



ORIGINAL RESEARCH PAPER

Management

FINTECH- A PATH WAY TO DIGITAL INDIA

KEY WORDS: Fintech, Digital Wallet, Credit scoring, Digital Insurance

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ABSTRACT

In the era of digitalisation, the role of Fintech product for enabling and enhancing the financial payments carries a significant role. It is considered as a panacea for digital payment particularly after demonetisation policy of Union Government. A substantial amount of Fintech products are available now which plays a pivotal role in financial services going forward. It act as a key pillars for making financial transactions hassle free, safe and speedy and thereby contribute faster economic growth. Through this paper an attempt has been made to identify various Fintech products available for individual, financial institutions and companies to make their financial transactions in secured and speedy manner. An analysis of the working of different fintech models available are also come under the purview of this study.

INTRODUCTION:

In this pandemic situation most of the people use financial technologies to make their financial transactions speedy and without the intervention of a third party. Financial Technology (FinTech) is a cross-disciplinary subject that combines Finance, Technology Management and Innovation Management. FinTech initiatives often lead to new business models or even new business (Leong and Sung, 2018). it is a tool to help consumers and companies to make efficient management of their financial transactions. initial stage the transactions using fintech are only get in desktops and laptops, now increasingly done by using smart phones. Today, 96% of consumers know of at least one alternative financial technology services, they can use for making payments or transferring money. According to Zion market research (2018), the global mobile phone payment technology market is expected to reach a value of approximately £2,660.87bn by 2024.

Financial technology is applicable to all financial transactions, be it personal use or business use. Credit card is the first fintech product which is introduced in 1950's and the ATM in 1960's. Definitely, the world will witness a time where fintech only pertains to the main operation of the banks or stock trading companies. The internet boom technology and the rise of usage of mobile computing that lead to fintech to become a continuing global revolution. Fintech plays a crucial role in making a cashless world into reality. The development of Fintech capabilities and related technologies has also facilitated the emergence of start-ups that offer alternative sources of financial service (Fenwick *et al.*, 2017) So fintech can be defined as the integration of technology offering by financial services companies in order to improve their use and delivery to consumers.

Objectives of the study

1. To familiarise different fintech business models prevalent in the market
2. To provide an insight on fintech products and the companies engaged in fintech

INNOVATIVE FINTECH BUSINESS MODEL

There are a number of fintech business models that are already popular among clients, financial institutions, banks and corporate for enhancing financial transactions. An in depth analysis of different business models helps to get a clear picture about the working of it and how they differ from each other.

Alternative credit scoring

Alternative credit scoring is a prominent and most popular business model in Fintech. It is calculated based on data like payment for utilities, Telecom or electricity bill payments, Rental and lease payments, subscription payment, bank account details etc of the borrower. In traditional system, the lender check the past borrowing history of an applicant and if they are satisfy that file, sanction the loan and if they have a good score they even stand to get a better interest rate. If the applicants have no past credit history they couldn't getting their loan sanctioned. But the credit rating reflected by this system tend to last for a few years. After that the financial condition of the applicant could have changed badly.

Fintech technology saw the gap in this process and the rigid credit scoring system and they found a way to provide credit scores to people who have no borrowing history in long time and introduced alternative credit scoring. As per this scoring, credit worthiness of an individual is determined based on 3 major elements, their ability to pay, willingness to pay and stability in making payments. This Shows a person's creditworthiness especially the tendency to monthly dues in a well disciplined manner than a traditional credit report.

Alternative Insurance underwriting

In today's world, two individual with same qualities (ie physical & honest) will be given the same life insurance premium. However one person have good exercise habit and other have not, first person will be healthy and other will be patient. These faulty premium calculation happen averaging out, as risk premium cannot be calculated. As with, fintech companies are building variable premium computing mechanism with based on alternative data points like social signals, life style, medical history of an insured etc and analysed those data, and the insure tech company can determine whether or not give insurance, or provide any condition for their policy etc.

Transaction delivery

In the case of Transaction Delivery fintech companies provide free digital app or products like expense management app. These app collect useful data on a customer potential to pay premiums, buy mutual funds or invest in real estate business etc. Companies exchange these data and insight to the third party financial products and earn commission on the sales and transactions.

Peer to peer lending

In this P2P lending fin tech models, an individual borrows

money from other individuals. Similarly peer to business (P2B) is when a business borrows money from one or multiple individuals. Under this method, Fintech companies identify requirements of borrowers and find lender match with borrowers requirement and usually take a fee from the borrower's repayment.

