

Fin-Tech: Transformation of The Indian Banking Sector

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Abstract

Purpose

The Banking industry is considered to be the foundation of the Indian economy. The main purpose of this study is to look into the Indian banking sector's performance since the inception of fin-tech services banking industries plays a crucial role as the most prominent service sectors and a broad reflection of the Indian economy. Since the emergence of Fin-Tech services in India, the banking sector has seen a major shift in its performance.

Design/Methodology/Approach

The current paper uses a qualitative research design with secondary data sources. The authors collected information from secondary data Published from banking sectors in India. Various Fin-tech services used by banking sectors and observed the reforms in Banking Industries.

Findings

Our study provides important implications for regulators to develop Fin-Tech and maintain financial stability in emerging banking sectors. The authors find that Fintech services, specifically E- banking plays a significant role in reducing uncertainty surrounding business operations. Fin-Tech also offers growth possibilities and creates social value by providing transactional security, convenience and reducing physical cash robberies.

Implications

Fin-tech Services have significant positive impact on the financial stability of banks in India. It demonstrates that Fin-Tech services exhibit a more positive influence on the financial stability of banks in India.

Keywords: Fin-tech, banking sector, E- banking, Banking Reforms, Stability

INTRODUCTION

India's economy has experienced one of the fastest rates of growth during the last decade. Industries began adjusting to the current economic conditions over time. The financial system has reached the same stage of development. Banks are among the earliest financial institutions. Institutions have previously supported the economy. In the beginning, banks served as a custodian where clients could leave their assets for safekeeping. In order to meet client demand, banks have evolved into digital businesses that offer a variety of financial goods and services. The volume and complexity of banking functions are in high demand due to the economy's fast growth. Consequently, banks' roles also grew more

quickly. Recently, new payment mechanisms and small finance institutions have been introduced to the Indian banking sector. The fresh, creative policies of the RBI are assisting the banking sector's restructuring. Financial technology was essentially what was meant by fin-tech. It is a firm that provides financial assistance, planning, and management services to other corporations, groups, and individuals online. In 2015, a large number of fin-tech start-ups, incubators, and investments from both public and private investors emerged in the Indian fin-tech market. There are already more than 2,000 fin-tech businesses in India. In fin-tech, technology is used to enhance or automate financial services and procedures. The term "fin-tech products" refers to systems designed to execute particular accounting transaction operations. In order to speed up transactions, Fin-tech uses a card and an internet network in the payment system, that is the subject of this research.

The FinTech sector is navigating the rough terrain of rural India. India identified the need to adopt digital payments and adapt to technology even before demonetization. Rural India trailed behind the rest of the country in digitalization because there were insufficient commercial banks there; in 2019, only 5% of the country's 600,000 villages had a commercial bank. For physical bank branches and ATM operators in rural areas, infrastructure expenses, poor usage owing to ignorance, intermittent electrical availability, theft, and vandalism are some of the main inhibitors. These obstacles continue to hinder the delivery of fundamental banking services to this group of people.

One of the most essential components needed for a society to run smoothly is the financial stability that comes with financial inclusion. Technology has played a crucial role in facilitating financial solutions and making them accessible to everyone, even in the most remote locations, over the years. In general, these businesses are streamlining finance through technology to create a banking model that is easier, smarter, and safer for its clients. For the people living in remote places, fintech companies have enabled services like online payments, money transfers, Aadhar Pay, mobile recharges, bill payments, hotel, and ticket bookings, among others, easier to use and available even through mobile phones. Today's businesses use a network of entrepreneurs in SURU (Semi-Urban and Rural) Areas to provide aided financial services since they are aware of the particular difficulties in providing financial services to this segment.

OBJECTIVES

- To Study about the Fin-Tech services used by the Indian banking industry.
- To find out the level of Transformation in the Indian Banking sectors.
- To investigate the impact of the Indian banking sector's performance since the launch of fin tech services.

LITERATURE REVIEW

The BFSI sector has a bright future, according to Tanul Mishra's (2020) vision for fin tech, which is supported by the internet and mobile technology. According to the Deloitte and CII study Vision 2020, India is quickly becoming a digital nation. Economy with 330 million internet users, 240 million smart phone users, and more over one billion mobile phone subscribers. Fin tech startups using block chain technology have received over \$1.4 billion in venture capital funding over the last three years.

