# EVOLUTION OF E-FINANCE – SCOPES AND OBSTACLES IN INDIA

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***Abstract*: The aim of article is evaluating eminence data and information regarding potential evolution of E-finance services in India. E-finance-including investing, banking, mortgage lending, and insurance-will grow at a hyper rate in the coming days. The current trend of E- finance services in the country have grown at a alarming rate the introduction of Telecommunication (4G) revolution in 2016 which accredited a rapid growth of E -finance. It shows the spectacular growth of internet to the nook and corner of Indian society which had empowered both customers and businesses, enabling them to reduce transaction costs, speedily process papers online, and have immediate access to information. For businesses, online finance can dramatically improve efficiency and decrease the costs of internal business functions such as expense reporting, labor management, time-and-billing procedures. Provides personalized information about consumers, the Internet lets companies engage in digital marketing and endorsement of the products allowing them to the online experience to fit unique individual needs of consumers using AI (artificial Intelligence). The study describes the appearance of e-finance in India and its classification and examination of current status of e-finance services.**

***Keywords*: E-insurance, Electronic finance, E-payment, E-credit, Artificial Intelligence-banking**

## I. Introduction

Electronic finance means a provision of financial services and markets using electronic communication, electronic tools and technology with the help of internet and intranet. In contrast it is about financial innovations with Internet and Information Technology, which serves benefits to customers, financial institutions and government.

Two billion persons and 200 million businesses in the rising economies today are not having contact to savings and credit. Rapidly spreading digital technologies now offer an opening to offer financial services at much lower cost, and as a result profitably, boosting financial inclusion and enabling large efficiency gains across the economy. While the benefits of E- finance. Financial services delivered via mobile phones, the internet or cards.

E-finance has the possibility to provide right to use to financial services for 1.6 billion people in rising economies, more than half of them are women. It could increase the number of loans extended to individuals and businesses by $2.1 trillion and allow governments to save $110 billion per year by reducing outflow in spending and tax revenue.

Use of digital finance could accelerate annual GDP of all rising economies by $3.7 trillion by 2025, a 6 percent increase against a business-as-usual scenario. Nearly two-thirds of the increase would come from raised productivity of financial and non - financial businesses and governments as a result of digital payments. One-third would be from the additional investment Financial inclusion of people in micro, small, and medium-sized businesses would bring Remainder come from time savings by individuals enabling more hours of work. This extra GDP could lead to the formation of up to 95 million jobs across all sectors. The prospective economic impact varies significantly depending on a country's starting position.

The rapid extend of mobile phones is the booster that makes this opportunity possible. In 2014, nearly 80 percent of adults in rising economies had a mobile phone, while only 55 percent had financial accounts and mobile phone infiltration is growing rapidly. Mobile payments can lower the cost of given that financial services by 80 to 90 percent, enabling providers to serve lower income customers profitably.

Businesses and governments require to make a rigorous effort to secure these possible benefits. Three building blocks are required: widespread mobile and digital infrastructure, a dynamic business environment for financial services, and digital finance products that meet the requirements of persons and miniature businesses in ways that are better to the informal financial tools they use today. Broadening way in to finance through digital means can release productivity and speculation, shrink poverty, authorize women, and help build stronger institutions with less bribery.

The models of e-finance are categorized as following: B2B- the services includes Online financial services like, corporate finance, investing, IPOs. International finance issues like, foreign exchange, derivatives etc. B2C-the services includes online trading, online banking, e-bill payment, E-Credit and e-loans, E-Insurance and guarantees etc. C2C- includes e-money transfers using UPI, e-wallets, online payments using m-banking and e-commerce platforms like Amazon pay etc. it is being governed by country's rules and regulations, contract enforcement by global regulatory framework supported by internet and IT services.

## II. Literature Review:

**KogilahNarayanasamyet.al (2011)** examined the adoption and concerns of e-finance in Malaysia. The study aimed at examining how the risk and challenges affect the e-finance industry and find solutions to overcome the challenges and how the adoption of global technology to local requirements reduce the risk and challenge to e-finance industry. The study concludes that electronic communication and computation is now used much more widely than before. A large number of people have access to the internet and this has vastly changed the opportunities for the use of electronic payments systems, the operations of financial services firms and financial markets.

