

## “A Study on Selected Financial Technology (FinTech) Services in India”

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### Abstract

The world is rapidly adopting to the online domain; digital platforms have seen enormous growth. With rapidly evolving online users, it has become a necessity to make financial services more user-friendly. Thus, FinTech was born. FinTech is the integration of emerging technologies to delivery of financial services effectively and efficiently to customers with or without help of main stream banks. The services include payments, lending, investment advisory and insurance. The important feature of FinTech is use of emerging various types of technologies such as artificial intelligence, robotic process automation and distributed ledger technology etc. in automation, design and delivery of financial services swiftly.

FinTech market in India is projected to grow 1.3 lakh crore by 2025, The traditional financial institutions are under threat because of tremendous growth of FinTech. All financial services are delivered to customers at fingertip be it, lending, payment, investment and insurance. Customers are also happily adopting the Fintech services for their success and growth. Unbanked, underserved and unserved customers with respect to banking and financial services are seeing new ray of hope in FinTech. Of course, Fintech is successful in serving these unbanked, underserved and unserved customers.

Reserve Bank of India issued white paper on FinTech Finance platforms in order to regulate and to bring under its ambit. However, there is no much research is carried out to navigate the opportunities, threats, adoption, and socio-economic impact of FinTech Services. Hence, this research is initiated. This paper main focus is to explore the functionalities of FinTech Services and different types FinTech services in offer.

**KEYWORDS: FinTech, BNPL, Payment applications, Emerging Technology.**

### Introduction:

Financial Technology is also known as FinTech. It is a use of technology to design, automate and delivery of financial services to customers efficiently and effectively. Various services are available which caters the financial requirements of individuals and institutions. These services are broadly classified under four categories. These are lending, investment advisory, insurance and money transfer. Banking institutions also adopted FinTech services such as deposits, collections and payments. FinTech firms are considered as medium of financial inclusion in India.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a financial inclusion scheme under which 34.01 crore accounts have been opened with deposits amounting to ₹89257 crores. Further, Financial inclusion programs such as Aadhaar link to Pan Card and Bank account, Direct Benefit Transfer, Atal Pension Yojana have accelerated the financial inclusion. In addition to this, there is a surge in smartphone users in India. There are 492 million plus smartphone users and 795 million plus

internet users as of December-2020 in India which is an added advantage for FinTech to expand services rapidly.

The digital revolution has resulted in use of flexible payment options by individuals. Today, people use FinTech apps such as Paytm, Google Pay, PhonePe etc. for financial transaction. India is way ahead in adopting FinTech with an adoption rate of 87% which is higher than global average of 64%. Both urban and rural masses are experiencing the benefits of FinTech services in India. Banking sector is also adopting Fintech to deliver banking services to its customers. Better user experience is experienced only when FinTech is adopted by financial institutions.

FinTech adoption is growing rapidly in India. There are many new FinTech companies are also being set up. To support this new Fintech platforms are being launched to accelerate the growth of Fintech industry. Reserve Bank of India issued white paper on FinTech Finance platforms in order to regulate and to bring under its ambit. However, there is no much research is carried out to navigate the opportunities, threats, adoption, and socio-economic impact of Financial Technology Services.

### **Meaning:Financial Technology (FinTech)**

The term “FinTech” is a combination of the word’s “finance” and “technology”. It refers to the emerging technological start ups to provide financial services with the usage of emerging technologies. The services include lending, money transfer, wealth management, insurance and investment advisory. These services are provided with the help of banks or without help of banks.

In other words, the term Fintech (Financial Technology) refers to application of technology to design, automate and delivery of financial services.

