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Fin-Tech in India

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ABSTRACT

Fintech is financial technology; FinTech is about the introduction of recent technologies into the application and financial services of digital technology from the financial sector. The research topics are studied theoretically. the data has collected by KPMG, PwS, SSRN and RBI. The paper provides the historic evolution of FinTech and size of Market and growth. additionally, the advantages and disadvantages of FinTech, FinTech hub, and FinTech regulation of India.

Keywords: *Fintech, E-Commerce, Digital Finance, Financial Technology, Fintech Hub*

1. INTRODUCTION

Fintech, short for financial technology (Service, P. B. 2019) although the interplay between information technology and financial services isn't a current topic. it's been discussed quite bit within the past few decades (Thakor, A. V, 2019) With the deep application and development of data technology within the financial field, Fintech has become a hot topic within the financial industry and thus the scientific and technological community (S. Mei et al, 2018) Fintech and then the Remaking of monetary organization explores the transformative potential of recent innovations and entrants on business models (Elsevier, 2018) Fintech is touted as a game-changing, disruptive innovation capable of shaking up traditional financial markets (Lee, I., & Shin, Y. J. (2017).

A wide gamut of Fintech sub-sectors has emerged and has been adopted by key players of the financial sector globally. The financial services sector in India has taken ship upon its digital transformation and is catching up really quick with its global equals in expression of adoption. Multiple Fintech hubs have evolved across the globe —the U.S., the U.K., Israel, Singapore, Hong Kong, and Sydney to call some —which may well function a yardstick of Fintech evolution for the emerging markets (Fintech in India) India is amongst the fastest growing Fintech markets within the world. India ranked the only globally within the Fintech adoption rate with China. Digital payments value of \$65 bn in 2019 is predicted to grow at a CAGR of 20% till 2023 (BFSI).

2. REVIEW OF LITERATURE

Kavuri, A. S., & Milne, A (2018) new financial technologies (Fintech) have erupted around the world. As a result, there has been a significant increase in academic literature on FinTech over the last six years. Research tends to be limited connected with no rational research agenda. Lots of efforts are to be taken before this field becomes an established academic discipline. Thakor, A. V (2019) This Research paper is a review of FinTech and its interaction with banking. Included in FinTech are modern innovations in payments systems (including cryptocurrencies), credit markets (including P2P lending), and insurance, with blockchain-assisted smart contracts playing a role. Allen et. al (2020) FinTech, blockchain in particular, has a great potential to be disruptive to financial systems and intermediation. The aim of this Research paper is to provide a comprehensive Fintech literature survey with relevant research studies and policy discussion around the various aspects of Fintech.

3. WHAT IS FINTECH?

FinTech can be defined as any use of technology in the financial services to improve or develop the products and services. While this of definition of FinTech can be applied all the way back to the introduction of the first ATM that was in the late 1960s, FinTech really became a term that applied to the rapid redesign of the financial services following the GFC in 2007-2008. From this point, we have seen new technology is being used to introduce a raft of new banking and lending products that are rapidly becoming faster, cheaper and more accessible (Barry, E., 2020)

4. EVOLUTION OF MODERN FINTECH

Financial Technology is any innovation that involves financial transaction, be it for business use or for any personal use. Starting by the birth of the credit cards (the 1950s) and the ATMs (the 1960s), FinTech had since been involved in our world. There used to be a time when FinTech only concern to the back-office operations of banks and stock trading companies. The boom of Internet and the rapid rise in mobile computing had led FinTech to become a continuing global revolution. Today, FinTech has taken an important part in

today's digital world. With an growing family of technological tools for personal as well as commercial finance, it is poised to further grow in use and impact (Andre, L., 2019)

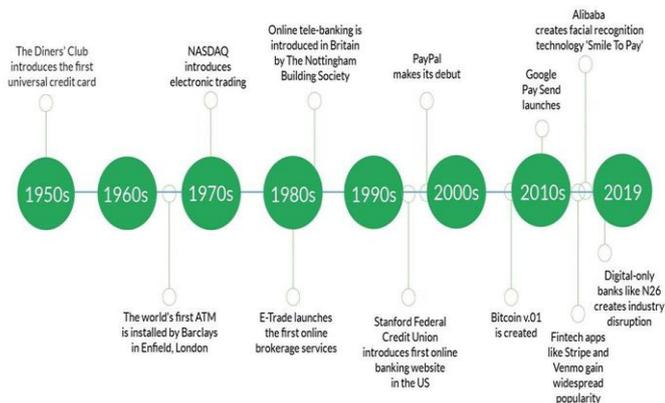


Fig 1: Evolution of Modern Fintech

4.1 Fintech Market Outlook

Fintech or financial technology is that the new technology and innovation that's gaining prominence and replacing conventional financial services in various sectors like payments, E-Commerce, banks, social trading, wealth management, and others. attributable to the very fact that E-Commerce is rapidly pervading across the world, it happens to be the key application segment of the Fintech market, estimated to grow with a excellent CAGR of 10% to 12% through to 2025 (<https://www.industryarc.com>)

