

A STUDY ON FINTECH-A PATH WAY TO DEVELOPMENT IN INDIA WITH RESPECT TO PERFORMANCE AND PROGRESS

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Abstract

Finance is considered as a powerful instrument that transforms socio-economic status of the people and country. Financial become highly technology based with the help of modern devices and application. Fintech is the merging of finance and technology which has developed as a transformative way to development in various aspects of the universal economy. By leveraging technology, fintech has the possible to drive financial inclusion, promote economic growth, enhance efficiency, and improve access to financial services. Therefore, financial technology is a major instrument for meeting financial demand of the people. Fintech in India looks auspicious in future with enormous potential for further growth and innovation. As technology continues to advance, emerging areas such as blockchain, artificial intelligence, and machine learning are predictable to play a important role in determining the fintech environment. Adoption of open banking structures and integration of fintech solutions across sectors such as insurance, wealth management and lending will spur further development. Collaboration between fintech companies, traditional financial institutions and regulators is serious to unlocking the full potential of fintech and addressing developing challenges. With this view, this paper made an attempt on Fintech and its progress in India with respect to secondary sources.

Key Words: Fintech, Financial services, Financial Inclusion, Financial innovation, financial empowerment, financial education

Introduction

Finance is needed to make the demand of the people and country with respects to infrastructure, establishment, maintenance and day to day expenditure. Financial world has experienced a notable transformation in recent periods. We should thanks to the speedy emergence and explosion of financial technology, popularly known as fintech. Fintech integrates a variety of technological innovations that have transformed the way we manage, invest, and transact in the financial monarchy. From mobile payments and online lending to robot-advisory services and blockchain technology, hence fintech has become a powerful force behind the democratization and digitalization of financial amenities. India is one of the fast growing financial technologies adopting country in the world which have very good financial infrastructure and technological network. Demand for financial products such as money transfer, loans, capital formation and other services are also consistently increasing in India. With this view, this paper is mainly concerned with Fintech industry, features of Fintech in India and also offer suitable suggestions based on the available data.

Literature Review

The following are the major review of literature which represents the trend and progress of Fintech industry in India during the previous period. Vijai C (2019), Fintech is a novel concept in the financial industry. Indian fintech services are safer and easier to use, which gives the Indian economy a bigger advantage. The fintech services lower their financial service expenses. Dwivedi, R. K. (2020). The discussion of Fin Tech in the Indian Financial Ecosystem (IFES) in this study focused on the social, economic, technical, and regulatory factors that have made Fin Tech one of the essential elements of the Indian financial framework. Additionally, the author emphasised the phrase "financial inclusion". Ray, T. (2020). The breadth of available research and literary sources

demonstrates the expanding amount of study and interest in methods pertaining to Fintech and its function in the Indian financial sector. The relationship between the financial effectiveness of Fin Tech and the COVID-19 epidemic in India is also crucial. Mohanasundaram et al (2021) thought about the 5G wave's impact on the financial technology scene in India. They found evidence that the 5G, or fifth-generation mobile network, has altered the whole financial technology perspective and is expected to create a new FinTech biological system in India. Rajeswari P, & Vijai C (2021), Fintech is the newest catchword in the financial sector, and its most recent evolution, driven by startups, poses challenges for both market participants and regulators, particularly in balancing the potential benefits of innovation with the potential risks of new financial sector techniques. Sumeet Gupta & Adarsh Agrawal (2021), This study offers helpful details to comprehend the scope of FinTech from the perspective of the present financial crisis. The research and discoveries might be useful and relevant to various ideas and disciplines. Although financial technology has long been researched by academics, the term "FinTech" is nevertheless novel and intriguing. Rohit Jain & Mercia Selva Malar (2023), The banking and financial services sector has undergone significant change as a result of the development and application of financial technology. By utilising technology, fostering partnerships between businesses and consumers, and tackling the issue of financial inclusion, fintech has the potential to completely transform the financial sector. The above reviews have given clear understanding about the trend and progress of Fintech industry in India.

