

## A Study on FinTech: Growth and impact on Indian Financial Services

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### Abstract

The study is based on the RBI regulations & strategies to encourage the growth of Fintech in Indian economy. Having a greater emphasis on the growth of Indian FinTech market, Indian FinTech industry is seen to be growing remarkably since 2013, which has reached USD 450 million in 2015. There are around 400 FinTech companies existing & successfully operating in India. The investment of such companies are expected to grow by 170%. The NASSCOM review shows that the Fintech market in India is forecasted to touch 1.2 billion USD. This review-based study is to understand the significance of adoption of FinTech in Banking & financial services starting from the digital payment platforms, Personal Finance or Retail Investment Services, software services, crypto currencies. Attempt has been made to study as to how Fintech is contributing towards the regularization of KYC, Retail investing, lending services. RBI is paving the way for the growth of Fintech start-ups & is seen to be optimistic about the same.

**KEYWORDS:** Finance, Technology, Products & services, Role of RBI.

### Introduction

Fintech is changing economies across the world. FinTech is not just confined to the Banking & financial services but it includes wide range of products, technologies, business models, financial services etc., It ranges from cashless payments, crowd funding platforms, Robo-advisors & virtual currencies. Every time we transfer money through our mobile phone, that's fintech to every survey you answer to online is fintech. Global investors are keen on investing in fintech adding up to 100M \$ in 2017 alone. The faster & increasing adoption of fintech by users has led the companies like Apple & Alibaba to adopt fintech. China & India are the 2 economies leading their way in adoption of fintech in borrowing & lending, money transfers, financial planning & insurance (CNBC International 2019).

As stated by the Governor of RBI during the Times network India economic conclave 2021, "India is on its way in becoming Asia's top FinTech hub with 87% FinTech adoption against the global average of 64%."

Fintech which is also called as Finance technology is a linguistic blend or a contraction of the terms 'Finance' & 'Technology'. Fintech is basically an emerging group of start-up challenging the traditional system of management of banking services. Fintech is being used in a variety of services ranging from the crowd funding activities to the online platform services or the Robotic services & many more.

### Review of literature

**Khurana (2018)**, studied the role of FinTech in bringing phenomenal turnaround in traditional financial services specifically with respect to Indian banks and financial service providers. The study was an attempt to understand the changing business

propositions due to adoption of technology in banking & financial services, it is identified that the gap lies in identifying the modification & gratification of technology towards banking services & making it more accessible & reliable. The emphasis was on the key stakeholders in the financial services sector in India & the partnering of the same with incumbent banks & financial institutions.

**Varga(2017)**, attempted to study the gap in evolving and under-researched fintech literature which is providing a different dimension to interpret various categories of ecosystems & businesses. The focus was on evaluating the innovation-based fintech companies who are attempting to make the work simpler & convenient to the users at large.

**Asadullah(2019)**, studied the increasing interest among the research scholars of the IS sector to study more about fintech for the reason being adoption of the technology in economic & social facets. It is also seen that the study was conducted reviewing 96 research articles which represented the significance of fintech in terms of need for more literature & the opinion of people regarding the same. Even though there are various ambiguities about digital platforms & the adoptability, also the highlight on heterogeneity of practice.

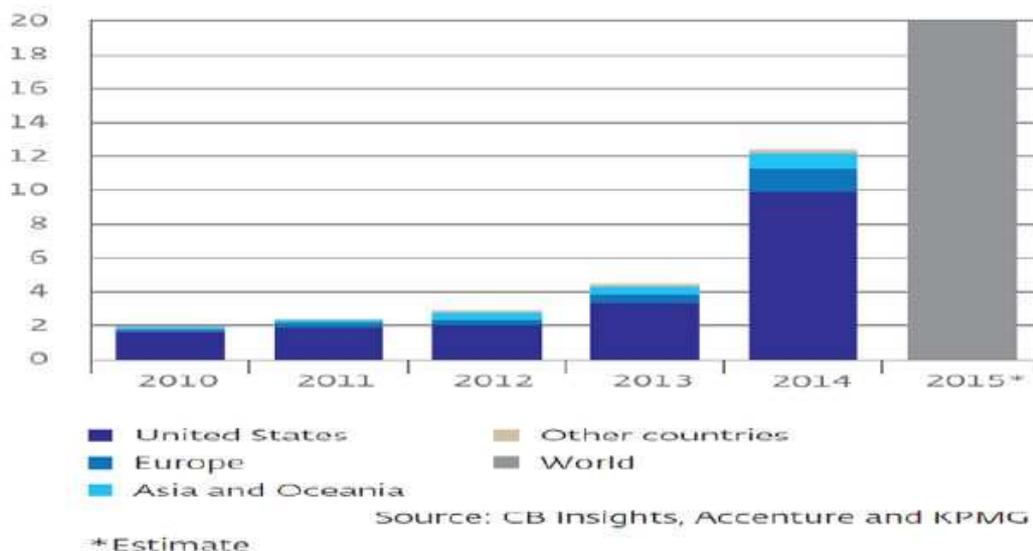
### **Concept of FinTech**

FinTech in its simple terms represents technological innovation having a bearing on financial services. There is no clear-cut definition for the term yet & since it is in the stage of infancy as a concept, experts are working on the definition.

