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“Evolution Of Fintech: Impact On The Global Financial System And Future Potential”

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ABSTRACT

As technology integration becomes more prevalent in daily life, Fintech aims to address the shortcomings of traditional banking methods, enhancing efficiency, accessibility, and user-friendliness. Fintech driven by various factors, including increased demand for convenience, financial inclusion, cost reduction, technological advancements, and customer-centric approaches. Consumers expect faster, more convenient financial services, and Fintech innovations like mobile banking apps and digital wallets cater to this demand. Fintech also offers cost-effective solutions, such as low-fee payments and investment platforms. Fintech companies focus on improving user experience, leveraging open banking, disrupting traditional financial systems, and integrating with consumers' tech-savvy lives. The motivation behind fintech is to modernize financial services, reduce costs, and leverage technology to better serve consumers in a rapidly evolving digital world.

The fintech industry has experienced significant growth in worldwide and transformation, with a projected \$1.5 trillion in revenues by 2030. The fintech industry has experienced significant growth in India and transformation, driven by technological advancements and evolving consumer preferences. The global fintech sector is projected to reach \$1.5 trillion in revenues by 2030, with a 14% growth over the past two years. Fintech, a technology integrating artificial intelligence, Block chain, and big data, has transformed financial services like banking, payments, lending, and investment. Collaboration between traditional institutions and fintech start-ups will drive innovation, creating new opportunities for businesses and consumers. Its demand is increasing day by day and will continue in near future.

Keywords- Fintech, Digitalization, Global growth, Artificial Intelligence, & Future Potential etc.

INTRODUCTION

India, with a 1.3 billion populations and high digital penetration, presents an exciting global market for Fintech due to its large unbanked or under banked population. India's Fintech ecosystem has seen rapid growth with over half a billion dollars in startups, supported by banks, financial institutions, and government initiatives to provide new opportunities for startups. Fintech, a term referring to innovative financial technologies, is a growing trend in the financial sector due to its significant role in technology advancements. This report provides a comprehensive overview of global and India's Fintech ecosystem, including investors, startups, accelerators, human capital, banks, and government initiatives. The segment explores India's unique Fintech ecosystem, innovation, trends, and growth drivers for payments and lending segments, highlighting its rapid growth in recent years. The report discusses crypto currencies and block chain, prominent Fintech companies disrupting traditional business methods, and analyses Insure tech, an upcoming Fintech segment in India.

What is Fintech?

Fintech is combination of two words finance and technology, Fintech refers to the use of innovative technologies in the financial industry, including mobile banking, online lending, digital payment systems, Robo-advisors, and block chain-based applications, aiming to enhance or replace traditional services. Where traditional finance player such as Banks, NBFC, security booking, wealth management firm etc. meets tech player like hardware provider, software provider ,cloud provider, platform provider then traditional finance will enable to reach to the millions of people. If you want to see the impact of this industry then we need to see our surroundings where rickshaw Puller, vegetable vendor, and even every small vendor are using online translation now days. This is the magic of Fintech. Some prime example of Fintech industry are peer to peer lending, crypto currency, online security brocade, wealth management firm that are operating online and much more.

Evolution of Fintech:

Fintech 1.0 (1886-1967) is all about infrastructure

In this generation finance and technology did started working together, Financial globalization began with tools like the telegraph, railroads, and steamships, enabling fastest imparting of financial information across borders. Turning point includes transatlantic cable (1866) and Fed wire (1918), and credit cards introduced in the 1950s by Diner's Club and American Express Company.

Fintech 2.0(1967-2008) is all about banks

The move from analog to digital financial institutions began in 1967 with the start of the palm calculator and ATM. The early 1970s saw significant trends like NASDAQ and SWIFT, leading to the hike of bank mainframe computers and online banking. The 1990s saw the hike of e-commerce and the internet,

transforming money perception and relationships with financial institutions. This era ended with the 2008 Global Financial Crisis.

Fintech 3.0 (2008-2014) is all about startups The Global Financial Crisis led to a suspicion of traditional banking systems, resulting in the appearance of Fintech 3.0. This era saw the rise of fintech startups alongside existing banks. The release of Bit coin v0.1 in 2009 impacted the financial world, leading to the boom of crypto currencies. Smartphone penetration has also shaped fintech, with the start up of online payment app Google Wallet and Apple Pay. (www.e-zigurat.com)

Fintech 3.5 (2014-2017) is all about Globalizations

Fintech 3.5 represents a shift away from the international financial system , focusing on global digital banking expansion. It emphasizes consumer behavior in developing markets, like China and India, where new entrants have last-mover advantages.

Fintech 4.0 (2018-today) is all about disruptive technologies

Block chain technologies and open banking are driving innovation in financial services, with neobanks challenging traditional banks' pricing and complexity. Machine Learning is transforming interactions with banks and insurance corporations, offering bespoke offers and support.

