

A Study on Fintech and the Future of Financial Services with Reference to Chennai

R. SUNITA

Research Scholar, PG and Research Department of Commerce, Manonmaniam Sundaranar University, Tirunelveli, Tamil Nadu, India, sunitajohn10@yahoo.com

Dr. M. Mohamed Siddik

Assistant Professor, PG and Research Department of Commerce, Sadakathullah Appa College (Autonomous), Tirunelveli, Tamilnadu, India, mohsi25@sadakath.ac.in

Abstract

India's economic inclusion has considerably progressed over the past several years. In recent years, there was an upward thrust within the range of Indians who have financial institution bills, with this determine believed to be close to 80% at present. Fintech businesses in India are gradually becoming extra major because the Government of India keeps to strive for expanding economic services to the underbanked area of the populace. To attain the underbanked segments of the populace and offer a solid running environment for fintech businesses, India must be seeking to growth monetary inclusion. In this look at, regression and correlation were employed, together with secondary facts accrued from the RBI, to analyses this influence. The goal become to determine the effect of fintech and digital economic offerings on economic inclusion in India. According to the outcomes, fintech corporations have extensively aided economic inclusion in this nation, especially for the centre magnificence. These findings may be helpful for coverage-makers running difficult to bring each man or woman on this country into an organized monetary gadget.

Keywords: *Technology, financial, economy, digital, services, initiatives.*

INTRODUCTION

Financial Technology is the minute technology and innovation that directs the traditional financial methods to deliver financial services. The operation of smartphones for mobile banking, investing, and cryptocurrency are instances of technologies that make financial services extra comprehensible to the general public. Financial technology companies subsist of both startups and established financial and technology companies demanding to succeed or strengthen the utilization of financial services provided by existing financial companies. In other words, "fintech is a new

financial industry that applies technology to improve financial activities." Fintech is the new applications, processes, products, or business models in the financial services industry, composed of one or more complementary financial services and provided as an end-to-end process via the internet.

LITERATURE REVIEW

Yoon et al (2016) studied the User Behaviours for Consulting of Fintech Companies, they utilized the casual analysis method through various linear regression analysis as a statistical analysis method. This method had a

leverage of analysing the isolated influence between variables affecting the dependent variables. Their findings stated that as different users from various countries had different cultures as well as social perceptions, the responses for the dependable variables differed to the respective countries. Thus, the companies who want to establish a global market entry must devise an entry strategy and consumer acquisition and expansion strategy depending upon the country they want to expand or establish their business.

Guild (2017) Studied the FinTech and the Future of Finance, How the technology affects the financial sector and how the advancement and innovation affect the technological innovations in FinTech. Some of the examples of FinTech innovations include digital cash transfer services in India and Kenya, etc. The focal point of his paper is how FinTech has approached finance for millions of people in developing economies, such as India and China, with an angle of the role of regulatory framework to aid that process. He analysed that Technological innovation has the capacity to revolutionize global finance by making FinTech more inclusive, decentralized and egalitarian. He also concluded by suggesting that intervention made forcefully to shape the market through policymaking and regulatory intervention could result in undesired effects, with no guarantee that the policy goal of expanded access to finance would be accomplished. Badruddin (2017) contemplated Conceptualization of the Effectiveness of Fintech in Financial Inclusion. She introduced an exploration paper that is conceptualized and depends on the auxiliary information gathered from different assets like diaries, books, sites, and so on She proposed that the advancement of FinTech has decreased expenses as well as builds effort and entrance of the Microfinance model. She closed her

investigation by expressing that the current situation is apparent about the viability of the FinTech. Even though there are difficulties looked by this industry. Vijai (2019) contemplated that the FinTech in India: Opportunities and Challenges, the focus of his paper is the opportunities and the challenges in the FinTech Industry, the evolution of the FinTech technology in India. FinTech facilitates a more secure, fast mode of transaction for the user. His research paper shows that FinTech industry change for the financial services in India.

