JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

REVOLUTIONIZING CONSUMER FINTECH: EXPLORING THE TRANSFORMATIVE INFLUENCE OF TECHNOLOGICAL ADVANCEMENTS ON ALTERNATIVE PLATFORMS

Dr R.Geetha, Parkavi B

,Associate Professor & Head, Assistant Professor

Sri Ramakrishna College of Arts & Science

ABSTRACT

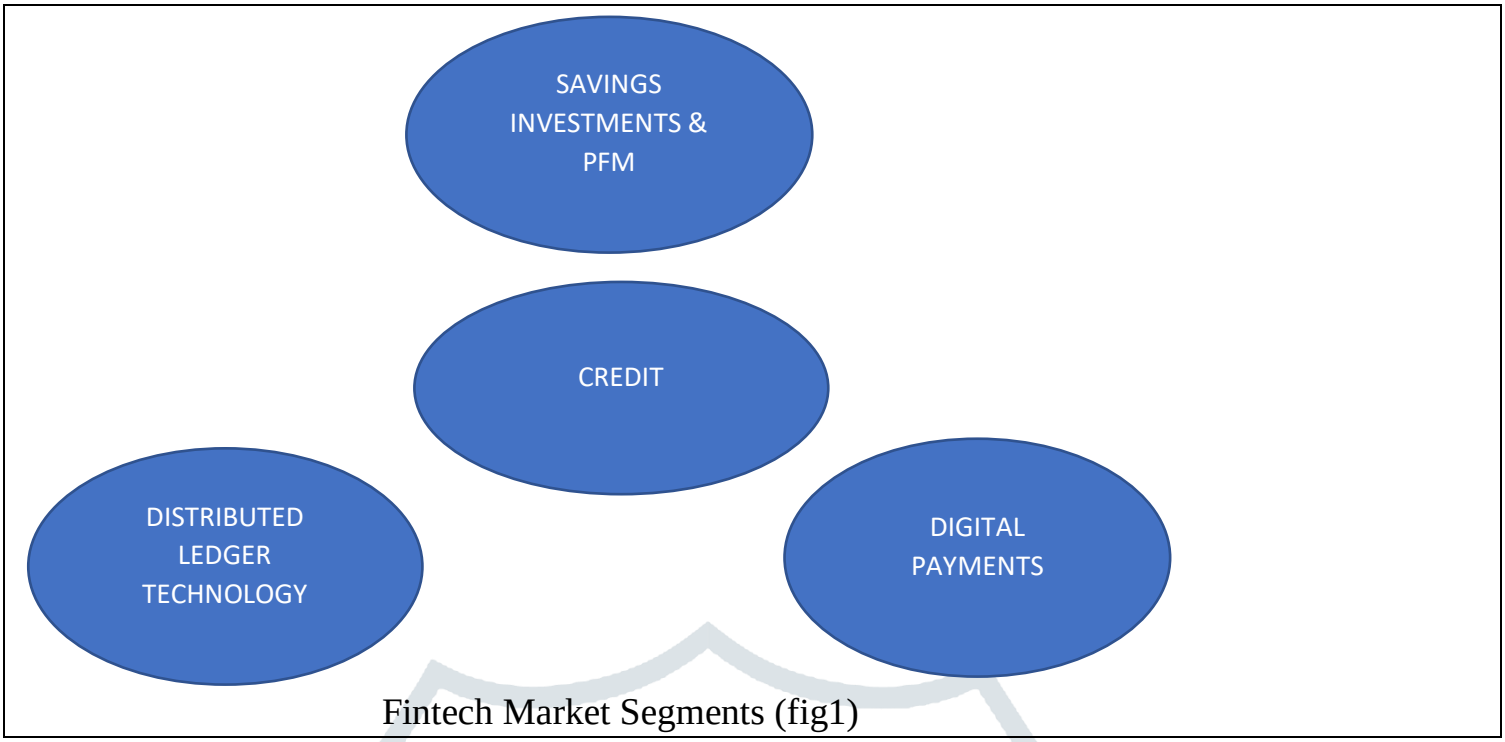
Fintech in its simplest form, encompasses any technology that enhances the overall experience of financial services for businesses and consumers alike. It encompasses organizations and services leveraging software applications or other technologies to facilitate banking and financial interactions. Recent innovations in consumer fintech include peer-to-peer (P2P) payments, digital wallets, consumer data aggregation services, marketplace lending, and "buy now, pay later" (BNPL) financing. Beyond enhancing customer retention through convenience and speed, fintech also empowers personalized experiences for customers through AI and Big Data services. This enables businesses to tailor services and products based on clients' historical purchases and financial standing