### **Definition:Financial Technology (FinTech)**

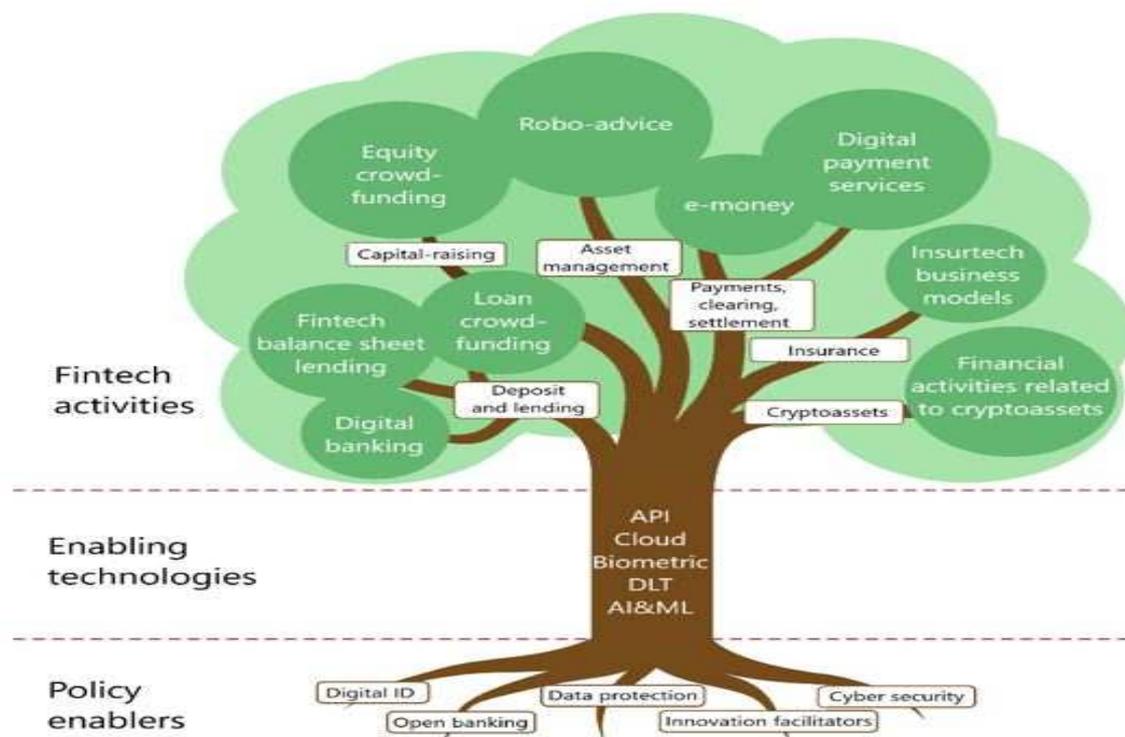
According to Financial Stability Board (FSB), of the Bank for International Settlements (BIS), “FinTech is technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services”.

FinTech refers to the application of emerging technologies, such as artificial intelligence, big data analytics, cloud computing to enhance the quality of services and management efficacy, and enlarge the field of financial services.

### **Financial Technology Services (FinTech Services):**

Financial Technology innovation can be seen in almost every area of finance, from payments and loans to stock trading and credit scoring. Some of such financial services or applications are following; Mobile banking( SBI Yono), Mobile payment(Paytm, Phone pay) P2P lending Platform (Ex;i2i, lendclub,faircent), Crowd Funding Platform(my lap, ketto), Robo Advisors (ET Money, 5paise auto investor), Crypto Currency (Zeppay, Bitcoin), InsureTech (Paisabazaar, Bank bazaar) RegTech (Finchat) Wealth management (Zerodha, upsotx, Groww,ET Money) Buy now Pay Later (BNPL) (Lazy pay, Zest Money, Simple pay) Big Technologies (Flipkart pay later, Amazon pay, Apple pay).

**Figure-01: Pictorial Presentation of Financial Technology Services, Enabling Technologies and Policy enables**



Source: Rupee Circle Company website.

Fintech is an innovation, unfolding the combination of latest technologies and intended for improving and mechanizing the practise , design and providing the financial services. It has altered the traditions which we preserve, borrow and devote money through making digital financial transactions simpler and suitable, without demanding for a bank. The current research is more emphasised on three FinTech Services namely; P2P lending, Crowd Funding, Buy Now Pay later (BNPL).

