



Challenges for the FinTech industry

Description

Theme:

- FinTech (Financial technology) is helping in achieving financial inclusion by making financial services more accessible to an increasing number of people. But the fintech industry has several challenges to tackle.

What is FinTech:

- FinTech companies use technology to improve the delivery of banking and financial services. Phonepe, CRED, and Groww are some of the fintech companies based in India.

Challenges for the FinTech industry:

- FinTech companies gather data to provide personalized services. Protecting data from cyber attacks is very important for them. Fintech cyberattacks happen not just for money but also for personal data. The data can also be misused for identity theft. Hence developing secure platforms is a big challenge for fintech companies.
- Providing security and good user experience at the same time is also a challenge for the fintech companies. For example, if the login page of the fintech app overwhelms users, they may not prefer the app. But at the same time, it should not be too easy to access to prevent hacking.
- Even though the digital financial services are being used by increasing number of people, still there are many people in India who are using cash either because of not having a bank account or because of lack of digital literacy. So, adding these customers to the digital financial services is also another challenge.
- Even though the number of internet users in India is increasing at a rapid rate, some remote areas do not have internet connectivity and some other rural areas have poor internet connectivity. It is difficult for the people of those areas to access fintech apps with slow internet. So, reaching these potential customers is another challenge for fintech companies.

- Collaboration between banks and fintech companies benefits both, but it involves challenges. Banks have built a systematic culture over the years, whereas fintech companies, which are startups are innovative and flexible. So, the collaboration between two completely different business models is also a challenge.
- It's difficult for fintech companies to gain the trust of the public. For example, Neo banks such as Fi Money, and Jupiter do not have physical branches and are entirely online. So, a common citizen may prefer a traditional bank (such as SBI, ICICI, Axis bank etc.) over a neo bank to open an account. Competing with traditional banks in gaining the trust of the public is a challenge for the fintech industry.

Conclusion:

FinTech is helping in achieving financial inclusion by making financial services more accessible to an increasing number of people. But the fintech industry has several challenges to tackle. The companies are actively working towards overcoming these challenges.

Your Turn...

What are your thoughts on the fintech industry? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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References:

- [Fintech Is Empowering But Has Its Own Set of Challenges](#)
 - [Challenges for Banks and Fintech to Work Together](#)
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