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Fintech and Digital Finance Landscape in The Current Era

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ABSTRACT

The emergence of digital lending platforms and the rapid growth of the fintech sector are evidence of the changing needs of current consumers. These platforms are attractive due to their efficiency, ease of use, and transparency compared to traditional banking tools. As the technology industry continues to evolve, new products are expected to be able to meet the diverse needs of customers around the world.

This article highlights how financial technology and digital finance are changing consumer preferences for financial products and services.

Keywords: *Fintech, Digital finance, Consumer, Efficiency.*

I. INTRODUCTION

In the world of business, money has always been a tangible asset, traditionally taking the form of paper currency. Over time, we have witnessed the evolution of money from bartering systems to coins and banknotes to traditional brick-and-mortar buildings. It's crucial to address the question of how and where traditional banking will transform in the future. The purpose of money is to support the development of the financial system, which means that financing, insurance, and payments are all available at your fingertips.

The combination of the words "finance" and "technology" is called fintech. It describes any program, algorithm, or application that helps a person or organization access, manage, or understand financial information. Fintech can also help improve the financial sector by reducing costs and increasing accessibility. The term "digital finance" refers to how new technologies are affecting the financial services industry. The digital provision of traditional financial services through computers, tablets and smartphones is called "digital finance". It has many products, services, programs and business initiatives that are changing the traditional way financial and business services are delivered. It is changing the way people spend money and do business in the marketplace and introduces new ways to digitally identify, collect and store valuables.

This paper aims to understand how the digital economy and fintech are influencing the consu

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mer products and financial services needed in today's world.

The research aim of this paper is –

- *Assess consumer attitudes and behaviors in the digital finance era.*

(A) Literature Review

In Analysis of the Impact of Financial System on the Financial System, R. Narmadha (2021) highlights the importance of technology in modern finance and its ability to reach the world's poor. Even though the digital currency is available in more than 80 countries, more than 1.7 billion people are still unpaid. Poverty rates are high in China, India, Pakistan and Indonesia. The report highlights the benefits of the digital economy, such as reducing the cost of physical money in circulation, maintaining business stability, verifying public money flows, and reducing counterfeit money. In addition, the study reveals the importance of digital financial literacy in improving financial literacy, especially in countries such as India, where a significant portion of the population does not have access to banks. The key finding of this study is that more research is needed to understand fintech's unique contribution, innovation, and challenges in accounting. The issues of cybersecurity, data protection and crime have not yet been resolved.

In a study published in 2021 by Khera et al. The link between economic progress and digital financial inclusion (DFI) in emerging and developing economies (EMDEs) is examined. Researchers used the DFI specific index as a variable index and found that there is a positive relationship between DFI and economic growth, indicating that DFI generally promotes economic growth rather than merely distracting from other developments. As a result, the shortage of traditional financial services supports the demand and adoption of DFIs, while fintech loans also appear beneficial for growth. The report also highlights key factors influencing the use of DFIs, including access to infrastructure such as Internet and mobile phones, financial literacy and market competitiveness. Little attention has been paid to the long-term and potential risks of DFIs (such as financial instability and privacy concerns), which is a significant gap in research.

Zeidy, I. A. (Year). The Role of Financial Technology (FINTECH) in Changing Financial Industry and Increasing Efficiency in the Economy. Director, COMESA Monetary Institute.

Key Findings:

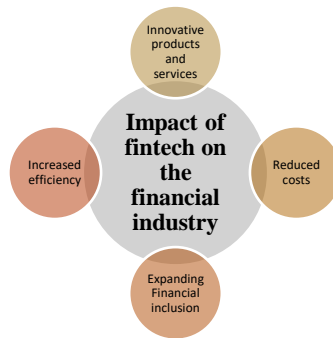


Figure 1: Key findings of the Role of Financial Technology (FINTECH) in Changing Financial Industry and Increasing Efficiency in the Economy.

Gaps:

Further exploration is required to understand the potential impact of emerging technologies like blockchain and cryptocurrencies on the financial industry.

