
REASONS FOR RAPID ADOPTION OF FINTECH IN INDIA: A STUDY

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ABSTRACT

In recent years, we have witnessed the rapid developments in the area of financial technology in India. Rapid developments in financial technology have improved the level of Financial Literacy and Financial Inclusion rate in India. The COVID-19 outbreak has caused the decline of cash payments and the increase of contactless payments in the India; mobile payments ensured people's health and helped in slow down the spread of the virus. In India, Unified Payments Interface (UPI) was launched by National Payments Corporation of India (NPCI) on 11 April 2016. It is used on Mobile devices to transfer funds between two bank Accounts instantly. Only the mobile number is required to be registered with the bank for doing any online transaction which is regulated by Reserve Bank of India. It is considered as one of the most successful payment systems in the world, in terms of number of user adoption, volume of transactions and the number of transactions. This paper investigates the factors which play an important role in Fintech adoption in India.

Keyword: Technology, Bank, Financial Services, Payments.

I. INTRODUCTION

Rapid development has been happening in the field of financial technology in last decade. "In last few years, the most important innovation in the financial industry is Financial Technology which is growing rapidly." [1] Fintech is a type of wallet for "financial technology" which is used to augment, streamline, digitize or disrupt traditional financial services. Fintech refers to the process of designing of software, algorithms and applications for both desktop and mobile phones. In some cases, it also includes hardware like internet connected piggy banks. Fintech platforms enable run of the all required tasks like depositing checks, transferring money between accounts, paying bills or applying for financial aid. It also facilitates peer-to-peer lending and crypto exchanges. Nearly two-thirds (64%) of the world's population was using fin-tech applications in 2019, up from 16% in 2015 which is shown by Latest Global Fin-Tech Adoption Index . According to the report, 3 out of 4 consumers have become the actual users of money transfer and payment solutions. In the wake of the Covid-19 pandemic, more and more businesses are turning to fin-tech which is accepting contactless payments or adopting other tech-fueled advancements. Now a days, businesses rely upon fin-tech for payment processing like e-commerce transactions, accounting and also helps government-assistance efforts like the Payroll Protection Program (PPP).

According to a report by Ernst & Young (EY), India is one of the largest and fastest growing Fin-Tech ecosystems of the world. It stands second after China in terms of Fin-Tech adoption index with an adoption rate of 87%. India has the highest Fin-tech adoption rate in the world against the global average of 64%. The overall estimation of the Fin-tech market in 2021 for India has come out to be \$50 billion as mentioned in a report by FIA Global. India is poised to become one of the largest digital markets with rapid expansion of mobile & internet networks as India aims to become self independent (Aatmanirbhar).

What is Fintech?

Fin-Tech means where banks use back-end processes for monitoring the accounts activities to provide the solution of an issue faced by consumer like the app you use to check your account balance. Banks also use fin-tech to underwrite loans & Individuals use fin-tech to access many bank services, including payments for purchases with the help of smart-phone and receives investing advice on their personal electronic gadgets.

The idea of "fin-tech" has evolved over the past few years from being associated with scrappy startups to being a substantial component of long-standing and established financial institutions. Almost all banks and financial institutions are now working with fin-tech firms or starting their own fin-tech projects. For instance, JP Morgan Chase invested \$25 million in fin-tech firms in 2019 and Goldman Sachs used fin-tech to develop an online bank

named Marcus in 2016. Fintech speeds up procedures that used to take days, weeks, or even months. The percentage of financial inclusion is also rising, both internationally and in India and credit goes to fin-tech. Fintech also meets the demands of the unbanked sector in various regions of the world where there is a lack of institutional or governmental assistance.

II. REVIEW OF LITERATURE

There is lot of literature available on fin-tech at international level but only a few studies are available for India. Researcher chose a few studies related to the topic of paper.

Firmansyah, E.A. and et, al concluded in their paper that existing theories and self-developed constructs can be used in explaining fin-tech adoption determinants. Second, fin-tech companies can practically benefit from the proposed primarily from the loyalty of the customers. To do so, fin-tech managers or practitioners should consider both the theory-based and self-construct determinants, which might be more dynamic to change over time.[2] Bagozzi and Yi 1988 stated that Indian consumers, who are already known for being conservative with their financial decisions, need to have more faith in fin-tech companies.[3] Dang and Nguyen 2021; Chouhan et al concluded that finding a way to appeal to their needs is one of the main challenges, along with to keep up with the rate of technological innovation, regulatory structures must be both effective and responsive in order to impact financial behavior.[4] The Fintech Industry in India: The Revolutionized Finance Sector was explored by Rajeswari and Vijai in 2021. They found that Fin-tech has altered conventional financial institutions and is continuously shaping the financial sector. Their research report examines Fin-tech Adoption, Fin-tech News Network, Indian Fin-tech industry structure, Fin-tech Start-ups in India, and Fin-tech Trends in India. An overview of the fin-tech industry and government initiatives supporting it were provided in the assessment. Fin-tech provides customers with quicker financial services and products. The development of the fin-tech industry is essential for the Indian and global financial sectors.[5] In his work, Vijai (2019) addressed the Opportunities and Challenges in the Fin-tech Industry in India. For the user, fin-tech enables a faster, more secure method of transaction. His study demonstrates how India's financial services have changed due to the Fin-tech industry.[6]

