



The Revolutionized Finance Sector with Reference to Fintech Industry in India

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Abstract:

Fintech is the newest buzzword in the financial industry. The most recent evolution of Fintech, driven by startups, presents challenges for market participants and regulators alike, particularly in balancing the potential benefits of innovation with the potential risks of new financial sector approaches. Traditional financial institutions now use fintech. The expanding technology advancements in the financial sector are referred to as fintech. The banking sector is progressively being shaped by fintech. The adoption of fintech, the fintech news network, the structure of the Indian fintech industry, fintech startups in India, and fintech trends in India are all examined in this research study. In order to improve customer experience, stimulate acceptance and utilisation of the digital channel, and minimise operational friction, Indian FinTech companies might solve some of the crucial structural concerns plaguing Indian financial services. When banks try to catch up to these more agile and innovative start-ups, their legacy-prone processes and higher operating cost models will provide digital FinTech startups an advantage. The opportunity for FinTech is in market expansion, influencing consumer behaviour, and bringing about long-term reforms in the financial sector.

Keywords: Financial sector, Fintech, operational friction, startups, Indian financial services

Introduction:

FinTech, or new financial technologies, has exploded globally (Kavuri, A. S., & Milne, A.2018) In order to offer its clients better financial solutions in the form of digital payments and transactions, a company is said to be using fintech, or financial technology (SaumyaUniyalandAakriti Suri) (2020). Over the past few years, many startups have entered the Indian fintech market. The industry has expanded significantly and is now gaining recognition on a global scale with each startup. According to CB Insights' most recent findings, these 20 Indian fintech businesses are among the 250 most promising startups worldwide (Wilson, R., 2020). In addition, UPI, BHIM, payment wallets, digital banks, and many more services are readily available and we use them on a large scale every day. Which illustrates how important money and technology are in our lives today? (Ravi, 2020) Fintech businesses can learn from and use best practises that have proven successful for the majority of Indian banks and financial service providers in the areas of risk and internal controls, operational excellence, compliance culture, and employee engagement.

Beyond Fintech: Disruptive innovation in digital banking

Regulations and technological advancements are starting to build the groundwork for a fundamental change in the banking industry's business model, which will cause substantial upheaval. More than ever, people demand service that is value-driven, individualised, and seamless.

Leading Countries for Fintech Adoption

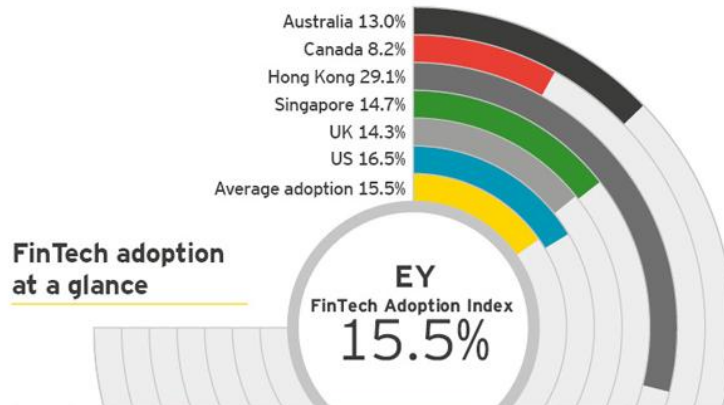
Sl.No	Countries	Banking and Payments	Financial Management	Financing	Insurance
01	China	92%	91%	89%	62%
02	USA	52%	49%	41%	31%
03	Mexico	49%	36%	31%	23%
04	South Africa	47%	43%	34%	26%
05	U.K	41%	37%	34%	24%
Total		56%	51%	46%	33%

Source: www.statista.com/statistics

One of the world's FinTech marketplaces with the quickest growth rates is India. Along with China, India has the greatest adoption rate of fintech internationally. Until 2023, the \$65 billion in digital payments value is projected to increase at a CAGR of 20%.