II. RESEARCH METHODOLOGY

1. Introduction:

While conducting this research, a methodology was adopted to investigate the changing field of finance (Fintech) and digital finance and their profound impact on people's use of modern conveniences in financial services. This study was designed to investigate consumer attitudes and behavior in the digital finance era. This study aims to provide a better understanding of the evolution of digital finance and financial technology on consumer usage patterns and demand for financial services through quantitative research. It enables rigorous and comprehensive analysis that leads to a deeper understanding of the intersection of business processes, technology, finance, and the behavior of today's consumers.

Research Design:

Hypotheses 1-

Null Hypothesis (H0): Consumer attitudes towards digital finance do not vary based on demographic factors.

Alternative Hypothesis (H1): There is a significant variation in consumer attitudes towards digital finance based on demographic factors such as age, gender, and occupation.

Hypotheses 2 -

Null Hypothesis (H0): There is no significant relationship between the adoption of Fintech and changes in consumer preferences for financial services.

Alternative Hypothesis (H1): The adoption of Fintech is positively correlated with changes in

consumer preferences for financial services.

2. Data Collection:

This study employed a cross-sectional survey design to explore fintech preferences by the public.

3. Sample:

Forty-seven participants were randomly selected from customers. The sample included individuals aged 18 and above, representing diverse demographics.

4. Instrumentation:

A structured questionnaire, comprising closed-ended questions, was developed for this study. The questionnaire focused on fintech adoption, awareness, and usability. The questionnaire used for data collection is provided in Appendix A.

5. Procedure:

Participants were approached through a link to the online questionnaire. Informed consent was obtained before participants completed the survey. Data collection took place over one week.

6. Data Analysis:

Quantitative data collected through the questionnaire will be analyzed using descriptive statistics and inferential tests. Mean scores and percentages will be computed to assess overall customer satisfaction and identify patterns in the data.

8. Data Sources:

8.1. Primary Data:

The primary data have been collected through a questionnaire on Exploring Your Fintech Preferences

8.2. Secondary Data:

- Online articles
- Data on Digital financial inclusion by word bank

9. Data Analysis:

9.1. Quantitative Analysis:

A close-ended questionnaire was used to collect data on Customer awareness and adoption of fintech.

9.2. Qualitative Analysis:

Digital financial inclusion, types of digital services offered, interviews, and news articles will be used to understand the qualitative aspects of the performances of fintech and digital finance.

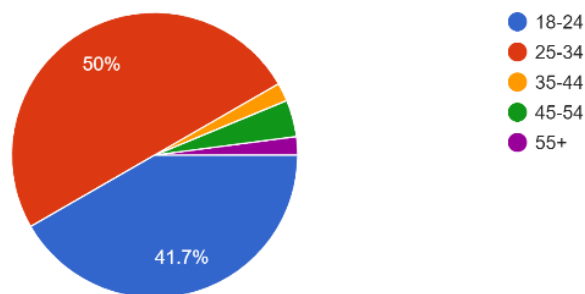
10. Limitations:

The research process aims to examine the influence of fintech and digital finance on consumer behavior and preferences. However, there are some limitations to this process. Cross-sectional research designs may not be able to capture longitudinal patterns, and large samples may not be representative of various consumer preferences. Closed-ended questions will limit perspective, and a week-long study may not be sufficient to fully capture the evolution of fintech adoption.

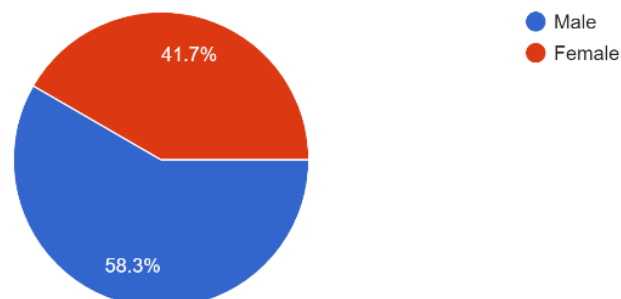
III. RESEARCH FINDINGS

Demographics:

