startups offering solutions that help banks to digitally and cost-effectively serve their customers are still in a nascent stage and are expected to take off as the digital and smart city initiatives of the Indian government are aimed at providing the physical and digital infrastructure for the last-mile digital connectivity.

The last three years (2014–16) have witnessed various developments in the Fintech segment in India where apart from startups and investments, the established corporate sector including banks, financial institutions and others as well as the government and regulatory bodies have taken steps to develop, implement and propel innovative solutions.

The regulatory bodies and banks have brought new solutions that will create interesting opportunities for Fintech and the financial services sector as a whole. The most prominent of these is the launch of UPI – Universal Payment Interface. To leverage the increasing usage of smartphones and mobile apps, NPCI (National Payments Council of India, the umbrella organization that sets the payment rails in India) launched UPI, a set of standard APIs with an open architecture provided to the banks in order to facilitate account-to-account transfers by customers by entering just one virtual ID (like name@bankname.com or mobilenumber@ bankname.com). Leading startups like India's largest marketplace e-commerce players Flipkart and Snapdeal have partnered with Yes Bank and Axis Bank respectively to incorporate UPI in their mobile payment offerings. Yes Bank has also partnered with 50 merchants in various segments such as lending, e-commerce, and mobile payments to provide full usage of UPI via their Yes Pay Wallet. This enables business for efficient P2P transactions, and also eliminates the waiting time or failed transactions associated with online payment and gateways.

Another visible trend in Fintech ecosystem is the growing number of partnerships between banks and Fintech startups. For instance, HDFC Bank and the Fintech startup 'Tone Tag' have partnered to provide phone-based proximity services and Yes Bank partnered with Ultracash Technologies to enable sound-based proximity payments.

Banks have also launched solutions with the help of their in-house teams aimed at improving the digital financial infrastructure. Some of the initiatives include:

- ICICI bank launched a contactless mobile payment system which could enhance NFC payments in India
- Axis Bank presented the 'Invoice to Payment' feature that provide end-to-end digital invoicing and payment solutions
- DBS introduced the first mobile bank that allows customers to open accounts digitally with their PAN card and Aadhaar card
- Union Bank launched the *99# mobile application in partnership with NPCI that allows basic services like balance inquiry, fund transfers and mini statements to its customers even when there is no internet

These new solutions will enable Fintech startups to leverage the infrastructure created by banks to enable their solutions or enhance existing offerings with superior product experience.

The Fintech revolution in India is the culmination of years of effort in laying the groundwork towards developing key enablers through important initiatives:

1. **Jan Dhan Yojana: Jan Dhan Yojana:** The world's largest financial inclusion initiative, "Jan Dhan Yojna", has helped in new bank account enrollment of over 450 Million beneficiaries for direct benefits transfer and accessibility to a host of financial services applications such as remittances, credit, insurance, and pensions enabling FinTech players to build technology products to penetrate the large consumer-base in India.

2. **Financial Literacy:** Some of the recent initiatives towards improving financial literacy in India include setting up the National Centre for Financial Education and implementation of the Centre for Financial Literacy project by the RBI. These steps aim to promote financial education across India for all sections of the population.

3. **E-RUPI:** e-RUPI is a person & purpose specific digital payments instrument to allow for contactless & cashless payment solutions and shall play an important role in making the Direct Benefits Transfer more seamless & effective. The solution is being adopted for cashless payments for Covid-19 vaccination.

4. **India Stack:** India Stack is a set of APIs that allows governments, businesses, startups and developers to utilise a unique digital Infrastructure to solve India's hard problems towards presence-less, paperless and cashless service delivery. The India Stack has been the driving force behind the accelerated evolution of Fintechs. It is one of the most important digital initiatives undertaken globally, aimed at putting up a public digital infrastructure based on open APIs to promote public and private digital initiatives and has played a catalytic role in India's digital foundation and evolution.

GOVERNMENT, REGULATORY BODIES AND FINANCIAL INFRASTRUCTURE

The government and the regulatory bodies have recognized the changes that are taking place in the Indian Fintech space and have constantly kept pace with the rapidly changing environment in terms of technology and customer expectation.