Priya and Anusha (2019) contemplated Fintech Issues and Challenges in India. At this start the article centers around the essential sorts of monetary innovations and their capacities and furthermore talks about the chances and difficulties it has in the Indian business climate. In all facets of financial administration there is a lot of balance Techs emerging in India. By seeing the speed of balance experts rise, the way that India has enormous spearheading capability can't be contradicted. There are close to 1500 FinTech startup firms working in India, and of these, practically half had begun in last two years. Both really and fiscally the equilibrium tech firms ought to be prepared well. We can see a greater part of effective new businesses in an instalments space, and it is generally expected the identical with various money related partitions as well.

Dwivedi (2020) studied FinTech an inclusive technological framework for the Indian Financial Ecosystem. In this paper the author has contemplated FinTech in the Indian Financial Ecosystem (IFES), emphasizing the social, economic, Technical, and regulatory drivers which have allowed FinTech to be one of the indispensable components of the Financial Framework in India. The author also

stressed on keyword “Financial Inclusion”. The role of the regulatory bodies and policymakers in the developing the Financial Ecosystem of the emerging economies such as the Indian Economy. A compact review of two of the latest emerging technological domains in FinTech, viz., Blockchain, and Artificial Intelligence and how they are changing the IFES has also been provided.

Shashidhar K.J (2020) analysed Regulatory Sandboxes: Decoding India’s Attempt to Regulate Fintech Disruption. He studied that the mechanical advancements are disturbing the conventional monetary area, and the RBI’s administrative sandbox practice is an endeavour to be more coordinated and assimilate a portion of this interruption. His paper analyses the present status of administrative sandboxes in India and assesses the triumphs and difficulties toddler his somewhat new administrative system and apparatus. Alongside this, his paper likewise illuminates the hole the business sees as key and layouts future assumptions. Taking everything into account it remarks on the explanation of the controllers need to assemble other conventional instruments of empowering development.

Rajeswari and Vijai (2021) studied the Fintech Industry in India: The Revolutionized Finance Sector. They analysed, FinTech has changed the customary monetary establishments and is continuously forming the monetary area, their exploration paper breaks down the FinTech Adoption, FinTech News Network, Indian FinTech industry design, and FinTech Start-ups in India, and FinTech Trends in India. The examination furnished with an outline of FinTech Industry, and government supporting drive on FinTech Industry. FinTech furnishes the clients with faster monetary administrations and item. FinTech Industry

advancement is fundamental for both Indian and worldwide monetary area.

INDIA FINTECH MARKET ANALYSIS

The India fintech market is estimated at USD 65 billion in the current year and is poised to register a CAGR of more than 21.1% during the forecast period.

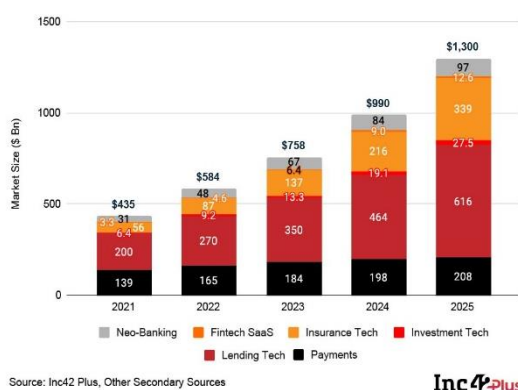
The COVID-19 pandemic had a positive impact on the overall fintech market in India. This was mainly due to the lockdowns imposed by the government and restrictions on movement across the country. The dependency on online payment methods, e-commerce, and others grew exponentially during 2020 and 2021. Additionally, the trend continued into later 2021 and 2022 as people started to realize the ease of online financial management over physical methods.

The Indian fintech industry has shown huge growth over the past few years. India is gradually becoming a hub for many Fintech startups, the prominent names in the list are Paytm, Pine labs, Pay, and Fair cent. SoftBank has been actively investing in many potential fintech startups. Government initiative toward promoting the digitization of financial systems and a cashless economy has helped shift consumer focus toward digital alternatives for financial transactions and services.