Age
48 responses



Gender
48 responses

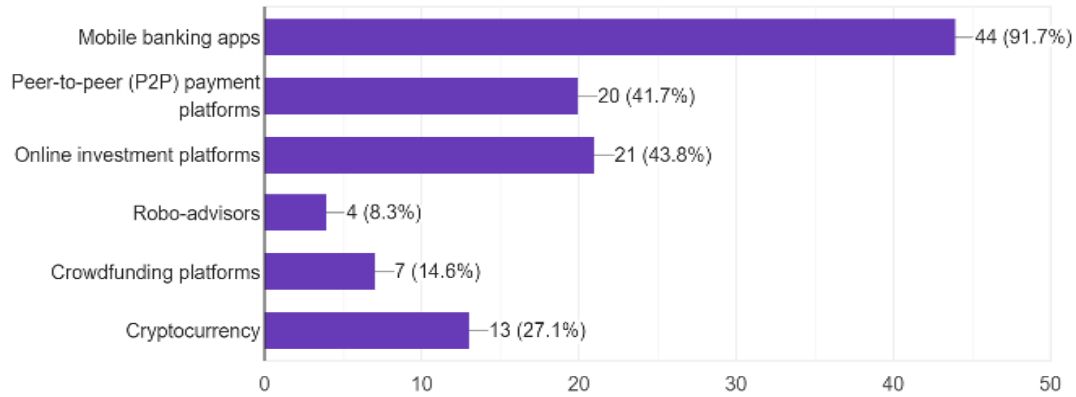


- Most respondents fall within the 18-24 and 25-34 age groups.
- There is a relatively even distribution between male and female respondents.

Fintech Awareness:

Which of the following Fintech technologies are you aware of? (Please select all that apply)

48 responses

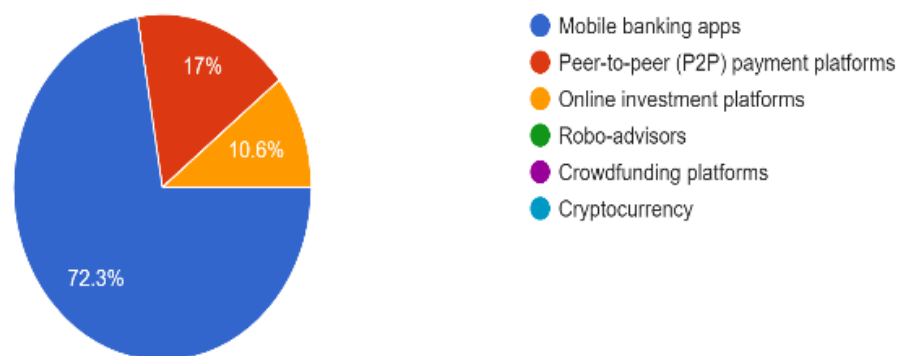


- Mobile banking apps are widely recognized, with nearly all respondents aware of this technology.
- Peer-to-peer (P2P) payment platforms and online investment platforms are also well-known among the surveyed individuals.

Most Useful Fintech Technology:

Which Fintech technology do you find most useful in your daily life?

47 responses

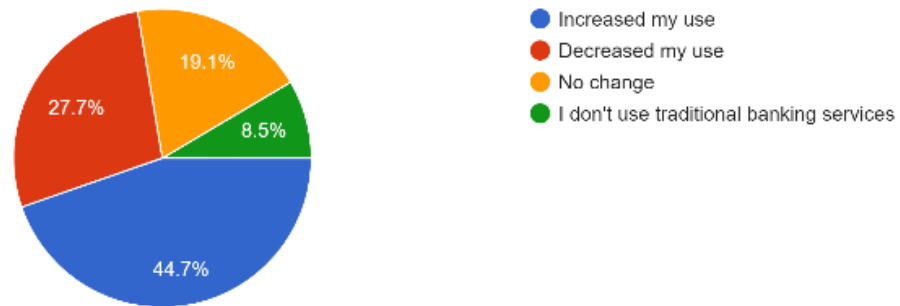


- Mobile banking apps emerge as the most useful Fintech technology, chosen by many respondents.
- Other technologies like Peer-to-peer (P2P) payment platforms, online investment platforms, and cryptocurrency also play roles in users' daily lives.

