10.53957/sanshodhan/2023/v12i1/173001

A STUDY OF IMPACT OF FINANCIAL TECHNOLOGY ON THE WORKING OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

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Introduction: Financial Technology is the up to the minute technology and innovation that directs the traditional financial methods to deliver the financial services. The operation of smartphones for mobile banking, investing and crypto currency are instances of technologies that make financial services extra comprehensible to the general public. Fintech is the new applications, processes, products or business models in the financial services industry, composed of one or more complementary financial services and provided as an end-to-end process via the internet.

The inclusion of fintech in India is the integration of spirit of government policy, strong base in technology and innovation and the abundance of demand for financial services, which influenced the investment of over $2.5 billion in Indian fintech businesses. The motive of this research paper is to provide an overview of the fintech landscape in banking sector of India.

Review of Literature:

1. Bhasin (2001) examined how the use of IT has affected the banking industry. It has changed the time-consuming, redundant systems and processes into straightforward, single-key pressing technology, enhancing company speed, accuracy, and efficiency and allowing them to engage in different activities.
2. Rao (2002) examined how modern technology has affected the financial sector. The use of technology is altering how business is conducted and creating new opportunities for performing the same task in a more creative

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and economically beneficial way.

3. According to Kolesova and Girzheva (2018), the influence of financial technology growth creates new chances for the banking industry. Innovations do, however, carry some hazards. The majority of fintech services are offered by businesses that are not directly associated with banks. This review has shown that financial innovations are giving the banking industry possibilities. Moreover, it aids in making services convenient for clients and user-friendly.
4. Bank transformation was emphasised by Arora, Kalpana (2003). Technology plays a significant role in streamlining banking sector activities, and numerous financial institutions in India have introduced new services and products as a result of technology innovation.
5. C. Vijay (2019): The findings of this study demonstrate how the fintech sector's transformation has affected Indian financial services and the world's fastest-growing fintech market. Fintech services in India are more safe and user-friendly, giving the Indian economy a greater edge. This analysis shows that financial technology is widening opportunities for financial services progress and triggering the growth of Indian banks.

Objective: The objective of the study is as follows:

"To find out whether there is any impact of financial technology on the working of public and private banks."

Scope and Methodology:

Banks and financial institutions are also focusing on fintech sector and contracting collaborations with different fintech start-ups and are actively participating in the ecosystem. The government and regulators have also taken several initiatives to boost the Fintech ecosystem and provide start-ups with new opportunities to launch competitive products.

Source of Data:

The data for this study has been taken from secondary sources, including journals, books, periodicals, reports and newspapers.

Research Hypothesis: The following is the research hypothesis for this study:

H_0: "There is no impact of financial technology on the working of public and private banks."

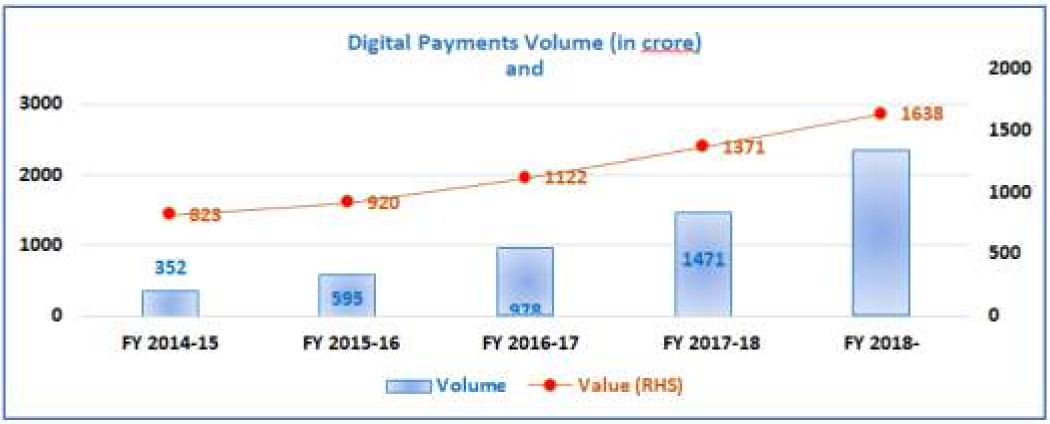
Progress in Digitisation:

1.1 While there is no accurate measure of cash payments in the country, the progress of various digital payments can be measured accurately. Overall, the digital payments in the country have witnessed a CAGR of 61% and 19% in terms of volume and value, respectively over the past 5 years, demonstrating a steep shift towards digital payments.