The Indian government has launched a funding support initiative called 'Startup in India' which has a dedicated fund of USD 1.5 billion to support Indian startups. Similar to VC funding, this fund is expected to be disbursed across various segments, not limited to but including Fintech. Furthermore, the Indian government has launched various tax and surcharge reliefs such as income tax exemption for startups for the first three years, setting up National Credit Guarantee Trust Company to provide credit guarantee mechanisms via debt funding for startups, and exempting capital gain tax for investments in unlisted companies for longer than 24 months.

India offers a strong infrastructure for Fintech startups from around the world, which are planning to start their operations or are planning to expand to the Indian subcontinent. A few of the key parameters that portray the opportunities present are as follows:

Financial Inclusion and Enablement: The launch of 'Jan Dhan Yojana' scheme, aimed at providing a bank account for every individual and increase banking penetration, was launched in 2014 and has added more than 240 million bank accounts in the past three years. Fintech startups with their asset-light model can build on this infrastructure by providing easy-to-use and efficient transaction services (P2P, C2B or B2C) across financial services segments like micropayments, lending, insurance, mutual funds and others.

A growing digital population: With around 370 million Internet users in India, the Internet penetration still lies at less than 40%. This is expected to grow in the near future continuing the 2x growth witnessed in 2015 in rural population coupled with government initiatives such as 'Digital India' aimed at penetrating digital services. The growth is expected to increase the penetration of current Fintech startups as well as provide a new market for potential new solutions and new players.

Promoting non-cash transactions: In order to reduce the amount of paper cash being used in day-to-day transactions, the government has taken certain proactive steps like tax rebates for merchants accepting more than 50% as electronic payment.

Biometric identification database: Aadhaar, the government's initiative to create a central identification database, now holds the information of over 1 billion Indian citizens. This is being leveraged for eKYC and financial benefit transfer schemes. It also helps firms to reduce the time and effort required for first-time customer verification. DBS, a global bank, has launched their mobile-only banking platform called Digibank, which leverages Aadhaar for customer verification.

Fig. 2

On the regulators' side, India's central banking institution and regulator Reserve Bank of India (RBI) has put in place new guidelines in 2014 relaxing the rule for requirement of customers to undergo a KYC process for transactions up to INR 10,000 per month through prepaid instruments. This guideline allows consumers to download a wallet of choice and use them for transactional services such as booking tickets, P2P remittance and paying bills without the need for documentation or photographs.

With an approximate 70% of the bill payments from top 20 cities amounting to around USD 100 billion estimated to be paid by cash, the RBI has launched the Bharat Bill Payment System (BBPS). BBPS will enhance the current bill payment infrastructure, which is biller-specific in terms of mode of payment and channels supported to provide customers with 'anytime, anywhere' payment options. BBPS will function as a tiered structure for operating the bill payment system in the country. India's umbrella organization for payments, National Payments Corporation of India (NPCI), will function as the authorized Bharat Bill Payment Central Unit (BBPCU), which will be responsible for setting business standards, rules and procedures for technical and business requirements for all the participants. NPCI, as the BBPCU, will also undertake clearing and settlement activities related to transactions routed through BBPS. As on date, 62 entities have received in-principle approval from RBI to function as Operating Units, out of which 52 are banking and 10 are non-banking entities. ItzCash, Paytm, Oxigen, PayU are some of the Fintech startups that are part of this project.

Another popular Fintech initiative is the launch of UPI, a modern payment infrastructure that is expected to be launched by 18+ banks and Fintech startup partners. Apart from these initiatives, the RBI in June 2016 has also set up a multi-disciplinary committee to study the Fintech business in India. The committee is expected to study the new models of innovation, provide a framework and guidance for Fintech startups, and also develop infrastructure to promote innovation.