Fintechs in India:

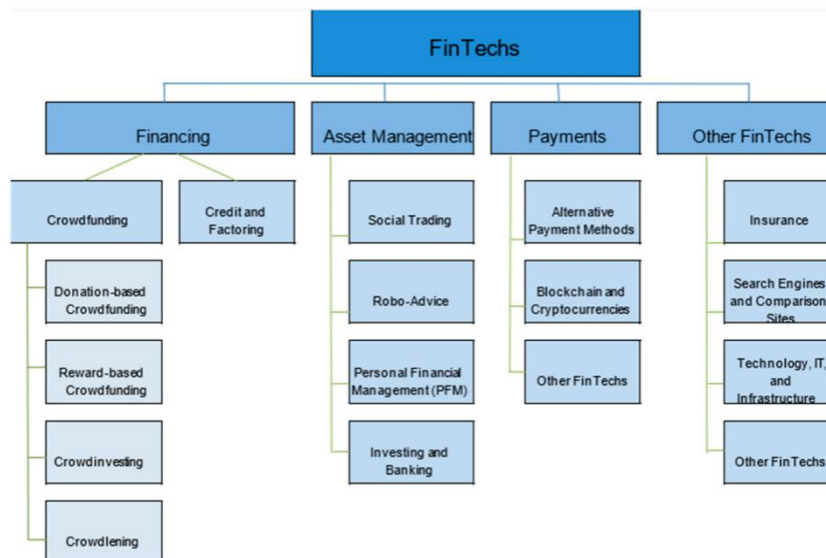
Technology innovation and capital preservation have become essential for the survival of any organisation in the banking sector, which is undergoing a revolution. On the one hand, the sector has been revived and revived as a result of different macro prudential regulatory efforts and restructuring initiatives. On the other hand, the industry is constantly dealing with difficulties as a result of the introduction of digital innovation and disruptions from both inside and outside the industry. The banking industry looks to have reached a tipping point, driven by growing client awareness and a change in their expectations, emerging competition from start-ups, and constraints in established business models. Banks are being compelled to reframe their goals, challenge their own business models, and display exceptional resilience in absorbing and promoting exponential change in order to remain competitive. The internet has made banking more convenient, and the banking industry appears to be moving towards a more digital future. The hyper-connected world and digital age of today force banks to constantly rethink how they do business. In the area of digital transformation, Indian banks seem to be making significant progress. The promise of exponential technologies appears more tangible than ever in the field of technology.



Above image showing Fintech adoption at a glance

India's FinTech companies are establishing new standards for the nation's financial services (Mathur, H.2020) The advent of UPI and other government initiatives like Jan Dhan Yojana, Aadhaar, and other programmes that lay the groundwork for greater financial inclusion in India are encouraging the growth of the fintech industry in that country. Age-wise, those between 25 and 44 are the largest adopters of FinTechs, at roughly 94%, whereas globally in the same age bracket FinTech adoption is found at around 73%. Demographically, male and female adoption of FinTech apps stood at 88% and 84%, respectively. One of the world's FinTech marketplaces with the quickest growth rates is India. Along with China, India has the greatest adoption rate of fintech internationally. The \$65 billion in digital payments value in 2019 is projected to increase at a CAGR of 20% until 2023. Markets around the world are differentiated by a variety of characteristics, and the fintech industry is no exception. India stands itself as a special market for FinTech, specifically the payments industry, with its own set of difficulties and opportunities (Adithya, S., 2019)

Indian Fintech Industry Structure



Above image showing Indian Fintech Industry Structure

Fintech Start up in India:

The evolution of fintech is still accelerating in India, especially due to the creation of new fintech businesses and a strong wave of technological improvements. With capital growing at a CAGR of 98% over the previous six years, the FinTech sector in India has experienced a financial boom in the last five years. There are already over 1200 active FinTech businesses in the nation, and their number is constantly increasing. India is home to the second-largest fintech cluster in the world, with 2,565 startups functioning as of today, up from just 737 in 2014. Payments make up the largest portion of fintech firms in India, followed by lending, wealth technology, personal finance, insurtech, regtech, and other areas (Ashwini. 2020). The Indian fintech scene is split into four categories: Payment processing came in at 34%, banking came in at 32%, and trading, open markets, and private markets all came in at 12%. To promote the interests in this region, Visakhapatnam is being developed as a FinTech valley, and the Andhra Pradesh government adjacent opened Fintech Valley (Shrivastava, D. (2,2020) In the nation, there have been more Fintech transactions. India saw 23 agreements in the second quarter of 2019, while China had 15 deals during the same time. Some of the significant Indian Fintech deals in 2019 include a digital insurance and the payment company RazorPay, which raised USD 75 million in June from Sequoia and Ribbit Capital. According to a KPMG report, India's fintech startups have raised nearly \$1.7 billion in the first half of 2020, more than doubling the \$726.6 million raised in the same period last year. India will contribute 2.2% to the global market for digital payments by 2023, and the value of these transactions is predicted to reach \$12.4 trillion globally by 2025. To foster a collaborative and consolidated environment, financial institutions, startups, the government, venture investors, and regulators must work together. The research provides a look of three developing themes: open banking, artificial intelligence, and blockchain, which have the potential to alter the financial services sector in India, with KPMG in India and NASSCOM 10000 Start-ups expertise in the fintech sector.