Impact on Traditional Banking Services:

How has the rise of Fintech impacted your use of traditional banking services (e.g., visiting physical branches, using ATMs)?

47 responses

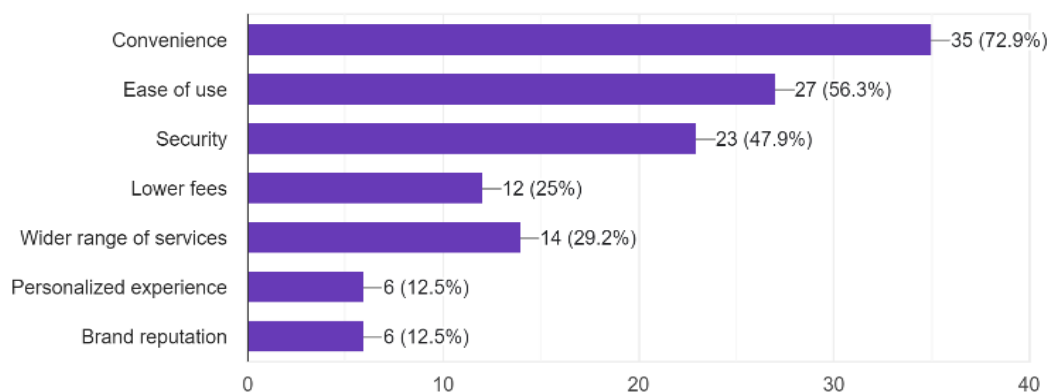


- The rise of Fintech has predominantly led to an increase in the use of traditional banking services.
- A notable portion of respondents reported a decrease in traditional banking use, particularly in physical branches and ATMs.

Factors Influencing Fintech Adoption:

What are the most important factors that influence your decision to use a Fintech technology?

48 responses

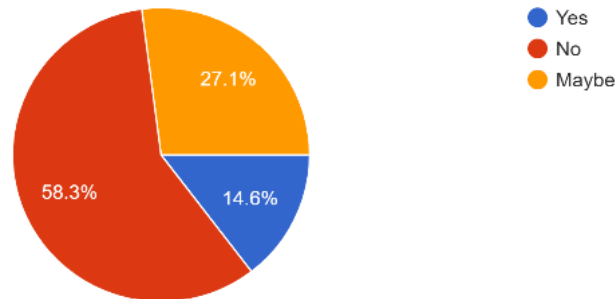


- Convenience, ease of use, and security are consistently cited as the most important factors influencing the decision to use Fintech technology.
- Lower fees, a wider range of services, and brand reputation are also significant considerations for users.

Cryptocurrency Usage:

Would you consider using cryptocurrency for online purchases?

48 responses



- A mixed sentiment exists regarding the use of cryptocurrency for online purchases, with a notable number of respondents expressing uncertainty (maybe).
- Security, convenience, and lower fees are likely to be influencing factors for those considering cryptocurrency usage.

Most Popular Fintech Technology:

What are the most important factors that influence your decision to use a Fintech technology?

