

Chapter 2

Financial Technology Implications: Emerging Markets Context

Arjun R.

National Institute of Technology Karnataka, India

Nishmitha N.

National Institute of Technology Karnataka, India

Suprabha K. R.

National Institute of Technology Karnataka, India

ABSTRACT

The chapter examines the particularities of the financial technology industry and explores how FinTech is defined and how the financial technology solutions can be implemented by companies and categorized. Financial technology companies are generally start-ups founded with the purpose of disrupting financial systems and corporations that rely less on software. But Fintech is not confined to start-ups only. Fintech comprises a vessel of technical aspects that describes an emerging financial services sector in the 21st century. The chapter aims to provide key insights into the evolution of the FinTech sector in emerging markets like ASEAN and India by and industry experience in this area. Both industry survey reports and peer-reviewed research is used as secondary data. The critical challenges to be addressed at the policy level, regional differences and future implications are being discussed thereby creating bridges the FinTech in ASEAN context to create a coherent framework.

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INTRODUCTION

Financial technology (or FinTech) is the new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. The use of smartphones for mobile banking and investing services are examples of technologies aiming to make financial services more accessible to the general public. FinTech is blurring lines between technology and financial services. It is a rapidly evolving segment of the financial services sector where tech-focused start-ups and other new market participants are disrupting how the financial services industry traditionally operates (Gabor and Brooks, 2017). New FinTech companies and market activity are reconstituting the competitive landscape, changing the definition of a player in the financial services sector. Financial technology (FinTech) has appeared as a relatively new industry in India. It has companies that use technology to offer financial services. These companies operate in insurance, asset management and payment etc. India has experienced the emergence of numerous FinTech start-ups, accelerators and incubators over the last few years. India is doing everything to establish itself as a global FinTech hub. With a large market of unserved customers, increasing mobile/internet banking, favorable demographics, an active start-up ecosystem and a large talent pool, ASEAN & India has strong opportunity (Hoontrakul, 2018).

One of definition of FinTech is “*the new applications, processes, products, or business models in the financial services industry, composed of one or more and provided as an end-to-end process through the Internet and used to computerize insurance, trading, and risk management*”. Also, Bitcoins’ and blockchain are the new internet technology with the potential to transform the financial industry and disrupt markets around the world. The online banking system that is internet banking will typically be part of the system operated by a bank and is in contrast to

The objectives of this chapter are summarized as:

Objective 1: What major factors that favor the financial technology in emerging markets?

Objective 2: How does trend for FinTech usage vary across different sectors and verticals?

Objective 3: What is scenario about conditions of FinTech sector in India?

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