Fintech Industry in India

India is one of the fast growing economic country in the world with respect to industrial and service sector, particularly financial services in India. Is one of the emerging sector which complete with global standard. During 2020, Fintech industry in India is achieving a remarkable contribution to GDP of the country. The Fintech sector in India has witnessed funding accounting to 14 percent share of Global Funding. India ranks second in terms of trading volume. The fintech market opportunity is estimated at \$2.1 trillion by 2030. Indian fintech was the second most funded startup sector in India in 2022. Indian fintech startup raised US\$5.65 billion in 2022. The total number of unique institutional investors in Indian fin techs has nearly doubled. It increases from 535 to 1019 between 2021 and 2022, respectively.

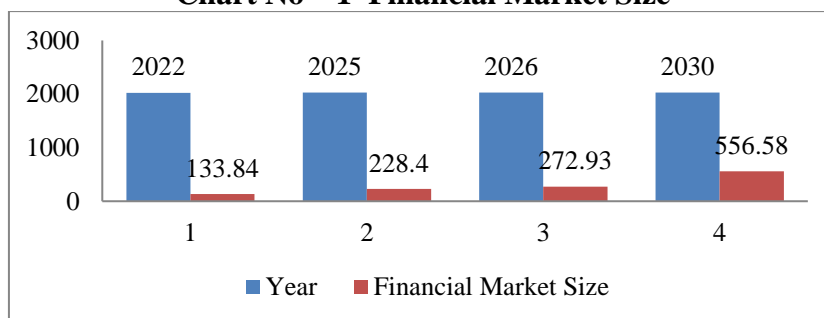
Table No – 1 Financial Market Size (USD Billion)

Sl.No	Year	Financial Market Size	CAGR
1	2022	133.84	19.5%
2	2025	228.40	
3	2026	272.93	
4	2030	556.58	

Source: Mordor Intelligence

In the year 2022, Fintech market size was 133.84 USD Billion which will increased to 228.40 USD Billion in 2025 and also it will increase to 556.58 in 2030. GAGR will be 19.5% during the year 2025 to 2030.

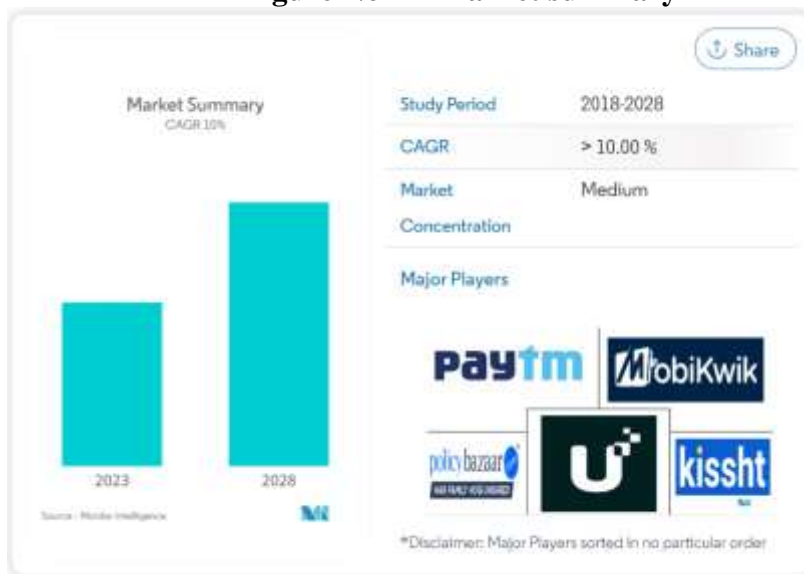
Chart No – 1 Financial Market Size



Fintech has facilitates individuals and businesses with greater accessibility, convenience, and efficiency in the financial dominion. While challenges remain in terms of regulation and cybersecurity, the potential of fintech to redesign the future of finance is undeniable. As technology

remains to advance, the transformative influence of fintech will increase further and carrying about a more inclusive, efficient, and secure financial environment for all.

