

To study the effect of fintech on Indian Economy

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Abstract-

This paper focuses on effects of fintech on Indian economy. As fintech is growing its roots with the major help of digitalization. The digitalization helps the various sectors of economy in relation with fintech, fintech has given majority boost to government to develop various applications which was immensely helpful during Covid-19. In every new technology of FinTech blockchain technology is used as it is the most secured and protected way to preserve the data. Also, due to the fintech the remittance of money transaction has increased which also eventually has increase the valuation of Indian economy. This paper also showcases the sector wise performance like BFSI, entertainment, E-commerce and many more. It also studies the concept of digitalisation and elaborates the relationship between fintech and digitalisation. The paper also throws light on fintech and digitalisation both together are contributing to acquaintance of Indians with Digital finance thus increasing financial inclusion.

Keywords-Fintech, Covid-19, Digitalization, Block chain.

Objectives-

To study and understand emergence of fintech in India.

To understand the scope of digitalization in India.

To study the sectorial performance due to fintech.

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I. Introduction-

Finance and Technology is healthier called Fintech.

It wants to explain new tech that seeks to boost and automate the delivery and use of monetary services. As its core, fintech is employed to help companies, business owners and consumers better manage their financial operations, processes and lives by utilizing specialized software and algorithms that are used on computers and increasingly, smartphones. The term FinTech was first coined in the 21st century to describe the technology used in the back-end systems of established financial institutions. Today, however, FinTech spans many different sectors and industries, including education, retail banking, non-profit fundraising, investment management, and more. Using specialized software and algorithms, FinTech helps businesses, business owners and consumers manage their financial processes and activities. FinTech has also included the development and use of cryptocurrencies like Bitcoin in the present day. While various FinTech sectors continue to gain traction today, much of FinTech remains focused on the traditional global banking sector. Fintech, the word could also be a mix of "Financial Technology". A remarkable surge in the use of financial technology (fintech) during the coronavirus (covid-19) pandemic caused a prototype in digitalized purchases by consumers, and the usage of online selling platforms and digital payments by firm. After the outbreak of Covid-19, the role of fintech has been at the peak when organisations got to know, that digital payments can be indispensable mechanism for making financial transactions from a safety perspective.

Digitalization-

Indian fintech revolution is growing sort of a bull available market from last few years, from year 2020-21 the contraction within the sector has grown from 6.6% to 8.7% in year 2021-22, which lets Indian to become a \$5 trillion economy by 2026-27.

India has become a pioneer of the fintech revolution for developing furthermore as developed countries because of the expansion in digital adoption during the pandemic. The importance of fintech and a regulatory sandbox environment in assisting India in reaching its \$5 trillion goal has been highlighted within the Niti Aayog report, India's Booming Gig and Platform Economy.

Credit disbursement through digital platforms is now significantly influenced by digital financial services. The Jan Dhan-Aadhaar-Mobile (JAM) revolution, which served because the cornerstone of direct benefit payments and credit accessibility, will be credited with this basic success. It allowed underserved and unbanked areas of our sizable market to be penetrated, areas that brick-and-mortar banks were unable to try and do. By being adaptable, offering access in multiple languages, and having a solid computer programme, it enabled transparency, which helped the country's consumer base grow. Additionally, to reducing conflict of monetary institutions and retail clients, it's increased capital inflows into the Indian economy.

Fintech firms made it simple to sign on, conduct transactions, and apply for loans, which was only 1 of the numerous reasons why their cashless approach appealed to a female client base. As a result, fintech companies have benefited both individuals and corporations.

There are, without a doubt, some gaps and openings within the laws governing fintech. Policymakers struggle to stay up with the curation of laws thanks to technology's multiple disruptions. to guard security while enhancing services, innovators must uphold strict standards. Therefore, where data protection, privacy, and security is also threatened, it's essential for the regulator to implement reasonable limits. planning to lower risks related to the fintech sector, regulations have to date been "light touch." samples of this include the licencing of payment aggregators, the regulation of payment data, and online lending. so as to safeguard consumers while promoting product innovation, the regulator must find a balance.

