



ORIGINAL RESEARCH PAPER

COMMERCE

A STUDY ON GROWING IMPORTANCE OF FINTECH AMONG FINANCIAL SERVICES PROVIDERS

KEY WORDS: Financial Intermediaries; Digital Innovation; Fintech Financial Services providers; Financial Inclusion; Policies of Government; Initiative Measures

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ABSTRACT

Financial intermediaries arise due to knowledge asymmetries and economies of scale and diversification. Frictions and variables impact market structure. Digital innovation has improved system connectivity, processing capacity, prices, and data creation and use in finance. These changes have created lower-cost competitors and business models. Technology has improved information sharing and transaction costs, allowing financial services production to be separated. Niche players unbundled financial services, allowing customers to customize product packages. I asked 100 fintech clients a questionnaire to obtain primary data. I interviewed several visitors to the fintech business where I did my assignment. I researched my topic using other fintech businesses. I examined Hyderabad's rival fintech companies' products and practises to determine why consumers are satisfied. "A Study on Growing Importance of Fintech Among Financial Services Providers" is the project. The data is well-organized. The research's findings and suggestions could assist the company improve performance and client base.

INTRODUCTION

Digital innovation has transformed finance. Mobile money, P2P lending, robo-advisory, Insurtech, and crypto-assets are innovative financial innovations. Last decade, fintech streamlined retail financial services. DLT, cloud services, and AI are changing wholesale financial markets, retch, and suptech. Most well-known organisations indicate digital transformation is a strategic aim (Feyen et al. 2021). To compete with fintechs and other new tech businesses, leading banks are digitising internal processes and customer goods swiftly (BIS 2019; Frost et al 2019).

Diverse, competitive, efficient, and inclusive marketplaces may concentrate. Innovation improves inclusiveness and competitiveness in developing countries (Pazarbasiglu et al. 2020; Frost et al. 2021). Fintech flourished, notably in emerging financial industries (FSB 2020;

Some fintechs have effectively acquired commodities and high-margin services from recognized organizations, removed them, and replaced them with a variety of lower-margin things.

7. Remotely and Wise (previously TransferWise) focused on high-margin international transfers. However, many fintechs struggle with scaling. Realignment might help some digital-only banks develop and compete on a broader scale, but it would require them to retain a wider product mix with lower-profitable items or clients.
8. While it's reasonable to assume that innovators will focus more on the biggest markets, smaller markets are also impacted. Fintech adoption generally seems to be higher in more affluent regions, which are frequently more appealing to venture capital investment (Didier et al., 2021). However, several medium-sized nations have advanced in the area of digital banking, maybe as a result of the lack of assistance they have received.
9. Kenya's digital payments, savings, and loans network is remarkable. Small-country entrepreneurs may use cost reductions to penetrate markets that may not be possible with greater costs. However, small markets may lag in home service innovation. Larger data-producing markets may accelerate data-use innovations (World Bank 2021). Geographic expansion or firm reinvention may benefit smaller, developing markets.
10. On the other side, having too many options might make people feel overwhelmed and reduce the advantages that they can offer (Schwartz, 2005). Self-aggregation can be less convenient due to search and switching expenses. Then, clients might favour banks or platforms with integration.

Review of Literature

1. Stulz 2020 and the OECD 2020 say big tech provides fintech advantages, a large client base for non-financial business lines, customer data, and brand trust. Today, intermediaries connect individuals and provide financial services. In a linked, decentralized future, anyone may directly supply financial services.
2. Market leaders with several products lower customer churn and production costs. Established enterprises benefit from scale efficiencies in financial resources and diversity from size and scope. Customers trust incumbents to preserve their data because to economies of scale and rising data consumption (Armentieres et al., 2021).
3. The split may reduce integrated banking model cross-subsidies. Free checking accounts are sometimes funded by borrowing money from other customers or by selling extra things to account holders. Traditional banking commodities are free from product tying bans (OCC 1995).
4. They compete for customers, cheaper labour, and better goods (Feyen et al., 2021). Digital customer connections and transactions will likely enhance competition. Large institutions may use their size, customers, regulatory understanding, and capacity to maintain and upgrade their technology stacks.
5. On the other hand, eliminating bottlenecks would lessen some of the incumbents' competitive advantages (Auer 2019). Another illustration is how lending platforms depend on well-known players and institutional investors to buy the loans that originate from the platform.
6. Fintechs engage clients, raising competitiveness. Since value chain linkages closest to consumers have the best margins, competition to "own the customer" will be fierce

Need for the Study

People cannot wait for safe lenders when the need for financial services becomes unavoidable. When there is a chance to undercut lenders, finance businesses tighten their control. The majority of poor borrowers fall victim to moneylenders and are financially excluded from official banking practises because of a lack of collateral and the absence of reliable sources of credit.

