

# Unlocking Business Value: Exploring the Impact of Fintech Innovation

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## ABSTRACT

By combining finance, technology management, and innovation management, we refer to fintech as an interdisciplinary field. Diverse audiences, including business executives and students, have heard this term delivered at various gatherings. Their knowledge of FinTech and its potential has been improved as a result, which has been effective. In addition, we have divided different FinTech applications into four major categories: payments, advisory services, financing, and compliance in order to further investigate how FinTech might benefit firms. We also explore the newest innovations in the FinTech space and how they could add value to companies. If you're a researcher looking to find and create new FinTech solutions, this study can be a great resource, especially if you have a background in technology.

**Keywords-** FinTech, Financial Technology, Innovation, Compliance.

## I. INTRODUCTION

The term "FinTech" is a combination of "financial" and "technology." FinTech represents a recent and emerging innovation that leverages a variety of mobile and electronic devices, as well as the internet and electronic payments, to provide and facilitate financial services (Hinson et al., 2019). With the increasing digitization of various aspects of society and the growth of such payment systems, customer behavior is evolving faster than the rate of innovation in traditional financial institutions.

FinTech can be roughly characterized as technologically-driven financial innovation with the potential to bring about new business models, applications, processes, or products that have a substantial impact on the financial landscape, including financial institutions, markets, and services. (Salampasis & Mention, 2018) also demonstrate how financial innovation contributes to long-term sustainability and how financial

technology plays a vital role in fostering financial innovation.

In India, the FinTech sector has the potential to transform the landscape of financial services and financial inclusion. By reducing costs and improving access to financial services, especially for underserved and low-income populations in rural and other marginalized areas, FinTech companies can contribute to increased competition and accelerate financial inclusion in India. (Raj & Upadhyay, n.d.) focus on how FinTech enhances financial inclusion in India by expanding financial access and highlight various initiatives driving the FinTech revolution in the country. They also stress the importance of collaboration between banks and FinTech companies to advance the ecosystem and explore the critical roles of RegTech and SubTech.

## Definition of FinTech

In order to provide a thorough knowledge of FinTech (Financial Technology), we describe FinTech as follows:

"FinTech is an interdisciplinary field that amalgamates Finance, Technology Management, and Innovation Management."

## This definition can be further expanded upon as:

"It encompasses innovative concepts aimed at enhancing financial service processes by introducing technology-driven solutions tailored to diverse business scenarios. These concepts have the potential not only to enhance existing financial services but also to foster the creation of new business models and even entirely new enterprises."

## Brief History of FinTech

The concept of FinTech has become a prominent business topic in recent years, but its roots trace back to historical developments.

Notably, it can be traced back to July 1866, when the Trans-Atlantic transmission line was used to establish the first successful communication. This innovation, which was made on August 16, 1958, not only dramatically shortened the ten-day communication gap between North America and Europe (the time it took for a message to be delivered by ship) to a mere 17 hours but also played a pivotal role in the evolution of global telex systems, marking an early stage known as FinTech 1.0 (Nicoletti et al., 2017).

In essence, enabling technology advancements are closely related to the development of the fintech industry. These key innovations included mainframe computers and the Trans-Atlantic transmission line during the FinTech 1.0 era, among others. These technologies served as the breeding ground for various financial technology products, including SWIFT and ATMs. Transitioning into FinTech 2.0, the landscape was dominated by technologies like the Internet and the Internet of Things (IoT), while the upcoming FinTech 3.0 era promises an even greater focus on data-related technologies. At present, we find ourselves in a transitional phase between FinTech 2.0 and the impending FinTech 3.0, where innovations in data technologies are set to reshape the financial technology landscape.

FinTech can also act as a pioneering reference point, assisting businesses in reevaluating their existing business models or even proposing entirely new ventures. In the subsequent sections, we will delve deeper into the process of generating business value through a FinTech approach."

### Objectives of the Study-

The primary objectives of this research are-

- i) To comprehend the concept of FinTech and its potential in the finance.
- ii) To explore how FinTech generate value for businesses.

### Research Methodology-

The study is primarily based on secondary information obtained from a variety of sources, including websites, blogs, journals, and newspapers. The study mainly focuses on the process of generating business value through FinTech approach.

FinTech has a wide range of applications, which may be divided into numerous operational business processes. Our classification of fintech applications into four main groups is presented in this study. I) payments, II) consulting services, III) finance, and IV) compliance. Within this classification, we will further explore emerging

technologies in FinTech and their potential to create business value.

### A) FinTech In Payments

Within the realm of payments, the shift towards cashless transactions represents a significant developmental trend. Numerous companies have introduced payment solutions tailored to their customers' needs. For instance, Starbucks has developed its payment applications. In U.S. company-operated stores, mobile payments accounted for 30% of purchases, according to information from the company's Q3 financial report (Leong & Sung 2018). Future research in the field of payments should focus on data transfer technologies, safety concerns, user interfaces, and data analytics methods, among other things, in light of the growth of payment systems that provide We further recommend that any future studies on electronic payments solutions put an emphasis on improving convenience, efficiency, traceability, and security (McWaters et al., 2015; Barkhordari et al., 2017; Kim et al., 2010). To illustrate, consider an empirical research study (Pei et al., 2015) comparing Quick Pay and Union Pay, which concluded that Quick Pay enjoys greater popularity due to its superior performance in terms of accessibility, usability, reputation, and security protection."

"In summary, from a business perspective, the recent advancements in related technologies and research should have a direct or indirect impact on improving various business processes. Among other things, this might entail boosting revenue, improving automation effectiveness, and increasing client retention. For instance, innovations could manifest in the form of new interface designs informed by Human-Computer Interaction (HCI) studies, or they could pertain to the secure transmission of data over wireless networks, given its significance in establishing and maintaining customer trust and retention.

