

DRIVING FINANCIAL INCLUSION: THE ROLE OF FINTECH IN SHAPING CONSUMER BEHAVIOR IN A CASHLESS ECONOMY

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Abstract

Movement towards a cashless economy is essentially remodelling the global finance scene and fintech services are playing a key role in moving towards a cashless economy. By implementing novel ways of solving problems through technological means, fintech has changed the existing financial systems by providing open, convenient, and transparent solutions that fit the needs of consumers and businesses. Some of the forms of technologies, which have become fundamental towards the redefining of how individuals interact with money, engage in transactions, and the decision-making capabilities are mobile banking, digital wallet system and peer to peer lending platform. Through its digital innovations the fintech has created vast opportunities to provide financial services especially to the population of emerging economies and underserved communities who were not covered by the traditional financial systems. This chapter will discuss how multifaceted the use of the fintech has affected the decision-making and behaviour of consumers. Implementation of such tools as mobile banking and digital wallets has allowed consumers to experience smooth transactions, track their streams of income in real-time and improve their budget planning skills, respectively. The fact that people can make more informed decisions has also been enabled by Fintech capability of offering financial solutions by utilizing highly progressive technologies like artificial intelligence (AI) and machine learning. An example here is that robo-advisors provide individual investment advice based on the level of user-entered risk and the digital lending models evaluate credit worthiness based on alternative data to offer credit to those that may have no formal financial data. Financial literacy and its awareness have not only been enhanced by these developments, but have also given consumers more confidence on how they handle their finance well being.

Keywords: Fintech Services, Cashless Economy, Financial Inclusion, Consumer Decision-Making, Blockchain Technology, Economic Participation

INTRODUCTION

The world of finance is changing more than ever and technology and the changing lifestyle of consumers is driving the world in the direction of becoming a cashless economy. The cashless economy is considered to be a kind of a financial system in which the conduct of transactions is done in electronic form thus cutting down on a substantial part led by use in the physical money or eliminating it completely. It is not a mere technological change but major socio-economic trend that can influence individual, business or governments on several levels. It is transforming the

conventional monetary grid that is redefining the manner in which economic relationships are being carried out and it is also presenting the chance to build a more open and efficient monetary order that simple people can enjoy. The heart of this wholesome transformation is the financial technology or fintech a fast-emerging frontier that has disrupted the production, supply, and consumption of financial services. The fintech advances in spheres of mobile banking apps, digital wallets, P2P lending applications, blockchain-related solutions, etc., are breaking the settled mechanisms inside the financial sphere. These technologies are providing smoother, quick, and safe alternatives to conventional financial services thus making them more comfortable and changing the interaction of people with money. Fintech is causing a worldwide change in consumer behaviour and financial decision making by using digital technology and sophisticated analytics. It allows people to get banking, loan and payment options on their fingertips, irrespective of where they live in the world, and encourages increased financial inclusion in developed as well as new economies. Millions of people all over the world are not part of formal financial systems because of different barriers: lack of proper infrastructure, high costs of transaction, and low financial literacy. Such difficulties especially arise in the case of emerging economies where people in the rural setting or in remote locations may not have access to physical banks and financial institutions. Fintech has filled these gaps with its cheap user friendly innovative solution that has made financial services affordable to many hitherto disadvantaged groups of people. As an example, mobile money platforms have now allowed the unbanked people to make transactions, save, and pay their bills with their smartphone and provided a gateway to the formal financial system. Online lending platforms also aid in the democratization of credit as lending institutions can evaluate creditworthiness based on alternative data, meaning that third-party lending opens financial options to customers and small businesses that were not credit-worthy by more-traditional standards. In terms of the consumer decision making, a new paradigm of choice, convenience and transparency has been brought about by fintech. On-demand financial services through digital wallets and mobile payment systems including Google Pay and Paytm, give real-time access to financial information so that the consumer can better monitor transactions, spending patterns and make financial decisions. Budgeting software and personal financial management applications also equip people with greater control over their spending as the software processed raw data concerning money flows, income, and savings to give recommendations that make people use money responsibly.