RBI founded a fintech division in-house in January 2022. Established to push orderly growth of the country's digital financial services sector, identify problems and challenges, foster constructive innovation, foster incubation, and regulate the fintech industry to stay it running smoothly it had been done. These developments are the results of the RBI's Financial Inclusion Agenda. Additionally, regulators have introduced variety of favourable policies for credit intermediaries like smaller financial and clearing banks. this can be accelerating the utilization of UPI, internet-based banking and mobile banking.

Digital Finance

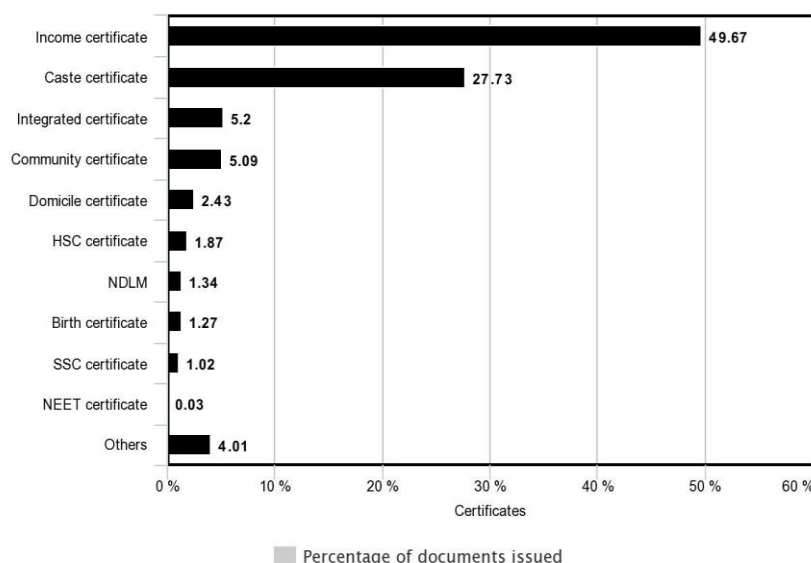
Financial inclusion is a specific area of focus for FinTech as the world economy recovers from COVID-19. In line with World Bank, there are currently around 1.7 billion unbanked individuals worldwide, and FinTech's are visiting be central to efforts to integrate these people into the planet industry.

Digital finance is in additionally expanding in other areas. Physical currency payments have become less viable in the COVID-19 period due to health concerns, which has led to an increase in digital payments and e-wallets. Though cash use was predicted to say no in any case, COVID-19 has hurried that decline, thanks to concerns that turning in money can cause human to human transmission of the virus.

Digitalization in India

Digital India was an initiative taken by the government of India for giving high speed internet networks to rural areas. Digital India mission was launched by PM Narendra Modi on 1st July 2015 as a beneficiary to the government schemes including make in India Bharatmala, Sagarmala, Start-up India, Bharat Net, and Stand-up India.

1. **Digi Lockers:** By giving citizens access to genuine digital documents through their digital document wallet, this flagship initiative seeks to "Digitally Empower" them.

