FINTECH ECOSYSTEM: TRENDS, MAJOR OBSTACLES AND SOLUTIONS

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INTRODUCTION

FinTech is a phrase that was invented in 21st Century to describe the technology that is utilized in the back-end systems of established financial institutions. FinTech, on the other hand, now encompasses education, consumer banking, charitable funding, investment management, and other sectors and enterprises are among them. With one of the world's fastest-growing economies, India has undoubtedly identified as one of the fastest-growing FinTech hubs in recent years. Digitalized loans, mobile money services, money transfer gateways, digital wallets, and other concepts have already been adopted in India. In India, digital payment systems have seen widespread adoption over the last two years, making basic financial services much more convenient to use.

Customers who are technosavy, especially millennials, expect money transfers, borrowing, loan management, and investments to be straightforward, safe, and accessible, preferably without requiring human interaction or a bank visit. The FinTech Ecosystem (FE) is made up of five components that operate in combination to boost the economy, improve consumer taste, and promote social involvement: Customers, start-up industries, the regulators, IT firms, and existing financial institutions such as banks are all stakeholders.

The government is, of course, the primary driver of FinTech success or failure in a highly regulated financial market. Through both financial and promotional activities, the Indian government, including authorities such as Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI), is actively promoting India's aim to become a paperless digital economy and a robust finTech environment. In India, the Reserve Bank of India has played a key role in encouraging the FinTech sector's growth and promoting a culture of innovation. Any company that provides FinTech services in India must register with the Reserve Bank of India. Concerns about consumer protection and law enforcement are being addressed with caution. The regulator's main goal has been to create an atmosphere that encourages unrestricted innovation. FinTech is expanding the reach of banking services to the unbanked, while also regulating the industry. Electronic payment that is quick and easy, as well as offering consumers with a variety of payment options.

Keywords: Fintech, Banking, Financial, Mobile wallet, e-banking.

Definition:

FinTech is a term that combines the terms "financial technology" with "information technology," and it is a term that describes new technology that aspires to enhance and simplify the delivery and the use of financial services. Financial Technology is a broad term that incorporates a variety of technologies, but the main goals are to change the way people and businesses access their income and to compete with traditional financial services. Online Payments, for instance, due to swift and innovative improvements, we have changed the method we manage our accounts.

Top 5 FinTech Companies in India

RANKING	COMPANY NAME	BUSINESS CATEGORY	CITY	TOTAL FUNDING
1	Paytm	Mobile wallet, e-commerce platform and payment bank	Noida	$3.54B
2	PhonePe	Debit and credit card facility, UPI-based applications as well as Mobile wallet.	Bengaluru	$701M
3	Pine Labs	Hardware and software-based payment terminals.	Noida	$683M
4	Policy Bazaar	Application based insurance comparison tool for individuals.	Gurgaon	$636M
5	Razorpay	Mobile wallets, UPI, credit and debit cards, and All payment modes,	Bengaluru	$367M

FinTech Trends

There are now over 26,000 finTech companies operating globally, employing over 500,000 people. Approximately 30% of all banking customers use at least one non-traditional provider's financial

service. FinTech is the buzzword in the banking sector right now. From payments to consulting services, it has revolutionized various industries in the financial sector. Here is a list of technologies that are reshaping the industry:

- Blockchain
- Sensors and Internet of Things (IoT)
- Mobile payments and Digital banking services
- Augmented Reality / Virtual Reality (AR/VR)
- Smart contracts
- Robotic Process Automation (RPA)
- Voice-Enabled Payments
- Virtual Cards
- Autonomous Finance
- Biometric Security
- Machine Learning (ML)
- Artificial Intelligence (AI)
- Open-Banking
- Cybersecurity
- Big Data
- RegTech (Regulatory Technology)
- Gamification
- Quantum Computing

Challenges and Advices

Concerns about data security and privacy

One of the main targets for cybercriminals is the increasingly digitised financial environment, which includes mobile banking and payment apps. Customers' money and personal information may be at risk due to cybersecurity flaws. As a result, even major, well-known corporations must protect sensitive data and ensure that their virtual security is up to par.

Advice: Use data protocols for encrypting like Triple Data Encryption Standard (TripleDES), Advanced Encryption Standard (AES), and others to encrypt data. Only persons with unique keys can access data encrypted via encryption**.**

Adherence to regulations

One of the most regulated industries is the financial sector. As innovative technology become more integrated into financial operations and services, regulatory requirements for such procedures become more prevalent. Various regulatory rules have been established to protect financial institutions from fraud and hostile actors, as well as to protect consumers' assets and sensitive data. Furthermore, FinTech applications are diverse and cross multiple industries. It simply adds to the difficulty of organizations creating compliance strategies and determining regulatory requirements.

Advice: Before designing an application or employing software, verify for legal compliance – work with an experienced legal adviser to walk you through all the nuances and policies, if necessary. Regulatory technologies can help you automate the process of monitoring the implementation of new

regulations or upgrades. While there is no one-size-fits-all solution, FinTech businesses can design their products with some of the most common FinTech compliance principles in mind, such as know your customer (KYC), anti-money laundering (AML), and others.

Inexperience with technology

Services that are not user-friendly and provide no value are the result of legacy systems and a lack of technology professionals. A mobile application produced by a specialist without the necessary experience might deprive a firm of a variety of benefits, such as NFC chips, which simplify payment methods, fingerprint unlocking, which improves app security, and other features. It takes a lot of experience to create a top-notch financial solution. Many businesses struggle to build effective internal teams, and the hiring process can be lengthy.

Advice: To outsource the FinTech development process, look for a trustworthy technological partner. Can recruit skilled specialists who can start working on your solution right away if you outsource. An outside team of professionals can also help you save money on new employee recruiting and training.

Conclusion

Payments, Personal Finance Management, Lending, Wealth Technology (WealthTech), Regulation Technology (RegTech), Insurance Technology (InsurTech), and other sub-categories comprise the Indian FinTech sector environment. There are 1,860 companies in the FinTech sector. India has over 17 FinTech businesses with a worth of over $1 billion as of December 2021, as per BFSI. The traditionally cash-based Indian economy has responded positively to the finTech possibility, fueled in part by increased e-commerce and mobile phone use. The unified payments interface (UPI), for example, has contributed in the centralization of the country's digital payment ecosystem throughout the years. However, due to a lack of verifiable credit history, documentation, and the fluctuating income of the underbanked population (such as self-employed micro-entrepreneurs), there are still barriers to financial inclusion. The Indian government also promotes new ideas and improvements in the finTech business by focusing on and encouraging it. FinTech (financial technology) is a new concept in the financial business. Financial technology innovation in India benefits the Indian economy by making finTech services more secure and user-friendly, as well as lowering financial service prices.

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