**Shubhara Jindal(2015)** analyzed e-banking scenario in India highlighted the various e-banking services/functions adopted by Indian banks and analyzed progress made by Indian banking industry in adoption of technology along with challenges. The study concludes that E-banking is need of the hour. Though there are lots of hurdles in the way of smooth implementation of E-banking in India but at the same time E-banking has bright future in India. It is golden path for banking sector in India to maximize its profits and also the customer base. Banks are making sincere efforts to popularize the e-banking services and products. Younger generation is beginning to see the convenience and benefits of e-banking. In years to come, e banking will not only be acceptable mode of banking but will be preferred mode of banking.

**Suresh Aaluriet.al (2016)** examined the Financial Inclusion Initiatives and Progress with reference to Indian Banking Industry. The study attempted to adopted exploratory research, based on the secondary data sources. It highlighted the initiatives taken by banks, other regulatory bodies and government for promoting financial inclusion. The study concludes that goal of financial inclusion and a less-cash economy, has kept up with developing technology in the financial sector, in order to ensure that consumers can glean the benefits of these advancements, and the goals it set out can be achieved. Mobile banking is one of the largest opportunities for financial inclusion in countries, and the RBI, through its policy efforts, is trying to ensure that it reaches maximum penetration in the country. E-commerce is growing in the country, leading to a new financial space being created and Technological advancements will continue to change all industries, including the financial services industry.

**Dr.Seema Joshi(2016)** highlighted Financial Sector Development and Economic Growth in India: Some Reflections, the study is based on secondary data and it concludes that, the widening and deepening of financial system of India has allowed greater and more productive investment to occur. Financial intermediation increased over time which in turn is leading to a virtuous cycle of higher savings, improved investment efficiency and higher real economic growth. Indian Financial sector has undergone far reaching changes over the past three and half decades as a result of financial sector reforms. As impact profitability of banks on the one hand and reduce /block the flow of funds in the system.

**Suman(2019)** studied E- Finance: Status, Innovations and Future Challenges in India. The study described the various kinds of e-finance services its implementation and challenges in detail. The study is based on exploratory research based on secondary data and it concludes that the e-finance raises more as compared to e-commerce in India and plays a significant role in the economic growth of a country by providing better e-finance services. Although there are lots of challenges and risk faced by e-finance but still it helps a lot in achieving the objectives of growth. It also improves the position of financial inclusion in India. On the basis of the literature review the opportunities and challenges in E-finance are discussed

**Kinds of E- finance:**

**E-Banking:** E-Banking is also called internet banking or online banking which enables clients to execute different basic financial transactions such as enquiring bank accounts; make bill payments; transfer funds etc.

**E-Trade Finance:** Usually trade finance used to involve huge paper work and sanctioning of finance was to be slow. But the invention of Internet has made possible to streamline all e -finance processes through electronic documents and services provided in e-trade finance are: LC (Letter of Credit) applications, Foreign Exchange and so on.

**E-Credit and e-loans**: In the era of globalization the trade and commerce in the country is based on finance. In India the SME sector said to be the largest employment providing sector and loans are offered to SME is now also happening using E payment services. Usually the SME's send the loan proposal along with the required documents using email once the verification is done the loan disbursed online.

**E-Insurance and guarantees:** E-insurance and guarantee services provides SMEs to apply for insurance and guarantee online. As for insurance, banks normally partnership with large insurance companies like LIC , GIC and other private players in insurance sector to jointly provide such a service. So information gathered from the bank system will feed the bank's financial partners.

**E-Payment:** The further kind of e-finance service is the payment system using ICT by way of electronic payment in the physical world and the virtual (internet) world. e- Payments are delivered through various channels such as debit cards, credit cards, pre-paid cards, Internet banking and mobile banking E-wallets on the other hand e-commerce firms too are promoting E-payments in their platforms linking to consumer bank accounts with wonderful cash back offers.

**E-Rating:** E-rating plays significant role for both: banks and SMEs as it provide the credit and Payment track records of the parties involved in the transactions to FIs as well as help in managing the risk. The E-rating for SME's are based on their performance i.e. on the basis of their balance sheets.

