

FINTECH INDUSTRY IN INDIA: THE REVOLUTIONIZED FINANCIAL SECTOR OF INDIA

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ABSTRACT

One of the main forces driving a country's progress is innovation and technology. Due to several financial innovations occurring in the financial industry as well as other important areas of the Indian economy, the Indian financial system has undergone significant changes in recent years. The use of technology in the field of finance is known as fintech. Recent years have seen a rise in its popularity as a result of notable technical advancements. A new group of players, including Fintech startups, e-commerce businesses, and technology companies, have entered the financial services sector at this stage of the fourth industrial revolution. To enhance financial services, fintech firms utilize cutting-edge technology like artificial intelligence, machine learning, and the internet of things. The most inventive system is thought to be the financial one. In order to achieve the goals of making India a superpower by 2030, appropriate efforts should be made on a regular basis to promote financial sector innovations for nation-building and growth that puts India on the path to becoming a superpower as emerging technologies and innovations drive economic growth. This paper considers current events that sparked financial technology improvements and their effects on the economy's GDP.

Keywords: *Technology, Innovation, Fintech, Financial services.*

1. Introduction

During the allocation of scarce economic resources, the financial sector is crucial to economic progress. Policies, elements, and institutions that hasten the efficacy and efficiency of financial market intermediation have been referred to as financial development. A process of achieving financial innovation, institutional, and organizational changes in a financial system is called financial development. Studies over the previous ten years have shown a link between financial innovation and economic growth. By facilitating capital mobilization, efficient financial intermediation, capital development, and overall increased efficacy in financial institutions, financial innovation supports economic growth. Financial innovation is therefore seen as a major force behind financial progress. The financial system's performance and capital market developments are boosted by the addition of new financial resources and infrastructure.

Additionally, technical advancements are identified as the most important factors influencing the expansion and development of innovation. A nation's ability to progress economically and technologically depends on its financial system. A useful financial market is necessary for financial innovation in order to allocate scarce resources more efficiently and to cut costs. A dynamic role in financial development is played by financial innovation and institution quality. Researchers have become more interested in financial innovation in recent years. Numerous

studies have revealed that creative businesses expand more quickly. Innovation enables businesses to operate more efficiently, expand their markets, and maintain market leadership.

Over the past few years, India's financial inclusion has considerably increased. The percentage of Indians who now have bank accounts has increased in recent years and is thought to be close to 80%. As the Indian government works to provide financial services to the under banked segment of the population, fintech enterprises in India are gradually gaining attention. India must work to enhance financial inclusion in order to serve the under banked portions of the population and offer a stable business climate for fintech companies.

2. Review of Literature

An increasing quantity of research has been done in recent years on the effects of fintech on the Indian economy. Numerous studies have emphasized the potential advantages of fintech, including expanded financial inclusion and unbanked people's access to financial services.

1. Conceptualization of the Effectiveness of Fintech in Financial Inclusion was considered by Badruddin in 2020. She presented a research paper that is conceptualized and is based on auxiliary data gathered from various sources, including journals, books, websites, and so forth. She proposed that the development of Fintech has reduced costs as well as increased effort and the entrance of the microfinance model. She concluded her research by saying that the Present Situation makes the feasibility of the Fintech clear. even if this business faces several challenges.
2. Vijay et al.'s study from 2020 revealed that the Fintech in India: potential and problems, the subject of his article, focuses on the potential and problems in the Fintech Industry, the development of The Fintech technology in India. For the user, fintech enables a faster, more secure method of transaction. His study demonstrates how India's financial services have changed due to the Fintech industry. The Indian government supports innovation and the fintech sector. Since fintech makes financial services more affordable while still being safe, quick, and user-friendly, it benefits the Indian economy.
3. Financial inclusion: The importance of Fintech and digital financial services in India was the subject of a study by Mehrotra in 2021. With the globalization of the market and the development of the financial sector, an ever-increasing number of people are switching from a cash-based system to one that operates solely on credit. The credit only framework is not only necessary, but also necessary for the current request.
4. Anusha, 2021 proposed that India's fintech challenges and issues. The article begins by focusing on the most important categories of financial innovations and their capabilities. It also discusses the opportunities and challenges these innovations provide in the Indian corporate environment. A large number of balancing technologies are developing in India across all facets of financial management. It is impossible to dispute India's great pioneering power when seeing the rate of growth of balancing experts. In India, there are

around 1500 Fintech startup companies, and nearly half of them were founded in the last two years. Equilibrium tech enterprises need to be well-prepared both financially and practically.

5. Dwivedi, a student of 2022, studied Fintech, a technical framework that is open to anyone for the Indian financial ecosystem. In this essay, the author examines the role of fintech in the Indian Financial Ecosystem (IFES), placing special emphasis on the social, economic, technical, and regulatory factors that have made fintech one of the most important elements of the Indian financial framework. Additionally, the author emphasized the phrase "financial inclusion". The function of regulatory agencies and politicians in creating the financial ecosystem of developing nations like India. A brief overview of two of the most recent growing technical fields in financial technology—block chain and artificial intelligence—and the ways they are influencing the industry A copy of the IFES is also available.
6. Regulatory Sandboxes: Decoding India's Attempt to Regulate Fintech Disruption was examined by Shashidar, 2022. He observed that the conventional monetary system is being disrupted by technological improvements, and the RBI's administrative sandbox approach is an effort to be more organized and incorporate some of this disruption. His research examines the current state of administrative sandboxes in India and evaluates the successes and challenges faced by His relatively nascent administrative apparatus. Along with this, his report also sheds light on the gap that the company considers to be crucial and lays out expectations for the future.
7. Kumar, 2023 examined the effect of fintech on India's public and private banks' profitability. They looked at how India's banking industry has benefited from the Fintech revolution. Their study's primary goal is to determine how Fintech would affect the profitability of India's private and public sector banks. They used source data that had been gathered by PWS, KPMG, RBI, and SSRN for their investigation. The historical Evolution, market size, and expansion are the three focuses of their study. They predicted that as the Fintech sector grows in India, whole new financial innovations would emerge, giving people new ways to exchange, give, save money, and rebuild their accounts.
8. Mohanasundaram, 2023, conducted research on the 5G wave's effects on the Fintech landscape in India. They found that the fifth-generation mobile network, or 5G, has altered the whole Fintech viewpoint and is expected to create a new Fintech Biological system in India. The anticipated benefits of 5G innovation would enable the Fintech sector to significantly alter India's banking and money sector. In this study, the authors examined how 5G might affect emerging bank technological improvements while paying unusual attention to fintech.