Figure No – 1 Market summary



Source: Mordor Intelligence

CAGR of market summary of Fintech industry will be expected to 10% during the year 2023-28. Paytm, Mobilekwick, Policy bazaar, Kissht and U are the major player in Fintech market.

Fintech has developed as a transformative energy in the financial sector through encouraging financial inclusion, restructuring payment systems, troubleshooting lending practices, and democratizing investment and wealth management.

Figure No – 2 Fintech Market Leader



Source: Mordor Intelligence

Paytm and Mobilekwick are the major market leader in Indian market followed by Policy bazaar, PayU and Kissht.

Features of Fintech in India

Indian financial system is one of the well organized and systematically regulated which able to complete global market. Financial service industries in India are playing significant role in economic development of the company.

Fintech industry in India has experienced exponential development, fuelled by factors such as increasing smartphone dissemination, digital literacy, sympathetic government policies, and a large unbanked people. Unified Payments Interface (UPI) introduced by the National Payments Corporation of India (NPCI) in 2016 has been a crucial development, empowering continuous and instant peer-to-peer payments. UPI is the mainstay of various fintech applications, allowing users to simply make payments, transfer funds and compartment transactions through mobile phones.

Figure No – 3 Fintech in India



Source: Mordor Intelligence

Digital Payments and Mobile Wallets

The growth of fintech in India has reformed digital payments, making them extra accessible and convenient. Mobile wallets have developed a favoured mode of payment for lots of Indians, offering a protected and hassle-free alternative to cash transactions. Paytm is a leading mobile wallet in India which has expanded its services to include bill payments, online shopping, and wealth management. Moreover, UPI-based payment apps like Google Pay and PhonePe have gained significant market share, allowing users to transact digitally, split bills, and make payments to merchants seamlessly.

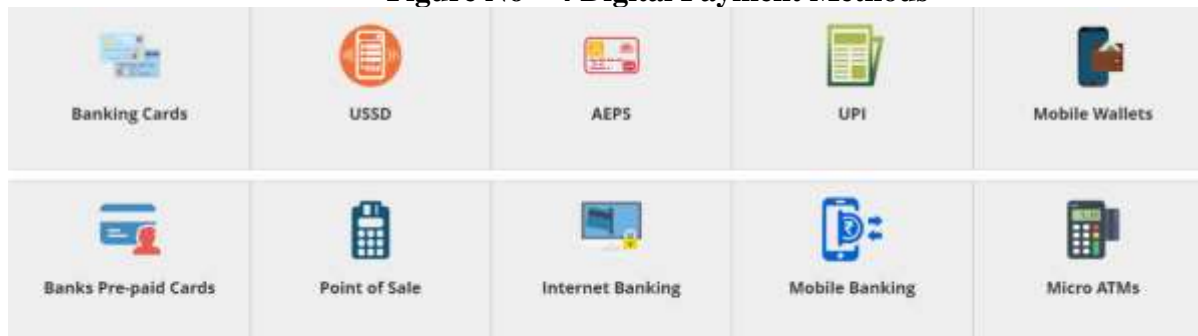
Table No – 2 Digital Payments

Sl.No	Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22
1	Digital Transaction Volume (in crore)	2,071	3,134	4,572	5,554	8840	13,462
2	Digital Transaction Value (in lakh crore)	1,962	2,482	2,953	3,000	3,021	3,344

(Source: RBI, DigiDhan Dashboard)

Digital transformation volume in 2022-23 amounted to 13,462 crore as against 2071 crore in 2017-18. Digital transaction value in 2022-23 amounted to Rs. 3344 Lakh crore as against Rs. 1962 Lakh Crore.