Funding from a diverse set of domestic and international stakeholders also contributed to the growth in digital payments. The rise of digital commerce, innovation in payments technology using AI, blockchain, the Internet of Things (IoT), and real-time payments and the introduction of mobile point of sale (POS) devices have also contributed to growth. 80% of the banking activities at top banks in the country run on digital channels, the country also has its remittance programs that include

Networks, Instagram, and Remotely. Many of these companies launch innovation labs, partnering with fintech firms to develop Proof of Concept (POC) and roll out products. Reserve Bank of India helps finance startups with loans for technology, while the government approved new banking licenses and increased the FDI limit in the insures sector.(<https://www.mordorintelligence.com/industry-reports/india-fintech-market>)

FINTECH MARKET OPPORTUNITY FOR INDIAN STARTUPS



Since 2018, fintech has sparked maximum interest among venture capital investors, keen to put their money in Indian startups. The rising demand for technology-enabled fintech products across a fast-growing addressable market is the primary reason behind sustained investor confidence towards fintech startups during the past four years.

Consider this. In 2021, the country's fintech startups raised around \$8 Bn (\$7.97 Bn, to be precise) across 280 funding deals, a record high in both cases, while the average investment ticket size stood at \$33 Mn. Among the fintech subsectors, lending tech and digital payment startups bagged the most venture capital inflow in 2021. Together, they accounted for 68% of the total funding amount and 44% of the deal count. India's overall

fintech market opportunity is estimated to be \$1.3 Tn by 2025, growing at a CAGR of 31% during 2021-2025. Of this, lending tech is likely to account for 47% (\$616 Bn), followed by insurtech at 26% (\$339 Bn) and digital payments at 16% (\$208 Bn). Among these three, insurance tech is the fastest-growing fintech sub-segment in terms of market opportunity, growing at a CAGR of 57%, followed by investment tech (44%) and fintech SaaS (40%).(<https://inc42.com/features/decoding-1-3-tn-fintech-market-opportunity-for-indian-startups/>)

SIGNIFICANCE OF FINTECH

Promoting Financial Inclusion in India

Many Indians remain outside the formal financial system, and the use of financial technologies can help close the gap left by traditional banking and finance models.

Finance for Micro, Small and Medium Enterprises (MSME) : One of the biggest threats to MSME existence is a lack of capital. According to the IFC Report, the MSME credit gap is estimated at USD 400 billion, which is where FinTech can play a key role, and solve the issue of credit availability.

With several FinTech start-ups offering easier and quicker access to loans, MSMEs are no longer required to go through the tedious process of documentation, paperwork, and multiple visits to a bank. Improved Customer Experience: FinTech start-ups provide convenience, personalisation, transparency, accessibility, and ease-of-use to their customers, empowering them to a high degree.

Developing credit scores and underwriting credit for customers with limited credit histories will improve financial services penetration in India by leveraging big data, machine learning, and alternative data.

KEY TRENDS IN THE FINTECH ECOSYSTEM

FinTech has become a ubiquitous expression for technology-based innovation in financial services. There could be increasingly more collaboration from, and innovation driven by incumbent banks, prominent technology players, and even regulatory organizations in the market. This is especially true for the Indian FS market, as is evident from a few key trends tracked in the report. The report has combined our secondary research and advisory capabilities with select industry veteran interactions to identify key trends shaping the Indian FinTech landscape in 2022.

1. Digital adoption on an overdrive: unexpected benefit of the pandemic

The COVID-19 pandemic has led to an inevitable surge in leveraging digital technologies. Consumers have not only dipped their toes into the online world but have also taken the plunge to integrate digital into their lifestyles (through digital payment, investment tech, online-only insurance, etc.). The adoption extends beyond the consumer space as well. Micro, small and medium-sized enterprises (MSMEs) are increasing the use of FinTech services. These businesses constitute a distinct customer segment, with needs that differ from those of consumers and large corporations. India's digital economy is expected to witness exponential growth to \$800 billion by 2030 on the back of digital public infrastructure, the development of UPI, and the COVID-19 pandemic.