4.2 Evolution of Fintech in India

India, with a population of nearly one hundred and thirty six crore people, is making a move towards a revolutionary and innovative Fin-Tech alliance. FinTech is basically a combination of 'Financial Technology'. It is an emerging industry that uses technology to improve activities in finance by offering effective financial solutions as compared to traditional institutions. This alliance between Finance & Technology is not only upgrading, but has also enhanced operations. The FinTech industry first set about by offering its operations in the banking sector. Over the past few years, this industry has witnessed tremendous development and has now extended its wings by entering into the insurance and asset management industry. Today, FinTech companies are analysing customer behaviour patterns by implementing innovative technology like machine learning and artificial intelligence.

Because of implementing this new technology, our country has now experienced the marvels of 'Financial Technology' in the banking as well as the finance sector. For a country like India, which was mostly cash-driven, this was a necessary step towards creating a cashless society. With the help of a range of FinTech services and software like the use of smartphones for banking, investing, borrowing services and cryptocurrency, it has now changed the way people handle their money and carry out their daily transactions. A study carried out by NASSCOM in on Indian start-ups in 2019 had declared the FinTech industry as one of the top 'high potential sectors' in the upcoming years. Some of the key segments driving the growth of the Indian FinTech industry are financial inclusion, lending, wealth management, banking and insurance. While wealth business went through challenges due to direct plans of Mutual Funds and wallets collapsed due to UPI, Lending FinTechs / InsureTech prospered.

The Indian FinTech industry has mostly focused on the consumer-facing side of banking resulting the rapid increase in the use of mobile wallets, apps, and other technological products designed for the consumers like Paytm, PhonePe, MobiKwik etc. On the other hand, not much is known about the startups that have focused on the banking back-end systems and processes.

4.3 Market size and growth

A joint study conducted between NASSCOM - KPMG estimated that the total FinTech services and software market in India was around 800 crore rupees in 2016 and was likely to grow 1.7 times by 2020. The study also adds that the transaction value for the Indian FinTech sector was approximately 2500 crore in 2016 which was slated to reach 5500 crore in 2020 growing at a five-year compound annual growth rate of nearly 22%. According to another study conducted by Accenture, an Irish MNC and a Fortune 500 company, the FinTech investments in India nearly doubled to 2750 crore in 2019 from 1390 crore the previous year, making India as the world's third largest FinTech centre, with the U.S. and U.K at the top respectively.

Growth Drivers (<https://www.investindia.gov.in>)

Jan Dhan - Aadhar – Mobile

JAM Trinity enabled Govt. to form direct transfers of INR 740 bn

India stack

Open API platforms i.e. Aadhar, UPI, Bharat Bill Payments, GSTN

Favourable Govt. initiatives

National Payments Council, Digital India, tax benefits on surcharges etc.

Blockchain

Blockchain market in India is predicted to grow at a CAGR of 37% till 2024.

Start-up India

GoI's flagship initiative to make strong start-up ecosystem in India

Aadhar

Biometric identification database - quite 1.2 bn citizens enrolled

New business models

Implementation of latest business models driven by technologies like AI and Machine Learning

4.4 Fintech Hub in India

The government of Maharashtra is that the DE in India to make a Fintech policy (announced February 2018) to support the arena with a vision to form Mumbai a worldwide Fintech hub. The key stakeholders in this include governments, financial institutes, regulators, academic institutes, industry bodies, technology partners, research labs, incubators/accelerators and market influencers. Mumbai has emerged because the leading Fintech hub in India —with Mumbai and Bangalore being a home to nearly 42% start-ups (These are the highest Fintech hubs in India)

Download Report

As per the report of 'Global FinTech Index 2020', among the worlds 100 leading FinTech cities, six of them are based in India. These include Mumbai, Bangalore, Chennai, Pune, New Delhi, Hyderabad and Ahmedabad (India emerging as a FinTech hub) India has secured 15th rank in FinTech Country Rankings and 11 Indian cities are featured in top 20 cities across Asia-Pacific (Rawat, A., & Staff, I. 2019)

