FINANCE AND INVESTMENT CELL,
SHRI RAM COLLEGE OF COMMERCE

FINTECH IN A FLASH

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FINTECH DIGEST

BY AYUSH BANSAL, RITIKESH GUPTA AND KRITTIKA BORO

- In 2015, more than 12,000 start-ups sprouted in the Fintech space across the world with a massive investment of USD 19 billion.
- The global Fintech software and services sector predicted to touch USD 45 billion by 2020 at a CAGR of 7.1%.
- The Indian Fintech software market is poised to touch USD 2.4 billion by 2020 (that is almost 5.3% of the global market) from the current USD 1.2 billion in the FY 2016-17.
- India boasts of over 600 start-ups in Fintech that belong to various segments and the number is predicted to rise.

MAJOR FINTECH AREAS AND DISRUPTIONS

> **BANKING** : 54% of bankers are increasingly partnering with Fintech companies. Banking services sector received 41% of Total Fintech funding globally.
> **TRANSACTION AND PAYMENT SERVICES** : 42% of payment companies are increasingly partnering with Fintech companies.
The global alternate lending market had a transaction value of $380.6 Billion in 2017.
> **ARTIFICIAL INTELLIGENCE** : 46% of the large Fintech companies are powered by AI. AI will drive 95% of all the customer interactions by 2025.

FINTECH AND INTERNET OF THINGS

BY AMAN SRIVASTAVA AND KASHIMA CHAUDHARY

Have you ever imagined how the world will look like 10 years hence? Have you ever wondered whether your parents had ever imagined something like the 'Internet Of Things' coming? Surely, the IoT phenomenon is ticking all the blocks going forward and there's no stopping. But what exactly is IoT?
"Internet of Things or IoT is the interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data."
But how is IoT related to FINTECH? Internet of Things includes interconnection of various devices, usually through Wi-Fi access points, for instance, Alexa & Siri. IoT has taken over the world so much so that there are more IoT devices in the world than human beings, with future expectations including a refrigerator ordering food itself when starts getting empty, a smartwatch opening all the possibilities for transactions taking place removing all the possibilities of time wastage due to queues. So it is clear that Fintech and IoT are complementary in this era of information. Whether it is making the withdrawal of money easier through high-tech devices or facilitating risk management in the Auto Insurance sector, IoT will contribute to Fintech's development.

As it is rightly said, 'Many Smart Homes added together make Smart Cities', the Internet of Things is adding new smart devices to its massive ecosystem. Physical wallets start to look antiquated—except containers for our driver's license and credit cards. The new way of doing business includes Contactless Payment, powered by Near Field Communication, a trend already started in half of Europe. Smart watches, wristbands or implanted microchips with Bluetooth beacons or WiFi access points are soon to replace laptops and smartphones.

Our lives also get majorly affected by the position and innovation in financial markets. Fintech has also affected financial markets, with the introduction of Initial Coin Offerings (ICOs) in place of Initial Public Offerings. Initial Coin Offerings are a sort of fundraiser, generally used by startups as an alternative to Venture Capitalists, which is based on the Cryptocurrency model, where the startup creates and issues tokens specific to ICOs in return of investment for the creation of apps and services or coins by the general public. ICOs generally attract funds easily due to past record of tremendous returns. They are different from IPOs on several grounds, including that they have no government regulation attached, they have no authority in place and that they are freer in terms of structure.

Peer to Peer Lending, a concept that is becoming more popular among the masses day by day has also given the startups and fund seekers an alternative option of borrowing money through online services. Not to forget, Robo Advisors are a class of financial advisors that provide financial advice or investment management advice online with moderate to minimal human intervention. These components of Fintech show how it has revolutionized the entire financial market. A major chunk of credit for the same goes to 'Internet Of Things' for increasing the interconnectivity in the financial markets.

Thus it is interesting to imagine a future with the Internet of Things and Fintech coming together to affect the financial markets and each other as well, through managing households and insurance, data collection and distribution, international trade finance decisions and customer authentication, Initial Public Offerings or monumental blockchain and cryptocurrency success.