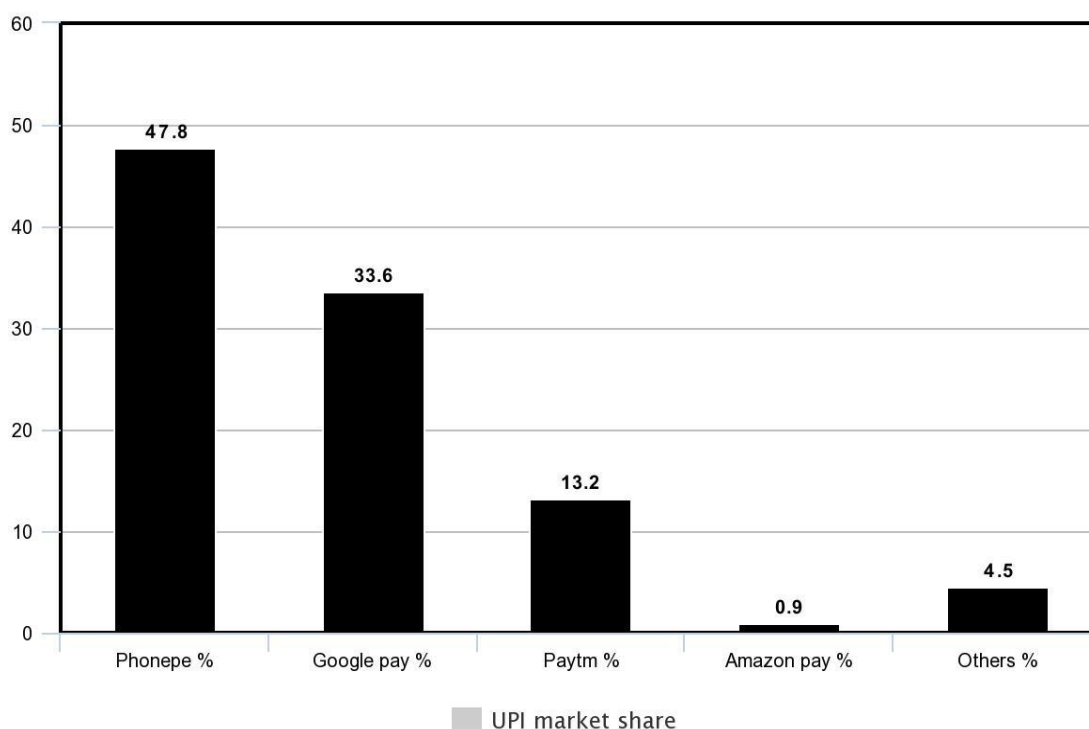


This graph shows that the above data indicates that use of DIGI locker is used the most for income certificate

2. **E-Hospitals:** Through a single digital platform, the Hospital Management Information System (HMIS) connects patients, hospitals, and clinicians. As many as 420 e-Hospitals has been built as part of the Digital India initiative as of February 2021.

3. **E-Path Shala:** Through its website and mobile app, the NCERT-developed e-Pathshala shows and disseminates all educational e-resources, including textbooks, audio, video, periodicals, and a variety of other print and non-print materials.

4. **BHIM:** A programme called Bharat Interface for Money uses the Unified Payments Interface to make payments simple, easy, and rapid (UPI)



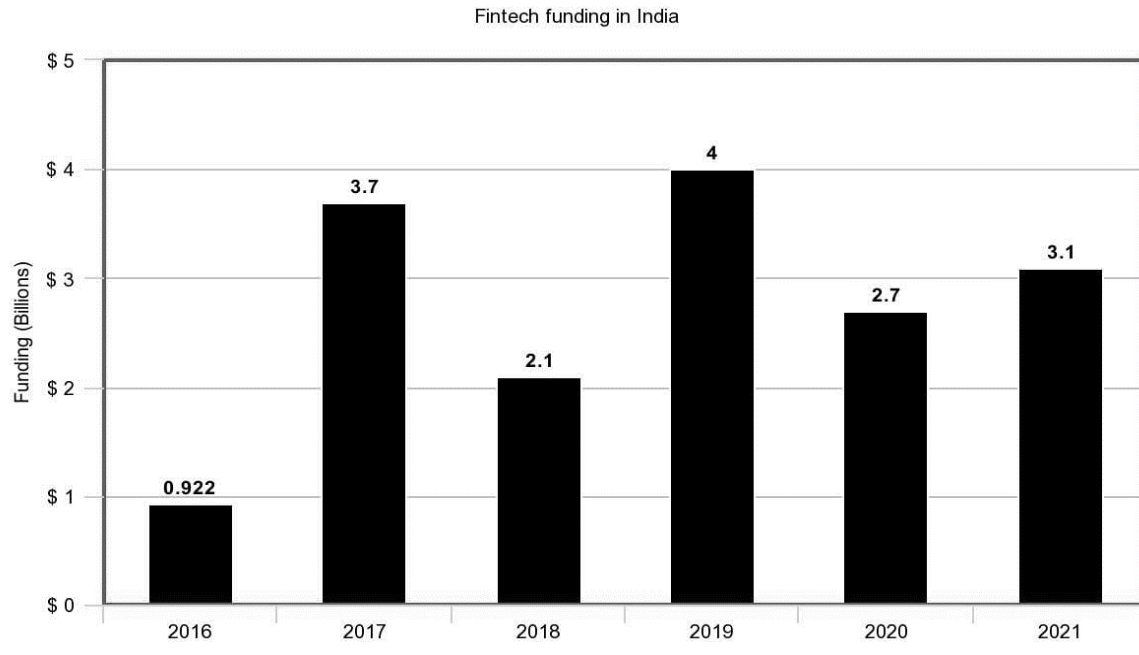
This graph shows that the data says that PhonePe is majority stake holder in UPI market share

Fintech in India-

The rise of FinTech in India

India has unquestionably become one of the fastest-growing FinTech hotspots in recent years due to its one of the world's fastest-growing economies. In India, ideas like paperless loans, mobile banking, safe payment gateways, mobile wallets, and others are already becoming commonplace.