(a) Growth of digital payments

1.2 Within the digital payments, retail electronic payments comprising credit transfers {NEFT, fast payments (IMPS and UPI)} and direct debits (ECS, NACH) have shown a rapid growth at a CAGR of 65% and 42% in terms of volume and value, respectively. Stored value cash issued in the form of wallets and prepaid cards demonstrated an increased adoption with a CAGR of 96% and 78% in terms of volume and value, respectively.

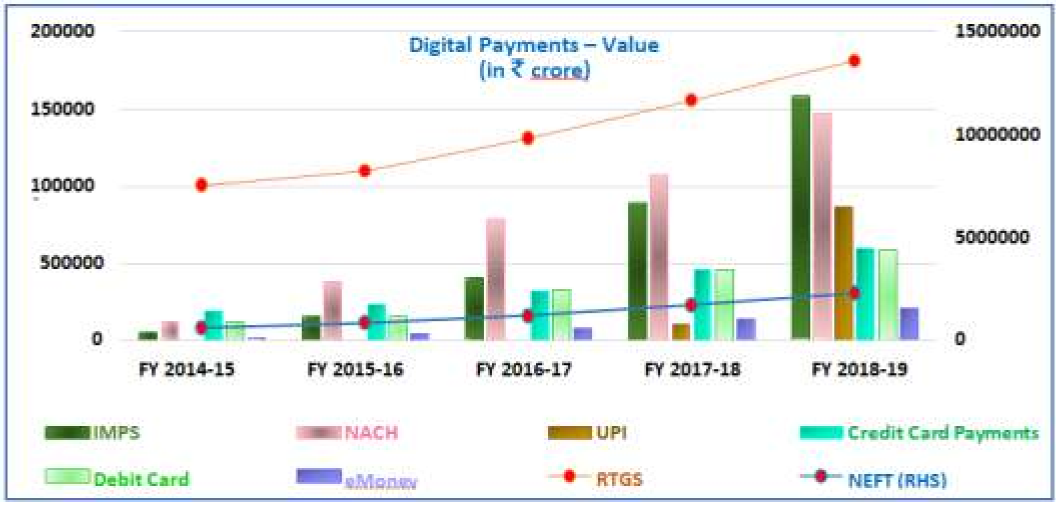
Figure1: Digital Payments Trend in India



Source: RBI Data

1.3 Innovation is making domestic payments increasingly convenient, instantaneous and ubiquitous. More options are available to consumers and this is making it more convenient for them to use digital payments. Systems that offer near instant person-to-person retail payments are increasingly available around the world. Many payment systems in the country now operate 24 hours a day, seven days a week, which are pushing customers towards digital payments on account of the convenience they offer. India has Immediate Payment Systems (IMPS) and Unified Payments Interface (UPI) as fast payments and the latter is driving the retail payments volume. In addition, with NEFT, which drives the retail payments value, operationalised on a 24x7x365 basis (with half-hourly settlements), India's payment systems landscape is headed for substantial growth.

Figure2: Digital Payment Systems in India (Value)



