

THE USE OF FINTECH COMPANIES IN FACILITATING FINANCIAL ACTIVITIES

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ABSTRACT: *The finance and banking industry is going through a change of concept regarding its transactions. In today's times digitalization has become the norm of every industry. We are witnesses of a fast evolution in the finance world that changes how people have been doing transactions. The social interaction between people is also changing because of digitalization. In this paper we discuss the types of fintech companies, we also inspect the implications the fintech companies have in society and how they impact data, the value it creates and the opportunities for creating value for its users.*

KEY WORDS: *Fintech, financial services, finance, digitalization.*

JEL CLASSIFICATIONS: *G20, G24.*

1. INTRODUCTION

Fintech is a new financial industry that uses technology for the advancement of financial activities (Schueffel, 2016).

There have been continuous advancements in the financial services. After the economic crisis of 2008, people have been trying to create technologies that are in competition to the banking systems. The new services have evolved to supplement banks and to provoke them at the same time for advancing their own innovation. In today's economy banks are considered as a need, the same as the schooling, transport, food or health systems. All these systems are part of modern life and of capitalism. Banks have been in an urge to develop new digital software that makes the system more practical and easy to use for all the market of users.

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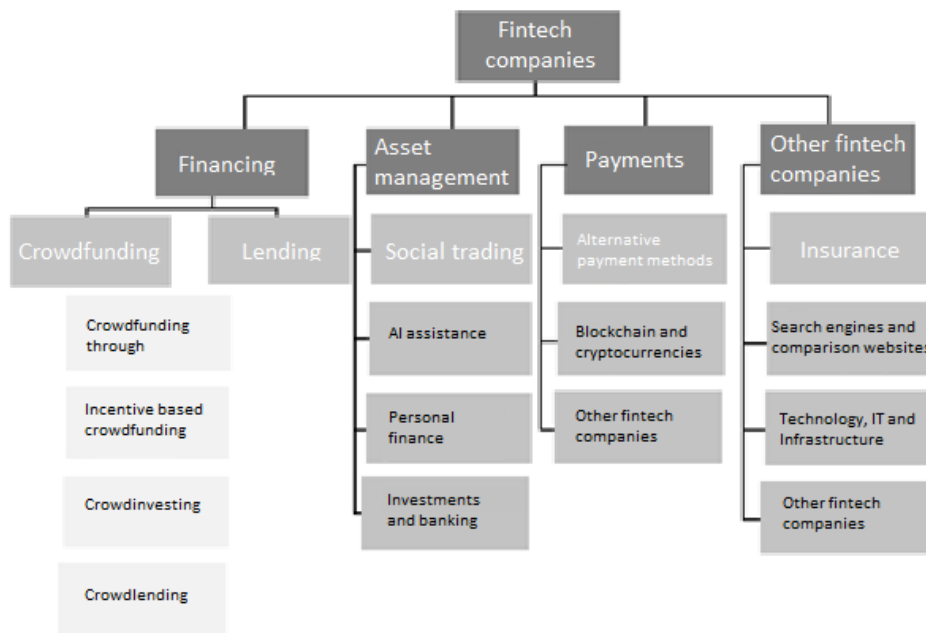
The governments and authorities have implied a better competition in the financial system after the crash of 2008. The banks have been continually trying to innovate their services and alternative financial services have spanned to a new interesting development.

The banks are moving and adopting more and more eco systemic services. They are trying to merge partnerships and creating an integrative system with the platform suppliers. The new intelligent services are going to be more intuitive and will differentiate them from other banks in the market.

There have been announced many partnerships between banks and fintech companies. The major partnerships have been in robotics, AI and block chain. Often the integration of these systems is rather difficult because the advancement from competition to cooperation is due to many changes in the business strategy and to fundamental practices of many banks. This advancement and partnerships require a steep learning curve for the entire ecosystem.