In India, digital payment systems have been widely used over the past two years, greatly simplifying the execution of basic financial transactions. The development and growth of the FinTech ecosystem in India have been facilitated by a number of factors, including the increasing use of smartphones, easier access to the internet, and high-speed connectivity.



This graph shows that it is observed that the fintech fundings in India has fluctuated yearly, 2019 it was highest instead of being a pandemic year.

Blockchain in Fintech-

Fintech has a stronghold in the blockchain industry, and for good reason. By the end of 2028, the fintech blockchain market is anticipated to be worth 36.04 billion. Blockchain-based emerging financial technology called "Decentralized Finance" (DeFi) would lessen banks' influence over money and financial services. In the coming decades, we will also observe a change in how we receive, send, store, and manage money through the use of digital ledgers.

Possibly in 2022, the fintech era will start. Numerous fintech companies have been successful since the early 2000s, but in recent years, businesses have had tremendous success as a result of their application of cutting-edge technology and customer-focused ideas to issues in the country's current financial institutions.

Decentralized smart contracts are also utilised in the following step of this evolution, known as DeFi or Decentralized Finance. Several financial goliaths have also started investing in blockchain to finance R&D for their businesses. This shows that financial institutions and blockchain companies don't necessarily have to face off against one another; instead, they can greatly contribute to one another's success.

Challenges faced by Fintech start-ups in India

Issues that Fintech lending companies frequently encounter include protracted fund-raising cycles, missed targets, and rising losses. These problems primarily result from poor lending lifecycle management. Fintech start-ups in the nation deal with numerous difficulties on a daily basis.

1. Legal Regulation and Compliance-

The slowing down of Fintech start-ups in the Indian financial sector is necessarily caused by numerous rules. These rules are difficult to follow, and they also make it difficult for Fintech companies to join the Indian markets. Compliance rules are implemented as a strict regulatory framework to combat fraud. However, they too serve as significant impediments to entry for new Fintech players. Before they even begin operations, Fintech start-ups must complete a long number of requirements.

2. Population with Limited or No Bank Accounts-

Due to weak infrastructures, such as low internet penetration and low literacy rates in India, FinTech's initially had uneven growth. The benefits of the Indian government's generous initiatives to address these concerns will only become apparent over time.

Another obstacle to the growth of fintech in India is the low financial literacy of the Indian community. India, for example, launched Pradhan Mantri Jan Dan Yojana to improve financial inclusion in the country. However, according to a World Bank report, after opening a total of 180 billion bank accounts, more than 48% of them remained dormant in the year he did not make a single transaction. Despite all the initiatives, India is still far from the road to financial inclusion.

3.Cash in trust-

Most Indians take a conservative approach when it comes to everyday transactions and end up using cash. They have relied on money as a means of sale for years and find it difficult to change their habits and adapt to new paths, as these services are often associated with digital fraud, it is difficult to provide financial services in a market without banks. Due to their low financial literacy, some Indians are unaware of the benefits Fintech offers through innovative products and services.

4.Cyber threats-

Fintech companies handle sensitive customer data. Many cybersecurity threats lead to large monetary losses in online transactions. These are completely unwarranted things for the customer. Technology that provides convenience also opens people's online accounts to scammers looking to steal their assets. It's a steady stream of popular Fintech. Fintech needs to fortify itself against any challenge posed by hackers. Huge amounts of personal and business financial data are being made available in digital form. This increases the risk of a cybersecurity breach.

5.Lack of government support-

FinTech's face a severe lack of government support and incentives to protect their interests in the Indian financial markets. This can be very stimulating for new Fintech players. Fintech plays an important role in economic growth and must be provided with all the necessary means to thrive.

6.The complexity of the industry-

Fintech is designed to work with a complex working model. Therefore, it is difficult for them to maintain a harmonious relationship with other financial institutions such as banks. On the other hand, banks fear that working with Fintech risks losing its reputation.

