

Fintech Industry In India: The Revolutionized Finance Sector

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Abstract

Fintech is the latest buzzword in the area of finance sector; the latest evolution of Fintech, led by startups, poses challenges for regulators and market participants alike, notably in balancing the potential benefits of innovation with the possible risks of new approaches in the finance sector. Fintech has changed traditional financial institutions. FinTech is a term used to describe the growing technological innovations in the financial sector. Fintech is increasingly shaping the financial sector. This research paper analyzes the Fintech Adoption, Fintech News Network, Indian Fintech Industry Structure, and Fintech Startup in India, and Fintech Trends in India.

Keywords: *Fintech, Finance, Fintech Industry Structure, Fintech Startup, Fintech Adoption.*

Introduction

New financial technologies (FinTech) have erupted around the world.(Kavuri, A. S., & Milne, A. ,2018) FinTech or Financial Technology refers to a firm merging the upcoming technological trends to provide better financial solutions to its clients in the form of digital payments and transactions (Saumya Uniyaland Aakriti Suri (,2020) The Indian fintech industry has seen numerous startup entrants in the past few years. With each startup, the industry has now grown a lot and also is making a name globally.As per CB Insights'latest reports, these are the 20 Indian fintech startups that have been listed among the 250 global promising startup companies (Wilson, R., 2020) and UPI, BHIM, Payment wallet, digital bank, and many other services are available and we are using them every day on a big scale. Which reflects how finances and technology are playing a crucial role in our life? (Ravi, 2020)

Leading Countries for Fintech Adoption

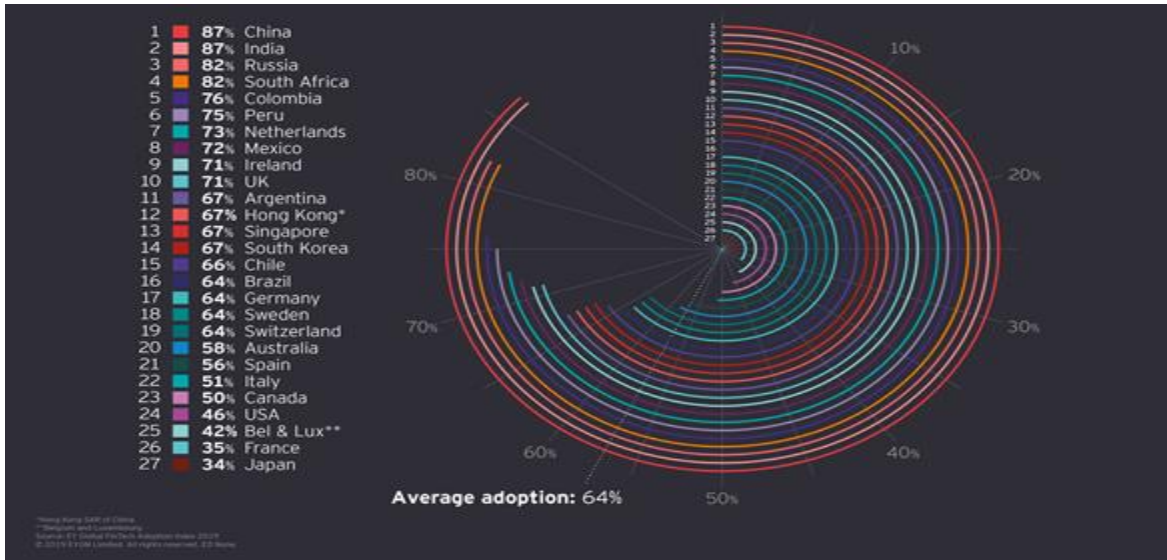
Table 1: **Leading Countries for Fintech Adoption**

Countries	Banking and payments	Financial management	Financing	Insurance
China	92%	91%	89%	62%
U.S.	52%	49%	41%	31%
Mexico	49%	36%	31%	23%
South Africa	47%	43%	34%	26%
U.K.	41%	37%	34%	24%
Total	56%	51%	46%	33%