BANKING AND BLOCKCHAIN

BY RIYA KAUL AND VARTIKA BANG

The dawn of the new millennium was met with the technological crisis of the dot-com bubble which was a reflection of the financial mess that the decade would witness. The 2008 crisis was the highlight, even though it was the same year that an anonymous user under the alias of Satoshi Nakamoto came up with the blockchain technology that had the potential to take the financial world by storm with both excitement and opposition.

Innovation and technology have always been areas where every business invests anticipating greater yields. For the banking sector, where huge processing and transaction costs are wasted on intermediaries, the Blockchain technology is revolutionary. It uses a database, mathematical equations and cryptography to record data with synced identical transaction information. The data of each new transaction gets stacked along like Lego blocks. This complexity makes it practically impossible to hack into the millions of transaction databases. So this has the capability to increase both the transaction security and the profits. In simple terms, Blockchain will do to banks what the internet did to media.

Blockchain provides a very high level of safety and security when it comes to exchanging data, information, and money by allowing the users to take advantage of the transparent network infrastructure along with low operational costs with the aid of decentralization. In addition to this, Blockchain technology aims to do the heavy weightlifting by securing transactions and making the overall customer experience more satisfactory and less money consuming.

Why then are the traditional banking systems taken aback at the prospect of accepting Blockchain wholeheartedly? One plausible explanation could be the fundamental contradiction between finance and technology. Finance is a slow-moving sector where any viable proposition takes time to break into the market and be accepted by the existing structure, while technology, if innovative enough, takes a whiff to spread like a wildfire. However since the cost reduction benefits outweigh the discomfort of technological dynamism, another reason could be that the lower costs have attracted many new fintech start-ups that are working out fairly well, leaving banks no option but to hedge their funds by investing in them.

Taking into consideration the Indian scenario, the RBI has cited typical reasons like investor protection and scam prevention to justify its cryptocurrency crackdown. It believes the anonymity of virtual currency has increased the risk of fraud and other illicit transactions. The firms, however strongly refute this excuse by citing the adherence to KYC norms. The lack of intrinsic value and investment for mostly speculative purposes has made RBI skeptical of cryptocurrency, especially because it has toiled much to maintain the exchange rates and reserves even in case of external turmoil. Thus we have ended up with the belief that the Indian economy is simply not ready for this technology.

The rest of the world, however, is trying to make full use of the technology even if it means defying traditional banking norms and risking increased competition. The USA, though keeping hold of certain virtual currency restrictions has loosened the transaction regulations, while Venezuela, in the midst of its economic and financial meltdown, has introduced its own blockchain based cryptocurrency called Petro, which, though is speculated to be a failure, reflects their faith in the revolutionary technology. And despite the misconceptions propagated in popular belief, one thing is for certain, blockchain is here to stay.

UNDERSTANDING FINTECH WITH LILY AND SILLY

BY TANISHKA GUPTA AND YASHIKA GOYAL

SILLY: Hey Lilly! Let's play a game, tell me what fintech stands for?

LILY: Financial technology! Now you tell me what RegTech stands for!

SILLY: What is that?

LILY: Silly, you really are silly! I'll tell you, it stands for Regulatory Technology. RegTech is a new field within the financial services industry.

SILLY: What does it help in?

LILY: It puts a particular emphasis on regulatory monitoring, reporting and compliance and thus benefits the finance industry by enhancing transparency, consistency and interpretations.

SILLY: Yes, I think I have heard about the origin of RegTech! I think it was some governmental body that established RegTech.

LILY: Does the government ever start something? But yes, it was Financial Conduct Authority. And in the private sector, there have been a lot of start-ups that have helped in its growth.

SILLY: What are its various areas of application?

LILY: Legislation tools, compliance tools, health check tools, regulatory reporting tools, training tools, risk data warehouse, activity...

SILLY: Okay! Now we need to stop talking about RegTech and start regulating the timings for our class.

LILY: Bye, let's continue the discussion later!