Small ticket loans

Small ticket loans is an instant digital loan product which target at salary earners who meet the bank's Risk Acceptance Criteria(RAC). These digital lenders make short term small personal loans easily accessible to everyone. The borrowers are requested to select the loan amount and tenure, upload the relevant documents and receive the money in their bank account within 10 minutes. Financial institutions usually do not approve Small Ticket Loan, because of the law margin and high cost associated with allowing of this loan and its collection. Fintech companies introduce a new business models that allows delivering buy mechanism (like buy now and pay later) and one click buy button on e-commerce website that make clients buy quickly without applying any authentication or using any card details.

Payment gateways

It is a platform that enable shoppers to pay for products or services on a merchants website. In this era, there are number of payment methods such as credit card, debit card, digital wallets etc. but enormous fees are charged by the bank for the transactions. But fintech companies are integrated all these payment method into convenient app that online merchants can easily afford and integrate on their website. Typical users of these payment apps would be business selling either their physical products or services to end users. Eg; Stripe, Ali pay etc.

Digital wallets

It provide secure payment system that uses passwords for numerous payment methods and websites. By using this technology users can fulfil purchases easily and quickly using online transfer technologies. It is a common practice to have a digital wallets combined with the mobile payment system, allowing clients to pay with the smart phones eg; Phone pay, Paytm, Apple pay etc.

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Digital wallets

Digital Wallets are widely used now a days for enhancing financial transactions and ensuring secure payment system that uses passwords for numerous payment methods and websites. This technology helps the users o fulfil purchases easily and quickly using online transfer technologies. These are financial accounts that allow users to store funds, make transactions, and track payment histories by computer. Digital wallets are also the main interface for using crypto currencies such as Bitcoin. Many companies are now using digital wallets like Due, ApplePay, Google Wallet, Samsung Pay, PayPal, Venmo, AliPay, Walmart Pay, Dwolla, Vodafone-M-Pesa etc. Commonly used E-Wallets are those of Google, Amazon and Apple. For example, Google's Wallet service allows its users to store cash on their phones. Customers can spend this cash both in-store, as well as online at businesses that accept Google payments.

Asset Management

For the asset management industry, fintech applications are allowing firms to collect and leverage huge amounts of data that they can analyze to better decision making. Asset managers are also using these technologies to differentiate their service offerings as the environment becomes increasingly more complex and crowded.

Digital banking

Digital banking is widely used by people as an alternative to traditional banking. People are mainly adopt digital banking service for availing of banking services via smart devices over the internet. Digital banking enables a bank's customers to access banking products and services via an electronic/online platform. It digitize all of the banking operations and substitute the bank's physical presence with an everlasting online presence, eliminating a consumer's need to visit a branch. It is mainly used by the customers for transferring funds, paying bills, recharging facilities, making investments etc.

Different Categories of Fintech

Different Fintech organizations combine innovative business models and technology to enable, enhance and disrupt financial services. Here are major categories of fintechs, offered by the companies to make financial transactions speedy and hassle free. Fintech combines the technologies and artificial intelligence for bringing traditional payment system as a virtual reality.

Payment Gateways

Online payment gateways have revolutionized financial payment, making it convenient, easy, and highly accessible for all. The most notable contribution of payment gateways is that they allow people to send money without the need for a bank. By removing the expensive bank fees, payment gateways have given consumers considerable benefits and savings. Fintechs are also upgrading the security aspects of online payment gateways. For instance, fintechs are developing block chain-based systems to make electronic money transfers more secure and cost-effective, compared to banks.

Mobile Payments

Mobile payment commonly known as mobile money, mobile money transfer, and mobile wallet. It is generally refers to payment services operated under financial regulation and performed from or via a mobile device. Instead of paying with cash, cheque, or credit cards, a consumer can use a mobile to pay for a wide range of services and digital or hard goods. Consumers can make payments with the help of some apps like google pay, phonepe, etc without having any kind of digital banking tools.

Budgeting Apps

Budgeting Apps are used by the public to calculate their expenses and make appropriate budgets. Monitoring finances commonly involve through spreadsheets, through paper receipt etc. Now through Budgeting Apps monitoring expenses and planning budgets have become easy and more efficient. In fact, one of the most used fintech offerings to date is a mobile budgeting app. Either for personal and business purposes, budgeting apps allow anyone to easily and effectively monitor their expenses, income, and other finances.