FINTECH SERVICES: INNOVATIONS AND APPLICATIONS

The Fintech services provide a large support base of innovative offerings to boost the process and availability of money through the use of technology. These services have transformed the business of normal banking and finance through bringing new products and platform that satisfy the various needs of consumers. An example is mobile banking which has become a pillar of fintech as it allows individuals to transact their financial activities using their smartphones. Mobile-based deposits, instant fund transfers and payments on bills have offered unprecedented convenience to the users. Easy money systems such as PayPal, Google Pay, and Apple Pay, which foster an easy cashless transfer of money, make it easier to adopt as people are no longer reliant on receiving cash. Digital payment systems are promoting efficiency in financial tasks. The introduction of digital wallets and non-contact forms of payment is a revolutionary development in the sphere of fintech. Apps like Alipay or Paytm have reinvented the ways people store money and spend it by giving them an opportunity to connect their bank accounts and credit cards to have fast and secure

payments. These transactions have also been boosted by the implementation of Near Field Communication (NFC) technology that is used to facilitate relatively quicker, secure, and convenient payment experiences. In the same line, peer-to-peer (P2P) lending systems have transformed the lending service by establishing a direct relationship between borrowers and lenders and not using the services of financial intermediaries.

The Blockchain technology has also been featured prominently in the fintech advancements especially with its uses in the cryptocurrencies including Bitcoin and Ethereum. A decentralized and transparent structure facilitates the security and efficiency of financial transactions, by offering blockchain. Other than in cryptocurrencies, the technology has brought solutions such as smart contracts, secure payment systems, and identity verification services, which help in solving critical issues of transparency and security in financial systems. Another noteworthy branch in fintech is insurance technology or insurtech, and it is being used to simplify the procedures involved in the insurance sector. By using AI-based risk analysis, automated underwriting based on policies and utilization of telematics in developing insurance policies, companies are becoming more efficient in what they offer, and customers are getting more happy than ever. Such technologies enable insurers to offer better pricing and response time toward addressing their claims thus, creating a harmonious experience towards the consumer. Fintech services are also changing the financial environments, creating solutions that benefit accessibility, privacy, and effectiveness in the fields of banking, lending, payments, wealth management, and insurance.

IMPACT OF FINTECH ON CONSUMER DECISION-MAKING

The innovations of the fintech have transformed the process of financial decision-making by consumers, followed by emerging patterns of convenience, transparency, and empowerment. Fintech services have revolutionized the process of decision-making process as they have simply facilitated people to make smarter and more effective financial decisions thanks to digital platforms and the use of sophisticated analytics. Budgeting apps and financial dashboards are tools that enable consumers to keep track of their spending habits, credit ratings, and investment performance very easily. Such quick access assures users with the information that will be used to make wiser financial choices and decreasing their dependency on conventional mediators to offer such advice. The better the access to information, the more personalized and financial services through fintech based on big data and machine learning will be used. As an example, robo-advisors can analyse the risk profile and investment level of a person and suggest personalised plans, such that financial management fits specificities. Lending platforms analyze alternative data to determine the creditworthiness and offer loans according to the specifications of the borrowers, i.e. their financial capacities. This customized solution does not only strengthen the topicality of financial products, but also contributes to the fact that the consumer makes more viable, sustainable and considerate decisions adapted to his situation.

ADVANCING FINANCIAL INCLUSION THROUGH FINTECH

Fintech has transformed finance by establishing new avenues to economic strength and access to financial resources among the under-served and un-banked communities. Millions of people world-over have in the past been victims of financial exclusion, based on reasons like geographical isolation, unavailability of documents, or the exorbitant prices charged on the conventional financial services. The innovative technologies in Fintech have played and conquered

these problems. Speedy and safe financial transactions through platforms like Paytm, Gpay can be considered an ideal business model, as users can engage in monetary exchanges without the need to visit the physical bank branch.