**Research Gap:**

FinTech Finance is considered to be the bridge for financial inclusion of masses who are deprived, unserved and underserved by main stream banks. World Bank report indicated that around 4000+million adults in India still unbanked in spite of major revolutionary measures adapted by Indian Government with the help of banks. FinTech Finance is reaching these unbanked, unserved and underserved adults with its technological advancements by offering user friendly financial services. Crowd funding, P2P lending, BNPL, and other forms of financing. However, we cannot come to a conclusion that FinTech Finance is doing well in India. Still major chunk of population is not aware of these developments and major research is not being done to study the aspects of FinTech Finance and its functionalities. There are millions of complaints have been registered against the online lending platforms with national consumer grievance redressal cell and with RBI bank ombudsman. Customers who are sourced finance from FinTech platforms are raising concerns which is alarming bell for RBI and Government to explore tight regulations. In India a little research carried out by RBI and other agencies like KPMG, Delete, PWC and other firms which focused only on FinTech start-ups, and investments on FinTech. Perception of borrowers, investors, users of financial services are not explored. Socio-Economic

impact of FinTech is not given priority by researches conducted by these agencies. There are numerous researches carried out in UK and European countries on FinTech Finance which brought good governance and among FinTech platforms. Such kinds of research are very much essential in India. In order to fill this research, gap this research is initiated.

### **Research Questions:**

FinTech Services are playing pivotal role in delivery of financial services effectively and efficiently. Customers accessing to FinTech services are growing in India. Platforms serving financial services are fulfilling the unmet demand of underserved, unserved and unbanked customers in India. Government encouraging FinTech sector by providing suitable eco-system to FinTech start-ups. However, there are questions left unanswered which is ardent necessity to have comprehensive conceptual understanding on FinTech Services in India. Hence, this research is hovering following questions.

#### **1) What are existing FinTech services offered in India?**

### **Statement of the Problem:**

FinTech Finance is marching ahead with conventional lending and creating admirable finance space to unbanked, unserved and underserved by banks. However, business models, governance practices, regulatory restrictions, customer services and functionalities are not explored and made known to the stake holders and stock holders of FinTech Finance sector. Especially, in India investors and borrowers' plight who have invested and borrowed in and from FinTech Finance sector is still not completely heard either it may be positive or negative. With this backdrop, the research is being taken up to Understand FinTech Services.

### **Need for the Study**

Financial Technology services are trying to promote the empowerment of unserved, underserved and unbanked individuals in terms of accessing financial services at fast, secure and efficient manner. However, it is not known that how these targeted individuals are accessing and adopting the financial technology services provided by these FinTech. In this backdrop, it becomes pertinent to develop conceptual understanding on FinTech Services.

### **Research Objectives:**

- **To analyse the existing practices of FinTech Services in India.**

### **Scope of the study:**

The FinTech industry in India can be classified under following categories such as payments , Investment , Insurance, wealth management and regulation technology The entire gamut of the FinTech Services are not covered under this research. In the research special focus is given to FinTech Services and evaluate the difference between FinTech services and conventional banking services.

### **Research Methodology:**

This article is descriptive in nature. Efforts are made to study in detail on entire FinTech Services in India. However, due to paucity of time and limited resources only selected FinTech services are covered. Reviewed the published

material on the subject. Read and reviewed the FinTech developments in India. Interacted with some FinTech entities/start-ups/sponsors/ users/borrowers and investors in India and considered their views and concerns. These efforts would help to form an opinion on Concept, design, Functionalities, regulatory framework/ structure of FinTech Services. The World bank report, Reports of Cambridge University of Alternative Finance, Proceedings and Reports of Bank for International settlements, Reserve Bank of India. Annual publications of FinTech Platforms have been reviewed in detail to conceptualize the FinTech Services.

### Existing Fintech Services:-

There are several FinTech services are offered in India to meet fast growing customer needs. These are services are tailored made to cater the financial needs. The FinTech services are fast, swift and accurate. Every one knowingly or unknowingly, one way or the other customers of FinTech service. FinTech services are grouped under following categories. They are as under:

1. Payment and Lending Services
2. Investment Advisory Services
3. Insurance Technology services
4. Regulatory services

#### Following are Examples of FinTech Services which are offered in India

- Mobile banking(SBI Yono, Airtel bank. Etc.)
- Mobile payment(Paytm, Phone pay, Google pay , Razor pay etc.)
- P2P lending Platform(Ex; i2i, lendclub,faircent),
- **Crowd Funding** Platform (my lap, ketto),
- Robo Advisors (ET Money, 5paise auto investor),
- Crypto Currency (Zeppay, Bitcoin),
- InsureTech (Paisabazaar, Bank bazaar) RegTech (Finchat)
- Wealth management (Zerodha, upstox, Groww,ET Money)
- Buy now Pay Later(BNPL) (Lazy pay, Zest Money, Simple pay)
- Big Technologies (Flipkart pay later, Amazon pay, Apple pay).

