

FINANCIAL LITERACY AND FINANCIAL INNOVATION, FINTECH

Sharon Sophia, VIT Business School

INTRODUCTION

The grass root of an investing and spending activity of an individual fabricates on the wise decisions patterns and individual independency level while taking financial decisions .It determines the superiority of financial literacy and financial inclusion provided by a country as a whole. The disrupting breed amidst financial innovation and financial technology is the evolution of FinTech, propelling greater hopes of global digital economy. Tackling the gap between the financially literate, included society and the unbanked or under-banked society paving way for economic growth though remains a challenge for developing countries. The pace at which developing countries like India, Brazil, Russia, etc are adopting to financial innovation brings phenomenal impact while pronouncing “*global digital economy*”. The balance between human and technology and potential risk of drifting away from the customer needs are greater challenges handled in this era that faces explosion of technical innovation. Financial innovation and the disruptions of fintech are often viewed as double edged sword. Losing the human aspect, the persistent state of flux and the challenging upgrades are heating up the finance industry.

Fintech takes the pride of creating deep customer relationship creating market agility. It has helped the financial services industry to stun the traditional competitions. In a decade we have seen countless Fintech breakthroughs since introduction of ATM of Barclays (1967), online checking account by Wells Fargo (1995), online payment processing by PayPal (1998), Cryptocurrency named Bitcoin (2009) followed by Apple Pay (2016). In a very short space of time Fintech has come a long way and thus it beckons the touch of regulations blurring the future of mushrooming fintech industry, especially spurious ones. The rise of Central Bank Digital Currency, has led to strengthening the banking regulations. The advancement of Robo Advisors and the paradigm shift in payments have opened the way for Distributed Ledger Transactions at large. The approach in which the regulations are strengthened shapes three major areas of advancement in Fintech – depository institution, consumer protection and securities. A responsible framework of financial innovation reflects and emphasizes on - the outreach and technical assistance, awareness and training, coordination and facilitation, researches and collaboration.

Financial innovation backed up with financial literacy expands the horizon of every citizen of a country to the world. The opportunity to participate globally in terms of financial activity drives the growth of country inside-out. Since 1971, the word Fintech was coined to date - the approach and adaptability of financial innovation has evolved. No matter how as a country we look at it, it is globally boiled down to value, rather than profits and returns generated out of it. Post covid realisations have eventually set in the developing nation in terms sustaining financial innovation in due importance of often considered soft side - financial literacy prevailing amidst individuals. Many countries whose economy that once looked great on the surface identified the strife and the uncertainties hiding under it. The alarm has rung and it's time to breathe the fresh innovation of Fintech aiming value and sustainability!