Fintech Today

Fintech startups and banks are increasingly intertwined in the industry, with fintech startups gaining sponsor from banks and relying on banking, insurance and back office partners. It is growing with private startups valued over \$1 billion, and the massive global fintech venture capital investments in 2021 are indicators of this growth.

REVIEW OF LITERATURE

(Artha & Jufri, 2020)- In order to produce an unbiased result that can be audited and replicated, this study indicate a systematic literature review, which gathers and evaluates the body of research that is currently available on the topic of interest. Twenty-two publications from internet databases and sources are used in their study.

(Alzghoul, Khasawnehb, & Al_KasasbehA, 2023)- The aim of their study was to present the impact of Fin Tech technology in present era, and its future potential. The absence of support leads to industry destabilization and financial bubble formation. The study explores current inference and future outlook, contributing to knowledge advancement by summarizing practices, providing insights, and monitoring trends. It also called attention to policymakers' and academics' interest in financial technology and proposes future research topic.

(Harsono & Suprpati, 2024) - This study examined the effects of Fintech's change of conventional financial services and future services using a methodical literature review technique. The impact of Fintech in enhancing efficiency, accessibility, and creativity is examined in this study, which focuses on how technological innovation is transforming the financial sector. The research's conclusions deepen our understanding of

Fintech's development and provide room for more studies aimed at maximizing the advantages of financial technology for the global economy and society.

OBJECTIVES OF THE STUDY

Finding out the Impact of Fintech on Global & Indian Financial System and its Future Potential.

RESEARCH METHODOLOGY

For this Study we used conceptual research. Only Secondary data has been used in this research and it was collected from various sources like research articles, book news article and various website etc. On the basis of collected data conclusion has been drawn.

DISCUSSION

Impact of fintech in global financial system

The expansion of financial services to underprivileged groups has been made possible in large part by fintech. According to the Global Findex Database 2017, account ownership worldwide increased from 62% in 2014 to 69% in 2017, equating to 515 million new account holders. In Sub-Saharan Africa, where 21% of adults opened mobile money accounts, this increase was especially noteworthy and nearly doubled the 2014 numbers. Such improvements have allowed individuals, especially women, to boost their savings and investing capacity, ultimately reducing poverty levels. The fintech sector, which is expected to generate \$1.5 trillion in revenue by 2030, has seen tremendous global expansion and change. Companies are moving towards profitability despite the cooling of funding, as evidenced by the 9 percentage point improvement in EBITDA margins. Companies like Stripe have seen valuations surpass \$90 billion.

Impact of fintech in Indian financial system

The Indian government liberalized the banking industry post-1990, introducing technology-savvy banks and legislative actions like MICR and electronic payments. However, technological innovation remained government-driven for two decades. Since 2010, numerous Fintech startups have emerged in lending, personal finance management and investment management segments. Between 2014 and 2016. The Banking technology startups, offering digital and cost-effective services, are expected to thrive due to Indian government's smart city initiatives. The well-established corporate sector comprising banks, financial institutions and others as well as the government and regulatory bodies have taken in India's fintech market is expanding rapidly, with the Unified Payments Interface accounting for 80% of digital transactions, driven by technological advancements and evolving consumer preferences. In terms of fintech adoption, India came in second place internationally in 2018 with 57.9% of customers utilizing fintech services, higher than the global average of 34.2% with global fintech revenue projected at \$1.5 trillion by 2030. According to projections, the Indian fintech market is estimated to reach \$ 145.09 billion in 2025 and increase at a CAGR of 30.55% to reach \$ 550.21 billion by 2030. Recent years have seen a noticeable increase in the fintech industry's use of crypto

currencies, which is indicative of the wider acceptability and use of digital assets across different financial platforms. Ownership Rates: By 2024, 10% of people worldwide will have some kind of crypto currency.

Future Potential of Fintech in India

Innovation, regulatory support, and growing digital use will all contribute to the continued success of India's fintech industry. India is expected to become a global leader in fintech over the next ten years, using open banking, block chain, and artificial intelligence to promote financial inclusion and economic expansion. Google CEO Sundar Pichai announced India's fintech advancements in June 2023, establishing a global operations centre in Gujarat International Finance Tec-City, which is successfully established and has notable expansion in terms of drawing business, creating jobs, and raising its position in the global financial centers index. It is bolstering India's fintech leadership. Pichai also reiterated Google's \$10 billion India Digitization Fund, which supports businesses developing AI and other technologies, as a means of fostering India's digital development.

CONCLUSION

Fintech global embarrassment has befallen fintech innovation. Banks and other financial institution can provide better services at cheaper prices by utilizing cutting-edge fintech technologies. Fintech has given us an easy life style with the help of his marvellous advancement. It has rapidly grown in India.

India has the second-largest number of Fintech startups, followed by China. Growth in Fintech solutions is expected to continue with renewed interest from banks and regulatory bodies.

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