



## JOURNEY OF INDIAN FINTECH'S: TRENDS AND FUTURE PROSPECTS

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### **Abstract**

*Fintech (Financial Technology) is term commonly used to describe the new technology that helps in improving, automation and development of financial services. The term Fintech comprises of two words finance and technology and this combination of finance and technology helps the firms, owners, consumers of financial services and other stakeholders to manage their financial operations of enterprises and business processes, delivery of financial services with the help of specialized softwares that are used on computers and the advent of smartphones, new technology, increased demands of consumers contributes to the fintech revolution across the globe. The research paper mainly focuses to understand the concept of fintech revolution, dimensions of fintech, to look over the Models of fintech business and at last the status of fintech growth in India. The study also attempts to identify the initiatives taken by the government to promote fintech and digitalization. The author has collected secondary data from reports of MEDICI Research, KPMG report and economic outlook, articles from goi directory etc*

**Keywords:** *Fintech, Financial services, Digitalization, MEDICI Research, Fintech models.*

### **Introduction**

Financial technology (Fintech) is a new innovation in the financial service sector. Fintech is defined as use of new technology which helps in improving and development, automation of financial services. When the fintech innovations started in 21<sup>st</sup> century during the initial phases the technology used at backend systems of well established and repute financial institutions. later it there has been shift to consumer services. The usage of fintech in different sectors such as education, retail banking, investment management and banking etc. Fintech revolution has started due to the advent of smart phones and internet availability across the globe hence it has grown explosively. It has brought various interventions into personal and commercial finance. Fintech encompasses a broad range of financial services such as money deposits, raising funds for start-ups, investment managements, and management of personal finance. As per, EY 's 2017 Fintech adoption index one-third consumers use atleast two financial services and awareness of fintech has increased it has become a part and parcel of daily lives. Financial service institutions offer a bundle of services under a single umbrella. The fintech innovations affected traditional banking, trading, financial and advisory services. As per, the fintech report 2020, India emerged as fast growing fintech hub new startups and gaining support from the financial institutions and government of India. India has witnessed a remarkable growth rate in fintech startups between 2015-20. The acceleration of fintech innovations in the milieu of execution and acceptance of Aadhar, access to IMPS, UPI apps and PMJDY Schemes. Apart from that demonetization and covid-19 has resulted in increased digital payments and also encouraged consumers to use fintech services also there are some key triggers that provokes fintech revolution across the globe. The major areas of fintech users are classified into 1) B2B for banks 2) banks and their clients 3) B2C for small businesses 4) Consumers.

### **Objectives of the Study**

1. To understand the concept of Fintech.
2. To look over the Fintech business models and Dimensions of fintech ecosystem.
3. To indentify the major driving forces of fintech revolution.
4. To know about the initiatives of Government of India to Promote Fintech growth.

### **Sources of Data Collection**

In the present study the author has collected data from various secondary sources such as reports of MEDICI, Economics time, outlook money, KPMG reports and websites, the present study is purely based on conceptual



facts and information collected from published secondary data. The information is filtered with help of well defined inclusion and exclusion criteria.

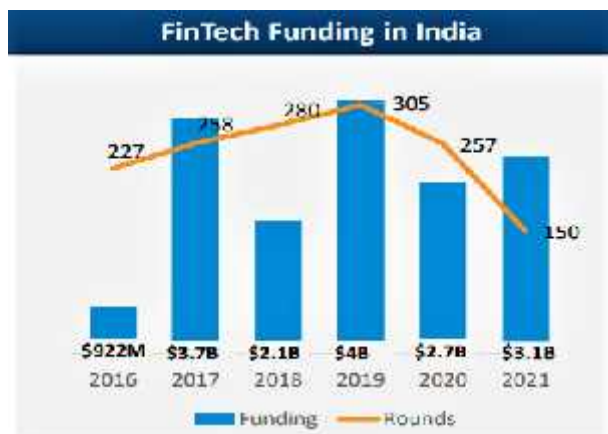
**Inclusion Criteria:** The secondary information should be related to fintech revolution from Indian context and it should be available in English language.

**Exclusion criteria:** The Fintech information pertaining to objectives i.e, the boundary of the present study was considered other elements were ignored.



**Fig 1: Source: CB Insights, Dimensions of Fintech Ecosystem**

The Fig 1 depicts the fintech services, Fintech innovations and services covers payment/billing, insurance, capital markets, wealth management services, money transfer & remittance, mortgage and realty, personal finance management, lending, crypto/block chain, regtech and few more.