According to the Financial Stability Board (FSB), of the 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". The features to derive out of the definition is that fintech is all about including innovative ideas & blending technology without ignoring the regulatory aspects of business firms. This is contributing to the emergence & growth of an innovative financial system.

FinTech delivers or is promising enough to deliver a wide range of services, improved efficiencies & also contributing towards cost control or cost management. It's time to look at changing the way people see financial services & the idea of financial inclusion.

Venture capital funds are one of the largest investors in fintech with around USD 12 billion investment made which is expected to increase eventually with the passage of time & adoptability.



### FinTech innovations, products and technology

A simple categorization of some of the most prominent FinTech innovations into groups according to the areas of financial market activities where they are most likely to be applied is as under:

Categorization of major FinTech Innovations				
Payments, Clearing & Settlement	Deposits, Lending & capital raising	Market provisioning	Investment management	Data Analytics & Risk Management
Mobile and web-based payments Digital currencies Distributed ledger	Crowd-funding to lending Digital currencies Distributed Ledger	Peer peer Smart contracts Cloud computing e-Aggregators	Robo advice Smart contracts e- Trading	Big data Artificial Intelligence & Robotics

### FinTech and its impact on global financial services

We do not follow the traditional financial services anymore. Innovation & technology has contributed major changes in the field of financial services. There are around 12000 start-ups with a massive global investment in the Industry of Fitech specifically. Which is a clear indication of the growth in the industry in terms of Investment & Business contribution. NASSCOM also predicted that Fintech will boom by 2020 rightly so.

Banks and financial institutions are compelled to change the way they operate or do business from traditional set up to online platforms with respect to payments, deposits, transfers & investment etc., which has obviously resulted in high grade financial products & services.

Huge companies like apple, google & Facebook are no different or distinguished from the usage of Fintech in terms of scale & innovations.

Innovation in technology always comes with opportunities & also a price to pay. It is possible to boost competition & enhance diversity in financial sector using Fintech especially in Indian context. A Better financial sector offers lesser risk profile & market participants.

Having a streamlined financial sector contributes in reduced systemic risk & creating better opportunities but not to forget the mitigation of cyber attacks & risk with respect to market players.

There is increase dependence or interdependence between IT Sector & other market players including the market infrastructure developers. The complexity risen in the economic system with IT & Data base risk is not a negligible aspect. However, the IT risk is contributing toward the systemic risk undoubtedly. There are multiple players in the Fintech market with is a competitive environment which demands the need of Higher Risk control techniques at the same time.

## **FinTech and its impact on Indian Financial Services**

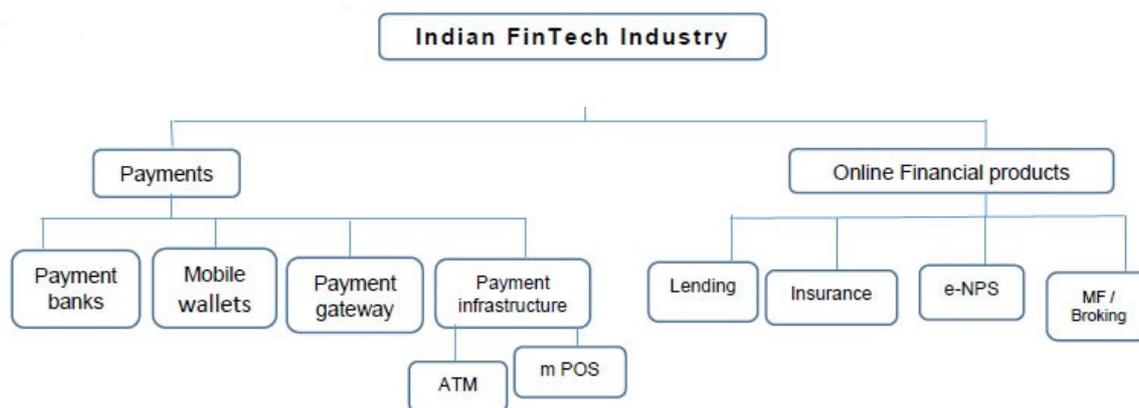
### **FinTech innovations, products and technology**

Despite being the youngest fintech market India is seen to be doing really great compared to its counterparts. The huge market base, start-up landscape, the supportive government policies & regulations are contributory in this regard. Several start-ups are focussed on exploring this sector catching up with banking & NBFC's sector.