Objectives of the Study:

- To educate the Reserve Bank and the Central Government on India's efforts to promote financial inclusion and its guiding principles.
- Investigate the possibility of financial inclusion, focusing on fintechs in the financial services.
- To research the numerous issues that financial services confront in integrating the expanding use of fintech by service providers

- To determine how well-informed fintech companies are on financial inclusion initiatives.

Hypotheses:

H1: Age is correlated with financial technology business awareness.

H0: Found no correlation between age and financial technology companies' awareness-raising initiatives.

H1: Marital status affects financial technology company expertise. Marital status does not correlate with financial technology companies' awareness campaigns

METHODOLOGY

➤ Research Methodology:

The project's research technique is regarded as its foundation. It is impossible to finish the study and draw any conclusions without a sufficiently well-planned and organised research plan. An exploration strategy is the foundation of the project. The primary goal of the survey is to gather pertinent information that will be utilised as a foundation for reaching conclusions and attaining results. Research methodology are the processes used by researchers to carry out their work in describing, explaining, and forecasting events. As a result, it's crucial to develop a research approach for the selected issue.

➤ Data Collection Technique

➤ Primary Data:

- Direct observations or data collection via questionnaires

➤ Secondary Data

- Pre-existing data is data obtained in the past or by other parties.
- The Internet, Magazines, Newspapers, Diaries

➤ Sample Size:

For research reasons, a sample of 100 experts will be used.

Tools of Analysis:

Data interpretation tools

➤ Percentage, Random Sampling, Questionnaire

➤ Period of the Study:

It is a sampling approach that involves randomly selecting a sample based on the researcher's convenience. This strategy was utilised due to time constraints and geographical constraints.

They are the constituents of the population. It is made up of working professionals ranging in age from 25 to 60 years.

DATA ANALYSIS AND DISCUSSION

Q1. Do You Know About Mahindra Financial Services?

Table 1.1.

Category	No. of Respondents	Percentage
Yes	77	77%
No	23	23%
Total	100	100%

Interpretations:

77% of those surveyed are feel that you are able to Mahindra financial services rest 23% are disagree with this statement.

Q2. Expansion of Financial Services to Non-financial Sectors?

Table 1.2

Category	No. of Respondents	Percentage
Agree	23	23%
Strongly Agree	53	53%
Neutral	8	8%
Disagree	13	13%
Strongly Disagree	3	3%
Total	100	100%

Interpretations:

53% respondents are strongly agree with this statement but 23% respondents are agreed with this statement, rest 8% are neutral, 13% are disagree and only 3% are strongly disagree

Q3. Fintech Companies Focus on Providing Unique Solutions to Fill the Gaps of Financial Need?

Table 1.3

Category	No. of Respondents	Percentage
Agree	28	28%
Strongly Agree	50	50%
Neutral	12	12%
Disagree	7	7%
Strongly Disagree	3	3%
Total	100	100%

Interpretations:

50% respondents are strongly Agree with this statement but 28% respondents are agreed with this statement, rest 12% are neutral, 7% are disagree and only 3% are strongly disagree.

Q4. Providing Financial Education, Which Helps People Manage Their Money and Finances Better?

Table 1.4

Category	No. of Respondents	Percentage
Agree	24	24%
Strongly Agree	48	48%
Neutral	10	10%
Disagree	12	12%
Strongly Disagree	6	6%
Total	100	100%

Interpretations:

24% respondents are agree with this statement but 48% respondents are strongly agreeing with this statement

Q5. Helping them Reduce their Debts and Teaching them the Importance of Saving and Investing?

Table 1.5

Category	No. of Respondents	Percentage
Agree	30	30%
Strongly Agree	16	16%
Neutral	25	25%
Disagree	20	20%
Strongly Disagree	9	9%
Total	100	100%

Interpretations:

30% respondents are strongly Agree with this statement but 16% respondents are agreed with this statement, rest 25% are neutral, 20% are disagree and only 9% are strongly disagree.

Q6. One of the Biggest Advantages of Fintech is its Availability. It Provides Technology that can be used from Anywhere in the World?

Table 1.6

Response	Respondents %
Agree	22%
Strongly Agree	33%
Neutral	19%
Disagree	17%
Strongly Disagree	9%
Total	100

Interpretation:

17% of respondents disagreed with the aforementioned statement, compared to 22% who strongly agreed.