2. Horizontal expansion: bridge to PayTech profitability lacuna

The dynamic and accelerated development of a payments ecosystem, facilitated by increased adoption of technology and innovation,

supports not only the growth in digital payments but also in the availability of a bouquet of safe, secure, innovative, and efficient payment systems.

3. Neobank: partnerships driven by hyper-personalized products

Over the last few years, the number of neobanking platforms and global investments in the nonbanking segment has risen consistently. Indian FinTech space has followed suit, and the number of neobanking startups in the country is growing by months and attracting global investors to this market. The continuous funding received since 2017 reflects the increased interest in this sector. The funding activity, however, was buoyed by the pandemic. Investors realized the potential that neobanks bring to the larger financial services industry.

4. Ecosystem banking: capturing value locked in ecosystems

In India, ecosystem banking is helping banks enhance customer experience and generate long-term value for customers. Ecosystem banking offers a single solution to customers who were earlier dependent on complex and disjoint processes across a variety of applications that are run by partners. The large costs and complexity of monolithic technological applications propelled banks toward a purchasing or partnering approach to extend newer services.

5. InsurTech: a new wave of product and distribution innovation

According to S&P Global Market Intelligence, while InsurTech fundraising has been brisk across Asia in recent years, innovators in China and India appear best positioned to move beyond a supporting role and confront the region's industry incumbents. Indian

InsurTech space has grown considerably over the past few years, with steep funding growth (more than doubled in the past two years) enabled by innovative business models.

6. Alternative investment platforms: finding an opportunity in the equities market slowdown

Historically, Indians have invested their surplus in physical assets, real estate, and FDs, refraining from investing in capital markets, as reflected in the low number of demat accounts penetration. But the last two years painted a completely different story in the equities market since the growth in the number of demat accounts in the last two years has increased at a phenomenal rate. During the pandemic (2020-2021), the number of demat accounts jumped 2.2 times, while combined AUC doubled.

7. Regulation and compliance as Achilles' heel

FinTech is broadly an omnibus term used to describe emerging technological innovations in the financial services sector, with an ever-increasing reliance on information technology. FinTech companies can facilitate digital transactions and help authorities prevent digital fraud through better authentication and identity verification technologies. Accurate and timely reporting is the backbone of governance and RegTechs have been helping industry players become better at this. However, recent incidents of poor governance and failure at proper KYC processes have indicated a fault line in various growth-focused FinTech companies and have drawn regulatory scrutiny.

CONCLUSION

The objective of this research became to understand the connection between the overall

demographics and the utilization of FinTech offerings at the side of the variation of these FinTech offerings. A questionnaire changed into stuffed up by way of random 195 individuals, on this survey it changed into ascertained that the age and gender of an individual do now not play a important element within the usage of those services but at the opposite, these demographics seem like influential to the variation of FinTech offerings. India is optimistically shifting up the Fintech ladder and provides masses of opportunities for Fintech startups to enter the assorted marketplace and be successful supplied a cautious answer-client suit and a strong go-to-market approach is in vicinity. The two huge segments where Fintech is maximum lively in India are payments and lending. Out of the extra than 600 Fintech startups currently active in India, around 40% are payments and lending startups. The next few pages will as a result commit unique attention to those two Fintech segments. The improvement of the Fintech area has additionally given a lift to the general economic system of India. But nevertheless, there are a few hindrances related to e-protection and the usage price some of the unbanked populace. So, the initiatives taken should now not be dwindled away due to those little but no longer the least elements. The regulators need to formulate effective guidelines to eliminate it as such the fintech region can improve the banking device of India completely.

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