46 responses

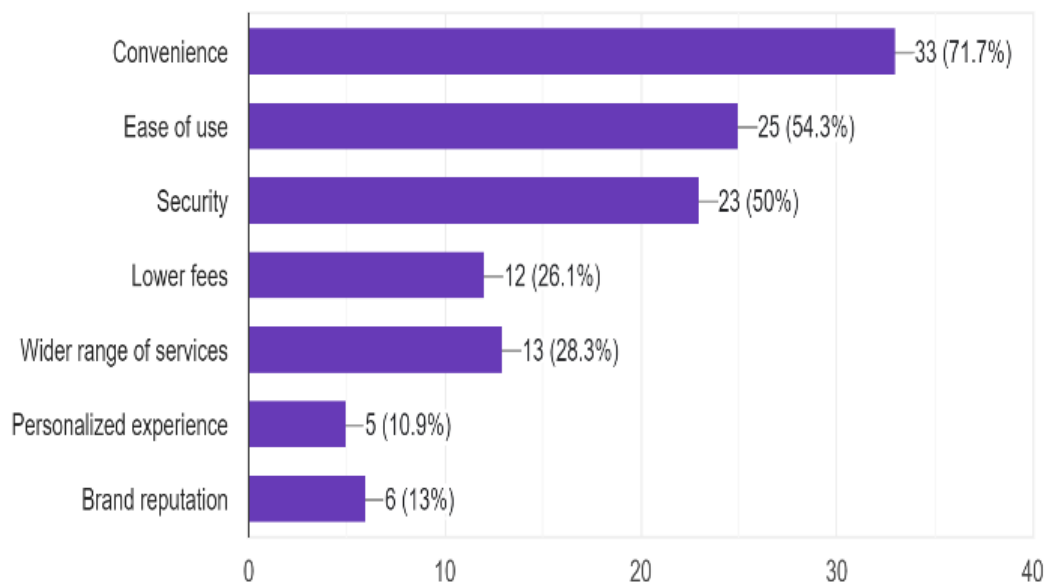


Figure 2: Most Popular Fintech Technology

Mobile Banking Apps: Widely recognized and deemed most useful in daily life, mobile banking apps stand out as the frontrunner among Fintech technologies.

Conclusion:

This study reveals a significant preference for mobile banking and shows that mobile banking plays an important role in the consumer's financial experience. Fintech's impact on traditional banking services is different; Some people prefer to use it less, while others find it more. Convenience, usability, and security are the key elements of fintech. As the fintech landscape changes, understanding customer preferences and concerns is critical for industry stakeholders.

Digital financial inclusion

The practice of providing affordable, accessible, and secure financial services to underserved and underserved communities using digital technology is called “digital financial inclusion.” The aim is to ensure that people, especially those living in rural areas or with low incomes, receive a variety of financial services that can improve their financial situation.