2. THE DIVISION OF FINTECH COMPANIES ACCORDING TO INDUSTRY

The businesses from the Fintech industry can be divided into 4 major segments that are linked to their business models. Through an analogy with traditional added value of a universal bank, the Fintech businesses can be distinguished by their involvement in financing, investment administration, payments and other fintech companies that comply with other functions.



Source: realized by the author

Figure 1. Types of fintech businesses

In Fig. No.1 we observe that the fintech companies have been embedded in every part of the financial sectors existing in the market.

3. CAPITAL MARKETS IN OPPOSITION TO MONETARY MARKETS

It is an important task to distinguish the capital markets from the monetary markets. The main function of the capital markets is to manage the flux of capital to companies, governments and municipalities with the objective of creating positive evolution on the long term. The monetary markets are preoccupied with short term lending that is often not guaranteed with the objective of creating more capital. The products of the monetary markets include deposits, collateral lending, and other services where the lens is mainly on the relative value of liabilities. Although the monetary markets can be utilized to generate great profits, they do not create the same growth as the capital markets.

Without the development of the capital markets, the industrial society that exists today could not have evolved. Without the capital markets we would still be using old technology, produced our own household products and we wouldn't have today's health systems. We would have lived in pre-industrial conditions, a state that is today actualized in some of the less developed parts of the world.

4. CROWDFUNDING

Crowdfunding can be defined as an open call for capital through the internet for the gathering of financial resources to fund initiatives in specified targets. If we are to define crowdfunding through the lens of entrepreneurship we can say that crowdfunding is the effort of people or entrepreneurial groups (cultural, social and with a defined objective) to finance their activities with the utilization of small contributions from a relative large number of people that utilize the internet.

Crowdfunding is inspired from the concept of micro-financing and crowdsourcing. It represents a unique gathering of funds in which the solicitants of capital (the project promoters) are associated with the donators of capital (the investors) through an intermediate crowdfunding platform.

5. TRANSACTIONS THROUGH FINTECH COMPANIES AND THEIR IMPLICATIONS

In today's very connected world, the number of digital transactions is growing, the same as the numerous digital platforms that permit these transactions. At the same time as this development requires the implementation of efficient transactions, we make a step back to understand the way the digital transactions are incorporated in the social interactions. Through concentrating exclusively on the transfer of value, it is possible that we are losing the opportunities of social interactions in the digital transactions.

We should look at the advantages of digital transactions in order to illustrate the possibilities of action, of interaction and the roles of negotiation and intermediary in the

case of digital transactions. We shall highlight some social impacts of digital transactions, generating associated data. Integration of these forms to the other available forms of transactions and the modalities through which the digital world combines money with the payment systems is very necessary in our times.

In the most common economic texts, money is usually called as a unit of currency, a magazine of value and a medium of exchange, and although when it is examined as a social phenomenon it shows other important attributes about our society. One aspect is the way in which trust and power structures are operationalized. The point in which the extra economical value of money is recognized is beginning to gain importance. The utility and the value of money and its forms of exchange are social constructs and local contingencies.

We can view transactions as a form of social interactions and we can see that it is difficult to attribute a role to money other than in the aspects of exchange. There have been philosophies that sustain that money is inseparable to social interactions. Money is a process, that has value derived from social interactive dynamics that is in continuous change and sometimes contested of sustaining circulation. This vision allows us to perceive further a flux of value that is common to economic literature.

We are seeing today a new way of understanding the utilization of money. This is due to the movement towards the creation of digital money. Technology developers and banking industries see money as abstract data, standardized in binary forms that are an online resource that undergoes processes for payments and transfers while it circulates through digital networks and is monitorized through distant banking registries. This is a partial opinion on the true perspective on money. It is clear that the permanent connected mobile technologies have opened many opportunities for innovative financial technologies for stacking money and payment methods. Digital wallets and payment systems using mobile phones can be an example. The main advantages of digital transactions are the speed with which the identities are verified and also the speedy confirmation of transactions. The administration of payment systems has lower running costs, lower security costs, they do not need transport, so they provide major advantages. We can conclude that this is an important argument in the value of money digitalization as a win in efficiency of transactions that cost less and are more flexible. With these advantages, current development of digitalization ignores aspects of money that are omnipresent like information about markets through prices, quantitative aspects and that money implies human interactions. This gives rise to the question of how do we maintain the important social aspect of digital transactions?