S.N.	Theory	Focus	Reference
1.	The study revealed that 63% of the total respondents were of view that their bank indulges in development of several green banking.	Conceptual model of green banking initiatives	Meenakshi Sharma & Akanksha Choubey (2022)
2.	Digital banking customers in Northern India are genuinely satisfied with the quality of services provided by digital banking.	Impact on customer satisfaction,	<u>Baljinder Kaur</u> , Sood Kiran& Simon Grima (2021)
3.	The findings of this study have various implications for both research and practice.	Analytical Hierarchy Process (AHP)	Mahesh Kumar & Sanjay Gupta (2020)

4.	Digitization of the economy has become extremely important & unavoidable to keep pace with the fast-growing cashless global economy.	The impact of factors on the attitude of Consumers.	Shilza, Madhulika, P. Sarkar (2019).
5.	Cashless transactions contributing towards efficiency and convenience.	Availability of various payment instruments which can be used by the people and their benefits.	Shilpa Bhimrao Gaonkar (2018).
6.	Digital transactions provide the opportunity to handle any kind of banking transactions that are safer & secure.	Understand the various benefits related to digital transactions.	Srikanth Carandas & Nitesh Paunch (2017).
7.	Electronic transactions have increased due to the realization by the Indian population about the voluminous merits offered by popular mode of payments such as credit & debit cards, net banking & e-wallets by the Indian population.	The UPI_BHIM is offering services of electronic payments to the customers.	Rakesh K., Suresh Kumar, Dr. S. Sateesh Kumar (2018).
8.	The Developing country's economic growth & development has shown advancement by instilling a cashless Payment system.	Studying the cashless payment system helps in imparting a cashless economy.	N. Kumari & J. Khanna (2017).

RESEARCH METHODOLOGY

It is conceptual research. Government websites, periodicals, and RBI reports have been cited. The ABCD framework (Advantages, Benefits, Constraints and Disadvantages) has been used to analyse digital payments. The Paper is an exploratory based on extensive Literature Review and secondary Data to explore the Impact Of performance of Indian banking sectors through Fin-tech Services. The Authors has carefully gone through the current status in terms of the Challenges and opportunities that persist in the Indian Banking Sectors. The purpose of the study is to know the various Fin-Tech Services being used by Indian Banking Sectors to analyse, the Researcher used secondary data through web sources and discussed about the transformation that the Indian Banking Sectors got from the use of Fin-Tech Services, Analyzing year wise progress (Turnover, Transactions, and No. Of Customers enhancement) to know the impact of Banking Performance through Fin-Tech Services