Keywords: Fintech,Financial services,Software applications,Peer-to-peer (P2P) payments

INTRODUCTION

Recent technological innovations are resulting in significant changes to the financial services landscape and have led to the rise of certain nontraditional financial services providers. Commonly known as fintech companies, these providers use advances in technology to develop alternative platforms for financial activities, including consumer and small business lending, securities clearing and settlement, and personal financial planning and investing. Banks, investment advisors, and other traditional financial service providers have also begun adopting new technologies by partnering with fintech firms and/or by developing these new technologies in house.

When the fintech industry began to develop (circa 2007–2013), industry participants and observers emphasized the potential for fintech firms to disrupt traditional banking intermediaries. More recently, however, important fintech and banking leaders have focused on partnerships, collaboration, and other relationships among their firms. Many fintech areas are still in the early phases of development or are undergoing evolution. It is therefore too early to predict fintech's ultimate impact on the banking system or how traditional financial service providers will adapt. However, it is clear that the combination of advances in technology, new uses of data, and changes in customer preferences and expectations are likely to create lasting structural changes in financial services.



Fintech Market Segments (fig1)

This article aims to present a broad perspective on four key segments within the fintech market: Credit, digital payments, savings, investments, and personal financial management (PFM), along with distributed ledger technology. Additionally, the article explores the foundational data and technology ecosystem supporting fintech (refer to Fig 1). While these segments don't encompass the entirety of fintech, they represent areas with significant potential to influence current banking practices