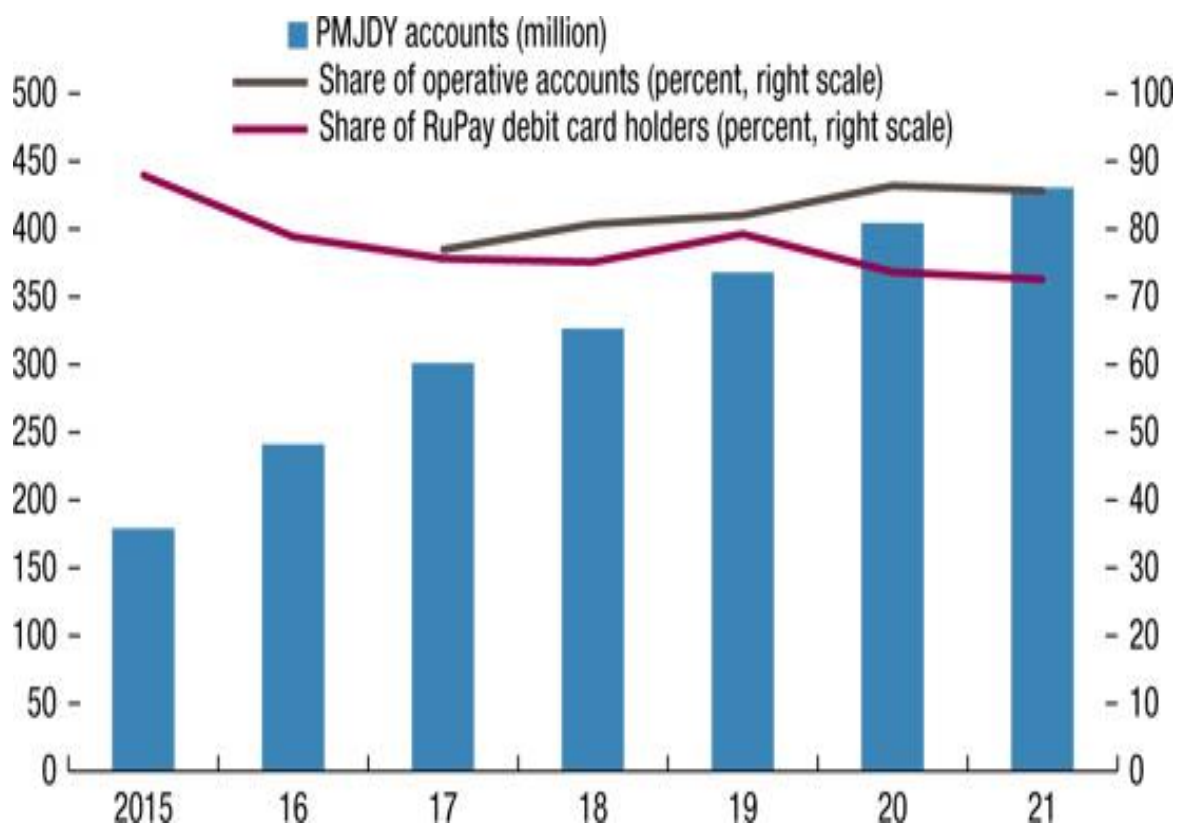


Image Source: Khera, P. (2023). Chapter 7, Digital Financial Services, and Inclusion. India's Financial System - Building the Foundation for Strong and Sustainable Growth (pg. 129)

India was not the first country to adopt ID cards, but its scale and low cost have allowed millions of people to quickly obtain ID cards for business purposes, including access to financial services. Pradhan Mantri Jan Dhan Yojana (PMJDY) 2014 scheme provides easy access to bank accounts and savings through RuPay debit card and mobile banking. In just one year, 180 million Indians opened accounts and by 2020, this number will reach 404 million; 86% of accou

nts are active and 73% use RuPay debit cards. This will help reduce inconsistency and detail in accounting. Although most PMJDY accounts were opened by people who already had bank accounts, the program appears to be successful in removing barriers to access for the majority of the population who did not receive financial aid in 2014. In 2017, the percentage of citizens with a bank account increased from 53% to 80%, giving 300 million more Indians access to finance. 4 This is higher than low- and middle-income countries (58%), South Asia (70%) and the global average (68.5%). D'Silva and colleagues (2019) noted that this is a surprising result of traditional financial development based on cross-country comparisons because access to companies' finance has stabilized for about 50 years. Additionally, the gap between rich and poor has narrowed and the gender gap in the economy has improved; 55% of PMJDY account holders are women and 67% of account holders live in rural or semi-urban areas.

IV. DISCUSSION

Dominance of Mobile Banking Apps:

The widespread use and popularity of mobile banking applications shows how important a role they play in influencing consumers' financial behavior. The widespread use and acceptance of these applications reflect their importance in today's fintech landscape.

Effect on Conventional Banking Services:

Research shows little impact on traditional banking services. While some customers report greater reliance on traditional services, others report declining use of traditional services, especially in branches and ATMs. The interaction between fintech and traditional business shows that the financial services industry is constantly changing.

Adoption of Fintech is Driven by:

Convenience, usability, and security are important factors influencing the adoption of fintech. The results show that user experience and trust are important factors in encouraging the use of digital fintech.

Use of Cryptocurrencies and Attitudes:

Controversies surrounding the use of cryptocurrencies indicate the need for more research. Potential impact differences include convenience, safety, and lower costs; This shows that consumers will examine many factors before using new technologies such as cryptocurrencies.

India's Digital Financial Inclusion:

India's Pradhan Mantri Jan Dhan Yojana (PMJDY) initiative is an example of how fintech can create financial impact. The rapid adoption of national identity cards and increased access to financial services demonstrate the potential of digital technologies to reach the poor and underserved.

Worldwide Repercussions:

The results from India's digital finance experience can be applied more broadly to other regions. The effectiveness of PMJDY programs in combating gender and economic inequality increases the likelihood that they will help programs in other countries promote economic growth.

Constant Applicability of Conventional Factors:

Even with the Fintech industry's technical breakthroughs, conventional elements like a well-known brand, more affordable costs, and a greater selection of services still have a big impact on consumers' decisions.

