

# FinTech: Making Services Available, Accessible, and Affordable

Ajeet Singh

Indian Institute of Management, Jammu

**Abstract:- Since the FinTech sector is growing rapidly in our country it becomes important for us to understand what is fintech sector is, what led to such a rapid growth of this sector, current trends in the FinTech industry and the challenges that lie before the FinTech Industry in our country. In my research paper, I have tried to cover all these topics for the reader to understand and have better clarity.**

## I. INTRODUCTION

The word Fintech is made from integration of two other words finance and technology (Fintech= Finance + technology). As far as meaning of fintech is concerned it is the application of new technologies into the field of the traditional financial sector.

Fintech companies uses advanced technologies (like Artificial Intelligence, blockchain and data sciences) to deliver safer, faster, and more effective products and services. In India, there are two major roles of FinTech

- It acts as a platform to access credit for MSME (Micro, Small and Medium enterprises).
- Reducing household financial transaction cost.

## II. GROWTH OF FINTECH IN INDIA

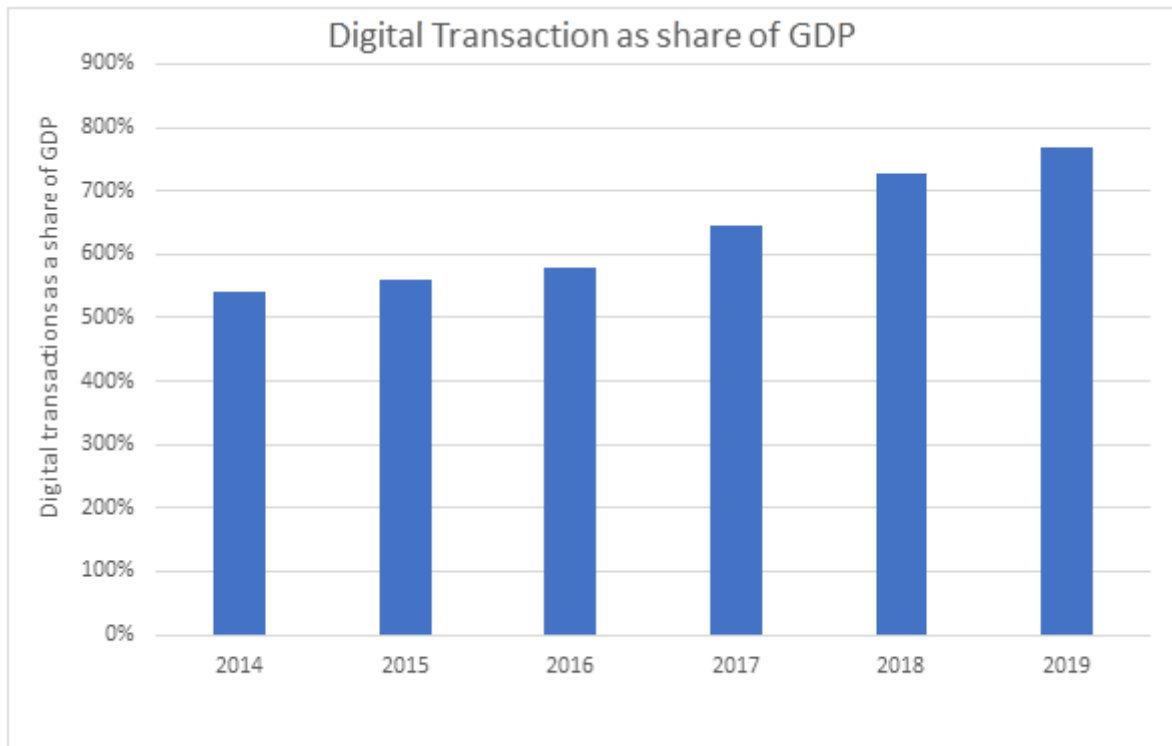
India's fintech ecosystem is one of the world's fastest growing with more than 2100 entities linked to fintech being set up in the last five years and most of them being clustered in Mumbai and Bangalore. As per BCG<sup>1</sup> the fintech market in India has approximately \$100Bn value-creating opportunity and the sector's valuation in the country will be \$150-\$160Bn by 2025. [1]

*Reasons for such a rampant growth of Fintech companies in India*

1. Government Initiative and Regulatory body's accommodative policies: Various government initiatives and incentive for adopting cashless transaction is a major factor for the growth of fintech market in our country, apart from that major policy decisions like the demonetisation of 2016 also played a huge role.
2. Low coverage of traditional financial services for much of the population: The traditional financial services like banks etc. have an abysmal coverage among the people from backward areas also the terms and conditions of these services are complex in nature which in turn make people hesitant towards them.
3. Internet Penetration in towns and villages: With various government-run programs like digital India etc internet is penetrating tier 3 & tier 4 cities across the country hence much of the population is under Internet coverage which in turn is leading to the growth of Fintech.
4. Changing investment system
5. Demography: India has more than 70% of its population under the age of 45 and this age group is very receptive to the idea of online digital payment. Hence this is also a crucial factor for the growth of fintech.