COMPARING INDIA VERSUS OTHER FINTECH HUBS GLOBALLY

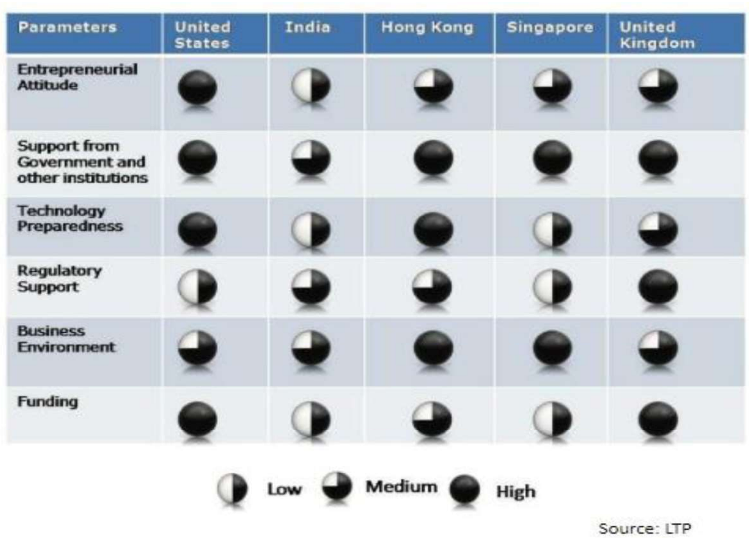


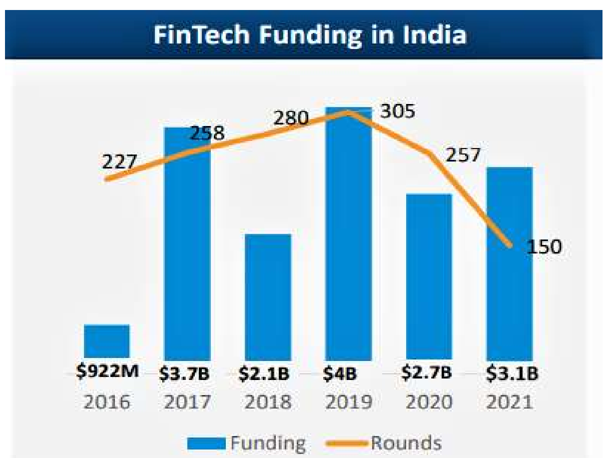
Fig. 3: A graph comparing India v. Other FinTech hubs globally

With the United States, Hong Kong, Singapore and the United Kingdom blooming as global hubs for Fintech, India has only recently emerged as a key player. However, India holds a lot of promise as it provides the right mix of technical skills, government support, regulatory policies and the business environment for startups to flourish. For example, UPI in India is unlike anything available in the United States or the United Kingdom.

Some of the key characteristics of the Indian market that make it exciting and interesting for

Fintech startups are:

- ndia is the only Fintech hub that provides ample opportunity to target large unbanked population. Coupled with the growing young population who readily accept new technologies, India makes an attractive destination for Fintech startups.
- The difficult exercise to change consumer behaviour towards accepting Fintech solutions is already underway.
- The broad level of technical education provides India with a strong talent pipeline of a comparatively cost efficient and easy-to-hire tech workforce.
- India has the second biggest startup ecosystem in APAC after China measured in deal size and number of deals.



Source: https://bfsi.economictimes.indiatimes.com/news/fintech/indias-fintech-market-size-at-31-billion-in-2021-third-largest-in-world-report/88794336

Fig. 4

Overall, India is confidently moving up the Fintech ladder and provides plenty of opportunities for Fintech startups to enter the diversified market and be successful provided a careful solution-customer match and a strong go-to-market strategy is in place. The two broad segments where Fintech is most active in India are payments and lending. Out of the more than 600 Fintech startups currently active in India, around 40% are payments and lending startups. The next few pages will hence dedicate special attention to these two Fintech segments.

SCOPE FOR GROWTH IN INDIA

Fintech service firms are currently redefining the way companies and consumers conduct transactions on a daily basis. This is why global investments into fintech ventures have been increasing at record speed – tripling to US$ 12.2 billion in 2014 from US$ 4.05 billion in 2013, and reaching US$ 19.1 billion in 2015.

In India, the scale has been much smaller but at similar growth rates – investment in India's fintech industry grew 282 percent between 2013 and 2014, and reached US$ 450 million in 2015.