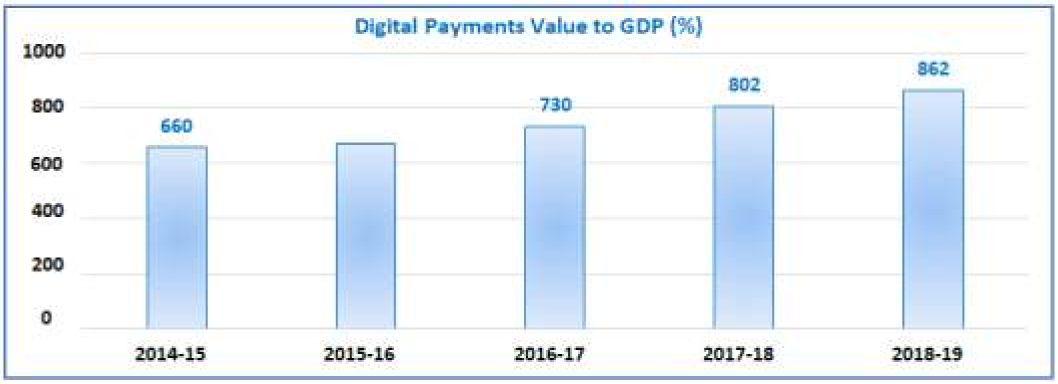
Source: RBI Data

1.4 According to Global Data, a data and analytics company, digital cash in India is poised for significant growth. According to the 2017 Consumer Payments Insight Survey by the company, India is one of the top markets globally in terms of digital cash adoption with 55.4% survey respondents indicating that they use it. India is followed by China and Denmark. The adoption level in India is much higher compared to many of the developed markets such as the US and the UK, where consumers predominantly use cards.

(b) Digital Payments to GDP

1.5 The value of digital payments to GDP increased from 660% in 2014-15 to 862% in 2018- 19, making the shift to digital payments in India clearly perceptible. A comparison with other CPMI countries shows that India is amongst the few countries like Argentina, Brazil, China, South Korea, Turkey and U.K. where the value of digital payments as a percentage of GDP has increased.

Figure3: Value of Digital Payments to GDP – India



Source: RBI Data

(c)Infrastructure

1.6 Infrastructure is the key requirement facilitating both cash dispensation and electronic payments. While it is true that bank branches and ATMs facilitate cash transactions, the former also facilitates the growth of electronic payments by bringing about financial inclusion and the latter acts as a confidence factor that cash is available at hand when required and as such there is no need to keep it stored in your wallet / purse. PoS terminals and mobile phones directly aid electronic transactions.

1.7 As at December 2019, there were around 49 lakh PoS terminals across the country. The ATMs and PoS terminals across the country have grown at a CAGR of 4% and 35%, respectively over the past 5 years. While the number of ATMs (a "cash" infrastructure) has grown at a low pace, the growth of non-cash infrastructure, mainly depicted by PoS has been significant. This has given a further fillip to digitization

1.8 Another important acceptance infrastructure gaining popularity is the digital PoS or the QR code. Bharat QR has grown as a lightweight, low cost method to bring merchants into the acceptance network. The deployment of QR codes is expected to increase substantially in the coming years which along with physical PoS terminals will facilitate the rapid adoption of digital payments. As on November 30, 2019, over 16 million payment QR codes (Bharat QR as well as proprietary QRs of other payment system operators) were deployed. A committee has been constituted by the Reserve Bank to examine, review and finalise a pan-India, inter-operable QR code structure.

Impact of FinTech:

1) **Big Data and risk assessment:** All the individual documents stored in device accommodations regard Big Data and, if implemented properly, can exhibit behavioral models of present and possible clients. Thus, AI and ML algorithms development aids FinTechs and finance firms to develop policies directed at further personalized duties, excellent client co-operation, and limited hazardous transactions.

2) **Security and client experience:** Another case of the influence of FinTech on banks is concrete changes in individual data security and client experience.

3) **Great changes in human resources:** FinTech is transforming business models and the foundation of high-street banks, where it triggers significant changes in their human resources. New FinTech businesses invested in banks raise the interest for professionals with experiences and expertise in finance and development.

4) **Products and services of the upcoming generation:** Embraced the knowledge of modifications, banks are now fighting for the most advanced commodities or services.

Conclusion:

As technology is evolving, so will the fintech sector and other sectors. FinTech will change the banking norms by providing the best consumer experience backed by robust technology. Moreover, for those businesses, which want a competitive edge and offer the latest products, they'll have no option, but to evolve as the technology evolves. Both cash and non-cash payment instruments fulfill unique needs, and as long as these needs do not change, both types of payment instruments are required to meet the full spectrum of user's needs.

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