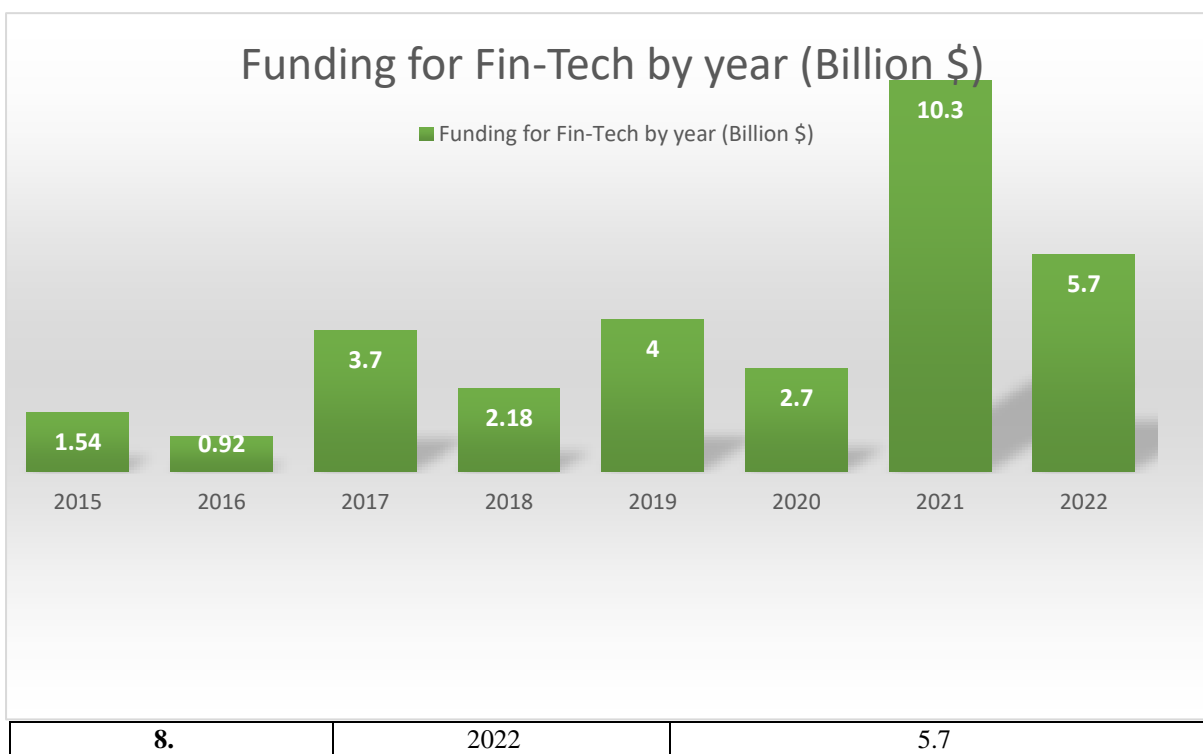
DATA ANALYSIS

The Indian fin-Tech currently stands as 3rd largest Fin-Tech Ecosystem in the world behind the US & China However India still remains an untapped market due to lower penetration of Financial Services these Untapped opportunities, along with a favorable ecosystem create large growth potential for fin-Techs in India.

Table-1

S.No.	Year	Funds (in Billions)
1	2015	1.54
2.	2016	0.92
3.	2017	3.7
4.	2018	2.18

5.	2019	4
6.	2020	2.7
7.	2021	10.3



Source: Economics Times

The overall size of the Indian Financial services sector in 2021 is estimated at \$5 Billion of which the fin-Tech market \$0.31Billion, according to report by BLinC Insights. The rapid pace of growth in the Fin-Tech Sector in India Comes on the back of accelerated digitization in the country. In the next five years the fin tech sectors is expected to grow with a compound annual growth rate of 22%.

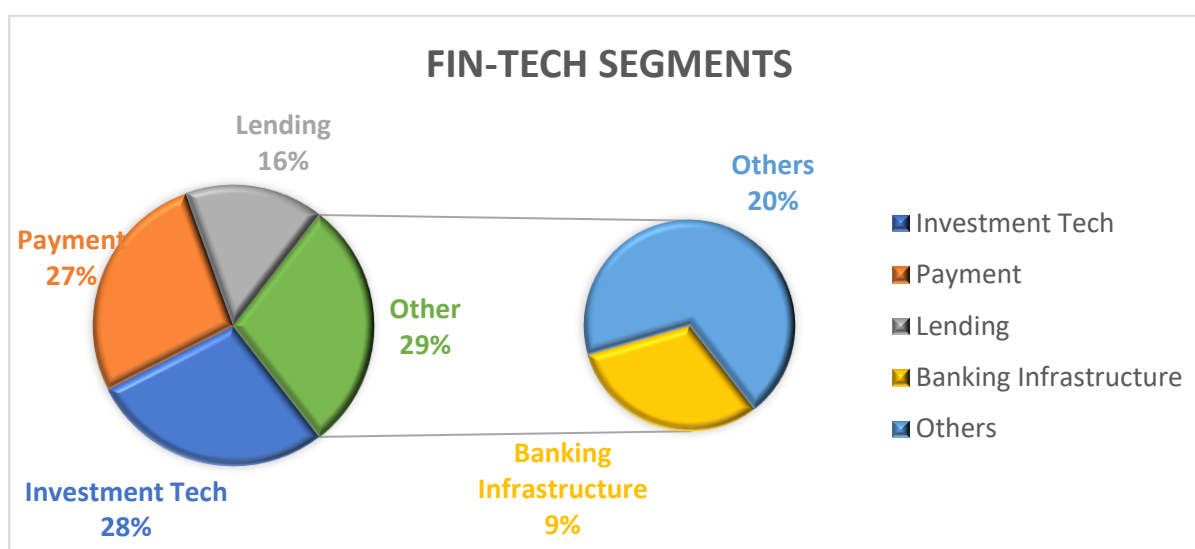


Table-2

S.No.	FinTech Segment	Investment %
1.	Investment Tech	28%
2.	Payment	27%
3.	Lending	16%
4.	Banking Infrastructure	9%

Of the total 6386 Fin Tech's, 28% are into investment Tech, 27% into payments, 16% into lending, 9% into Banking infrastructure and 20% are into other fields.