We can come back to conceptualizing financial transactions in the social relationships and try to point out the opportunities of social interaction digital transactions. We can highlight some social impacts and generate data, integrating the transactions with other forms through which the digital worlds combine money with payment systems.

5.1. Implications of digital currency

The way in which money is constructed can divide it in many forms of utilization in physical and social form. The term "allowance" was created by psychologist JJ Gibson

that referred to the actionable properties between people and one actor. In the same way through the modalities in which we can represent money, we can form the way we interact with it and use it.

Different materials from which money was fabricated offered utilization constraints. The portability of money has had a major impact on its functionality in the same way that the configuration of digital operations can prevent money laundering and client dissatisfaction. Through transparent operationalization, digital money can permit transfer of data, social development, personalized marketing, preferential interest rates that can benefit consumers. We can mention some advantages of transfers of digital currencies:

Accessibility of transactions: Digital money offers the promise of frictionless transactions. That is, quick and easy financial interactions, activated by contactless technologies. For example, checkout terminals that accept contactless payments are increasingly ubiquitous, if payment simply requires the consumer to present a card or device in front of a reader, eliminating the need to enter a PIN or to pass a card through the machine. Also, offering a different set of social benefits, Alipay from China supports the use of custom QR codes, where payment is completed with a QR code scan. But even these forms of direct replacement of the traditional form of payment are challenged, because digital technology can reform the nature of the transaction dramatically. Thus, using a combination of computer vision, fusion of sensors and deep learning with a mobile app, US Go stores in the US eliminate the need for consumers to go through a checkout point altogether and thus eliminate the need for interaction from the side of consumers. Described as "takeover", the transaction is frictionless, as it is fully automated - consumers enter the store, choose their items and then leave. Providing users with a means to understand how this works, when it is operational and what payment system is currently operating will be a significant challenge to ensure user understanding and trust.

Anonymity: Digital money offers new opportunities to conduct transactions anonymously. Persistence of weaknesses in Internet security and confidentiality issues requires technological solutions that protect consumer identities. A prime example of trying an anonymous payment system was e-cash, invented by David Chaum, as a type of limited trading system. The purpose was to mimic the anonymity of cash transactions through cryptographic protocols.

Bitcoin, currently the most popular cryptocurrency, is often cited as an anonymous currency, but is actually a pseudonym. Full anonymity requires hiding not only the identities of those involved in the transaction, but also the content of the transaction, as well as the metadata, such as the date of the transaction and the payment method. In addition, anonymity in transactions tends to be speedy and requires high levels of processing power.

Completely anonymous digital transactions are still an ongoing challenge, and the socio-political value of payment anonymity is a controversial topic. Anonymous - and partially anonymous - payments can be problematic in the context of customer service: showing that something was paid by a customer (for example, for item pick-ups or returns) when it's unclear who paid, there may be difficulties in doing so of scenarios.

Transparency: Digital money offers transparency mechanisms in financial transactions. Block chain technology, popularized by Bitcoin offers a way to record transactions or any digital interaction in a way that is designed to be secure, transparent, highly resilient, auditable and efficient". Transparency around transactions allows the audit, evaluation with which they are traded and can help build trust and discourage fraudulent transactions. While this allows for an unprecedented level of forensic analysis of the transactions themselves, it also allows the use of transactional metadata by other parties, which could include banks, third parties financially. services, government agencies and tax authorities or even users themselves in exploring their spending patterns. Here is a challenge for programmers at the expense of extracting how transparency is managed and who has access to which information.

