



Business beyond Borders: FinTech, Blockchain, and the New Trading Era

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ABSTRACT

The pattern of business has massively changed due to globalization. When companies do business with each other across borders they still have to deal with a lot of problems. These problems include expensive transactions and relying on middlemen to get things done. In the few years new technologies like Financial Technology and Blockchain have come up with new ideas that can change the way the world conduct business. This article looks at how these technologies are changing and the way the companies make business with each other across borders. It is found out that Financial Technology has made it easier for companies to carry business with each other. This is because of ways of paying, banking on mobile, lending money to each other and using data to make trade easier. These new ways of doing things have made transactions faster and more people can now take part in the market. At the time of Blockchain technology is making business more transparent and it is easier to track things. This is only having a system where many people have a copy of the information and smart contracts that can automate some tasks. These technologies are slowly changing the way we trust each other to govern business and do transactions. There are still some problems that need to be solved. For example there are concerns about cyber security and some countries do not have the rules and technology. This is making it hard for everyone to use these technologies. However, it has to be made sure that we have some certain rules and mechanisms in place to help these technologies work better. Other than that, we need to gain more knowledge and keep learning more about how they can help us.

Keywords: FinTech; Blockchain; Cross-border Trade; Digital Economy; Smart Contracts; Trade Finance; Financial Inclusion; Global Business Transformation

Introduction

Trade has been the integral part of the growth of economics, international relations (WTO, 2023). In an increasingly globalised world, things like goods, services, capital and information are being transported and redistributed to new markets which offer new opportunities for further economic integration and new means and ways of doing so (World Bank, 2022). Although the global economies are more interconnected these days, the old methods of trading are still being followed (Baldwin, 2016). In the absence of institutions, the

need for intermediation has not gone away (Williamson, 1985). The part played by clearinghouses, customs and regulatory agencies continue to be in place (BIS, 2022). However, these traditional structures can pose a risk of becoming a reliance on such structures (Nakamoto, 2008). Serious problems arise on the way such as costs spike, no way to avoid delays and the administrative processes become cumbersome. Also, the information is not always accessible/available/evenly distributed and is unwieldy. (North, 1990). In this era, however, the rapid evolution of digital technologies has started to transform the way in which businesses are done across the borders. One of the most innovative technologies that are emerging to become part of this revolution is FinTech and Blockchain, which present a new base for international trade. The essence of FinTech is the implementation of digital technologies in the financial industry. Increase efficiency, accessibility and level of automation achievable (Arner et al., 2015). Add digital payment, mobile banking, crowd funding, p2p lending and AI financial products. Take into account electronic payment systems, mobile banking, crowd funding, p2p lending and AI-based financial products. No longer the exception- they have modified the way foreign deals take place and how businesses gain access to international markets. Blockchain technology has created a new paradigm for creating and verifying transactions. No longer need for a central authority to supervise each exchange. Blockchain's distributed ledger technology guarantees that data is immutable, transparent and secure (Nakamoto, 2008). Blockchain is capable not only of recording; it is a smart contract and a decentralized verifier as well. By generating trust and accountability in business transactions, Blockchain is a transformative technology (Tapscott & Tapscott, 2016). But it's when you add Fintech to the equation that things begin to change. Fintech and Blockchain collectively herald a new era in global trade, that is, an era of digitalization, automation, and rapid connectivity. These technologies and their new possibilities are being used by businesses and adopted by them, changing the way businesses are conducted across the globe. They value fast-payment arrangements, more streamlined trade documentation processing, strong countermeasures to fraud, more transparency in supply-chain, and the enhancement of financial inclusion. The game-changer is that SMEs, who have long been on the fringes of international markets, can now access opportunities via innovative financial platforms and decentralized systems (Beck et al., 2015). The change is more than a small note in history. It is a turning point and this turning point will have effects on how the world trades and does business. The way the world does business will change for a time. It is not about trade it is a change in how business is done. The world will do business differently from now on. Although the academic world has exhibited interest in FinTech and Blockchain, the current research context is fragmented, with different fields or disciplines using different perspectives to comprehend the notion of Blockchain, including finance, economics, information systems, and international business. Although most of the studies focus on the technology side alone, there is no analysis on how the technology (FinTech) and Blockchain work together in cross-border trade transformation of the governance of cross-border trade and transformation of global business. This article explores the possibilities of how the combination of FinTech and Blockchain is transforming cross-border trade and taking global business to new heights.