DRASTIC IMPROVEMENT OF CUSTOMER SERVICES

Fin-Tech products and services have improved the caliber and effectiveness of conventional financial institutions. By providing better, more modern financial services, the industry's client retention rates are expected to increase, driving up overall income. Customers no longer need to wait in lengthy lines, complete numerous forms, or call customer service in order to receive assistance. Fin Tech banking solutions give self-service capabilities and let users manage administrative processes that were previously exclusively accessible offline.

Creation of mobile payment Services: Although NEFT and RTGS have been used for payments for many years, Immediate Payment Services (IMPS) has simplified everyday banking procedures. Mobile wallets serve as a safe platform for enabling a frictionless digital interaction between banks and clients. Banks receive all requests for money transfers sent through mobile wallets in real-time, resulting in a quicker and more user-friendly banking experience. Customers now have a variety of options to complete transactions around the world thanks to the flexibility offered.

COST REDUCTION

Most business leaders are under the impression that the latest technologies are far too expensive to invest in, which isn't true. Financial technologies help banks and institutions by contributing to overall cost reduction. Fin Tech has made it possible to combine physical and digital payments by offering both through a consolidated platform. The biggest aspect that works in favor of enterprises is that convenient transaction options can be facilitated even under the constraints of a restricted budget. Fin Tech services allow businesses to send and receive money from their accounts seamlessly in different currencies without incurring exorbitant conversion fees. The power of Fin tech lies with convenience, not cost.

Efficiency: The expansion of instant payments has been significantly aided by the increasing acceptability of digital transactions on a global scale. There are several instances where modern, digital techniques have taken the place of conventional ways. For instance, online loan applications must be approved by lenders who solely operate online and have access to funding the same day. Only Fin Tech's innovation and offerings make this possible. Traditional banks may occasionally be unable to offer quick and efficient financial solutions. Fin Tech is preferred by most organizations because to its effectiveness, pragmatism, and convenience.

Digital Assistant: Several banks have introduced chat bots that are intended to give consumers meaningful experiences and respond to their frequent questions. Voice bots will eventually take the role of chat bots as technology continues to advance. With the use of voice recognition technology that makes use of artificial intelligence (AI) and natural language processing, voice bots are intended to provide superior consumer contact (NLP). Banking services will soon have voice-based searches similar to those found on Google, Netflix, and other platforms. Direct voice commands now make it possible to do actions including generating a new pass code, opening a new account, and retrieving account balances.

Rise in Neo Banking: Neo banking is the term for online banking without actual branches. One of the various services provided by neo banks is instant loans. Other services include mutual funds, savings accounts, and fixed deposits. Neo banks often use phone numbers, emails, or social media handles to support person-to-person payments, mobile deposits, and other financial services. These services can be conveniently accessed online via a website or a specialized mobile application, both of which need to be created in collaboration with other licenced banks. Neo banking fills the gap between the services provided by traditional banks and the changing demands of customers in the digital age.

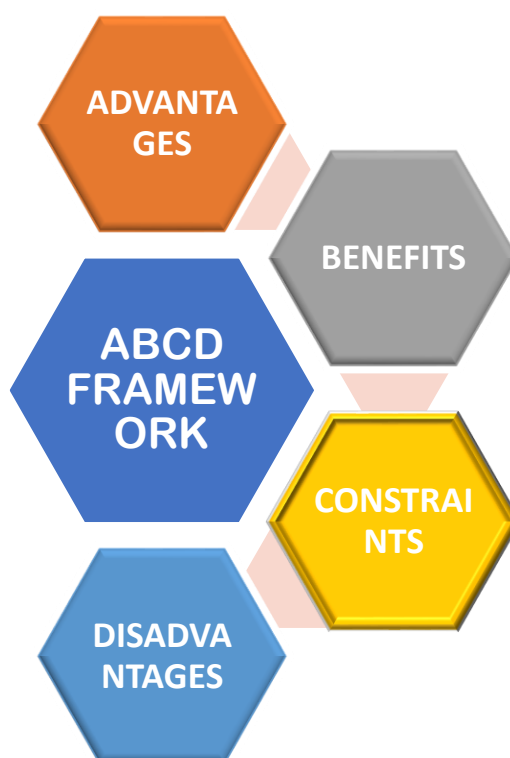
ABCD FRAMEWORK

ADVANTAGES BY USING DIGITAL PAYMENTS

1. The economy's use of currency decreased thanks to digital components.
2. Younger generations are using it more frequently as a form of payment.
3. Payment can be made quickly no matter where you are in the world.
4. Because mobile banking does not involve extensive travel, it is more practical in rural locations.
5. Digital banking can assist with the tedious task of filing taxes.