Furthermore, it's imperative that future research in the realm of payments extends beyond the B2C (Business-to-Consumer) aspect and encompasses the B2B (Business-to-Business) dimension as well. One essential route, for instance, is to look into how to make it possible for suppliers and purchasers to settle their differences more efficiently and smoothly. This endeavor may involve a multitude of enabling technologies, including ERP (Enterprise Resource Planning), CRM (Customer Relationship Management), RFID (Radio-Frequency Identification), Internet-of-Things, database management, distributed ledger technology, and others."

### **B) FinTech on Advisory Service**

"Advisory services encompass the provision of guidance to users based on predefined rules and criteria. Advisory services cover a broad range of related services that fall under the purview of this paper, such as investment guidance, asset management advice, insurance assistance, client support, as well as managerial decision-making.

FinTech is widely regarded as a disruptive force within the advisory service sector. Results of earlier studies According to Lines, B. (2016), industry participants in the insurance and asset management sectors expressed grave concerns about how FinTech would interfere with their daily operations. Particularly, 74% of insurance companies and 51% of asset managers thought their sectors will face change. Looking ahead, new developments in the world of the Internet, useful computing, cutting-edge sensor technologies, artificial intelligence (AI), machine learning, big data analytics, sophisticated algorithms, and automation, among others, are emerging areas for future research within the advisory services domain.

Additionally, we propose that future research endeavors focused on advisory services should prioritize improvements in various aspects, such as personalization, cost reduction, flexibility, automation, enhancement of user experiences, and financial decision-making processes, among others."

In summary, from a business perspective, the ongoing advancements in related technologies are expected to have a direct or indirect impact on improving efficiency, bolstering profits, or expanding market share. It's essential that future research endeavors related to advisory services extend beyond the realms of B2C (Business-to-Consumer) interactions and financial consultancy. Instead, they should explore diverse opportunities and dimensions within the field."

### **C) FinTech on Financing**

The term "financing" describes the process of getting money from numerous sources to run a firm. The term "traditional sources of finance" refers to choices including relatives, bank loans, retained earnings, venture funding, franchise agreements, grants from governments, stock markets, debentures, bonds themselves, and others. New alternative funding options that exist outside of the traditional financial systems have been introduced by the evolution of fintech. For instance, crowdfunding offers businesses an alternative means to secure funds, often at reduced

costs or in ways previously unavailable through traditional channels.

Recent developments in the field of finance include the effects of handheld devices, communication in real time, computer-supported teamwork, the use of artificial intelligence (AI), machine learning (ML), big data analytics, advanced computer programmes, and automation, among others. Future studies on financing options should also place a focus on improvements in terms of, among other things, personalised service, dissemination of information, transaction cost savings, swiftness, effectiveness, adaptability, digitization, customer experience, and financial selection processes. One of the most well-liked alternative finance methods is unquestionably crowdfunding (Assadi, D. 2015). It fills the funding gap that arises between the earliest stages of financing and later capital expansion, making it an invaluable resource for startups and entrepreneurs (Scholz, N. (2015). Data from the Massolution research (Massolution, C. L. (2015)) indicates that the global crowdfunding business achieved a total of US\$34 billion (equal to £27 billion) in 2015, representing a 2.1-fold growth in comparison to the figures of 2014. In addition, a different study (Zhang et al., 2016) reveals that in the UK in 2015, crowdfunding contributed significantly to the funding of a variety of ideas and projects, raising £473 million. Meanwhile, outside of China, crowdfunding in the developing world accumulated US\$430 million (approximately £341 million).

As a sub-topic within financing, FinTech also contributes to the promotion of equity and social cohesion. Notably, many instances of successful FinTech innovation have originated in underserved or emerging markets, with initial customers often deemed unprofitable by established incumbents."

In conclusion, from a business standpoint, it is anticipated that future developments in FinTech technologies will directly or indirectly improve the sharing information process, reduce the cost of transactions, enable new financing options, and support better decision-making in financing.

### **d) FinTech on Compliance**

Compliance is the act of adhering to a set of rules, which may include directives, rules, policies, or laws. The procedure of compliance has become vital for many businesses in the modern corporate environment. RegTech (Regulatory Technology) is the term used to describe the use of technology in this context to improve regulatory processes (Schuettel, P. 2017). While compliance

procedures can lessen risks, increase confidence, and lower transaction costs (for example, a corporation with trustworthy financial records may be able to access cash at a lower cost), these procedures frequently do not immediately bring value to the organization.. Therefore, from a business perspective, we propose that future research related to compliance should focus on enhancing the efficiency of compliance processes, achieving cost-effectiveness in completing related tasks, or leveraging technology to perform compliance tasks that were previously challenging for humans to execute using traditional methods. For instance, an illustrative FinTech case involves EY, one of the world's largest audit firms, which has disclosed plans to expand its use of drones to enhance the audit process.

In summary, emerging avenues for future research within the compliance domain encompass technologies such as robotics, drones, mobile devices, Computer-supported Cooperative Work (CSCW), Artificial Intelligence, data analytics, advanced algorithms, and more."

## II. CONCLUSION-

This paper defines FinTech as an interdisciplinary field that integrates Finance, Technology Management, and Innovation Management. More specifically, FinTech is characterized as a domain encompassing innovative concepts aimed at enhancing financial service processes through technology-driven solutions tailored to diverse business scenarios. These concepts have the potential to usher in new business models or even entirely new ventures.

Furthermore, to explore how FinTech can bring value to businesses, we have categorized various FinTech applications into four primary domains: i) payment, ii) advisory services, iii) financing, and iv) compliance. Additionally, we have delved into the discussion of emerging technologies within the FinTech landscape and their potential to generate business value (Leong & Sung 2018).

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