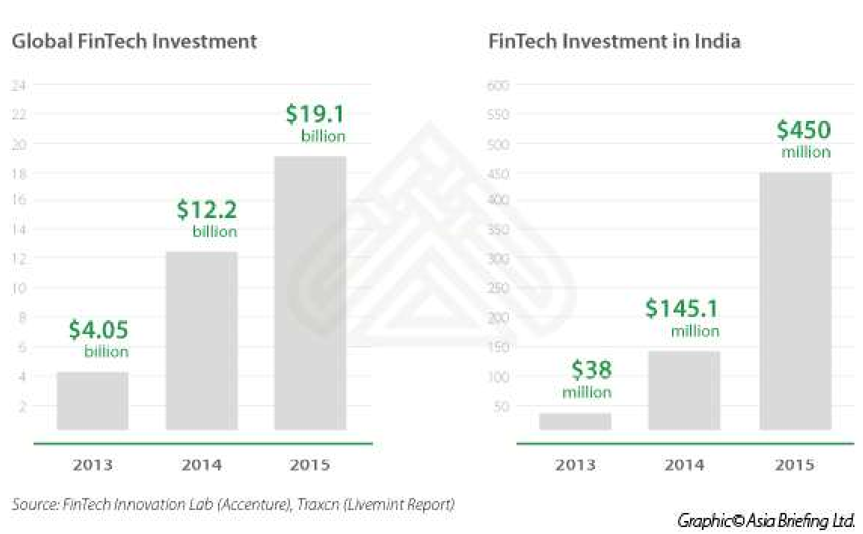


Fig. 5

Additionally, India has a large untapped market for financial service technology startups – 40 percent of the populations are currently not connected to banks and 87 percent of payments are made in cash. With mobile phone penetration expected to increase to 85-90 percent in 2020 from 65-75 percent currently, and internet penetration steadily climbing, the growth potential for fintech in India cannot be overstated.

Moreover, by some estimates, as much as 90 percent of small businesses are not linked to formal financial institutions. These gaps in access to institutions and services offer important scope to develop fintech solutions (such as funding, finance management) and expand the market base.