These platforms are helping to give people financial control using their mobile technology to save, transfer, receive money in the most distant areas. Biometric authentication and digital identity systems such as India Aadhaar program have been integrated with the use of fintech. This inclusion has made the process of accessing banking services, accessing credit, accessing governmental welfare schemes to be easier and the result has been an inclusive economy of financial participation. Another critical milestone in the course of financial inclusion is the role of fintech to democratize access to credit. The existing mechanisms of credit assessment frequently do not cover the people with no credit histories, so those with long histories but small businesses remain without access to funds that are required. However, fintech platforms operate with the alternative sources of their data like payments on the utility bills, mobile behaviours, and behavioural data to determine their creditworthiness. This has opened up the microloans, peer to peer lending, and other forms of innovative crowdfunding that allows the small scale entrepreneur (who might be a woman or a marginalized individual) to start and develop his or her business.

CHALLENGES AND OPPORTUNITIES OF FINTECH SERVICES

The move towards the cashless economy harboring fintech services create both challenges and opportunities especially in terms of consumer decision-making and financial inclusion. The problem of delivering some of the population groups to the financial exclusion is a serious challenge. The FinTech platforms will promote access, people residing in rural areas, individuals with low income, and individuals who are not digitally literate, may have difficulty to use these technologies. This gap is further widened by the low penetration of internet and low connectivity in addition to limited use of smart phones, thus some consumers are left out in the digital financial transformation.

Data privacy and cybersecurity will also be essential concerns since the shift toward digital purchases and transactions comes with the danger of identity thefts, hacking, and frauds. The establishment of trust to financial technology is a necessity as there are still some of the users that are not ready to get rid of the traditional banking because they are afraid of digital fraud or complicated technologies. The blistering transformation into a cashless economy gives rise to dependency on technology that may cause interruptions in case of system failure or technical failure or due to an attack or breach by an intruder who may be able to affect consumers as well as businesses, their operation and their transactions. The possibilities of the fintech services in the shifts to the cashless economy are enormous. Fintech can be used to achieve financial inclusion by providing easy low-cost financial services to untapped groups of people. Digital payment networks, mobile banking, and peer-to-peer finance network can fill the gap between people who could not participate in a traditional financial system. Using technology, fintech platforms can help bring down the prices of financial services making even the small-scale users to be part of the formal economy. Fintech enables consumers to make wiser financial decisions by giving real-time consideration of their spending behaviors, saving, and investment using easy-to-use tools and applications.

CONCLUSION

The emergence of innovations of fintech that are based on the transition to a cashless economy is a revolutionary change in the global monetary system. With its introduction of people accessing fast, convenient, and safe uses of money fintech has transformed how individuals, businesses and governments relate to money thus providing more people with financial access and reconceptualizing how consumers make choices. The innovations in the field like mobile banking, digital wallet, blockchain and peer-to-peer lending platforms have eliminated the traditional barriers to financial inclusion that show the unbanked and underserved groups a chance to engage with the formal economy. Fintech enables customers to have the real-time information and customized solutions as well as high levels of transparency that supports the informed consumer behavior and trust in digital environments. These changes also pose such challenges as the threats to cybersecurity, uncertainty of regulation, and the existence of the digital divide. Such issues will be dealt with by involving government, fintech providers, financial institutions, and consumers in taking proactive security and regulatory measures, cyber literacy training. Innovation and inclusivity are the strategies that make this transition successful. In its further evolution, the fintech has a potential of becoming an agent of economic growth, as well as individual revitalization and strengthening the processes of creating efficient, affordable, and sustainable financial models. Accessibility, security, and collaboration should be the priorities of the stakeholders to ensure that all can benefit of the cashless economy to eliminate distance in the ability to get money and unite the world, creating more integrated and wealthy communities.

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