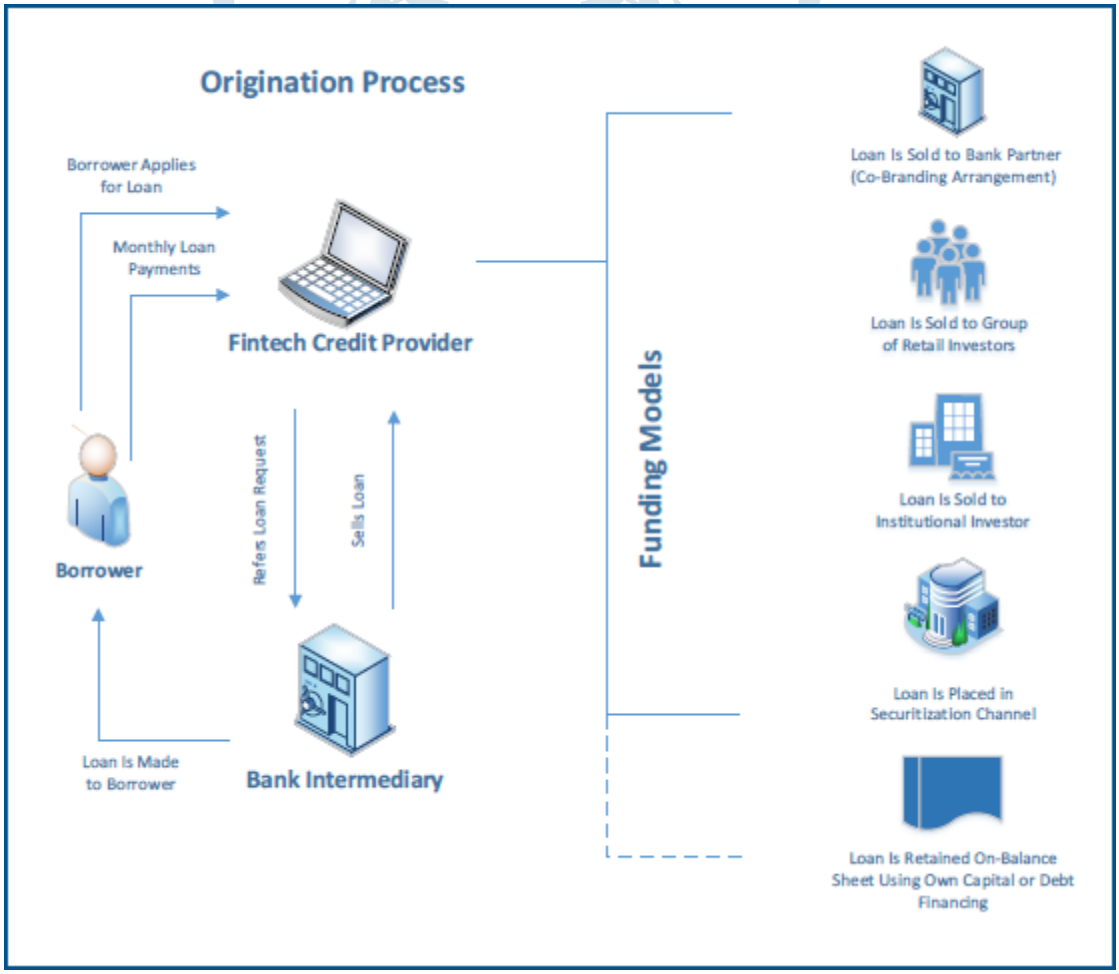
CREDIT

Alternative lenders, sometimes known as fintech credit providers, are nonbank lenders whose business models are built on creative applications of data analysis, mobile, and Internet technology. These lenders use technology built to: (1) broaden customer sourcing; (2) provide more clarity and convenience on loan extensions (e.g., pricing, terms, borrower identification); (3) broaden customer sourcing; and (4) automate loan funding. These technologies are intended to meet customer expectations for increased speed and convenience (e.g., online applications, documentation transfer, quick decisions on loan approval). Generally speaking, alternative lenders concentrate on particular markets within the small business and consumer loan sectors. The prevailing business model is heavily dependent on banks to originate and, in many circumstances, fund the loans offered by alternative lenders, even though these lenders occasionally compete with banks. Consequently, the sector has changed from. (Table 1).

Table 1: The Range of Bank Collaboration with Alternative Lenders

Funding	Through loan acquisitions, credit extensions, and equity investments, banks offer funding.
Partnership	Banks transfer consumers to alternative lenders in exchange for marketing and referral fees, (1) originate loans on behalf of alternative lenders, and (2) originate loans themselves using technology developed by alternative lenders
Incubation	For aspiring business owners, banks have offered workspace, seed money, coaching, training, and other relevant assistance.
Acquisitions	Alternative lenders have piqued the curiosity of banks.

In recent years, there has been a significant increase in the quantity and variety of alternative lending companies, and their business strategies have changed. Because their business strategies leveraged technology to directly match potential borrowers with retail investors to fund specific loans, early firms were known as peer-to-peer (P2P) lenders. Nonetheless, the market has changed in a number of ways related to the business strategy. When businesses expanded their funding sources by selling their loans to institutional investors including asset managers, hedge fund companies, and banks, the P2P lenders were rebranded as marketplace lenders. The increased use of debt finance and loan securitizations to fund loans has also altered funding. Although non-balance-sheet or originate-to-sell models continue to be the mainstay of most alternative lenders, several companies also partially rely on Origination Process for Alternative Loan



Initially, a lot of alternative lenders concentrated on unsecured consumer installment lending, which was frequently sold as a way to pay off higher-interest revolving credit card debt. Mortgages, student loans, point-of-sale finance, and other types of consumer installment debt—the majority of which is still unsecured—are among the various loan types that have developed over time. Fintech lenders are increasingly concentrating on small company finance. By using technology, companies can lend smaller sums of money or to smaller companies with revenue streams that would not typically be beneficial for banks. They can also customize loan terms and conditions based on comprehensive data regarding the daily earnings and financial situation of a small firm.