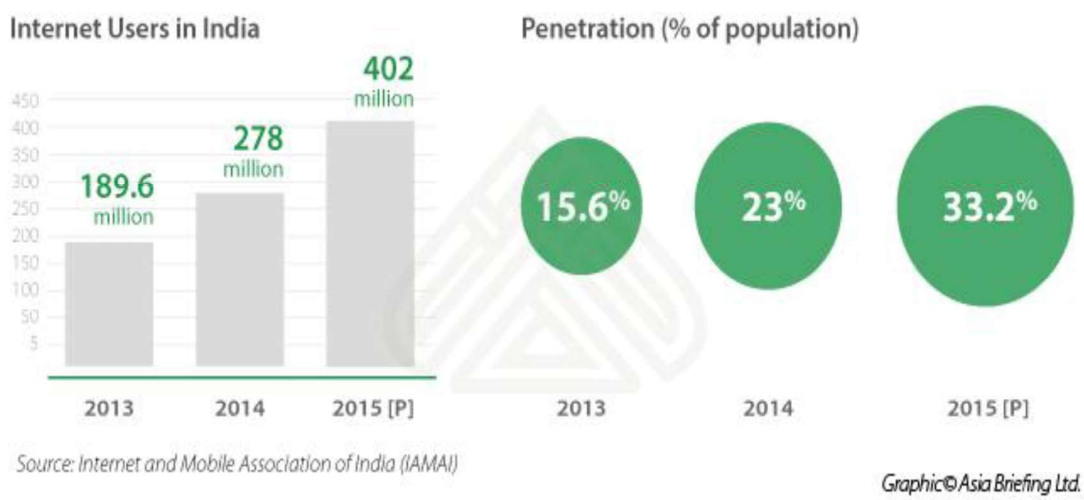


Fig. 6

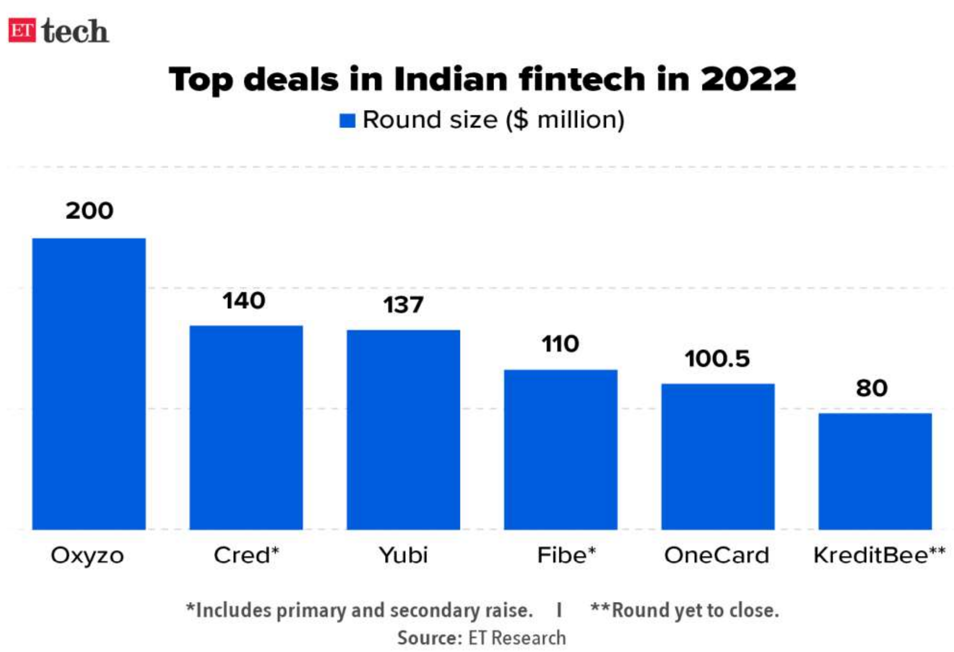
FINTECH TRENDS

Over the years, fintech has grown and changed in response to developments within the wider technology sector. In 2022, this growth is defined by several prevailing trends:

- **Digital banking continues to grow:** Digital banking is easier to access than ever before. Many consumers already manage their money, request and pay loans, and purchase insurance through digital-first banks. This simplicity and convenience will likely drive additional growth in this sector, with the global digital banking platform market expected to grow at a compound annual growth rate (CAGR) of 11.5 percent by 2026.

• **Blockchain:** Blockchain technology allows for decentralized transactions without a government entity or other third-party organization being involved. Blockchain technology and applications have been growing quickly for years, and 2022 is likely to continue this trend as more industries turn to advanced data encryption. Check out our guide to blockchain technology if you're interested in learning more.

• **Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML technologies have changed how fintech companies scale, redefining the services they offer to clients. AI and ML can reduce operational costs, increase the value provided to clients, and detect fraud. As these technologies become more affordable and accessible, expect them to play an increasingly large role in fintech's continued evolution — especially as more brick-and-mortar banks go digital.



OPPORTUNITIES FOR FINTECH COMPANIES

Fintech is a critical component of contemporary finance. The conventional view of the financial services industry has shifted. Fintech options enable people to manage their financial operations more conveniently and quickly. Additionally, it possesses immense potential for enhancing world economic life.