These FinTech Services are not the exhaustive list. There are wide range of services are offered by FinTech Industry. Among the above FinTech Services, important FinTech services are Peer to Peer lending, Crowd Funding and Buy Now pay Later. These services provide financial needs of individual customers.

**Tabel-1 Showing the details of A Few FinTech service Model**

Description of Service	Provider of Service	App/Platform	Amount Lent	Customers	Technology Used
Buy Now Pay later (BNPL)	Lazy Pay, Simple pay, Zest Money.	Lazy Pay app, Simple pay app, Zest Money app	10 Rs to 50000	Online shoppers	HTML5, Google Analytics, and jQuery.
Peer to Peer	I2I,	Websites, I2I,	5000 to	Small	Artificial

(P2P)lending	FairCent, Lendbox	Cashkumar, Fair cent, Lendbox.	500,000 at the rate of 11% to 14% average	Vendors, MSME, Retail borrowers, Salaried	Intelligence, Data analytics, machine learning algorithms.
CrowdFundin g	Milap, Ketto, KickStarter, Wishberry.et c	Websites Milaap, kickstarter, Wishberry	100 to 1 crore plus.	Individuals, Start-ups, Companies, Entrepreneur s	Artificial intelligence (AI), blockchain and cloud computing.

**Buy Now Pay Later (BNPL):**

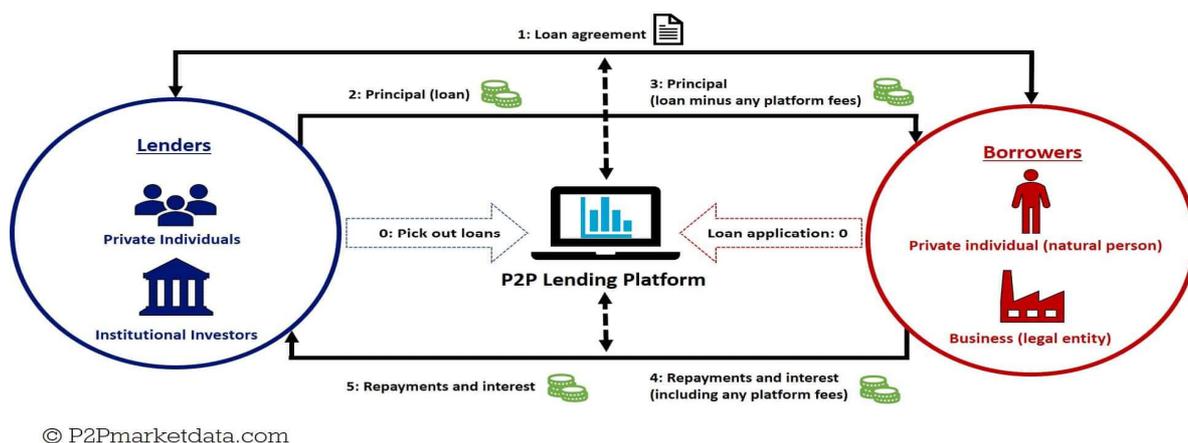
The emerging FinTech Service in India is BNPL. Customers who are in need of short-term financial needs can avail funds at no interest. No Interest is charged on the amount borrowed for short time. However, Money is not returned on time than penalty and interest is charged for the period of non-payment.



**Source: White paper Zood Pay.com**

Industry experts have estimated that BNPL will share almost 9% of online payments by the year 2024 as against to 3% in the year 2020. All the online shoppers are prefer to use BNPL for payments. It provides flexible payment options in terms tenure and interest. Almost interest free funds are provided to customers by BNPL.