Figure No – 4 Digital Payment Methods



Source: Mordor Intelligence

Fintech Lending and Personal Finance

Fintech lending has disrupted the traditional lending landscape in India, providing easier access to credit for individuals and businesses. Digital lending platforms utilize advanced algorithms and alternative data sources to assess creditworthiness, enabling quick loan approvals and

disbursements. This has been particularly beneficial for individuals with limited credit history or no collateral.

Table No 3 Digital lending landscape

S.No	Sector	Lenders/ co lenders	%
1	Private sector	Indusland Bank, IDBI, HDFC ,Standard& Chartered	32
		ICICI, HDFC, Kotak banks	16
		Yes Bank, Axis Bank, IDFC, Indusland Bank	6
2	NFC	Axia, newgrowth , Zest, money view, Patm, Pinelab	17
		IIFL,UGRO,Indelmone, of business	9
		Indifi,kredx, paisabazar	6
3	PNB	Yono SBI, UBI, BoB	8
		PNB, SBI, Bank of Baroda, CentralBnak of India	3
		Indian Bank, Bank of Baroda , Indian Overseas Bnak, UCO Bank	

Figure No – 5 Customer tends to Fintech companies



Source: <https://smartadvisors.in/2023/01/20/who-regulates-fintech-companies-in-india/>

Regulatory Environment and Challenges

Government of India has recognized the possible of fintech and has taken numerous initiatives to foster its development. The Reserve Bank of India has introduced regulations and rules to safeguard the security and integrity of digital transactions and alsoencouraging innovation and competition. Regulatory frameworks need to evolve continuously to retain pace with the dynamic fintech landscape while protecting the interests of all stakeholders.

Figure No – 6 Regulatory Environment



Source: <https://smartadvisors.in/2023/01/20/who-regulates-fintech-companies-in-india/>

Financial Inclusion and Empowerment

Important advantages of fintech are its ability to encourage financial inclusion. Traditional banking services frequently exclude underserved populations, such as those living in rural or remote areas, low-income individuals, and small businesses deficient collateral or credit history. Fintech solutions like mobile banking and digital wallets are provide these populations with access to elementary financial services such as payments, savings, and credit.

Table No – 4 Progress in Financial Inclusion in India

Sl.No	Particulars	March 2018	December 2021\$
1	Banking outlets in villages – Total	5,69,547	19,00,523
2	Banking outlets in villages – Branches	50,805	53,249
3	Banking outlets in villages – BCs (Branchless Mode)	5,18,742	18,44,732
4	Banking outlets in villages – Other	0	2,542
5	Urban locations covered through BCs	1,42,959	14,12,529
6	BSBDAs – Opened Total (No. in Millions)	536	663
7	BSBDA through Branches (No in Millions)	247	271
8	Number of BSBDA per Branch	4,862	5,93
9	BSBDA through BCs (No in Millions)	289	392
10	Number of BSBDA per BC	557	212
11	BSBDAs – Deposits mobilisation – Total (Amt. In Billion)	1,121	2,136
12	BSBD through Branches (Amount in Billions)	731	1,186
13	BSBD through BCs (Amount in Billions)	391	950
14	Average balance per BSBDA (Rs.)	2,091	3,222
15	Average balance per BSBDA - BC (Rs.)	1,352	2,425
16	OD Facility Aailed in BSBDA (No in Millions)	5.8	6.4
17	% of BSBD account holder aailed OD facility	1.08	0.97
18	OD Facility Aailed in BSBDA (No in Billions)	4.08	5.56
19	KCC – Total (No. in Millions)	46	47
20	KCC – Total (Amt. in Billion)	6,096	6,936

Source: RBI: Trend and Progress report in Banking in India: 2016-19, RBI: Annual Report: 2019-20
 S: Provisional data available till Dec 2021

Economic growth and innovation

Fintech is an initiative foreconomic growth by promoting innovation, efficiency and entrepreneurship. By restructuring processes and reducing costs, Fin techs permit businesses to operate more efficiently, increasing productivity. Digital payment solutions and online banking platforms simplify financial transactions by reducing the need for physical infrastructure and manual processes. These competences mean time and cost savings for individuals and businesses.