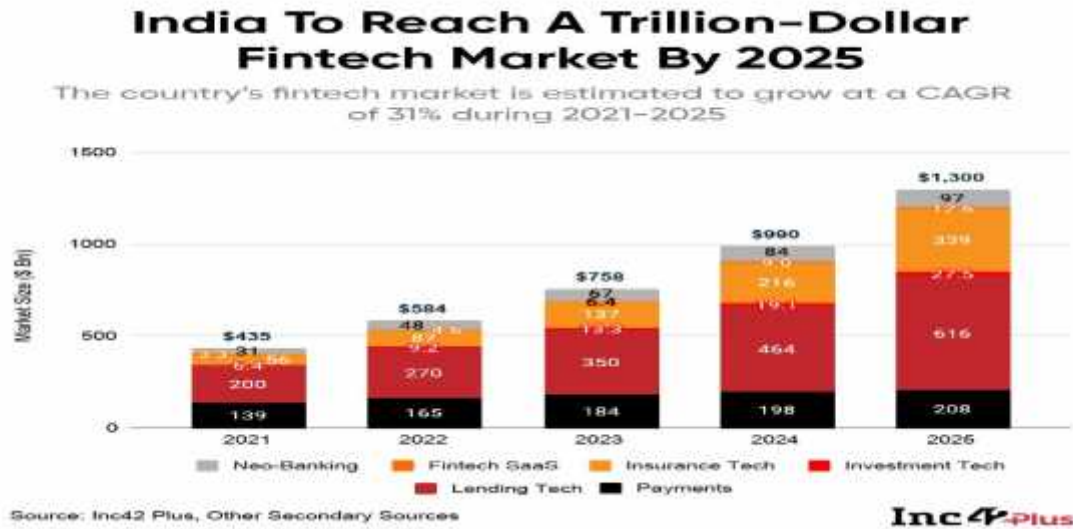


**Fig 2: Fintech Funding in India, Source: BFSI Reports**

The Indian fintech market stands third largest fintech ecosystem in the world behind US and China. However, still there are few areas which remain as untapped due to lower penetration of fintech services in remote villages. Still



there is scope and opportunity for the fintech growth in India. Fig-2 depicts the funding patterns of fintech in India from past five years it was observed that year by year investments have been increased.



Source: Inc42.COM Fig 3: Estimated CAGR of Fintech Markets

From Fig 3 we can see that India is expected to reach fintech market operations 1300 trillion dollars by 2025. It was found that neo-banking, insurance tech, investment, lending, payments etc are majors segments contributing to fintech growth in India.

**Fintech Ecosystem:** Fintech ecosystem needs a favorable policies and support from Indian government, financial institutions, regulatory bodies and visionary entrepreneurs to thrive and prosper. Hence these stakeholders are major in functioning and designing of fintech ecosystem. The stakeholders of fintech ecosystem must understand the roles and responsibility of each so that fintech business operations will go smoothly and encourages innovation in fintech services.

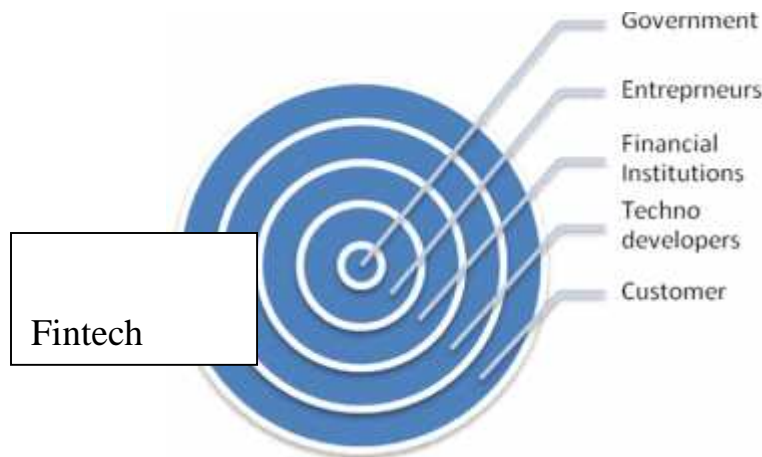


Fig-4: Stakeholders of Fintech Ecosystem

The Financial institutions should provide depth and key insights and expertise and also traditional financial institutions should tie-up with fintech start-ups to promote innovations. This provokes competitiveness among the financial institutes by enabling them to use modern technology and diversify their services. Technology



developers (Data analytics, cloud computing, AI) are the major elements found in fintech techno. A financial customer comprises of individual & institutional on the other hand techno developers create a digital platform that supports fintech revolution. Social media helps in networking of people in crowd funding initiatives. In future millennial's constitute and tend to lead the way for fintech adoptions.