Unsigned: Digital money is divisible in ways that physical money is not. The use of digital money allows micropayments; payments that may be below normal minimum currency values (for example, sub-cent or sub-ban). This is more plausible when transaction fees are low, which allows payments in very small amounts to be viable. Early settlements of micropayment systems declined in the 1990s, but block chain technology, with its potential for low transaction cost micropayments, provides credible opportunities for occasional and ad-hoc payments.

This has been shown to have value in terms of payments (also known as machine-cars) on the Internet of Things, for example, to buy or sell energy, bandwidth. or data. The effort to make or configure multiple small payments manually is, however, a challenge and allows end users (ie ordinary citizens) to set up these payments, monitor them on time and ensure that fraudulent payments are not made. user interface projects easy to understand and easy to use.

Data generation: The use of digital money itself generates data, in a way that the use of cash does not. This data has enormous potential and can be used both to generate revenue from new business models and to provide users with information about their monetary activities, in the same way that Google acquires knowledge through user search activities in at the same time when users can access more personalized knowledge as they do so.

5.2. Opportunities for interaction

For the use of money to be conceived as social interaction, rather than mere transactions, it depends on identifying the opportunities available for money users to be involved in social gatherings with each other. In the following sections, we draw attention to the situation in which these opportunities could be included in the transaction, the effects of intermediation on these opportunities and the implications for understanding the value in the transaction.

5.3. Negotiation of payments

This includes two parties who agree on how the payment will be made, what information will be exchanged and how. While a typical cash transaction takes place during an exchange of money face-to-face, it is easy to imagine any medium of exchange

using similar physical formats of money. As an example, one party might place their money in a physical location and give the other party a set of instructions for locating it. The mechanics that we choose to adhere to during the exchange of money in our daily lives are guided by social conventions, but not limited to them. As a result, the rules for exchanging physical money can be considered negotiable by the trading parties and can therefore become opportunities for interaction.

5.4. Effects of intermediation

The more intermediary the transaction (by banks, financial institutions, technologies and infrastructure companies), the less the trading parties choose less in establishing the value transfer rules. For example, a payment involving a bank deposit will comply with the rules set by the bank and the regulatory framework in which the bank operates. The negotiable issues between the trading parties are largely limited to non-procedural decisions, such as the agreement that bank deposit money is a valid form of payment and that banks can be involved. When payments involve digital currency, the tools used in the transfer of digital money and implicitly the designers of these instruments, they further limit the decisions that are left to the parties' transactions regarding the rules of transfer of value.

5.5. Creating collaborative value

During a transaction, the value is not just something transferred between the traders, but can also be created by virtue of the interaction between the trading parties. When people (and devices) need to collaborate, that is, intentionally coordinate their actions to make a money transaction, these traders engage in what has proven to be a valuable set of opportunities for building social connections. In this way, traders create value in exchange that extends beyond its economic value. Research into heavy transactions, ie transactions that are perceived as slow or tedious, has highlighted the ways in which people engage with each other during the transaction and the implications of this type of interaction for enriching their social relationships. Introducing digital payment devices, such as mobile phones, in setting up interactions with other potential variations.

What this would suggest is that the payment technology used - the infrastructure, the interaction design, and the physical form factor - provides ways to create new connections between people and new ways of using money to drive social interactions.

5.6. The social impact of digital transactions

Together with the recognition of social networking opportunities in transactions, it is necessary to examine the social impact brought about by the digital transaction. Therefore, we present observations on the social impact on attitudes around financial data, the availability of different forms of money and the understanding of money and payment systems.