Advantages to companies going digital-

Unfortunately, many businesses are falling behind. Some think they're too late to induce started. to keep with Boston Consulting Group, only 30 percent of companies navigate a digital transformation successfully. And it's only visiting get harder as digital technologies keep evolving and customers will leave behind brands that don't operate online - whether that's for customer service or ecommerce.

Businesses across all industries must adopt and adapt to digital in order to compete and flourish. However, navigating the digital shift to engage with customers and exert influence online can be challenging for many.

With digital disruptors snapping at the heels of the numerous industries (just consider travel sector transformer Airbnb and audio disruptor Spotify) success will come to businesses that ensure their staff has the mandatory digital skills to future-proof a workforce. Essentially any transformation must be woven into the fabric of the company and championed by senior leaders to have the most effective impact.

The world's obsession with the latest technology, social media and apps revolves around a desire for a much better life. People want valuable solutions to their problems. More importantly, they require it fast.

The experience of shoppers is at the middle of digital, especially for customer-facing industries like government, healthcare, manufacturing, and retail. As a result, the primary focus of digital transformation is to use cutting-edge technology to spice up the customer experience.

One of the great benefits of going digital is that the power to trace metrics and analyse the data that's gained during digital marketing efforts.

Current scenario in FinTech Industry in India

The development of new payment mechanisms and interfaces, including Immediate Payments Service (IMPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), and others, has significantly improved India's payments infrastructure in recent years. The "Make in India" and "Digital India" government initiatives have significantly contributed to the rapid uptake of fintech. It is wonderful that the RBI has supported the expansion as well.

"In India, digital payments are now a way of life, and in the past year, 10-15 million new customers have joined the digital revolution. Demonetization and the Covid-19 epidemic were two elements that contributed to this transformation. According to Hemant Gala, VP of Financial Services and Payments at PhonePe, an Indian digital payment and financial services company founded in 2015, "There is a tremendously complex ecosystem at the backend, but the reimagining at the backend has led to a fantastic experience for the customers, triggering a massive adoption." The report also states that 67 percent of the more than 2100 FinTech's in India today were founded in the last five years.

The future of FinTech in India

India is a highly diverse and populous nation, yet a sizable segment of the country is still underbanked, underserved, and subject to a regulatory environment that is constantly shifting. The nation's financial situation and unresolved problems are not simple obstacles to get over for these very reasons. The capacity and capability of fintech to radically modify and restructure India's financial and banking services sector is where it enters the picture.

The nation presents a fantastic environment for a FinTech revolution due to a number of factors, including an innovation-driven start-up scene, a highly favourable market, improved smartphone and internet penetration levels, a young population with a median age in the 20s, and government-led attempts to promote the industry. Additionally, the Indian FinTech business has benefited greatly from the increased public awareness of financial technology.

FinTech's growth in India will be accelerated by its expanding relationships with the traditional banking, insurance, and retail industries, where they are aggressively meeting changing consumer needs.

All of these elements point to a favourable change in favour of fintech and provide the sector tremendous development potential as the nation moves toward widespread adoption.

Top sectors to drive digital transformation in India

1. BFSI (Business, Financial Services and Insurance)-

Recently, a number of banks, non-banks, and fintech firms have teamed up to offer users faster, hassle-free financial services. Modern consumers can now perform instantaneous paperless transactions thanks to technology advancements like online banking and the Unified Payment Interface (UPI). Further, banks are also implementing technologies such as blockchain, biometrics, and one-time passwords (OTPs) to improve their security architecture and make transactions more transparent. Despite these changes, the BFSI sector exhibits tremendous growth potential. By 2025, a recent McKinsey report expects it to be worth USD 170 billion.

2. Hospitality-

India has one of the largest consumer populations of any industry in the world, which generates enormous amounts of data daily. Major businesses in the hotel industry are already utilising cutting-edge technical tools to better map consumer behaviour and offer highly personalised services to their customers in an effort to take use of this data. Mobile check-ins, biometric room access, automated kiosks, and other tech-driven services are becoming more and more popular in the sector. In order to improve the customer experience and increase retention rates, more and more organisations will upgrade their digital infrastructure in the next years. IBEF predicts that by 2028, the Indian travel and tourism industry will contribute INR 32.05 trillion to the GDP of the nation.