Source: www.statista.com/statistics

India is amongst the fastest growing FinTech markets in the world. India ranked the highest globally in the FinTech adoption rate with China. Digital payments value of \$65 bn in 2019 is expected to grow at a CAGR of 20% till 2023(<https://www.investindia.gov.in>)

Figure 1: Global consumers have adopted FinTech



Source: <https://www.ey.com/>

With global FinTech adoption reaching 64%, FinTech is clearly becoming mainstream in all surveyed markets (Figure 1). When compared with adoption rates across previous surveys in 2015 and 2017, this figure represents a consistent growth curve over the last five years. In the six markets surveyed in this period, adoption rates raised from 16% in 2015, to 31% in 2017, to 60% in 2019 – an increase of almost 100% every two years (Hatch, M, 2019)

Figure 2: The Fintech News Network



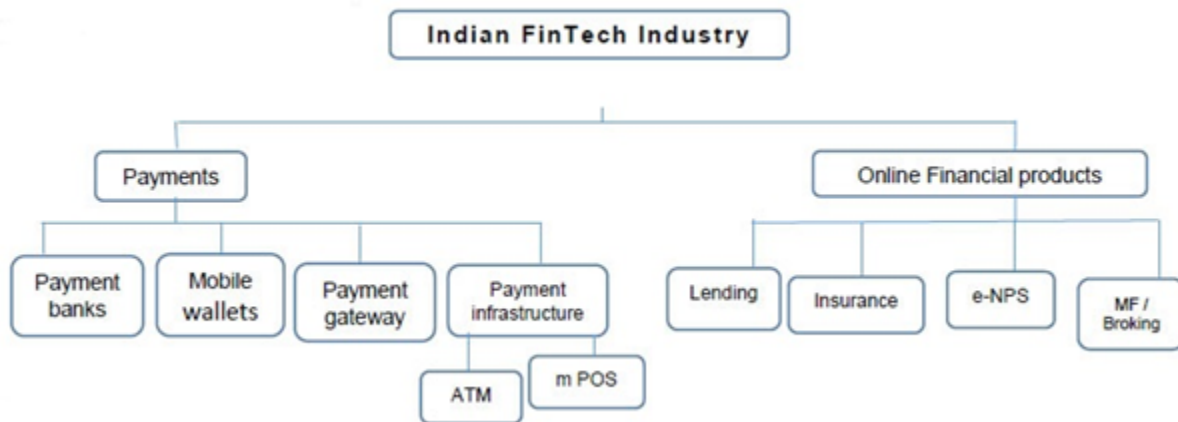
Source: <https://fintechnews.ch/about-us-fintechnews/>

Launched in 2015, the Fintech News Network team works very hard to deliver fintech-centric content in various forms to an audience looking for updates on fintech events and webinars, stunning opinions from highly-reputable digital finance innovators, analysis on fintech applications from active insiders, breaking news on fintech topics and fintech market alerts.(<https://fintechnews.ch/about-us-fintechnews/>)

Fintech in India

FinTech firms in India are setting new benchmarks for financial services in the country (Mathur, H.2020) In India, fintech industry is being encouraged by the various government initiatives such as Jan Dhan Yojana, Aadhaar and the emergence of UPI which provide a good foundation to boost financial inclusion in India(<https://www.financialexpress.com>) and Demographically, Males & females adopting FinTech applications stood at 88% & 84%, respectively, while age-wise people between 25 and 44 are highest adopters of FinTechs at around 94% while globally in the same age bracket FinTech adoption is seen at around 73%. (<https://bfsi.economictimes.indiatimes.com>) India is amongst the fastest growing FinTech markets in the world. India ranked the highest globally in the FinTech adoption rate with China. Digital payments value of \$65 bn in 2019 is expected to grow at a CAGR of 20% till 2023.(<https://www.investindia.gov.in>) Multiple factors differentiate markets world-over, and the FinTech sector is not an exception. India, with its own set of challenges and opportunities, stands out as a unique market for FinTech, especially the payments community.(Adithya, S. ,2019)