**IV. Emergence of FinTech and its uses:**
The expansion of fintech or the designing and provisioning of financial services by means of new technological innovations is one of the most important developments in the financial sector in the past decade. Fintech has the probable to play a big role in increasing access to finance, and in promoting the growth of SMEs in the country. Yet , the broader fintech landscape all over the world comprises of a range of day-to-day financial services enhanced by technology. Mobile payments, cryptocurrency, investment advisory, insurance aggregators, peer-to-peer lending and some more services which conventionally required human assets, now form the fintech scenery. fintech comprises of technology-based businesses that compete against, enable and/or team up with financial institutions.

**Digital currencies and tokens: GlobalisedFinTechInsturments**
Global attention in cryptocurrency had taken momentum in 2017 as the price of Bitcoin soared to new heights. Cryptocurrencies are decentralized peer-to-peer disbursement networks. Crypto currencies depend on cryptography to make possible and record transactions on a set of electronic ledgers. In 2014 there were 500 crypto currencies in existence, as of September 25, 2018, coin marketcap.com identified 1993 crypto currencies.

| Cryptocurrency | Market capitalization (in USD Billion) | USD price |
|---|---|---|
| Bitcoin | 112.205 | 6490.78 |
| Ethereum | 22.61 | 221.35 |
| Ripple | 18.48 | 0.46 |
| Bitcoin Cash | 7.84 | 451.59 |
| EOS | 4.88 | 5.39 |

**E- Finance& Smart Phones:** The evolution of smart phones has acted as a big catalyst for the fintech industry. Smart phones are now equipped with technologies that enable tokenization of card details, a measure that can go a long way towards reducing fraud; biometric enabled multifactor authentication, which can enable ease of access and Near-Field Communication capable readers at merchant stores, which makes cash less payments.

**Evolving risks in the financial sector:**
The risk in the FinTech segment have always been there, they keep varying with the constantly evolving technology standards and regulatory framework.

- **Cybercrime:** A majority of the banks in India recommend online and mobile banking services. Most of the transactions are conducted via payment cards, debit and credit cards, and electronic channels such as ATMs, E-wallets etc., Private and public banks over and above other financial institutions in India are becoming increasingly vulnerable to sophisticated cyber-attacks.

- **Identity theft:** With the proliferation of mobile devices and online platforms, the nature of identity theft has changed in today's world.

- **Money laundering:** India has witnessed numerous terror attacks and remains a potential target for such strikes. Stringent regulatory requirement and media scrutiny have made it mandatory for financial institutions to perform strict compliance checks to prevent the use of money laundering to fund terrorist activities.

- **Black money:** According to the Global Financial Integrity Report, the total amount of illegal money moving out of India rose to 439.59 billion USD (28lakh crore INR) from 2003 to 2012. In 2012, India ranked third globally, with an estimated 94.76 billion USD (nearly6 lakh crore INR) in illicit wealth out flows. With the passing of the new Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, financial institutions are under growing pressure to eliminate menace. So, the Government of India had brought demonetization to weed out black money in 2016.

- **Loan loss:** The risk of loan loss is high in India. Due to lack of appropriate due diligence and monitoring of loans, the number of loan defaults has increased in recent years. The nonperforming assets are growing in last few years while the GDP has been declining.

**Conclusion:**

E- Finance is rising in India at substantial rate compared to E- commerce, even though there is a risk linked with e-banking and e-finance services. It can be prevented through advancement in ICT like Artificial Intelligence and Machine learning and can attain predictable Economic growth in the country with financial inclusion. So, financial institutions are enhancing their processes, controls and fraud risk management frameworks to reduce the opportunities for fraud as well as reduce the time taken in their detection. Funding for fraud control initiatives, however, continues to fight with other business initiatives and is mostly challenged on a cost–benefit basis. Regulators and investigative agencies are trying to gear up for the changed environment. The RBI has released a new framework to check loan frauds by way of early warning signals for banks and red flagging of accounts where defaulters shall have no contact to further banking finance. It also strategy to set up a Central Fraud Registry that can be approached by all Indian banks. As well, the CBI and Central Economic Intelligence Bureau (CEIB) will allocate their databases with banks.

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