Assignment 1

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1. What is FinTech? Explain in short with few examples that you use in day to day life.

   Answer:

   The term Fintech (Financial Technology) refers to software and other modern technologies used by businesses that provide automated and improved financial services.

   FinTech is a combination of the words "financial" and "technology," is a relatively new, and often nebulous term that applies to any emerging technology that helps consumers or financial institutions deliver financial services in newer, faster ways than was traditionally available.

   Personal Capital, Lending Club, Kabbage, and Wealthfront are examples of well-known FinTech companies that have developed in the last decade, offering fresh twists on financial principles and allowing individuals to have greater control over their financial results. examples of FinTech in our daily life are Mobile Payment apps (like GPay(GooglePay), Paytm), Cryptocurrency and Blockchain like Bitcoin and Gemini.

2. What are the factors responsible for boosting the FinTech ecosystem in India?

Answer:

The various factors responsible for boosting the Fintech ecosystem in India are:

- Availability of capital and a vibrant investment ecosystem
- The favourable demographic in India (more than 65% below the age of 35 years) have an appetite for innovative technology
- Low penetration of financial services for a majority of the population (unbanked, rural regions, as well as small and medium-sized enterprises (SMEs))
- Government initiatives and regulatory forbearance to Fintech
- Increased mobile and Internet access
- Reduced infrastructure and transaction costs through the usage of cloud-based services and IndiaStack
- Advancement in technology

  Mature investment ecosystem:

  Investment in Fintech start-ups has risen dramatically in recent years. Ease of capital has helped fintech to drive innovation as well as their business model. In addition to Private Equity(PE) and Venture Capital(VC) investments, Indian Fintechs have also benefited from the support received from various sector-focused incubators, accelerators, and tech-hubs. Most of the incubators and accelerators are either university-led, public sector-led equity-led or financial institution-led. These incubators, accelerators and hubs perform several functions, and when combined, have had a synergic effect on startups undergoing acceleration, and a positive impact on the fintech industry's overall growth.

  Technology and Digital Infrastructure:

  Technology and digital infrastructure have also been on an accelerated growth in India which has led to the strengthening of the fintech industry as it is the backbone of this industry.

<u>Policy and regulatory initiatives for the fintech industry in India:</u>
Given the fintech sector's competitive existence and overlap with other industries, effective policy and regulation are critical for the sector's growth and stability. India witnessed a phenomenal growth in cashless transactions with the introduction of demonetisation.

Some of the recent Indian government programmes towards creating a favourable business climate for fintech companies are Unified Payment Interface(UPI), Jan Dhan Yojna, Startup India, Digital India Programme, Recognition of P2P leaders such as non-banking financial companies(NBFCs), and National Common Mobility Card(NCMC).

3. Name a couple of initiatives taken by government and regulators to boost the FinTech ecosystem in the country.
   Answer:
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   Unified Payment Interface (UPI), Jan Dhan Yojna, Startup India, Digital India Programme, Recognition of P2P leaders such as non-banking financial companies (NBFCs), and National Common Mobility Card are some of the recent Indian government programmes aimed at creating a favourable business climate for fintech companies (NCMC).

4. Name two emerging technology trends in the FinTech space with the help of examples.
   Answer:

- Artificial intelligence(AI)
  The applications of AI in fintech range from providing expert customer services to preventing fraud.
  PayPal is an excellent example of a finance business employing AI. They use algorithms that study a customer's previous spending and buying patterns to point out any anomaly. It helps them keep fraudulent transactions at bay and operate without hiccups.
  Another great example of AI application in the financial sector is an Alpaca Forecast AI Prediction Matrix, a price-forecasting solution, developed by Bloomberg. The software is capable of processing millions of deal records, record demand movements, define patterns, and predict future price changes.
- Robotics facilitating operations & customer service
  Another fintech technology trend we are likely to see widely adopted in 2021 is robotics for internal process and customer service automation.
  Robotic Process Automation (RPA) leverages machine learning & AI to automate a variety of tasks, including
    - Identity verification
    - Fraud detection
    - Regulatory compliance
    - Online loan processing.
  As far as client service is concerned, we're seeing more robot advisors used to boost the efficiency of customer-facing teams. These assistants are used both online and at physical locations.
  Examples:
    - German savings bank Stadtsparkasse Düsseldorf uses a robot-assistant to help customers invest in the right 'green' investment
    - Sparkasse KoelnBonn, a German bank, has used a physical robot advisor, Ivy Pepper, to guide visitors to its stall during a live event, Fitnetz-Wochen.