Figure No 7 Highlights of Fintech



<https://inc42.com/reports/state-of-indian-fintech-report-q1-2023>

Access to Capital and Investment

Fintech has transformed contact to capital and investment opportunities for small and medium-sized enterprises and individual investors. Traditional funding optionslike bank loans and venture capital, may be limited and unwieldy for small and medium-sized enterprises. Fintech

lending stages, such as peer-to-peer lending and online lending marketplaces, connect borrowers directly with investors, eliminating intermediaries and dropping transaction costs.

Figure No 8 Fintech in 2021



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

Financial Education and Inclusion

Fintech promotes financial education and literacy, thereby facilitating informed decision-making and responsible financial behaviour. Through user-friendly interfaces, instructive resources, and financial management tools, fintech platforms authorize individuals to improved understand and accomplish their finances. Budget apps, expense trackers, and financial planning tools help people track spending, set financial goals, and make informed investment decisions.

Figure No - 9 Financial Education



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

Suggestions

Financial services are essential need of the people which help to meet their basic and economic requirements during their livelihood. Financial services should be affordable and easy accessible in their places itself. Fin tech platforms have also introduced digital wealth management solutions, offering robo-advisory services and customized investment portfolios to retail investors. Now a day's Fintech services are quite common to all the places by all the people.

Fintech lending platforms, like KredX and Lendingkart, have extended credit facilities to small and medium-sized enterprises (SMEs) that were earlier excluded from traditional banking channels. These initiatives have played a vital role in encouraging financial inclusion and powerful economic progress. Therefore, many platforms should create to explore more convenient and affordable to all people.

Fintech lending platforms utilize alternative data sources and advanced algorithms to assess creditworthiness, extending credit to previously underserved borrowers. By providing these services, fin techs enable individuals and businesses to participate in the formal financial system, create assets, and seize economic opportunities. Therefore, future Fintech will be more specific and digital base with the help of technology.

Fintech also encourages innovation by providing a stage for startups and entrepreneurs to develop and organize financial products and services. The comfort of access to digital platforms and Application Programming Interfaces permits developers to create innovative solutions that address specific market needs, such as peer-to-peer lending, crowdfunding, and robot-advisory services. Therefore, Fintech is one of the emerging concepts not only delivered of financial services but also it provides business opportunities.

Fintech companies often prioritize user education by providing resources, articles, and interactive content that simplifies complex financial concepts. By providing people with financial knowledge and tools, fintech promotes financial inclusion, reduces inequality, and enables people to make informed choices for their economic well-being. Therefore, Fintech is one of the powerful instruments to implement financial inclusion and sustainable development

Financial inclusion has been an important motivation of the fintech revolution in India. The country has an important portion of the population that are not banking, especially in rural areas. Fintech companies have leveraged mobile technology and innovative business models to bridge this gap. Mobile wallets like Paytm and PhonePe have become prevalent, giving individuals without a bank account access to digital transactions, bill payments, and e-commerce. Fintech enable and simplify financial inclusion process with the help of technology.

Conclusion

Financial services is one of the major component of financial system of the country which facilities flow of money from one hand to another, with the help of technology financial services are diversified and transformed into innovation based. Fintech is one of the emerging developments in financial service sector. fintech in India has transformed financial services, promoting financial inclusion, digital payments, and converting lending practices. The growth of fintech has been determined by technological advancements, sympathetic government policies, and changing consumer favourites. While the sector faces regulatory challenges, the future holds enormous opportunities for innovation, collaboration, and inclusive progress in India's fintech landscape.

Fintech characterizes a transformative pathway to development, offering solutions that drive financial inclusion, promote economic growth, improve efficiency, and access to financial services. Hence it is concluded that fintech is one of the emerging innovations in financial service sector which facilitate digitalised, simplified cost effective and speedy delivery of financial products to targeted population in the country. It broken all boundaries and hidden philosophy in finance and its relevance.

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