Figure 3: Indian Fintech Industry Structure



Source: <https://www.rbi.org.in/>

Fintech Startup in India

India continues to witness the upsurge in FinTech evolution, which is primarily augmented by the emergence of new FinTech startups and a robust wave of technological advancements.(<https://ibsintelligence.com/>) The FinTech sector in India has seen a funding boom in the last five years, with funding increasing at a CAGR of 98% in the past six years. Today, there are more than 1200 active FinTech companies in the country and their number is growing constantly (<https://www.startupindia.gov.in>) and India has the world's second biggest fintech hub with 2,565 startups operating currently, there were only 737 in 2014. India's largest share from fintech startups is through 'payments' and is followed by lending, wealth tech, personal finance, insurtech, regtech and others(Ashwini.,2020) The Indian FinTech scene is divided as follows: 34% in installment handling, trailed by 32% in banking, and 12% in the exchanging, open and private markets. Visakhapatnam is being created as

FinTech valley and the nearby administration of Andhra Pradesh opened Fintech Valley to advance the interests in this area (Shrivastava, D. (2,2020)

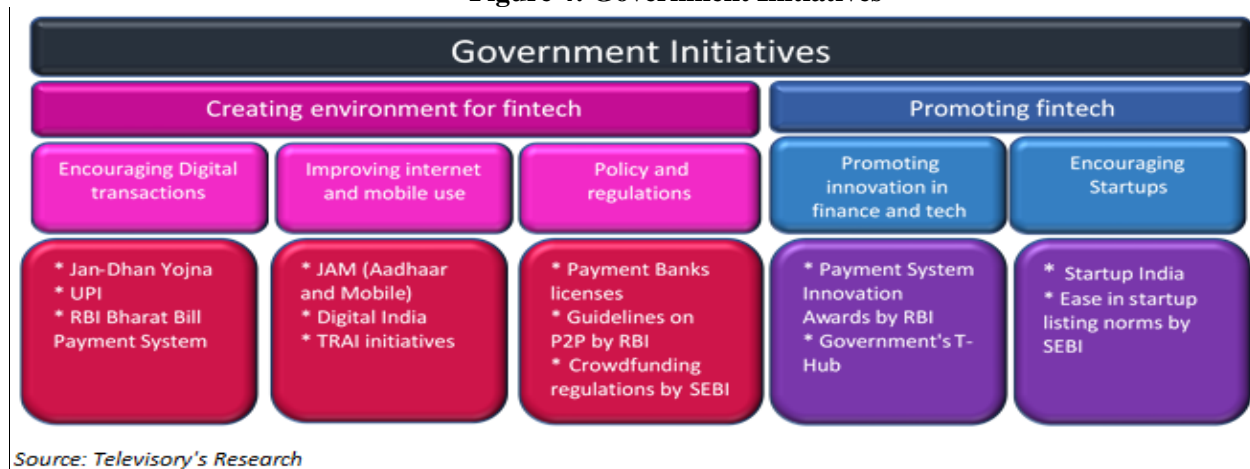
The number of Fintech deals has been increased in the country. In the second quarter of 2019, India witnessed 23 deals and China 15 deals in the same period. Some of the large Indian Fintech deals in 2019 are payment firm RazorPay raised USD 75 million in June by Sequoia and Ribbit Capital and a digital insurance(<https://www.mordorintelligence.com>) India's fintech startups in the first six months of 2020 have raised almost \$1.7 billion, double from last year's \$726.6 million, according to a KPMG report (<https://www.businessinsider.in>) and India will contribute 2.2% to the world's digital payments market by 2023, and the value of such transactions is expected to reach \$12.4 trillion globally by 2025 (<https://www.investindia.gov.in>)