Government support:

The Government of India (GOI) is pushing for an aggressive strategy, both at the policy and financing levels, to encourage the development of a cashless digital economy with a robust fintech ecosystem in India. The significant actions taken by the GOI, together with other regulatory agencies like the RBI and SEBI (Securities and Exchange Board of India). In addition, India is now home to the third-largest startup ecosystem in the world, with 1,860 of the 59,593 startups recognised by DPIIT across 57 distinct industries. India has around 17 fintech startups that have achieved "Unicom Status" with a worth of over \$1 billion as of December 2021. No such data is kept centrally about investment inflow in the Fintech sector. To promote investment flows into the fintech sector, the government has taken a number of actions. The Pradhan Mantri Jan Dhan Yojana (PMJDY) aims to increase financial inclusion in India by assisting beneficiaries in opening new bank accounts so they can receive direct benefits transfers and have access to a variety of financial services applications. This has made it possible for fintech companies to develop technological products that will appeal to India's sizable user base.



Above image showing India's fintech sector growth rate

Fintech Trends:

In 2020, new technological trends in the financial services industry will emerge. The development of financial organisations will also depend on their capacity to shape the sharing economy, gather data on their customers, and cope with emerging technologies like blockchain, robotics, Artificial Intelligence (AI), among others.

Artificial Intelligence in Fintech:

Finance has undergone a transformation thanks to artificial intelligence (Hill, K., 2020) Few industry titans had the capacity to handle the intrinsically quantitative nature of our modern, tech-savvy society before AI and the emergence of FinTech. These AI use cases demonstrate how AI has revolutionized the Finance industry (Buttice,C.,2020) AI and machine learning are used by financial institutions and fintech businesses to boost

productivity and offer customers more pertinent, cost-effective, and user-friendly financial services and products to satisfy their banking demands (Darcy Tyrrell, 2020)

Blockchain in Fintech:

The financial sector is being disrupted by fintech, and moving forward, blockchain development companies in this field will have a significant advantage (Shah, P, 2019) The importance of Blockchain was recently discussed in a study published by the steering group on Fintech-related problems of the Ministry of Finance, Government of India, with a focus on four specific Fintech applications (Jacob, C, 2020) Several ways that blockchain technology is revolutionising the fintech sector include the removal of middlemen, decreased operational costs and time, improved identity verification, etc (Srivastav, S, 2020).

Cloud Computing In Fintech:

Cloud infrastructure gives FinTech businesses complete control over scaling up and down while maintaining regulatory compliance (Naser, A. T, 2020) with the use of cloud technology, FinTech continues to grow significantly and steadily. FinTech boosts service portfolio and user experience while lowering CAPEX and OPEX expenditures (Ray, T., 2020).

NLP-based chatbots:

According to PwC India, Fintech will reinvent mobile banking by utilising NLP-based chatbots and cutting-edge Conversational User Interface (CUI). These chatbots will have the capacity to react to consumer issues and offer workable solutions in real-time, improving the customer experience.

Conclusion:

The new financial sector known as fintech uses technology and innovation to deliver financial services using novel applications, procedures, goods, or business models that are offered as end-to-end Internet operations. Since India has an unmatched youth population that is rapidly expanding, fintech there is very attractive. Also, it's expected that smartphone penetration would increase, rising from 53% in 2014 to 64% by 2018. With 40% of the population having no bank affiliation and more than 80% of transactions taking place in cash, India's financial services sector remains mostly untapped. This offers a chance for Fintech start-ups to widely extend their wings in many industries. As a summary, this report gave a general overview of the Indian Fintech Sector and government actions that support it. Their output under the current situation. Fintech provides consumers with financial products and services more quickly. Thus, the growth of the fintech industry is essential for both the international and Indian financial sectors. Future developments in the financial sector's use of fintech technologies.

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