



## **FINTECH IN FINANCIAL SERVICES: AN OVERVIEW**

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### **ABSTRACT**

India, the second-largest Internet-using nation, is quickly adjusting to this financial technology environment. FinTech, as it is more often known, is a term used to describe emerging technology that aims to enhance and automate the provision of financial services. Insurance, loans, accounting services, real estate values, wealth management, investments, and other financial markets have all seen a qualitative transformation thanks to financial technology. Every day, banks encounter a flurry of innovative concepts and technological advancements that can enhance client satisfaction, restructure operations, and boost productivity. The study's objective is to ascertain how well-known financial technology is in the world of financial services. In order to understand the many realities of Financial Technology use in the financial sector, this study began with a literature review. The term "FinTech" will soon be a household term for all banks, domestic and international. In order to increase operational effectiveness and client appeal, banks are increasingly implementing FinTech technology enabled solutions. Only time will tell how big of an impact FinTech will have on the banking world.

**Keywords:** Financial Services; Banking; Awareness; Application; Automate

### **1. INTRODUCTION:**

FinTech refers to the process by which providers of financial services integrate technology into their offerings to improve usability and client satisfaction. The term "FinTech," as it is more widely known, is used to describe emerging technology that aims to enhance and automate the delivery of financial services. FinTech is mostly utilised to improve how businesses, people, and customers handle their financial operations, procedures, and lives. On

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laptops and mobile devices, it consists of sophisticated software and algorithms. The term "financial technology" is referred to by the acronym "FinTech".

When it initially arose in the 21st century, the term "FinTech" was used to describe the technology employed in the backend systems of recognised financial organisations, such as banks. Between 2018 and 2022, generally, there was a shift to services geared towards consumers. Currently, the term "FinTech" is used to characterise a variety of industries and professions, including nonprofit fundraising, retail banking, investment management, and education, to mention a few.

A broad definition of "financial technology" includes any invention that changes the way people conduct business, such as the creation of digital currency or double-entry accounting. Since the advent of the internet, financial technology development has expanded.

According to EY's 2019 Global FinTech Adoption Index, two-thirds of customers use two or more FinTech services, and these clients are utilising FinTech more frequently in their daily lives.

## **2. OBJECTIVES OF THE STUDY**

The objectives of this paper are to:

- To describe the most recent developments of financial technology in the banking industry.
- To study the role of FinTech in transforming the Banking Sector.

## **3. METHODOLOGY**

This research paper is conceptual in nature. It is based on secondary data the information has been taken from secondary sources.

## **4. FINTECH – THE FINANCIAL ENABLER OF A DIGITAL TOMORROW**

According to statistics, 2.5 billion people will actively use online banking services by the year 2024, up from 1.9 billion people in 2020. The extent to which FinTech firms have made banking services straightforward and practical is clear.

The following are the factors that allow FinTech

**4.1 Drastic Customer Service Improvements** – FinTech solutions have improved the efficiency and effectiveness of traditional banking 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

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numerous forms, or call customer service in order to receive assistance. FinTech banking solutions give self-service capabilities and let users manage administrative processes that were previously exclusively accessible offline.

**4.2. Creation of Mobile Payment Services** – Although NEFT and RTGS have been in use 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. The freedom on offer has also given clients a variety of options for doing transactions around the world.

**4.3 Cost Reduction** – The majority of business executives believe that investing in the newest technologies is prohibitively expensive, however this is untrue. Financial technologies support banks and organisations by lowering total costs. Physical and digital payments can now be combined thanks to FinTech, which provides both through a single platform. The main factor in businesses' favour is the ability to offer convenient transaction options even when faced with financial limitations. Businesses may send and receive money from their accounts smoothly in many currencies without paying astronomical conversion fees thanks to FinTech services. Convenience, not price, is where FinTech's strength rests.

**4.4 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 FinTech's innovation and offerings make this possible. Traditional banks may occasionally be unable to offer quick and efficient financial solutions. Due to its effectiveness, pragmatism, and ease of use, FinTech is preferred by most organisations.

**4.5 Digital Assistance** – A number of banks roll out chatbots that are intended to give consumers meaningful experiences and respond to their common questions. Voice bots will eventually take the role of chatbots as technology continues to advance. Aiming to improve consumer engagement, speech bots employ artificial intelligence (AI) and natural language processing (NLP) to recognise voices. Banking services will soon have voice-based searches similar to those found on Google, Netflix, and other platforms. Direct voice commands can

now be used to generate a new passcode, create a new account, or get account balance information.

**4.6 Rise of Neo-banking** –Neobanking is the term for online banking without actual branches. One of the various services provided by neobanks is instant loans. Other services include mutual funds, savings accounts, and fixed deposits. Neobanks 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 specialised mobile application, both of which need to be created in collaboration with other licenced banks. Neobanking fills the gap between the services provided by traditional banks and the changing demands of customers in the digital age.