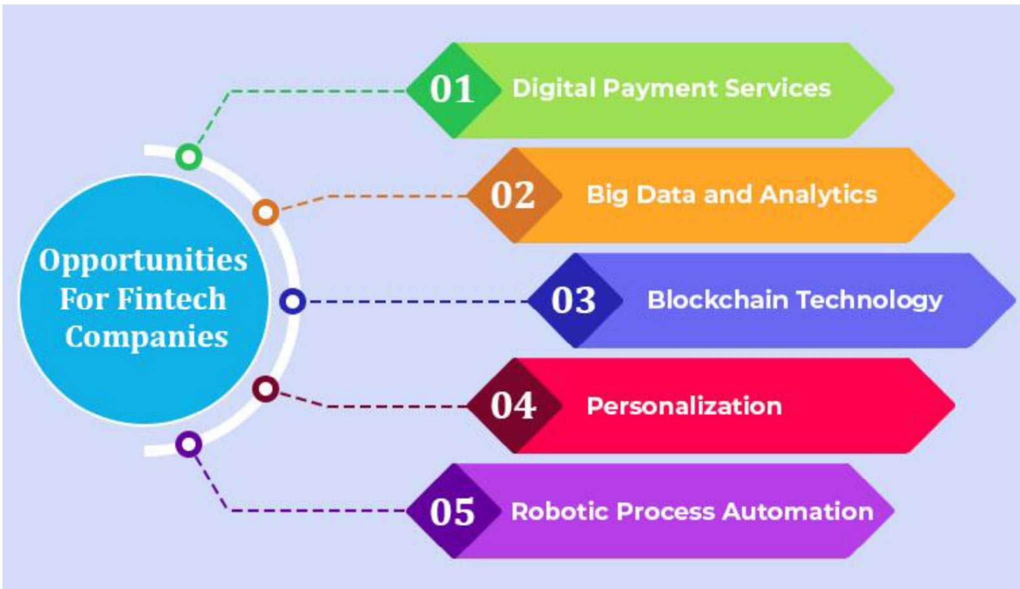


Fig. 7

Financial innovation is definitely an opportunity for sectors like commercial banks to rethink service distribution channels and find ways how to leverage its benefits. Many sectors using innovative solutions offered by Fintech already know its worth and are benefitting from this. So, if you are a company already using fintech services, then make use of the right circumstances and make a profitable business. Many business landscapes are seeing a rapid rise in the financial technology trends and market.

Many existing practices empower the financial services industry to build more innovative and advanced business solutions. This can be done using extensive analysis, report development, business data analytics, and several other ways to tap into the potential opportunities coming their way. Let us discuss some of the popular ways.

I. Digital Payment Services

One of the common revolutions that have taken place in every sector including finance is digitalization. Massive technological and fundamental transformations are happening right now, and they're swiftly becoming the new normal. The rise of digital-only banks has improved efficiency and convenience. Nobody wants to go to the bank in person, wait in huge lines, and fill out a lot of paperwork. You may open an account or transfer money at any time and from any location with digital-only banks. This is the benefit of digitalization. A rapid overview of account balance, account transaction history, bill payments, and real-time analytics are just a few of the fantastic benefits of digital-only banks.

II. Big Data and Analytics

In the financial business, digitization has invaded and revolutionized many financial institutions that compete in the market. Over the last decade, data and analytics is advancing increasingly, and as a result, they have become increasingly vital to businesses.

To create more tailored and targeted user experiences, big data and analytics are being employed extensively. Companies use data and analytics to be competitive because they help them to improve operations, maximize income, foresee client wants and provide customized product offers, and forecast demand. Businesses must take this as a word that if there is big data, there is analytics. They have an unbreakable bond. Companies must adapt to these developments in a planned and thorough manner as the finance sector quickly advances toward data-driven optimization. It will be quite insightful to derive business results from the collected customer data.

III. Blockchain Technology

Blockchain is becoming a fundamental aspect of financial institutions' operational infrastructure, including digital payments, stock trading, smart contracts, and identity management, due to its rapid expansion and acceptance.

Blockchain's global reach, speed, and security are encouraging financial institutions to use it more quickly.

In contracts and the supply chain, Fintech companies must establish confidence and demonstrate openness. They may obtain visibility throughout the supply chain by using blockchain. It also handles quality assurance and performance benchmarking. Financial services must immediately integrate blockchain into their systems and seek out chances to expand FinTech.

IV. Personalization

Banking and personalization are two sides of a coin. Personalization in banking always works in favor of businesses. In the financial services business, personalization refers to providing a valuable service or product to a consumer based on personal experiences and past data. The epidemic has forced financial institutions to focus on the essentials rather than the nice-to-haves. A tailored relationship also fosters trust.

The implementation of digital transformation is mostly motivated by enhancing customer happiness and increasing sales. Financial Institutions are nowadays not only competing against one another but also against technology behemoths. To stay up with the changing environment, the financial services industry must rethink its campaign measurement strategy in order to have a better understanding of its consumers on a personal level.