**1. Fintech Business Models:** The Fintech industry can adopt various business models majorly there are six models that have been identified and explained in below sections.

**2. Payment Models:** The growth of Fintech in commercial, retail space along with corporate payment processes took new leaps and bounds of efficiency the consumer and retail fintech payment comprises of mobile wallets, p2p, real time payments, digital currencies. The prominent p2p models are PayPal, venomo etc. few well known mobile applications are pay Tm, Phone pay, Google pay etc. Payment model is one of the prominent, simple and basic forms of financial services.

**3. Wealth Management Model:** Wealth management model direct towards automation of wealth management using robo-advisors which uses algorithms for modeling advisory services on investment decisions based on client preferences. Oro wealth, scrip box, Funds India, ET Money are the few robo-advisors who offers Fintech wealth management services.

**4. Crowd Funding:** Crowd funding is a method of raising funds through network of people and those funds are raised for innovators and inventors. There are project founders/ entrepreneurs, contributors and connecting organizations involved in crowd funding process. Ketto, Faircent, Rangde, FuelADream etc are the crowd funding Fintech in India.

**5. Lending Business Models:** The Fintech under lending business lending models allows individual and corporations to borrow and lend among each other it comprises of P2P models where borrowers lend money swiftly. P2P lending fin techs for operations do not have statutory capital requirements as required for traditional banks and financial institutions. Big data provides insights in designing and developing credit models, financial services. In India Monexo, Lend box and faircent are Fintech lenders.

**6. Capital Market Business Models:** Fintechs are operating in capital markets which includes stock trading, investments, risk management, forex etc (Lee and Shin 2018) fintech provide services at affordable costs and encourages investors to access the financial services in smartphones. Technology enables fintech to provide financial services at affordable costs and encourages investors to plan their investments at low operation costs. In India Groww, Angel broking, 5paisa etc are Fintech operators.

**7. Insurance Models:** Traditional insurance companies are collaborating with fintech firms to analyse the risk and also tries to minimize operating costs, the fintech focus on establishing direct relationship between insurer and the client and with the help of data analytics insurer may receive inputs about needs and preferences of customers.

### Major Driving Forces of Fintech Revolution

1. Vibrant investment ecosystem and capital flow.
2. Advancement in technology and digital infrastructure.
3. Demographical factors
4. Flexible government policies

### Government Policies

India is experiencing a phenomenal growth in cashless transactions with the advent of some favorable initiatives adopted by government of India to encourage fintech firms, some of the recent initiatives that bring favorable opportunities to fintech business which are National Payments Council of India (NPCI), Unified payment



interface (UPI), Digital India, Start up India, Jan Dhan Yojana, recognition for p2p business lenders like NBFC's and National Common Mobility Card (NCCM). Apart from the above, tax benefits and promotion of entrepreneurs in India through easy governance and flexi-business policies for start-up companies.

**RBI Role:** RBI has developed an effective structure for Regulatory Sandbox (RS) for fintech services, which are majorly concerned with regulations and procedures for entry and exit of fintech startups, duration, list of fintech products and service offerings and technology which is used for testing Regulatory sandbox. RBI has improved Bharat Bill payment systems and Unified payment interfaces along with p2p lending, digi-transactions etc. also RBI has approved 11 entities with licenses to promote payment banks that offer deposits, savings and remittances.

**IRDAI:** The Insurance regulator IRDAI introduced (IRDAI) sandbox in the year 2019 to strike balance between insurance growth and security of policy holders also to promote tech space in insurance.

### Principle Findings of the Study

1. The Fintech journey of India could not have been successful without of favorable and flexible policies of government of India.
2. Demonetization and Covid-19 act as set of thrusters for fintech revolution as these two factors promoted digital transactions and came to limelight.
3. Fintech has an immense potential to tackle the problems of financial services and bringing all sections of people under single umbrella with its innovative services.
4. Fintech has disrupted existing systems and also brought new shift in the financial system in Indispensable trend.
5. The financial services offered by the fintech industry are affordable and user friendly services.

### Conclusion

The landscape of Fintech revolution in India is in the cross-junction phase where we can find start-ups. Technology developers reputed players, regulatory bodies, government and customers who can magnify the possibilities and bringing desirable outcomes in lending, payments, insurance, crowd funding, wealth management and banking, financial services and so on it is also important to support the fintech industry with flexi policies. Technological innovations may change Indian economy which leads to economic development of nation and Digital India initiative helped the fintech industry to spread its arms of financial innovations. If there is an integration of traditional services with fintech industry results in development of nation.

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