Fintech is being optimistic shift in providing practical solutions for the traditional Indian financial service sector problems & challenges. It is also studied by RBI that there is a positive indication on collaborative participation with all the stake holders by redefining & transiting on a daily basis.

RBI study reveals the following statistics:

The Indian FinTech industry grew 282% between 2013 and 2014, and reached USD 450 million in 2015. At present around 400 FinTech companies are operating in India and their investments are expected to grow by 170% by 2020. The Indian FinTech software market is forecasted to touch USD 2.4 billion by 2020 from a current USD 1.2 billion<sup>11</sup>, as per NASSCOM. The transaction value for the Indian FinTech sector is estimated to be approximately USD 33 billion in 2016 and is forecasted to reach USD 73 billion<sup>12</sup> in 2020. The broad FinTech products/services offered in Indian financial markets are as under



## FinTech industries in India & their contribution

### Peer-to-Peer (P2P) Lending Services

Companies like Lendbox, Faircent, i2iFunding, Chillr, Shiksha Financial, Gyan Dhan, and Market Finance are working on alternative credit models & data sources in providing faster & easier access to capital based on the match.

### Personal Finance or Retail Investment Services

Companies such as FundsIndia.com, Scripbox, Policy Bazaar, and Bank Bazaar are providing Financial information services starting from saving, money management or investment based services.

### Miscellaneous Software Services

.Many software services are being offered by Catalyst Labs in the agriculture sector, AirtimeUp which provides village retailers the flexibility to use mobile platforms, use of accounting software for MSME's & so on.

### Equity Funding Services

Companies like Ketto, Wishberry, and Start51 are the crowd funding platforms to access venture capital through various sources for various stages of Ventures.

### Crypto currency

Unocoin, Coinsecure, and Zebpay are the bitcoin exchange startups in India. However the conservative Indian market is yet to adopt this fully.

### Developments in Payments landscape in India

There is a major shift in the payment mode & platforms usage in India from the traditional currency based exchange transaction to the USSD, NUUP, IMPS OR UPI services. Some of such platforms & the features of the same are as follows:

1. Fast Payments- contributing to less cash society.

2. Introduction of Process Innovation like UIDAI, AEPS or PIN
3. Wallets such as PayTM, Mobikwik etc have simplified the money transfer process.
4. BHIM (Bharat Interface for Money) developed by NPCI allows user to send or receive money with account number of IFSC Code or Q R Code making it convenient for the user.

This apart there is growth seen in the retail financial service sector aligning the functioning of the traditional set up accordingly to meet the changing needs of customers. Mobile banking services are making the lives of customer easier by usage of Mobile apps for banking & any financial services. The innovation in digital banking customers are taken into a new world of multi-channel banking, where they can access services from home, at the office, or on-the-go through Mobile Banking, SMS Banking, Phone Banking, ATMs and Net Banking. Not just the banking services but are also used in managing investment of clients through apps. Banks are also collaborating with Indian IT service providers in areas of voice enabled system for the customers to open new accounts on the basis of Aadhaar authentication & e-Sign (digital signature) facility to help digitally signing the loan documents. Innovations in branch banking through Intelligent Robotic Assistant especially the idea considered to be preferable in manufacturing & medical sector is now a part of fintech services.

### **Scope for Growth of FinTech and digital banking in India: as per RBI Report**

India has a large untapped market for financial service technology startups as 40 percent of the population are currently not connected to banks and 87 percent of payments are made in cash. With mobile usage expected to increase to 64 percent in 2018 from 53 percent currently, and internet penetration steadily climbing, the growth potential for FinTech in India cannot be overstated. Moreover, by some estimates, as much as 90 percent of small businesses are not linked to formal financial institutions. These gaps in access to institutions and services offer important scope to develop FinTech solutions (such as funding, finance management) and expand the market base.

### **Conclusion**

The growing use of FinTech due to its cost effectiveness & ease of use. India is one of those economies in the world being pro active & the usage of the Fintech by the citizens is seen to be upsurge. Fintech is transforming the digital platforms & usage by Individuals and institutions starting from biometric authentication, validation chip for cards, invisible payments to banking & financial services. RBI is encouraging the pathway of FinTech in India with the motto of Going digital & a transparent eco system.

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