

## TREND ANALYSIS OF FINANCIAL TECHNOLOGY DEVELOPMENT

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In the contemporary era, digital transformation has emerged as a pivotal trend in the global economic landscape, signifying the extensive application of digital technologies across all business segments.

The digitalization of the modern economy is inducing fundamental transformations in all sectors, particularly in finance. It has become a hallmark of most contemporary financial innovations, driven by the increasing influence of information and communication technologies on the processes of production and provision of financial services. The realm of financial technologies is witnessing significant changes, including increased automation, openness, and consumer-centricity. The innovative fintech sector is of great importance, considering the annual global growth in the adoption of financial technologies by 20 % [2]. Moreover, amid the COVID-19 pandemic, quarantine restrictions, and forced isolation, the significance of digital technologies in the financial sphere has notably increased on a global scale.

Financial technologies, abbreviated as «FinTech», represent a relatively new sector that has found its place not only in Ukraine but also on an international level. Economic literature sources note that the concept of financial technologies originated in the early 1990s with the development of the Internet. Fintech's popularity surged in 2008, when the global financial crisis prompted financial institutions to cut costs, thereby stimulating the emergence of startups and new business models capable of meeting the needs of discerning consumers [3].

Regarding financial technologies, authors have differing opinions: some consider them a separate industry or sphere, others as technology or service [1-4]. However, fintech's unifying characteristic is its inseparable link with digital technologies, which underpin the provision of financial services and foster innovations in this sphere. Taking into account various approaches to defining financial technologies, it can be specified that fintech represents the integration of digital technologies and innovations in the field of financial services, which technology companies utilize to improve, develop, and disseminate financial services. Today, fintech is considered an

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ecosystem that includes fintech startups, regulatory bodies, banks, international payment systems, banking and financial associations, incubators, accelerators, and providers, creating a complex network of interactions between cutting-edge technologies and financial services, as well as supporting infrastructure.

Research indicates that progress in the field of financial technologies has become particularly noticeable over the last five years. Every phenomenon is driven by certain conditions or factors. The main reasons for the rapid development of fintech globally include the global economic crisis of 2008 and its consequences, which undermined public trust in traditional financial products and banking system instruments; the universal spread of digitalization, covering almost all aspects of human activity, including the financial sector, leading to increased customer satisfaction with financial services, capital management optimization, cost reduction, acceleration of financial operations, expansion of the geographical coverage of financial services, and increased transparency. This also facilitated the development of fintech segments such as blockchain, P2P lending, online scoring, algorithmic trading, etc.; the rapid spread of the Internet, providing continuous access to cyberspace and supported by the brisk development of the mobile device market; the explosive growth of social networks and messengers, fueling the emergence of new financial services based on information exchange, such as crowdfunding, P2P transfers, and financing, social trading; a focus on innovation and heightened expectations of millennials regarding the convenience, quality, and speed of services, prompting increased demand for digital payment systems; the successes of technology companies in various sectors, motivating entrepreneurs to focus on the financial sector; the growth of e-commerce, stimulating the development of services in the payment, transfer, and financing segments [2].

Fintech offers significant advantages for all participants in the financial industry, including cost reduction, real-time payment execution, an expanded range of services, and enhanced convenience of their use. It also facilitates access to financing for individuals and SMEs, who were previously limited in access to financial services. The analysis of the impact of financial technologies indicates an increase in competition in this sector, the integration of information technologies by financial organizations to expand their business, a reduction in information asymmetry, enhanced efficiency of pricing, an expanded range of financial services and customer base, and improved financial accessibility in developed and developing countries.

The use of financial technologies has brought significant benefits but is also accompanied by certain drawbacks, such as inadequate regulatory frameworks caused by fintech companies applying innovative business

models different from those of traditional financial institutions; the unpredictability of decisions made by online service users due to impulsiveness or insufficient information; limited access to financial technologies due to the population's level of digital literacy and the availability of necessary technological devices for conducting online transactions. Progress in digital technologies also generates potential risks that could negatively affect the stability of the financial system, including market risks associated with the instability of the market environment; cyber risks arising from the digital environment's vulnerability to hacker attacks; technological risks that could lead to malfunctions in financial services due to technical faults; legal risks related to insufficient consumer rights protection in the digital sphere. These risks are exacerbated by the rapid development of fintech and the introduction of new technological solutions that extend beyond the existing regulatory field. Special attention should be paid to the risk of cyberattacks, which, according to surveys of risk management experts in the financial sector, is considered one of the most serious threats to the global financial system [2].

Despite existing risks, the potential for applying financial technologies remains high. Therefore, it is necessary for state regulators to intensify their efforts to improve the regulatory framework for fintech, including monitoring best international practices, adapting to global regulatory standards, and updating and modernizing legislation to ensure the sustainable and efficient functioning of this dynamic sector. Based on the foregoing, it can be concluded that fintech has significantly transformed the traditional financial industry, offering innovative solutions to improve the accessibility, efficiency, and convenience of financial services. Thanks to digitalization, the development of the internet, and mobile technologies, financial technologies demonstrate impressive potential in meeting the growing needs of consumers and adapting to changing market conditions.

However, along with advantages such as cost reduction, increased speed, and transparency of operations, fintech also carries certain risks. This includes cyber risks, regulatory gaps, technological failures, and the need for enhanced legal protection of consumers. The rapid spread of financial innovations requires an adequate regulatory response and a strategic approach to risk management. To ensure the sustainable development of the fintech sector, it is important to find a balance between innovation and regulatory control. State bodies must direct efforts towards creating a flexible yet effective regulatory environment that will foster innovations while protecting consumer interests and ensuring the stability of the financial system.

Therefore, the success of implementing financial technologies will depend on the ability of all stakeholders - governments, regulators, financial institutions, and technology companies - to collaborate in developing inclusive, safe, and innovative financial solutions that meet the needs of modern society.

#### Literature:

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## АСПЕКТИ ІННОВАЦІЙНОГО РОЗВИТКУ УКРАЇНИ

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В кризових умовах широкомасштабного військового вторгнення в Україну та нестабільної економічної ситуації у світі, перед державою, крім оперативних питань, постає необхідність вибору стратегічних орієнтирів повоєнного відновлення економіки.

Запровадження інноваційної моделі економіки може забезпечити стрімке зростання національної економіки та сприятиме формуванню конкурентних переваг вітчизняних товаровиробників на міжнародних ринках.

Розвиток інноваційної діяльності країн світу можна проаналізувати за показником Глобального інноваційного індексу (ГІІ), який розраховується та публікується спеціалізованою установою Організації Об'єднаних Націй – Всесвітньою організацією інтелектуальної власності (ВОІВ). На основі ГІІ формується рейтинг

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