V. Robotic Process Automation

Can you imagine any banking process that is rapid and effective at the same time? Well, you have got this one, then. RPA has proven records of being one of the most efficient ways of managing financial transactions. RPA doesn't really mean that the process must be automatic, it can also mean bots.RPA's rise can undoubtedly be linked to the fact that they provide a high-quality user experience and cognitive wealth-management advice at reasonable costs.

The need for Robo-advisors is increasing. People want to take advantage of the current situation and are eagerly anticipating sophisticated investment options and in-depth market analysis. To take advantage of this unusual opportunity, the businesses must prepare themselves to provide new features with Robo advisory services. In the banking sector, they provide services such as account opening methods, customer support services, or any other financial-related operations.

CHALLENGES FACED BY FINTECH COMPANIES

Fintech has enabled firms and people to tackle new financial challenges created by social isolation and other government limitations during the coronavirus epidemic. Despite the fact that Fintech is a relatively young instrument, it nevertheless faces several difficulties. Some Companies who haven't adopted fintech services for their business for some basic reasons. Either they are not sure of what to do with fintech- that is subsequent knowledge, or they don't have start-up services providers who can do that for them. But businesses who are already working with Fintech understand that they get what they wish for in Fintech. But there are a few pain points highlighted that restrict other businesses to adopt fintech technologies. Some of them are mentioned below.

1. Data Privacy and Application Security Challenges

As per the nature of the business, fintech firms store enormous amounts of very sensitive user data, such as credit card numbers, income and investment information, social security numbers, and so on. Because of the increased use of phone and online banking services, this information is always at risk of transit. As a result, this information is extremely sensitive. Thus, there is always this question of risk in tandem with fintechs' application security and data privacy. Information protection is becoming increasingly crucial.

Because you can access vital IT infrastructure remotely owing to technological advancements. Sophisticated data hampering against financial data sources appear to be easier. Other concerns include the lack of physical checkpoints on essential infrastructure and endpoint devices that carry company data.

2. Regulatory and Compliance Laws

It is not easy to start a fintech organization. Due to fraud alerts and data thefts it has become a lot difficult to get approval for commencing a fintech enterprise. These restrictions are not only tough to comply with, but they also make it difficult for Fintech companies to join the Indian market. To avoid fraud, make compliance regulations act as a stringent regulatory framework. They, too, serve as significant roadblocks for new Fintech startups. Fintech start-ups must complete a long number of requirements before they may begin operations.

3. Focusing on the Customer Experience

Finance has a reputation for being difficult. Although the procedures involved in fintech organizations have swiftly changed. There is still a lot of ground to be covered in terms of creating a superb user experience that goes beyond a simple UI. Conversational UI is an innovation of business that focuses on the special user interface that simulates speaking with a real person. Bots may offer information to the user in the format they require.

Fintechs have paved the way in terms of simplicity and accessibility. And it's now simple to create an account with any of the banks. By displaying charges and fees up front, there is more transparency. Trading platforms like Robinhood have made financial language easier to understand.

4. Changing Revenue and Business Models

Fintechs should reconsider their income and expense strategies, as well as adapt or extend their resources. To cope with the economic downturn, many businesses are using cost-cutting tactics such as employee reductions and wage cutbacks. If the business takes up, there are so many necessary changes that need to be applied within businesses. This includes changes in revenue streams and other business dependencies. This will also alter your business models. To cope with the higher transaction volumes, contactless payment fintech are repurposing their resources.

5. Personalized Services

As we know, it is difficult for businesses to cope and offer personalized services. Though it has been the key and fundamental aspect of banking, businesses find it challenging to offer. Personalization, in today's context, implies communicating with a user in real-time, on their chosen channel. You must provide a tailored solution to their specific demands is what customers mean by personalized services. They are not ready to settle on any other grounds.

Customers are also willing to embrace Fintech as a financial wellness consultant. Some users are overwhelmed by a vast range of options. But good customization ensures that they only see the options that are relevant to them.

CONCLUSION

We saw that there are several advantages offered by Fintech, as much as businesses think they face challenges within the industry. But, challenges can be taken care of and you can take advantage if you choose the right partner for your fintech needs. However, it is challenging to keep a balance between traditional ways of banking and current-day methods. In order to leverage benefits, consult a fintech development company.

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