III. GROWTH OF FIN-TECH: KEY DRIVERS IN INDIA

Regulatory support: With initiatives like the Unified Payment Interface (UPI) and the Digital India program that foster digital payments and financial inclusion, the Indian government has been supportive of fin-tech innovation. With initiatives like the regulatory sandbox that allow fin-tech to test its products in a controlled setting, the Reserve Bank of India (RBI) has also been aggressive in developing a favorable regulatory climate for fin-tech.

Partnerships and collaborations: In order to increase their reach and provide new goods and services, fin-tech companies in India are collaborating with conventional financial institutions. For instance, PhonePe and Bajaj Fin-service have joined to offer immediate personal loans, while Paytm and ICICI Bank have partnered to offer digital credit to its consumers.

Cyber-security: Cyber-security is now a major problem as India's fin-tech sector expands. To safeguard the safety and security of their customers' data, fin-tech companies are spending money on cutting-edge security methods like biometric authentication, encryption, and fraud detection.

Innovation in Technology: World's best software companies are from India only like TCS Infosys, HCL Technologies, Wipro Limited and many others. New business models are being developed using technologies like Machine learning and Artificial Intelligence.

Increase in smart-phones and internet users: India has the 2nd highest number of smart-phones users globally with numbers around 600 million, and 2nd largest Internet user market with over 690 million internet users at the start of 2023.

E-commerce growth: Fin-tech now has a huge chance to provide payment solutions and other financial services to online customers because to the expansion of e-commerce in India. Customers using e-commerce sites like Amazon, Flipkart, and Myntra can pay with ease thanks to businesses like Paytm, PhonePe, and Razorpay.

Startups and Unicorns: According to the Economic Survey published by Invest India, National Investment Promotion and Facilitation Agency, 44 Indian startups achieved the 'Unicorn' status in the year 2021 alone, increasing the total number of Indian unicorns to 83, with a total evaluation of over US\$277 billion. Out of 83, 15 unicorns belong to the Fin-tech industry with a current valuation of around US\$60 billion.

IV. BENEFITS OF FIN-TECH

The perceived benefits of Fintech are classified into different aspects:

- Fin-tech contributes to raising the community's standard of living. The economy will grow more quickly the more financial activity there is. It aids in the improvement of the community's welfare and economic standing.
- Fintech offers the ability to send and receive payments securely and gain access to savings, credit, and insurance products that can help expand businesses, mitigate risks, and plan their futures.
- Fintech companies can help boost competition and accelerate financial inclusion in India by lowering costs and enhancing access to financial services for people in low-income groups, rural areas and other underserved sectors of the Indian economy.
- Fintech also helps to drive down the cost of financial services. By making it easier and more affordable to send money, make payments, or take out a loan, fin-tech companies are helping to make financial services more accessible to everyone.
- Besides making it more efficient for companies to provide financial services, it is also leading to a more accessible and transparent financial system, particularly for the underserved segment of society in Asia. Fin-tech solutions such as mobile banking and microcredit facilities create new opportunities for MSMEs.

V. CONCLUSION

Fin-tech is in its development stage, nobody knows for sure what fin-tech innovations are on the horizon and this uncertainty has been worsened by the chaos caused by the pandemic. The Economic Survey 2023 highlighted that the economic growth of the India led by digital infrastructure and how the digital empowerment is nurturing India's vision of a \$1 trillion digital economy by 2025.

Tencent is a China based multinational conglomerate that offers internet-related services and products which has \$82.3 billion revenue in 2023. The Fintech sector in India has witnessed funding accounting to 14% share of Global Funding. India ranks #2 on Deal Volume. By 2030, it is anticipated that the promising Indian Fin-tech market will generate \$200 billion in revenue and \$1 trillion in AUM (Assets under Management) as suggested by a study conducted by EY. As a home to over 2100+ Fin-tech companies, India is the third-largest fin-tech ecosystem in the world.

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