## **5. THE ROLE OF FINTECH IN TRANSFORMING THE BANKING SECTOR**

The significance of digital financial models has been made clear during the past two years in all parts of the world. The old banking system has been fundamentally revolutionized by FinTech, whether we're talking about mobile or net banking, digital money transfers, paperless financing, or insurance. Historically, banks have acted as a gateway for payment services. Making financial transactions has gotten much more convenient with the emergence of new FinTech companies like Paytm, Google Pay, Amazon Pay, and more. Today, consumers can utilize digital payment platforms to pay for things like trip tickets, bills and fees, phone recharges, and even groceries and other necessities.

With the ongoing development of digital technology, the field of FinTech is also advancing rapidly. All around the world, businesses have undergone a digital transformation thanks to cashless payment systems, machine learning, automation, bank loans, and artificial intelligence. These technologies offer advantages beyond the provision of fundamental financial services.

All banks and financial institutions are greatly impacted by the FinTech revolution in the following ways:

**5.1 Smart Chip Technology:** Smart chip ATM cards have considerably reduced the monetary loss that might result from accidents. It has embedded in the chip EMV (Europay, MasterCard, and Visa) technology. With this technique, each transaction requires a one-time password, which ups security because the code is only good for one transaction and can't be utilized, even if it is stolen.

**5.2 Biometric Sensors:** The banking industry's use of FinTech has spawned a number of inventions, including biometric sensors. Iris scanners and biometric sensors are two examples of recent technology breakthroughs in ATMs. Furthermore, these innovations are groundbreaking since they do away with the requirement for carrying about physical cards. One won't also have to memorise their personal identification number. Since one will be able to access personal accounts without a password, these improvements will not only make ATMs more convenient and simple, but also more safe than before. The biometric ATMs identify the account owner using integrated mobile applications, fingerprint sensors, palm, and eye recognition. All of the clients who are concerned about losing their identification can breathe a tremendous sigh of relief thanks to the use of biometric technology.

**5.3 The Automated Clearing House (ACH):** All electronic interbank payments made in a nation are processed efficiently with the help of the Automated Clearing House (ACH). These computerised payments cover things like insurance premiums, social security payments, salaries, dividends, bills, and mortgage direct debits.

**5.4 Omni-channel & branchless banking:** FinTech financial services are shifting the entire banking system from a branch-specific process to numerous digital channels such as the internet and mobile devices. Additionally, the bank's reliance on its physical branches to operate is lessened. Because of omni-channel banking, several banks are consolidating their branch network.

**5.5 Customer service Chatbots:** Customer support Chatbots developed by FinTech companies have also gained popularity. Chatbots are pieces of software that constantly learn from interacting with people by utilising machine learning and natural language processing. They are quite effective in streamlining client contacts, such as handling inquiries and directing clients to the appropriate departments. All banks now use Chatbots as a necessary component since they not only cut costs but also improve client satisfaction.

**5.6 Artificial Intelligence (AI):** AI has evolved into a crucial component of FinTech financial services throughout time. Machine learning and AI are essential for fraud detection. Every time there is a potential fraudulent transaction, the fraud detection software that banks utilise generates a warning. It is later supported by a human investigation that ultimately establishes whether the attack was true or not. Attacks are becoming more complex over time, though, making it harder to detect them and costing too much time and money. Additionally, there is always a chance that consumer data will be lost. Banks are increasingly

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implementing AI technologies to counter this issue. Additionally, banks can use previous data to forecast and identify trends in a fraud attack using machine learning algorithms. By doing this, the manual labour is reduced by around 50%

**5.7 Electronic Wallets:** Another sign of the expansion of FinTech financial services is the enormous increase of e-wallets. Among the top e-wallet providers worldwide are Samsung Pay, PayPal, Android Pay, and Apple Pay. These wallets are used for a variety of things, including (person to person) P2P payments, topping up and paying bills, sending money abroad, and purchasing tickets. Additionally, there are various stand-alone wallets like Starbucks Pay and Walmart Pay. Due to its alluring incentives, such as lucrative cashbacks and reward points, e-wallets have drawn customers. Many banks now understand its significance and are recognising e-wallets as a cooperative approach to accept technology improvements as a result of their enormous success.

**5.8 Mobile Banking:** The rise in smartphone usage has compelled banks to develop mobile applications that provide practical FinTech banking services. Nowadays, the majority of banks provide user-friendly smartphone applications. Additionally, banks have developed mobile applications that can identify a user's fingerprints. This function is carried out by the application without the use of biometric hardware or software and offers instant access to cash. The user can execute a number of banking tasks via a mobile application, including rapid bill payments, cheque deposits, account balance checks, statements, and many more.

## **CONCLUSION**

With the ever-increasing reliance on digitalization across sectors, not capitalizing on this trend can create several business challenges, with long term success almost certainly unattainable. FinTech services provide great flexibility to banks and financial service providers to go beyond the scope of traditional methods. The advent of cutting-edge technologies coupled with customers' demand for a safe and more user-friendly banking experience has led banks and financial services to adopt FinTech and its services.

In the coming years, it is all set to become ever bigger with its FinTech solutions for businesses, retail banking software, financial core banking software, and many other components coming under it. Only time will tell how big of an impact FinTech will have on the banking world.

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