Research Objectives

1. To discuss the different challenges and opportunities arising from FinTech.
2. To explore the implications of Blockchain on trust and governance for international transactions.
3. To identify the primary issues, effects and future trends associated with implementing these technologies in the international world of business.

Conceptual Foundations

The world of FinTech and the changing nature of global trade: the world of FinTech and the transformation of global trade. The financial intermediation is being transformed by FinTech, which harnesses digital technologies, artificial intelligence, analysis of large data sets, cloud computing, and mobile communication networks. FinTech services provide financial services that are fast, cheap and easily available, compared to the traditional financial system and manual authentication processes, which depend on central institutions (Vives, 2019). The major contribution of FinTech on global trade has been reducing transaction costs of cross-border payments and exchanges between currencies. Digital payment methods are creating new ways to send and receive funds between people and businesses that are not necessarily through correspondent banking systems, resulting in more efficiency in conducting operations and increased access to the global payment system. Digital financial services have been extended to those who have been largely out of the financial system, which is also being encouraged by FinTech. To overcome the lack of collateral and credit history, traditional banks are not able to give small and medium enterprises (SMEs) trade financing, whereas FinTech has started to tackle this need by applying machine learning algorithms and alternative data to assess SMEs' creditworthiness, which has resulted in SMEs' higher participation in international value chain (Gozman et al., 2018). Mobile payment systems and digital wallets are also enhancing the business prospects for the developing countries where traditional banking system is lacking.

Blockchain as a Trust Enabling Infrastructure: the Blockchain technology has been a new alternative for the governance of economic transactions. Previously, trust was implicit in a commercial transaction via central institutions such as banks, government and legal system, whereas Blockchain offers a decentralized representation of trust by cryptographic verification and distributed ledger technology (Nakamoto, 2008). A Blockchain ensures transparency, indisputability and resistance to malicious manipulation of transactions that are stored on numerous computers in a network, which makes documentation impossible to forge or fraud (Kshetri, 2018). Smart contracts in Blockchain technology provide a new way to contract and execute, where smart contracts would execute and trigger automatically when they are satisfied with certain conditions, therefore significantly reducing reliance on third parties, conflicts between parties, and settlement time of transactions (Tapscott, 2016). By providing itself as a trust-enabling infrastructure, Blockchain technology is encouraging trade documentation, customs processes, logistics management and payment settlement in international trade, and reconfiguring international commercial relationship.

Research Methodology

This study follows a qualitative research approach using secondary data analysis to critically analyze the impact of FinTech and Blockchain technology on the cross-border trade and international business. In this study, the focus is not merely on number crunching, but on delving deeper into the evolution of concepts, the evolution of institutions, and the meaning of technology to all of these. The research was done using secondary sources which are the ones you would expect: peer-reviewed journal articles, academic books, conference papers, policy papers and reports produced by big organizations like the World Bank, International Monetary Fund (IMF), World Economic Forum (WEF), and OECD. It's all from the last 10 years, so it's a true reflection of what's going on at the present time in tech and the economy. Thematic content analysis method was used in analyzing the collected data. Thematic analysis is a method that can help the researcher detect recurring ideas, patterns, and analytical categories in a variety of sources (Krippendorff, 2018). Major themes were coded and grouped into these four main dimensions in this study including Transformation of Cross-Border Trade by means of FinTech; Global business applications with Blockchain; Regulatory and institutional issues; and Policy implications for the developing economies.

Results and Discussion

FinTech-Driven Transformation of Cross-Border Trade: the results suggest that FinTech has already significantly impacted international trade by making it faster, more available and more efficient. Cross-border payment solutions typically use several intermediaries, are time-consuming, and incur a high transaction cost. Digital payment platform and mobile financial systems offer lower cost, almost real-time cross-border payments as opposed to the high fees and time associated with cross-border cash payments (World Bank, 2023). It also shows that FinTech has been contributing to financial inclusion to SMEs and has opened up access to international trade to a larger segment of the population. Smaller companies may be denied bank loans due to poor credit ratings or lack of collateral. Alternative data and algorithmic credit assessments are used in FinTech platforms to enable an SME to access trade finance better (Beck et al., 2015). In addition, digital banking and mobile payment systems have boosted businesses in developing economies in their engagement in the global trade arena. FinTech has helped bring the market closer and enhanced its economic engagement without relying on the physical banking system. The results indicate that FinTech is not just optimizing financial services, but is also fundamentally changing the landscape of financial access and dynamics of global trade.