To sum up, the study offers a thorough grasp of the dynamic interactions between Fintech and traditional finance, highlighting the pivotal function of mobile banking applications and the revolutionary possibilities of digital financial inclusion programs. The information deepens our understanding of the state of Fintech today.

V. CONCLUSION

Hypothesis 1:

Null Hypothesis (H0): Consumer attitudes towards digital finance do not vary based on demographic factors. Alternative Hypothesis (H1): There is a significant variation in consumer attitudes towards digital finance based on demographic factors such as age, gender, and occupation.

The study's conclusions imply that there are differences in the adoption and preferences of Fintech technology, especially mobile banking apps, among various demographic groups. Age-specific differences exist in the frequency and utility of these technologies, with the 25–34 and 18–24 age groups having the highest concentrations. Furthermore, even though the distribution of respondents is rather evenly split between males and females, different Fintech technologies have distinct effects on different demographic groups. Based on demographic parameters, there is a large difference in consumer views towards digital finance, which supports the rejection of the null hypothesis.

Hypothesis 2:

Null Hypothesis (H0): There is no significant relationship between the adoption of Fintech and changes in consumer preferences for financial services. Alternative Hypothesis (H1): The adoption of Fintech is positively correlated with changes in consumer preferences for financial services.

The study's findings demonstrate how customer preferences for financial services are significantly impacted by Fintech adoption. The increasing popularity and practicality of mobile banking applications and other Fintech technology point to a change in the way people handle their money. The alternative hypothesis is supported by the observed decline in physical branch and ATM visits and the rise in the use of conventional banking services. It appears that there is a direct relationship between the uptake of Fintech and shifts in customer preferences for financial services.

The study at hand puts forward empirical evidence that provides a comprehensive understanding of how demographics and evolving customer preferences are essential in determining the success of digital financial services. The research findings negate both hypotheses, which indicates that financial institutions and policymakers must take into account these vital factors when creating and implementing digital financial solutions.

The study emphasizes that fintech's ever-changing environment requires a deep comprehension of user behavior to ensure that solutions are compatible with different groups. As such, understanding demographic variables, such as age, gender, and income, is essential in designing and implementing digital financial services that cater to various user groups. Moreover, the study highlights that consumers' preferences and attitudes towards digital financial services are constantly evolving, so it is crucial to keep track of changing customer preferences. By keeping abreast of these changes, financial institutions can provide tailored solutions that cater to customers' needs.

In conclusion, the study emphasizes the need for financial institutions and policymakers to consider demographic variables and evolving customer preferences while designing and implementing digital financial services. Fintech's dynamic environment requires a good understanding of user behavior to ensure that solutions cater to various groups. Therefore, it is imperative to keep track of changing customer preferences to provide tailored solutions to customers.

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VII. APPENDIX A

Questionnaire:

1. Age:

- 18-24
- 25-34
- 35-44
- 45-54
- 55+

2. Gender:

- Male
- Female
- Non-binary/Other

3. Which of the following Fintech technologies are you aware of? (Please select all that apply)

- Mobile banking apps
- Peer-to-peer (P2P) payment platforms
- Online investment platforms
- Robo-advisors
- Crowdfunding platforms
- Cryptocurrency
- Other (please specify)

4. How often do you use Fintech technologies in your daily life?

- Never
- Rarely
- Occasionally
- Frequently
- Always

5. What are the most important factors that influence your decision to use a Fintech

technology? (Please select up to 3)

- Convenience
 - Ease of use
 - Security
 - Lower fees
 - Wider range of services
 - Personalized experience
 - Brand reputation
 - Other (please specify)
6. How has the rise of Fintech impacted your use of traditional banking services (e.g., visiting physical branches, using ATMs)?
- Increased my use
 - Decreased my use
 - No change
 - I don't use traditional banking services
7. Are you optimistic about the future of Fintech and its impact on consumers?
- Yes
 - No
 - Unsure
8. Would you consider using cryptocurrency for online purchases?
- Yes
 - No
 - Maybe