BENEFITS OF USING DIGITAL PAYMENTS

1. Besides published an official from the applications and emails, it aids in quick payment of bills due by the consumer on time, saving from paying penalties.
2. The banks' overall operating costs have decreased.
3. Although banking can be done from home, it is more convenient for both old and lower-class customers.
4. Customers gain from digital payments since they are more convenient than using cash, which is a laborious process.
5. It protects customers from financial loss due to theft or robbery.
6. Since digital payments are instantaneous compared to the depositing and collection processes for paper-based cheques, consumers also profit from them.



CONSTRAINTS OF USING DIGITAL PAYMENTS

1. The concern with digital payments is the lack of familiarity with computers and the internet.
2. The difficulty in using smart phones and operating payment applications.
3. Because of the potential for fraud and the associated client resistance to using digital banking.

4. In small towns and cities, lower internet connectivity penetration rates discourage users from using digital banking.

DISADVANTAGES OF USING DIGITAL PAYMENTS

1. While transactions become increasingly digital and fewer individuals are needed to complete the task, there is a potential that some people will lose their jobs.
2. Due to the possibility of fraud, bogus apps, and websites, people may lose money.
3. Customers generally avoid using digital payments because of security issues.
4. Opening a bank account and applying for a loan must be done in the bank itself, despite the fact that many services are given; the scope of services is limited in digital payments.

FINDINGS

- Since (2015), the inception of Fin tech services all banking sectors are emerged to start functioning smoothly. Though several precautions need to be taken care of for the first time users and rural people. The various fin-tech services as shown in table-1 we understand its importance and benefits to the customers at a large.
- As per the banking transformation –there is a drastic change in cost reductions, efficiency, digital assistance and rise in Neo banking. It provides important implications for regulators to develop Fin-Tech services and maintain financial stability in emerging banking sectors.
- The authors find that Fin tech services, specifically E- banking plays a significant role in reducing uncertainty surrounding business operations. Fin-Tech also shows growth rate as \$1.54Billion in 2015 to \$10.3 Billion in 2021-22 as shown in Table-1.

CONCLUSION

The traditional banking system was only restricted to acceptance of deposits and lending of funds as their core banking business. As the decade passed innovation started taking place in the banking field along with other industries. This transformation results in technology-led disruption, convergence, and data analytics, etc. These forces are driving dramatic changes and reshaping the banking industry.

Digital transformation made banking institutions act upon technology & market trend to provide a more hassle-free & engaging customer experience. The initiative of the government by introducing Digital India & increased use of mobile and internet are the reasons for the fast-growing demand for digital payment. Digital payments play a pivotal role in banking along with the economy as it is contributing to the GDP of the nation. Almost all payments mechanism has shown a phenomenal increase in volume and value prospect. There are diverse factors including simple usage, the merits of digital payments, accessibility, the fast-growing smart phone penetration, favorable policies of regulation, and growing consumer readiness to the digital payment platform resulted in epidemic growth of the Indian digital payment system. Still, cash is the king in the Indian economy as the ratio of currency circulation to GDP (%) is exceptionally high at 11.2%. There has been significant thrust on boosting digital payment in India during the last 5 years to make it a cashless economy. Due to the easy availability, smooth usage, accepted universally Cash is playing a significant role in payments. It has the added advantage of less consumer cost and no requirement of KYC. As banks are the major contributors to the financial services of the country, they have started the initial thrust, development of digital payments infrastructure and systems. They are driving towards growth by focusing on transforming business lines, channels, and products with maintaining the balance of continued regulatory measures and the growing threat of disintermediation. By balanced execution of tactical initiatives & long-term transformational growth strategies, Banks are digitally becoming a successful sector in the world.

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DECLARATION OF INTEREST STATEMENT

The researchers/authors assured you that, this paper is purely our research work for academic purpose and for the wellbeing of the organizations employee's and employer's point of view. The research is free from all sorts of conflicts of financially and socially.

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