Consumer Banking

Banks' exorbitant fees and difficulties to reach the bank premises and large crowd in the bank make it impossible for the average customers to use their services. Fintech's alternative consumer banking products and services are designed to address this long-standing issue. By making financial products more accessible and affordable, fintech firms provide a better alternative for consumers. The term

"consumer banking", also known as retail banking, encompasses the standardized services offered to consumers by a bank. These include checking accounts, savings accounts, mortgages debit cards, credit cards, and personal loans.

Robo-Advising and Stock-Trading Apps

In recent years, Robo-advising has brought about drastic changes in the investment and asset management sector. This innovative fintech service uses smart algorithm technology to provide intuitive asset recommendations.

Robo-advising, in effect, portfolio management has achieved unprecedented efficiency, including lowering its costs. Financial advisers can now analyze numerous portfolio options more efficiently, 24/7, simultaneously. No wonder, an increasing number of Robo-advising services continue to emerge. Another popular and highly innovative fintech contribution is the invention of stock-trading apps. In the past, investors must physically visit stock exchange establishments to buy and sell stocks. Today, stock trading solutions allow investors to easily trade stocks at the click on their smart phones.

Insurance

Fintech firms have also entered the large insurance market as well, but offering better services than conventional insurers. Insurtechs are optimizing the use of innovative insurance apps to make more people insured. Like what it does in other industries, fintechs are making insurance more accessible to the underserved masses.

Firms in this category are typically collaborating with conventional insurers to automate insurance procedures and extend coverage. Crucial to insurance innovation is the removal of cumbersome and time-intensive processes.

Block chain and Crypto currency

Block chain uses encryption technology to create crypto currencies, a promising new medium of exchange that is more secure and better than cash. In effect, block chains offer vast possibilities to disrupt and change conventional business models. In fact, leading organizations from various industries have already achieved significant benefits from block chains and crypto currencies. These include reduced costs, faster transactions, enhanced efficiency, better traceability, improved security, and increased transparency.

A notable emerging block chain application is that of smart contracts. These are digital, self-executing contracts that can electronically facilitate, verify, and implement agreements. Experts say that these block chain products are likely to change how future deals will be executed. In the real market, the total crypto-currency market capitalization has increased more than three times since early 2016, reaching nearly \$25bn in March 2017 (Hileman and Rauchs, 2017).

Peer-to-peer lending/Crowd funding

Crowd funding is one of the widely used Financial Technology in which the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowd funding makes use of the easy accessibility of vast networks of people through social media and crowd funding websites. This helps to bring investors and entrepreneurs together by expanding the pool of investors beyond the traditional circle of owners, relatives etc.

Fintech Companies

Many companies are now a days engaging in providing financial technologies to its users. Among Fintech offered companies, Online companies are taking a substantial role. Here are the details of well known companies engaged in Fintech related services.

Payment gateways

- **Paypal.** Founded in 1998, Paypal is one of the leaders in online payment systems, especially in electronic money transfers. With over 286 million active account holders, this U.S.-based payment gateway operates in over 200 markets across the world and in over 100 currencies.
- **Authorize.Net.** One of the pioneers in digital payment systems, Authorize.Net is another "old-timer" among online payment providers, being in operations since 1996. It is now owned by Visa and focuses on providing electronic payment services to SMBs.
- **Payoneer.** Established in 2005, Payoneer is the mass payment gateway of choice by large global firms like Google, UpWork, and Amazon. It main offers digital payment services, online money transfer, and other popular B2B payment solutions.

Mobile Payments

- **Venmo.** This is a widely used mobile app, handling around \$12 billion worth of transactions in 2018. A Paypal subsidiary, Venmo allows users to easily transfer funds and make payments using their smart phones at millions of establishments worldwide.
- **Revel Systems.** This vendor makes one of the world's favourite retail POS systems, used in restaurants, QSRs, grocery stores, etc. Revel Systems is iPad-based and seamlessly processes mobile payments
- **Apple, Inc.** Made by tech giant Apple, Inc., Apple Pay is a digital wallet and mobile payment service that supports in-person contactless payment online and via iOS apps. It can accept even non-Apple Pay terminals to support mass payments.

Budgeting / Personal Finance Apps

- **Intuit.** The maker of the award-winning budgeting app Mint, Intuit is a Palo Alto, CA-based firm that specializes in accounting, financial, and tax preparation apps and services. Founded in 1983, this fintech's revenues for 2017 was US\$5.17 billion.
- **Acorns.** Based in Irvine, this fintech company specializes in micro-investing services. It focuses on helping users make passive investments on exchange-traded funds
- **Wally.** This Dubai-based fintech makes Wally, a popular, easy-to-use personal finance app. Initially available only on iOS, the company recently launched an Android version, Wally+, to expand its user base. This app helps users make easy income vs. expense comparison as well as set and reach finance objectives.