**Peer-to-peer (P2P)**lending platforms ensures that individuals can borrow loans directly from other people, without the bank or financial institution as a middleman. Platforms that enable P2P lending have significantly improved.



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Source :P2Pmaretdata.com

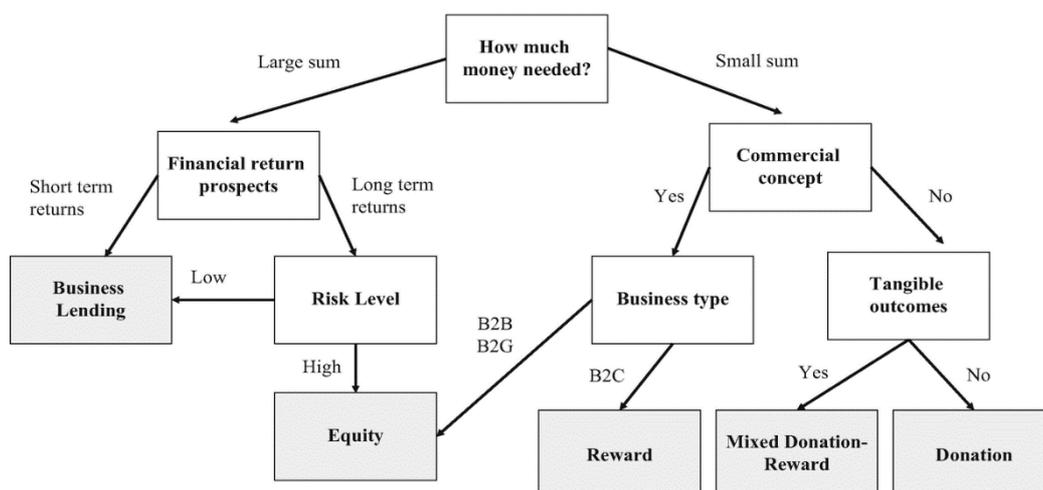
In the above diagram it can be understood as “banking everywhere but never at a bank”. Individuals or group of individuals can borrow loans from prospective lenders at agreed term on P2P lending platforms where no middle man is required. Amount starting from 5000 to 500000 can be availed from Peer-to-Peer platforms. RBI issued regulations in the year 2018 making P2P lending platforms as NBFC’s. Those who are not served by banks can avail loans to meet their financial needs.

**Table-1 Showing of Peer-to-Peer lending Loan Structure in India**

P2P Platforms	Coupon Rate	Loan Amount	Maturity period	Processing Charges
Lend box	12% to 18% per annum	Maximum- 50 Lakhs	6 months to 24 months	Rs.500
i2ifunding	12% to 18%per annum	Maximum- 50 Lakhs	3 months to 36 months	Rs.1000
Fair cent	9.99% to 24%per annum	Maximum- 50 Lakhs	6 months to 36 months	Rs.500
OMLP2P	10.99% to 15%	Maximum- 50 Lakhs	3 months and 36 months	Rs.100
i-lend	15% to 22% per annum	Maximum- 50 Lakhs	6 months to 36 months	Rs.1000
LenDenClub	6.5% to 24% per annum	Maximum- 50 Lakhs	3 months to 24 months	Rs.750

Source: FairCent.Com

**Crowd funding:**It refers to mobilisation of funds from all the people with the help of technology. “solicitation of funds (small amount) from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause.” Some authorities have preferred to endorse special legislative rules to regulate the conditions under which this service can be made obtainable to retail investors.



Source: Springer Link.com

Under Crowd Funding mechanism all prospective raisers of capital can reach masses to sell their idea and mobilise capital. The capital raised through crowd funding route shall be properly utilised and integrity should be adhered.

### Conclusion:

India witnessing FinTech disruption which is posing a major challenge to conventional banking system. To combat the challenges even banks are merging up with FinTech firms to reach the last mile customer. Financial inclusion of entire adult population in India is paramount to uplift the 30% of unprivileged population to main streams. Banking sector alone cannot achieve this objective. Alternative Finance (FinTech) is the best possible solution for financial inclusion of masses. Both banking sector and alternative finance sector should work parallel to make India and Indian Bright.

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