Hypothesis Testing :

H₀- there is no significance relation between the age group and response on financial tech companies providing awareness

H₀ - there is no significance relation between the marital status and response on financial tech companies providing awareness.

Pearson Chi-Square Tests

		Gender	Marital Status
Expansion of financial services to non-financial sectors?	Chi-square	1.147	3.345
	df	4	4
	Sig.	.887a	.502a

Fintech companies focus on providing unique solutions to fill the gaps of financial need?	Chi-square	3.064	2.301
	df	4	4
	Sig.	.547a	.681a
Providing financial education, which helps people manage their money and finances better?	Chi-square	1.199	.684
	df	4	4
	Sig.	.878a	.953a
Helping them reduce their debts and teaching them the importance of saving and investing?	Chi-square	3.603	8.966
	df	4	4
	Sig.	.462a	.062a
One of the biggest advantages of fintech is its availability. It provides technology that can be used from anywhere in the world?	Chi-square	5.052	3.039
	df	4	4
	Sig.	.282a	.551a
Fintech companies focus on providing unique solutions to fill the gaps of financial need at a more cost-efficient budget than traditional financial institutions?	Chi-square	8.056	3.615
	df	4	4
	Sig.	.090a	.461a

The innermost subtable's nonempty rows and columns serve as the foundation for the results.

a. Chi-square findings may not be accurate since more than 20% of the cells in this subtable have predicted cell counts below 5.

Findings and Recommendations:

- 77% of respondents say Mahindra financial services allow them to relax, while 23% disagree.
- 53% of respondents highly agree, but 23% agree, while the remaining 8% are neutral, 13% disagree, and only 3% strongly disagree.
- Only 3% of respondents strongly disagree, compared to the 50% who strongly agree, 28% who agree, 12% who are indifferent, and 7% who disagree.
- This statement is supported by 24% of respondents, but it is highly supported by 48% of respondents.
- 30% of respondents highly agree with this statement, although 16% agree, 25% are neutral, 20% disagree, and only 9% strongly disagree.
- 22% of respondents strongly agreed with the aforementioned statement, while 17% disagreed.
- 20% of respondents disagreed with the aforementioned statement, while 26% strongly agreed.

Recommendations

This research highlighted how digital innovation in financial services production affects the financial sector's industrial structure and economy. Connectivity and computing capability may boost productivity and competitiveness. Financial services split products and services. Financial frictions and dynamics that needed financial intermediaries reemerged simultaneously. A market system with large multi-product institutions and more specialist specialised institutions may be leading the financial sector to a dead end.

New regulatory and supervisory policies are needed. New players may complicate financial supervision, and current regulations may not encompass emerging financial service providers. Financial service providers and stakeholders in financial product value chain reconfigurations are finding it harder to reconcile competitiveness and stability. Establishing data control rules and the sorts of data authorised for particular services would provide individuals control, balance competitiveness and efficiency with consumer protection and privacy, and improve financial inclusion.

New prejudices and discriminations must be identified and addressed. Consumer protection, privacy, stability, integrity, and public choice must be balanced in various governments

and cultures worldwide. Monetary policy, systemic stability, and consumer protection instruments—all outside this text—may also need to be amended. Credit markets, deposit insurance schemes, and Lenders of Last Resort programmes all face challenges when non-bank firms become key lenders.

CONCLUSION

Market structure requires government intervention. Rethink stability-competitiveness trade-offs. Banking and commerce are merging. Digital financial services may not employ price and concentration measurements for a particular market or company, therefore competition policy and antitrust methodologies may not apply. Markets driven by growing returns to scale and continuously falling entry barriers for expert services must rethink competition. Barbell market configurations depend on customer behaviour and skill levels, which affect switching costs. Minimum capital, licensing, activity, and other laws affect markets. Pretending market forces are at work is dishonest and may harm consumers and macro-stability.

Some nations are taking innovative steps to lessen trade-offs. Entity-based solutions in big IT are reducing anti-competitive behaviours and levelling the playing field. Mobility and data privacy regulations may protect consumers and boost competition. However, there must be a public debate on what data is permissible for financial services and if stability services may waive privacy norms.

Authorities must collaborate to navigate this unfamiliar territory and balance policy aims. Competition and data protection agencies, industry regulators, and utilities that supply financial services must interact with central banks and other financial sector authorities at the national level. Global authorities coordinate policies and share financial regulatory expertise for new and established enterprises. This is becoming increasingly essential due to cross-border antitrust and data governance decisions and the potential to increase service efficiency by standardizing cybercrime prevention, data security, and interoperability.

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