The above were some of the key reasons for the growth of fintech companies in our country but apart from that there are many reasons like advancement in technology, reduce infrastructure and transaction cost, smartphone penetration etc. that have played their part in the phenomenal growth of fintech ecosystem. [2]

<sup>1</sup> Boston Consulting Group



\*Data take from RBI

The *Major Benefits* of this rampant growth of FinTech Sector in India can be classified into 3 major parts:

- Availability
- Accessibility
- Affordability of financial services to the people. [3]

Earlier majority of the population was not under financial coverage because of the traditional financial sector setup in our country was limited only to tier 1 and tier 2 cities, but with the technological advancement now almost anyone with a smartphone and internet can enjoy these services. For example- earlier to invest in the stock market most of the investors had to talk with their stock market brokers/agents but with the incoming of mobile apps-based platforms investors can invest in stocks with just a tap on the screen, not only that now the feature of artificial intelligence also guides an investor as to which stock he/she should be investing in.

### III. GROWTH TRENDS IN FINTECH INDUSTRY

The growth in FinTech sector continued even as other sectors reported losses during the coronavirus pandemic of 2020, the primary reason behind this was the government-imposed travel restrictions and multiple lockdowns which pushed people toward adopting cash-less transaction. In 2021 too, the FinTech companies will grow, especially as pandemic is not over yet.

#### *Major trend in FinTech Industry*

- *Digital Banking*- Basically connects Fintech users to the banks so that the banks could provide their services to the users via network of FinTech Industry.

- *Open Banking*- It is a practice where banks electronically share their financial information to third parties to improve their services and security. Example- Kotak Mahindra Bank and Yes Bank.
- *Neo Banking*- It refers to the digital bank which doesn't have any physical presence. Although RBI doesn't allow digital only banks, but it has allowed the companies to test their innovation. Example YONO (by SBI), Kodak 811(by Kodak Bank).
- *Aggregator*- Growth in aggregator services and emergence of various online platforms like policybazaar, paisabazar, Capitalmind etc.
- *Autonomous Finance*- use of artificial intelligence to compute for personal finance and making automated financial decisions. [4]

### IV. POLICY ISSUES TO BE ADDRESSED FOR PROMOTION AND GROWTH OF FINTECH INDUSTRY

The following are some of the broad policy issues which are needed to be addressed by the government for the robust growth of FinTech sector in India:

1. Legal and Regulatory framework
2. Improving financial and digital infrastructure
3. Ancillary government support system

#### Legal and regulatory framework

Since the fintech companies doesn't come under the regulatory ambit of RBI so the government should focus on development and adoption of concerted regulatory reforms which can be grouped into four main areas:

- Allowing new companies and new approaches by existing player in providing Digital Financial services
- Promoting competition and maintaining a level playing field
- Consumer Protection
- Fostering demand and generating consumer confidence in Digital financial services

#### Improving digital and financial Infrastructure

Key steps in term of infrastructure development that government can take are-

- Fostering good mobile and Internet service penetration in the Indian ecosystem
- Maintaining a well-functioning payment system that allow interoperability
- Establishing credit infrastructure and increasing its coverage

#### Ancillary government support system

This includes:

- Enabling automated access to digitized government data platforms
- Establishing and expanding coverage of digital IDs (like Aadhar)

## V. CONCLUSION

In our country 1/8<sup>th</sup> of our population is still unbanked; therefore, the government policies are designed in such a way to support FinTech sector in maximizing holistic financial inclusion.

Many of the government initiatives like Unified payment interface (UPI) etc. have helped in centralizing the payment landscape of the country. However, still there are many obstacles to be negotiated to achieve financial inclusion and this is where FinTech companies plays a pivotal role in providing us new age solutions to these complex problems.

## REFERENCES

- [1] Y. Kapur, 26 July 2021. [Online]. Available: <http://www.india-briefing.com/>.
- [2] L. B. Narayanan and G. Dayal, "https://www.iflr.com/," IFLR. [Online].
- [3] [Online]. Available: <https://knowledge.wharton.upenn.edu/article/can-fintech-make-the-world-more-inclusive/>.
- [4] P. Leben JohnsonMuthukannan, B. Tan and D. Gozman, "The emergence of FinTech ecosystem: A case study of Vizag FinTech valley in India," *Information and Management*.