3. Entertainment and Media-

The new generation already prefers on-demand entertainment over traditional TV as their preferred media. If trends are to be believed, over-the-top (OTT) service providers have exploded onto the entertainment scene and will remain for some time. Companies in this field are actively utilising technologies like AI, NLP, and data analytics to offer users immersive, interesting, and personalised digital content. According to data provided by PwC India, the domestic OTT market, which had a value of USD 638 million last year, is anticipated to grow to USD 1.7 billion, ranking it as the eighth-largest global market by 2023. For instance, the interactive science fiction movie "Black Mirror: Bandersnatch" recently debuted on Netflix, allowing fans to select their own plot.

4. IT Sector-

Automation of routine tasks is now possible because to the digital revolution in this sector. However, this has only reduced the need for human intervention, not eliminated it. In actuality, business players now use machines to improve both their operations and human resources. Professionals must ensure they can work effectively with their colleagues and technology in light of this. According to MGI, the key digital industries in India will reach USD 435 billion by 2025, and this trend is expected to remain for the foreseeable future.

5. Logistics-

Digitization has helped transportation companies improve their efficiency and strengthen their supply chain management during the past few years. By leveraging the mix of IoT-led and AI-enabled technologies such as machine learning, cloud computing, coupled with real-time data analytics, logistics players have been able to dramatically reduce the fleet downtime, predict customer behaviour, and solve any issue in real-time. More businesses will employ digital tools in the upcoming years to boost production and efficiency. On the back of tech-led integrations, this sector is predicted to post a 30x rise by 2025. Rivigo, a technology-enabled logistics

firm has recently got its driver relay model trademarked and has now established a Relay-as-a-Service (RaaS) to offer its algorithm based intelligent driver allocation system to fleet owners and truck drivers in India.

6. E-Commerce-

Technology is responsible for much of the expanding e-commerce industry's impressive growth. As more e-commerce platforms have emerged, businesses are employing technology to set themselves apart while concentrating on engaging more customers and maximising user satisfaction. SEO and data analytics are two innovations that are helping this industry grow. One of the top e-commerce sites, Amazon, for instance, uses technology to predict users' purchasing patterns and shorten delivery times to the same day. As a result, the e-commerce industry is particularly in need of data experts and talented programmers to implement the tech-driven changes. Numerous advances in the e-commerce sector are also being driven by blockchain and robotics.

How fintech's faced their challenges during Covid -19-

Obviously, navigating the current uncertainties is the most pressing worry. Like the rest of the financial system, many fintech companies have gone into overdrive to address the problem. Many businesses are increasing their capital and funding from lenders and investors, including insurtech and proptech companies. Others have put cost-cutting measures in place, like reducing the workforce. Making sure that as many expenses as feasible are variable and fixed expenses are kept to a minimum is a top approach right now because many of them generate revenue dependent on transactions and volume.

Given the quantity of start-ups currently on the market, insurtechs should find it increasingly harder to get investors' attention. Additionally, it is unlikely that end-user attraction will become any simpler as insurers turn their attention to immediate demands and cost control in the wake of the COVID-19 epidemic.

II. Findings

- Due to Fintech, there has been noticeable increase in the usage of apps like PhonePe, Google Pay
- Fintech is most help full in India in creating employment
- Due to fintech the digitalization has grown. India expects a valuation of 5 trillion by 2026-27
- As digitalization is driven by Fintech a notable change in consumer preference like usage of Digi locker, e-hospital, BHIM, UPI, E-Path Shala can be seen.
- Fintech directly and indirectly helped as a problem solver at the time of Covid-19
- Fintech helped in driving transformation in various sector of India.
- FinTech has also brought detectable digital transformation in sectors like BFSI, Hospitality, IT sector

III. Conclusion

It can be concluded from this paper that fintech is one of the emerging sectors in India. It has led India to pave its way to usage of more and more digital finance option like Google pay, Phonepe etc. The paper also elaborates the sectors which have shown tremendous growth due to finance + technology coming together. Fintech is increasing the consumer experience and shifting consumer to use apps like amazon, Digi locker etc. During pandemic the sector has gained lots of attention as it has gained highest amount investment and more and more fintech start ups are emerging thus creating employment in the nation. It can also be concluded that fintech and digitalisation both together are contributing to acquaintance of Indians with financial inclusion.

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