The primary characteristic that sets alternative lenders apart is how they creatively leverage the Internet and new data-analytics technologies to streamline the loan funding, extension, and approval processes as well as the customer experience. The process of applying for loans, providing supporting documentation electronically, signing and reviewing loan agreements, and making payments directly from borrowers' bank accounts is made easier for customers via online platforms. Additionally, the platforms are essential for smoothly and effectively informing investors interested in funding loans.

DIGITAL PAYMENTS

Fintech, primarily through the use of convenient applications, is transforming the way consumers transfer money and pay retailers. These apps are frequently built on smartphones that include "digital wallets" that hold information on credit cards, debit cards, and occasionally checking accounts, doing away with the need for cash or checks. Customers can pay for products at a checkout line or start an online payment using mobile technology. Furthermore, a growing number of small enterprises are now able to take credit cards as a form of payment thanks to fintech companies.

In addition to payments to retailers, businesses have created well-known apps that let consumers send money electronically to anybody. These transfers can be made using the recipient's phone number or email address and are frequently free. Apart from providing enhanced ease of use for routine financial transactions like splitting a lunch bill or paying a nanny, numerous mobile payment apps provide social media functionalities that attract certain customers.

Additionally, new payment technologies make it easier and more convenient for businesses to pay consumers and other businesses. Businesses can transmit electronic payments to other businesses for goods and services at a fraction of the cost and time associated with traditional check payments by using online and mobile payment systems. Businesses can easily start one-time or recurring payments to several parties with the help of other fintech payment providers.

Fintech companies still rely on conventional bank-controlled payment systems (such as credit and debit cards, automated clearing houses), even while digital applications give customers and businesses more convenient ways to make payments. To process and settle payments and deposit customer balances, fintech companies must collaborate closely with banks as partners or customers.

SAVINGS, INVESTMENTS, AND PERSONAL FINANCIAL MANAGEMENT

Fintech is also expanding the accessibility of PFM, investing, and saving for customers of all income levels. Fintech initiatives in this field often concentrate on two main areas: (1) automated investment advice services, or "robo-advisors"; and (2) financial management systems, which gather and evaluate client behavior to streamline planning, investing, and saving. Fintech companies in this sector can offer financial advice, automatically decide which investments or savings to make, and provide resources for budgeting and planning with minimal human interaction and involvement because to advancements in data analysis and other sectors.

An online questionnaire is typically used by robo-advisors to ascertain a client's investing goals and risk tolerance. The robo-advisor then uses algorithms to design a portfolio that is tailored to the client's needs and is automatically adjusted based on the client's goals and the performance of the underlying investments.

Financial advising services, personal budgeting, and automatic savings platforms are examples of financial management technologies. These instruments examine bank and other financial data belonging to customers. After that, the analysis is utilized to help customers reach their financial objectives. In some situations, this is done by suggesting ways to save money or even starting transactions. An automatic savings service, for instance, can track and evaluate a user's activities in their checking account and alert them when it's time to move money to a savings account. Providing consumers with affordable solutions that facilitate saving and investing could prove advantageous.

DISTRIBUTED LEDGER TECHNOLOGY

Distributed ledger technology (DLT), commonly recognized as blockchain technology, establishes a decentralized automated system for recording and exchanging information. This innovative system generates an unalterable data record, allowing for automatic and secure updates and storage across a network, eliminating the necessity for trusted central intermediaries.

With the introduction of Bitcoin, a digital currency and payment system, in 2009, this technology gained popularity. Since then, numerous fintech companies have been established to support these digital currency use cases, and it has served as the basis for the development of more digital currencies and related payment systems. Many in the technology and financial services industries realized after the launch of Bitcoin that DLT might be used to facilitate the transfer, clearing, and settlement of more conventional financial market transactions..