4.5 Fintech Valley Vizag

FinTech Valley Vizag, A project championed by the State Government of Andhra Pradesh in India, Has signed a memorandum of understanding with Visa and Thomson Reuters. The eight participating startups - Moneytor, Heckyl Technologies, FingPay, Gyandhan, Incremint, TAQBit, Nanobi and iProov operated from Vizag for the duration of the accelerator program and worked to develop solutions for four key focus areas: financial inclusion, security and fraud prevention and customer and risk analytics (Jain, N.,2018)

4.6 Digital Revolution

- 82%– legacy banks and financial institutions expect to increase partnerships with Fintech start-ups in the next five years
- 30%– Of consumers plan to increase usage of non-traditional financial service providers in the near future

The top 10 FinTech startups and FinTech companies in India:

ezetap
PhonePe
Billdesk
MobiKwik
PayU
Paytm
LendingKart
Policy Bazaar
Freecharge
Mswipe

4.7 Regulatory Bodies

There is no regulatory body for the FinTech entities in India. Fintech activities in India are primarily regulated by the Reserve Bank of India (RBI) However, the RBI currently regulates the majority of Fintech companies dealing with account aggregation, peer-to-peer lending, cryptocurrencies, payments, etc.

4.8 RBI pioneering Fintech Growth

RBI has given a boost to bharat bill payments system and unified payments interface along with P2P lending, digital payments etc. The use of automated algorithms has disrupted the industry and has made it simpler for consumers to utilise these facilities. RBI has granted 11 FinTech entities licences to introduce payment banks that offer deposit, savings, and remittance services

4.9 Advantages of Fintech

- Saving. they are saying time is money, and never better. during this case, the likelihood of completing the procedures much faster and thru automated processes increases the efficiency within the day to day of the businesses (also at the user level). Which also translates into quite visible economic savings
- Faster Rate of Approval, Fintech has the potential to extend accessibility and greatly speed up the rate of approval for finance or insurance. In fact, in many situations, the applying and approval process are often completed within 24 hours .
- More efficient and low cost than traditional financial services: FinTech solutions works for customers too. FinTech solutions, with their simplified and more user centric approach, offers transparency and clarity and, in turn, a much better overall experience for the users
- Transparency: companies can manage in a very transparent and fast way. tired one click on your home community from computer

4.10 Disadvantages to Fintech

- Going digital for payments is complicated in an economy like India's which is dominated by micro, small and medium enterprises (MSMEs) as they can't bear the prices
- Cyber security: avoiding cyber-attacks in one in every of the best challenges faced by businesses and governments all around the world, And given the sensitive nature of the client data they hold, they're a heavy concern for Fintech firms
- Regulations: one amongst the most Fintech challenges facing new institutions is managing regulatory risk and compliance. It's an element inherent to the financial industry, but one felt particularly keenly by Fintech companies
- User retention and user experience: User experience and retention is one among the most important concerns during any banking app development. A FinTech app should keep balance between the user experience and security: as an example, you ought to confirm it's neither too easy nor too hard to get access to a mobile banking application
- Lack of awareness: quite 70% population of India sleep in the villages and use of those Digital Payment Platforms are used by most of the urban people. This sector must make its way through awareness in rural India
- Fintech remains a nascent player within the Indian financial sector. Hence, collaboration with the ailing traditional financial institutions would help provide a replacement direction to India's financial sector.

5. CONCLUSION

Advanced technology, big data, and sophisticated AI/ML algorithms have provided benefits to both consumers and lenders. Fintech encompasses a potential to disrupt and to form new forms of risk. Regulators round the globe are working diligently and thoughtfully to produce consumer protection and to keep up financial stability while at the identical time to form an environment for safe Fintech innovations way forward for FinTech, however, is rooted in deliberate integrated actions to enhance framework conditions associated with consumer trust, regulation and scalability.

Fintech is important for the future of the financial sector, as inclusive finance is strongly national economic growth. Fintech is reshaping of the financial sector. Fintech is innovative ideas for financial services. Fintech has taken the next level of financial services like shopping, transfer; receive funds and save time everything happens in real time, And user friendly. Fintech benefits of both consumers and business. The government introduced the UPI and BHIM has attracted millions of users in India to transaction online.

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