

# FINTECH'S EDGE: A SWOT-BASED STRATEGIC INSIGHT

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**Abstract.** *"We are changing the world with technology"- as Bill Gates quotes, everything is techno-oriented. BFSI sector is no more an exception. Financial Technology or FinTech is the new technology and innovation that focuses on the delivery of financial services. In other words, FinTech describes any company that uses the internet, cloud services, mobile devices, or software technology to either connect with financial services or to use them. FinTech is a fast moving sector with the aid of ICT tools, AI and machine learning. The ultimate of the FinTech is to promote financial inclusion. FinTech may include the robotic advisors, chatbots, investment apps. As it is techno-based, it has its own pros and cons, which are discussed.*

**Keywords** *FinTech, BFSI, AI, Chatbots, Financial Inclusion*

## INTRODUCTION

### FinTech

FinTech is the technologically enabled financial innovation that can significantly impact financial markets and services, as mentioned by the Financial Stability Board (FSB). It can be simply defined as the technologically enabled financial innovations.

### FinTech Experience in India

According to a report by Ernst & Young (EY), India is one of the largest and fastest growing FinTech ecosystems of the world. It stands second after China in terms of FinTech adoption index with an adoption rate of 87%.

The FinTech sector in India has witnessed a dramatic surge in funding over the previous few years and it is surprised to see that India has the greatest FinTech adoption rate of 87%, where the world average of 64%. India ranks third in the FinTech ecosystem in the world. Out of the existing 2100+ financial technology companies in India, 67% were established in the past five years.

India ranks second in terms of FinTech adoption, with an adoption rate of 52 per cent (Shakthikanta Das, NITI Aayog's FinTech Conclave, 2019). In India, Immediate Payments Service (IMPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), Bharat Bill Pay System (BBPS), or Aadhaar-enabled Payment System (AePS) are the common instances of FinTech industry.

## Segments in the Indian FinTech Companies

### PayTech (Payment Technology)

FinTech companies foray into the markets through services such as payment gateways, card networks, application programming interface (API), and payment security. Third-party application providers (TPAP), E-Wallet, QR code, and point of sale (POS).

### LendTech (Lending Technology)

Lendtech includes lenders and providers of Buy Now Pay Later (BNPL) services, AI and anti-fraud technology, data interchanges, marketing, and insurance services such as personal loans, salary loans, gold loans, vehicle loans, school loans, and peer-to-peer (P2P) lending.

### InsurTech (Insurance Technology)

Insurtech is the application of technology in arena of insurance. FinTech in Insurtech can be used to provide services like claims processing, a sales platform, underwriting risk management, insurance infrastructure API, and a policy administration system.

### WealthTech

WealthTech is used to deliver digital solutions that enhance personal wealth management, investing, and portfolio management. The growth of digital payment methods, e-KYC via Aadhar, online money transactions and online investment reports has enabled the emergence of a fully automated asset management system.

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## RegTech and SupTech (Regulation Technology and Supervision Technology)

RegTech utilizes the technology to manage regulatory processes in the financial industry. Its primary tasks include regulatory monitoring, reporting, and compliance, whereas, the SupTech facilitates the supervision of the activities of the financial sector.

### Digital Payments

Digital transaction is the buzz word of today's banking sector. Digital banking, Core banking Solutions (CBS), NEFT, IMPS form a part of the digital payments.

## SWOT Analysis

### Strengths

- FinTech makes the interaction between the consumers and the financial service provides a easier, simpler process.
- As a strong source of digital onboarding and financial inclusion.
- It reduces the cost of transactional costs.
- Enables direct benefits transfers (DBT) to the people.
- It enables more effective risk management services.
- FinTech provides a greater accessibility to the customers by variety of services.
- It facilitates better time optimization.
- It provides variety of services.
- It facilitates to operate as a hub for all the associated financial services.

### Weakness

- Privacy is a major issue in a FinTech.
- Lack of regulation pose a room for the cybercrimes and threats.
- It may subside the physical branches of financial services.
- FinTech needs an enhanced data services.

### Opportunities

- FinTech is an opportunity for Financial inclusion.
- It facilitates the complex crowdfunding process to a simpler one.
- There exists chances for the personalized services in the future.
- It is a boon for the partnerships and joint-ventures between the financial sectors in the long-term perspective.
- It paves way for the big data analytics.

### Threats

- Mushrooming FinTech companies may lead to a perfect competition in the market.
- May collapse the integrity of the physical banks.
- As there is no regulatory mechanism, there are chances for excessive borrowing and high personal debt accumulation.
- FinTech may not cope up with the fluctuating environment.
- Due to the proliferation, there are possibility of increase in cybercrimes.

**Table 1: SWOT Analysis of FinTech Industry**

Strengths	Weakness
Greater accessibility	Lack of physical branches
Time optimization	No regulation
Variety of services	Lapses in security
Cost reduction	Lack of technical expertise
Hub for BFSI	
Opportunities	Threats
Big data analytics	To comply with Government policies
Avenues for Partnerships	Changing revenue and business models
Chances for financial inclusion	Lapse of security and cybercrimes
Personalised services	Dynamic FinTech ecosystem

## CONCLUSION

Despite some weakness and threats in the FinTech, it has its strengths and opportunities. FinTech tends to be a disruptive, if the technology is not properly utilized and the flaws are not correct. FinTech is supposed to be a necessary evil for the growing market. Just as e-commerce, FinTech is inevitable in the digital world. The success of the FinTech in terms of the efficiency, operational costs is purely decided by the service providers and the customers. The Fourth Industrial Revolution (4IR) coined by Klaus Schwab, strongly suggested infusing the physical, digital and biological worlds. FinTech as an augmentation of the people, technology and machines will definitely scale up new heights.

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