

HOW DEMAND TECHNOLOGY AND LEGISLATION ARE CAUSING DISRUPTION IN THE DIGITAL PAYMENT INDUSTRY

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ABSTRACT

Economic frictions like data asymmetries and economic forces like economies of scale and scope bring about to monetary intermediaries. These frictions and forces conjointly form market structure. Whereas technological advances aren't new finance, digital innovation has brought major enhancements in property of systems, in computing power and price, and in fresh created and usable information. These enhancements have relieved group action prices and given rise to new business models and new entrants. As technology has multiplied data exchange and reduced group action prices, the assembly of economic services may be disaggregated. Specialized players have unbundled monetary services, permitting shoppers to search out and assemble their most popular suites of product. However, classic economic forces stay relevant even in Associate in nursing age of digital production. Economies of scale and scope and network effects are gift in several aspects of economic services production, together with client acquisition, funding, compliance activities, information and capital (including trust capital). Despite advances in technology, shopper search and assembly prices stay important. These forces encourage re-bundling, and confer benefits to giant multi-product suppliers, together with technology (big tech) companies increasing into monetary services from adjacent markets. The digital transformation of economic services provides rise to a group of vital policy problems relating to competition, restrictive perimeters and making certain. A level enjoying field. Potential outcomes relating to competition, concentration and market composition embody a "barbell" outcome composed of many giant suppliers and lots of niche players. Authorities should coordinate across monetary regulation, competition, and business restrictive bodies to manage trade-offs between stability and integrity, competition and potency, and shopper protection and privacy.

Keywords: Technology, Market Composition, Digital Payment, Financial Services Production.

INTRODUCTION

Digital innovation is remodeling monetary services. Innovations in monetary technology like mobile cash, Peer-to-Peer (P2P) or marketplace disposition, roboadvice, insurance technology (insurtech) and crypto-assets have emerged round the world (Hellmann et al., 2000). Within the past decade, fintech has already driven bigger access to and convenience of economic services for retail users. Meanwhile, computing (AI), cloud services, and distributed ledger technology (DLT) are remodeling wholesale markets in areas as numerous as monetary market commerce and restrictive and higher-up technology (regtech and supotech).

A bunch of latest corporations have sprung up to use new technologies to fulfill client demand and most incumbents indicate that digital transformation could be a strategic prior it Stulz (2019). Indeed, leading banks are speedily closing gaps in digitisation of internal processes and client offerings, to vie with fintechs and therefore the massive technology (big tech) corporations that have also entered the fray Aghion & Bolton (1997). These developments have

the potential to form markets a lot of numerous, competitive, efficient, and inclusive, however may conjointly increase concentration. Innovation has introduced competition and exaggerated inclusion, significantly in rising markets and developing economies (Bennardo et al., 2015).

Fintech appears to possess thrived significantly in markets wherever the economic system had been less developed. However, the underlying political economy of intercession combined with new technology might cause concentration among each ancient and new monetary services supplier Brown & Zehnder (2007). Noncompetitive or anticompetitive behaviours by huge technology platforms are already being scrutinized. As monetary services move towards similar technology-driven configurations, regulators are grappling with queries of however best to control and supervise a landscape that's more and more characterized by new players and business models; and to deal with potential challenges to monetary stability, monetary integrity, honest competition, and shopper protection (including knowledge privacy) Claessens (2009).

CONCLUSION

This paper has shown that digital innovation is bringing about economically meaningful changes in the production of financial services, with implications for the industrial structure of finance. Improvements in connectivity and computing can help to enhance efficiency and competition. In many cases, financial services have seen an un-bundling of different products and services. At the same time, financial frictions and forces that drove the need for financial intermediators in the first place have reasserted themselves. The financial sector may be tending toward a barbell outcome in market structure, in which large multi-product institutions exist alongside more specialized niche institutions. Regulatory and supervisory policy tools will have to adapt. Existing regulatory perimeters may not adequately cover emerging providers of financial services, and new players may pose challenges for day-to-day financial supervision. It is increasingly challenging to balance competition and stability, both among financial services providers and across myriad players in reconfigured financial product value chains

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