Consumer Banking

- **Green Dot.** This popular banking app provides trouble-free banking for millions of people. Aside from offering dependable, affordable debit accounts, this fintech manages the biggest retail cash deposit network worldwide.
- **Netspend.** Founded in 1999, Netspend had served around 68 million underbanked individuals. This fintech uses special tools to provide them financial freedom, security, and convenience.
- **Moven.** This fintech offers a flexible smart banking platform that enables banks to lower customer acquisition costs, boost new revenue sources, and lessen customer churn rates. It uses advanced financial analytics, behavioral science, and big data to design innovative banking apps.

Robo-Advising and Stock-Trading Apps

- **Vanguard.** Managing US\$1.3 trillion in index funds, Vanguard Group and Fidelity Investments is a market leader in robo-advising. It is among the pioneers in using blockchain technology for managing huge assets. It recently made the majority of its online trading activities free of charge.
- **Robinhood.** This digital upstart helped promote the zero-

commission business model in the online brokerage business. Headquartered in Menlo Park, CA, Robinhood creates cash management apps for cryptocurrencies, stocks, options, and EFTs.

- **Charles Schwab.** The largest publicly traded e-broker, Charles Schwab services 12 million brokerage customers. This San Francisco-based stock brokerage fintech recently removed online stock trade commissions to improve its profitability.

Insurance

- **Oscar Health.** This New York-based fintech is the first health insurance firm designed to optimize technology to make health care simple and easy. Founded in 2012, Oscar uses transparent claims pricing systems, healthcare-focused tech systems, and telemedicine.
- **Root Insurance.** This unicorn tech firm offers alternative car insurance that provides drivers up to 52% savings on an insurance policy. Headquartered in Columbus, OH, Root uses technology to test driving behavior whose score determines the premium rates.
- **PolicyGenius.** It offers people an easy approach for comparing and buying insurance by providing complete, easy-to-understand advice. Customers are then able to better compare quotes and select which insurance suits their needs.

Blockchain and Cryptocurrency

- **Blockchain.** This Luxembourg-based cryptocurrency fintech makes the popular Blockchain Wallet, which is considered as one of the easiest ways to store, invest, and trade cryptocurrencies. Trusted by over 402 million wallets, it has handled over 100 million transactions involving users from 140 countries.
- **Coinbase.** Coinbase manages the world's largest cryptocurrency exchange, used by more than 25 million users from 32 countries. This online marketplace allows users to sell, store, and purchase crypto currencies like Ethereum, Bitcoin cash, etc.
- **Binance.** This crypto currency exchange app offers one of the safest methods for crypto currency buying and trading across a wide range of crypto markets. It also has a mobile trading app that supports many features.

Peer-to-peer lending/Crowdfunding

- **Kickstarter.** Launched in 2009, this New York-based crowd funding fintech has received over US\$4.5 billion in pledges and has successfully funded over 171,000 projects to date. The company has an average success rate of 37.31% success rate.
- **GoFundMe.** Another leading crowdfunding firm, this for-profit crowdfunding firm has raised over US\$5 billion. All its projects-which focus on helping community-based projects-are backed-up by a community of over 50 million donors across the world.
- **Upstart.** Founded by former Google employees, this peer-to-peer online lending firm uses non-conventional criteria to measure a person's creditworthiness. Borrowers can loan amounts starting at \$1,000 to \$50,000, with a low 8.85% interest rate.

Different types of Fintech users

There are two main types of fintech users, namely consumer and business users. These two, there are four common, function-specific fintech user categories today. These are:

- Consumers
- B2C for small businesses
- B2B for banks
- Bank's business clients

CONCLUSION:

Fintech has brought about drastic changes in the financial sector of whole world which provide faster, cheaper and human centred financial services. We are living in the era of

Artificial intelligence and virtual reality. In this scenario Fintech act as a panacea for making speedy and secured financial transaction to accelerate the payments and keeping customer data base. Even though large number of fintech products are offered by the companies all around the world, as far as India is concerned, still we are in the nascent stage, Most of the people are commonly using some mobile applications like google pay, phone pay, and digital banking. Only a handful people are using advanced financial technologies like Alternate credit scoring, Robo Advising apps, Budget apps etc. In India, lion share of people are excluded from the main stream of financial technology. Hence to full fill the dream 'Digial India' our country should go forward a lot to bring all Indians under the purview of Fintech.

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