Blockchain Applications in Global Business: the analysis demonstrates the possible benefits of Blockchain to enhance transparency, accountability, and efficiency in international trade. One of the most significant applications is in the trade finance and logistics industry, where smart contracts can optimize trade processes and increase the efficiency. When specific requirements are met, smart contracts will automatically fulfill contractual obligations that can save time, litigation and expenses from contract administration (Tapscott & Tapscott, 2016). The technology behind Blockchain further increases transparency in the supply chain by ensuring that every party in the supply chain can verify the transaction records, and that they are immutable. This improves traceability, decreases the chances of fraud and guarantees adherence to international quality and safety requirements (Kshetri, 2018). Industries adopting Blockchain more and more are: pharmaceuticals, food processing, luxury goods, and industries where product authentication and supply chain tracking are crucial. Moreover, Blockchain technology allows for decentralized verification processes, which further minimize the need for centralized intermediaries. This process disrupts the existing institutions and proposes new governance institutions from the perspective of “digital trust”. In conclusion, the results suggest that Blockchain is reshaping the concept of trust relationships in international trade and building more transparent and efficient trading processes.

Regulatory and Institutional Challenges: the study identifies a number of areas of key difficulty which are preventing mass scaling of Blockchain, areas where FinTech can help overcome. This study highlights the potential of FinTech and the Blockchain to transform and outline its impact. Other than that, the study outlines the impact of FinTech and Blockchain thus far, yet tremendous potential exists to transform. Things that need to be done effectively if it is going to be broadly used worldwide. One of the major challenges is eminent and evident which is regulatory fragmentation. Usually, a number of legal jurisdictions will need to be addressed when making a cross-border transaction, whereas many jurisdictions have different and incompatible regulations and laws on digital finance and data, governance, taxes and cyber security. The risks of cyber security threats are also significant concern. The digital sector may be vulnerable to hacking, ID theft and data breaches that result in compromising the financial systems which in return hinder the assurance of users, and stability of institutions. Furthermore, interoperability of problems is difficult. For example, when two or more varies Blockchain systems or financial systems, there may be inefficiency in operation. Digital infrastructure inequality is the biggest challenge of all challenges. In fact, not all developing countries can be called “high tech” ecosystem. There are still some people who face challenges with digital skills and the

absence of robust regulations. As long as they remain empty, there will be a widening difference in wealth. Implications for Developing Economies: the findings suggest that the developing economies could benefit from an opportunity to make very significant use of the strength of FinTech and Blockchain technologies. The traditional barriers to infrastructure can be overcome by succeeding in digitizing financial services and enhance financial inclusion for the unbanked population. Blockchain has also the potential of improving the process of governance, reducing corruption, and increasing transparency of the process. However, the study recommends that policy actions and institutional readiness should also be undertaken. Solutions to these challenges are digital infrastructure, the digital cyber security frameworks and the modernization of digital systems. These are essential to reap the fruits of digital transformation if developing countries are to do so without an appropriate investment in these areas. Consequently, it is important that there is a collaborative effort between governments, international organizations and institutions to create digital ecosystem for inclusive development. At the end of the day, the finance industry plays a key role in the financial innovation and its stability, alongside with consumer protection.

Conclusion

This study tried to look into the impact of the introduction of FinTech and Blockchain as technologies, the whole process of cross-border trade and how they are changing the global business world. The findings we found reveals that digital financial innovations have truly affected the efficiency of cost saving, transactions, access to and transparency of the international and cross-border markets. FinTech has ushered in the financial inclusion and market by connecting the whole world. Other than that, FinTech has also increased access to Small-Medium enterprises known as SME's and the unreached population through digital payment and mobile banking services and data. At present, Blockchain has revolutionized the game by introducing new possibilities to trust in a decentralized manner, enhancing transparency of supply chains, automated contracts and lowered costs. Even after all this, there are some issues which must be addressed such as uncertainty over regulations, digital security issues, interoperability problems and the digital divide. These issues are abating the widespread use of of FinTech and blockchain. The key things to solve these issues and bolster lie in coordinated regulations, international co-operation and real investment in technology sector. Institutions and individuals that are ready to change will have to overcome the obstacle. Last but not the least, inclusion of FinTech and Blockchain represents a fundamental change in the makeup of international trade. It is needed continued research and policies to accommodate the technologies in a more equitable, open and efficient international economic system in today's digital era.

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