Financial institutions, start-ups, the government, venture capitalists and regulators to create a conducive environment of collaboration and consolidation. With KPMG in India and NASSCOM 10000 Start-ups proficiency in the fintech sector, the report offers a view of three emerging themes: open banking, artificial intelligence and blockchain, which have the potential to bring a transformation of financial services sector in India. (<https://nasscom.in/knowledge-center/publications/fintech-india—powering-digital-economy>)

Government support

In order to support the emergence of a cashless digital economy with a strong fintech ecosystem in India, the Government of India (GOI) is pushing for aggressive strategy, both at the policy and the funding level. The major steps taken by the GOI along with other regulatory bodies like RBI (Reserve Bank of India) and SEBI (Securities and Exchange Board of India) are mentioned below: (<https://benchmark.televisory.com>)

Figure 4: Government Initiatives



Fintech Trends

“New financial services technology trends will hit the market in 2020. The growth of financial businesses is also expected to be centered on their ability to mold the sharing economy and customer intelligence, and deal with advances in technologies such as blockchain, robotics, Artificial Intelligence (AI), and more.”(<https://www.kellontech.com>)

Artificial Intelligence in Fintech

Artificial Intelligence has revolutionized the finance industry (Hill, K., 2020) Before AI and the rise of FinTech,

very few industry giants had the bandwidth to deal with the inherently quantitative nature of our now tech-savvy world. These AI use cases detail how AI has been a game-changer for FinTech.(Buttice,C.,2020) FinTech companies and financial institutions use AI and machine learning to increase efficiency and provide consumers with more relevant, affordable, and intuitive financial services and products to meet their banking needs.(Darcy Tyrrell,2020)

Blockchain in Fintech

Fintech is disrupting the financial industry and the blockchain development companies in this sector have a major advantage going forward(Shah, P,2019) Recently a report issued by the steering committee on Fintech related issues, by the Ministry of Finance, Government of India mentioned the importance of Blockchain with a special mention to four applications of blockchain in Fintech(Jacob, C,2020) Blockchain technology is revamping the fintech industry in myriad ways, such as by eliminating third parties, reducing operational time and cost, enhancing the identity verification process, etc.(Srivastav, S,2020)

Cloud Computing In Fintech

Cloud infrastructure allows FinTech companies to easily scale up and down with full control while staying compliant with regulatory requirements.(Naser, A. T.,2020) FinTech maintains the substantial growth and sustains the growth constantly, courtesy cloud technology. FinTech reduces the CAPEX and OPEX budgets, increases the service portfolio and the user experience. (Ray, T., 2020)

NLP-based chatbots

According to PwC India, Fintech will create a whole new sensation by employing NLP based chatbots and innovating Conversational User Interface (CUI) to reform mobile banking. These chatbots will be able to respond to customer problems and provide feasible solutions in real-time, thereby elevating customer experience.(<https://bfsi.economictimes.indiatimes.com>)

Conclusion

Fintech is the new financial industry that applies technology and innovation to deliver financial services using new applications, processes, products, or business models provided as end-to-end processes via the Internet (<https://www.fintechindiaexpo.com>) Fintech in India is especially advantageous, since the country boasts of an unrivalled youth demographic which is rapidly growing. Furthermore, smartphone penetration is likely to witness an upsurge - from 53% in 2014 to 64% by 2018. The financial services market in India is primarily untapped, with 40% of the population having no association with any bank and more than 80% of the transactions carried out through cash. This represents an opportunity for Fintech start-ups to massively spread their wings in different segments (<https://www.makeinindia.com/>)

To conclude, this study provided an overview of the Indian Fintech Industry, and government supporting initiatives on fintech industry. Their performance in today scenario. Fintech offering consumers faster financial services and product. Therefore, the fintech industry development it necessary for both global and Indian financial sector. Fintech technologies that are developing in the near future in financial sector.

Conflict of Interests

The authors confirm that there is no conflict of interest to declare for this publication.

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