One important aspect of DLT is that, like a cash transaction, it enables the transfer of an asset without the need for reliable middlemen. Through the use of technology, it is possible to verify over a network that the person sending an asset is both the item's owner and possesses sufficient of it to be transferred to the recipient.

When existing systems for maintaining and preserving ownership records make use of inconsistent infrastructures and laborious procedures, DLT might be most revolutionary. One such industry where fintech and traditional companies are investigating the feasibility of DLT is securities trading, as the technology can shorten the time it takes for broker dealers, exchanges, and custodians to clear and settle transactions. In a similar vein, banks and other fintech companies are researching distributed ledger technology (DLT) to enable interbank payments at a cheaper cost and with faster availability than wire systems.

THE DATA AND TECHNOLOGY ECOSYSTEM

Big data, application programming interfaces (APIs), and mobile delivery are among the basic sets of shared data and technological platforms that financial service providers are increasingly depending on:

The term "big data" is a developing concept that refers to any large volume of data that may be analyzed using innovative methods to uncover patterns and insights into consumer behavior.

In the same way that user interfaces make it easier for people to engage with computers, APIs serve as interfaces between various software programs. Software applications use APIs, or application programming interfaces, to communicate with one another.

The term "mobile delivery" describes the provision of financial services through a tablet or smartphone.

Each of these three categories has seen rapid development, which has increased its use in the fintech industry. For instance, big data is becoming more accessible due to advances in processing power. Furthermore, financial services companies are becoming more and more receptive to granting public access to their APIs. Additionally, a growing

range of services that formerly required face-to-face authentication can now be offered remotely by businesses because to the increased use of cellphones and enhanced authentication techniques.

The need for mobile financial services that can be accessed from anywhere at any time is enabling fintech companies to disrupt the conventional "9-to-5" brick-and-mortar banking paradigm. Big data, APIs, and mobile delivery have a plethora of possible applications that fintech companies are investigating to better satisfy customer expectations for on-demand services and gain a competitive edge.

FINTECH'S OPPORTUNITIES AND CHALLENGES

Fintech innovations have the ability to help small enterprises and consumers alike. These advantages can include improving customer access to financial services, accessing underserved markets, lowering transaction costs, providing more efficiency and convenience, and facilitating improved budgetary and spending management.1.When taken as a whole, these developments have the potential to enhance the customer experience and enable more effective product alignment with the preferences of small businesses and customers. Additionally, banks and fintech companies may see cost savings and operational advantages from these technologies.

Fintech advancements, however, can put small firms and individuals at risk. For instance, using atypical data raises concerns about fair lending risk and the predictiveness of algorithms that haven't been evaluated over the course of a whole credit cycle. Businesses must also take precautions against the threats to data security and privacy that come with handling client information online. In the end, banks and other fintech companies must make sure that compliance management is taken into account in their fintech operations to the same degree that it is in their traditional financial operations. They also must carefully evaluate any additional new risks that may arise from financial innovations.

THE FEDERAL RESERVE'S RESPONSE

For this reason, the Federal Reserve has established a multidisciplinary working group that is conducting a 360-degree analysis of fintech innovation. Members of the working group have diverse backgrounds from across the Federal Reserve System, including payments, economic research, legal analysis, and community development. As we follow emerging developments in financial technology, communicating with bankers and fintech firms is a crucial part of our work. The working group is an important part of the Federal Reserve's efforts to foster long-run innovation, including addressing issues related to risk management and balance

CONCLUSION

Fintech's enormous potential to revolutionize the way financial services and products are offered to consumers and businesses has sparked a great deal of interest and enthusiasm in the financial services industry. However, it comes with risk, just like any other disruptive development. Regulators are attempting to strike the right balance between managing and reducing the risks involved with the transition and facilitating it.