5.7. Generation and distribution of sensitive data

Credit and financial card data have proven to be considered the most sensitive personal data, and Experian cyber analysts estimate that the value of stolen financial data could be worth up to \$ 200 per Dark Web. To protect financial data, laws and regulations have emerged that impose strict security requirements on institutions and other financial service providers that process financial data. As a result, there are limitations on how financial data can be shared or opened for inspection. In Europe, there have been moves to allow third-party access (in practice, to new Fintech entrants, who have allowed banking services). This represents challenges for newcomers to Fintech, where free or limited access to data does not require creative solutions in designing technologies that offer an interface similar to financial infrastructures.

5.8. Multiplication of financial decisions

Despite the focus on cashless companies, digital currencies and digital exchange continue to coexist with non-digital forms of money and non-digital forms of exchange. Increasingly, the money we use and the ways in which they are changed are understood to be a collection of pragmatic responses to broad needs. Thus, despite the governmental and regulatory attempts to standardize the monetary system, the variety of uses and social contexts that appear around the money continue to generate new forms of money exchange. For example, loyalty points and voluntary currencies, such as time dollars. The multiplication of connected digital instruments that allow new forms of trading is an effect of evolution.

An integrated approach to parallel physical and digital media seems to be a predominant concern in fiat and alternative currencies discuss the challenges and practices of the users regarding the work of digital money in the cash economy; these are non-trivial problems for the users in terms of making money for them, in the individual and local circumstances. Moreover, the physical work done by digital transactions also presents a considerable challenge for designers, as they seek to develop useful availability in digital forms of money.

5.9. Digital money and payment methods

When we talk about digital payment systems or we refer to digital or mobile money, we do not refer to money as an object of value per se, but to our use of the digital infrastructure that was built around intermediary value transfer using the money bank deposit. . This, along with the limitations for ordinary people to negotiate their own rules around digital payment systems, invites a confusing situation where "money" and "payment system" are becoming increasingly difficult to separate in the digital world. In the world of cryptocurrencies, this is a step further, the payment system (as a digitally

owned balance register) completely replaces the need for an object - we could call this money - itself.

Here, as with a card payment or bank transfer, nothing real is transferred, but only a digital record is updated. In this sense, the payment system - financial infrastructure - takes over the role of money. However, this is in contradiction with the ways in which most everyday money users tend to conceive of it when making or receiving payments. The phrase "I pay you" is very much an active transfer process, compared to the reality of transaction settlement that could be better expressed functionally as "I will initiate an authorized registration change in your bank account."

Moreover, there is often very little direct to this financial transfer, with a variety of intermediaries that are between the payer and the beneficiary, to the extent that the actual financial settlements between the payer and the beneficiary's banks can only happen at one time as an aggregate of all transactions with clients. between institutions during the accounting period. When designing customer payment systems, it may therefore be necessary to represent what is happening in ways that are more in line with the user's perceptions of this process than with the institutional actuality.

6. CONCLUSIONS

Money is a dynamic multipurpose concept and our understanding is continually challenged and modified by financial innovations. Perhaps due to a long tradition of monetary theory of treating money as "neutral", there is still no agreed position on what money is and, despite ongoing criticism, the "handbook of money" as a unit of money. account, a value store and an exchange environment, it continues to structure much of the discussion. This difficulty occurs in discussions about digital money and digital transactions. Understanding how it is used and how to change its operation is a particularly complex task precisely because money is so perversely connected to our lives. Thus, we examined the benefits of digital transactions to illustrate the possibilities for action, opportunities for interaction and the roles of negotiation and intermediation in digital transactions.

We have highlighted some social impacts of digital transactions and associated data generation, its integration with other available forms of transaction and the ways in which the digital world combines payment and money systems.

As digital money plays an increasingly central role in our lives, having the means to articulate our interactions with it contributes to ensuring digital transactions are designed to be the types of experiences we want to have. Payment platforms, like any other digital tool, are open to being modelled by their designers and can do more to support the interactional and transactional work required - future systems that meet the needs of their users provide opportunities that extend far beyond the current limited systems for faster payment terms and cheaper services.

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