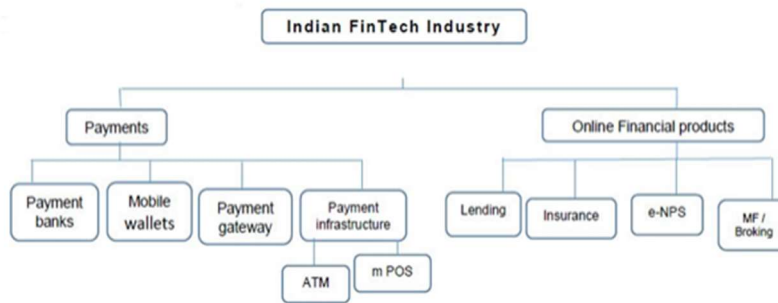


Fig. 1 Indian Fintech Industry Structure

3. Problem Statement

The delivery and accessibility of financial services are being revolutionized by the fintech industry, which is a sector that is expanding quickly. Fintech is becoming important for driving economic growth and financial inclusion in many nations, including India, as digitalization and smartphone penetration expand. Fintech development in India has faced several difficulties, nevertheless. The purpose of this study is to explore the following research question: What are the main obstacles and possibilities facing the fintech sector in India, and how do they affect the economy of the nation?

4. Objectives of Study

1. To analyze the Fintech industry and its future.
2. To analyze the awareness of fintech and digital transformation of financial service.
3. To identify initiatives of the government to promote the Fintech industry.
4. Examine the perception of people towards fintech services.
5. Identify the major preferences in the fintech services.

5. Research Methodology

The Government of India (GOI) is pushing for an aggressive approach, both at the policy and financing levels, to encourage the development of a cashless digital economy with a robust fintech ecosystem in India. The following list summarizes the main actions done by the GOI, together with other regulatory authorities including the Reserve Bank of India and the Securities and Exchange Board of India:

1. Trends in Fintech

In 2020, new technological developments in the financial services industry will emerge. The development of financial firms will also depend on their capacity to shape the sharing economy, gather data on their customers, and cope with emerging technologies like block chains, robots, artificial intelligence (AI), and others. (<https://www.kelltontech.com>)

2. Artificial Intelligence in Fintech

The financial sector has undergone a change thanks to artificial intelligence (Hill, K., 2020). Few industry titans had the capacity to deal with the intrinsically quantitative aspect of our modern, tech-savvy society prior to AI and the emergence of Fintech. These AI use examples explain how

AI has revolutionized the Fintech industry.(Buttice,C.,2020) AI and machine learning are used by financial institutions and fintech firms to boost productivity and provide customers more pertinent, cost-effective, and user-friendly financial services and solutions to satisfy their banking demands.

3. Block chain in Fintech

A recent report from the steering committee on Fintech-related issues of the Ministry of Finance, Government of India, mentioned the importance of Block chain with a special mention to four applications of block chain in Fintech. As a result, block chain development companies in this sector have a significant advantage going forward. The fintech sector is being completely transformed by block chain technology in a variety of ways, including the removal of third parties, the reduction of operating costs and time, the improvement of the identity verification process, etc.

4. Cloud Computing In Fintech

Cloud infrastructure enables Fintech businesses to scale up and down with complete control and ease while maintaining regulatory compliance. With the help of cloud technology, fintech continues to expand significantly and steadily. Fintech lowers CAPEX and OPEX expenditures while improving the user experience and service portfolio. Chattbot using NLP According to PwC India, Fintech will revolutionize mobile banking by using NLP-based chattbot and cutting-edge Conversational User Interfaces (CUI). These chattbot will have the capacity to react to consumer issues and offer workable solutions in real-time, improving the customer experience.



Fig. 2 Government Initiatives

Scope of Further Study

By identifying the major issues and possibilities facing the sector and evaluating the efficacy of the steps taken by the Indian government and the Reserve Bank of India (RBI), this research provides a thorough grasp of the influence of fintech on the Indian economy.

To build on the results of this study, more research might be done in a number of areas. Conducting a longitudinal study to monitor the development of the fintech sector in India over time and evaluate the effects of any changes to laws or policies is one area that needs more investigation.

This will give important information on the long-term viability of the Indian fintech industry as well as the efficiency of governmental initiatives to advance digital payments and promote the

application of fintech in the banking industry. Comparing the fintech industries of India and other nations in the region, such as China and Singapore, is another topic that needs more study. This will give important insights into the elements influencing the development of the fintech sector globally as well as the possibilities and problems that the sector faces globally.

Analysis of Study

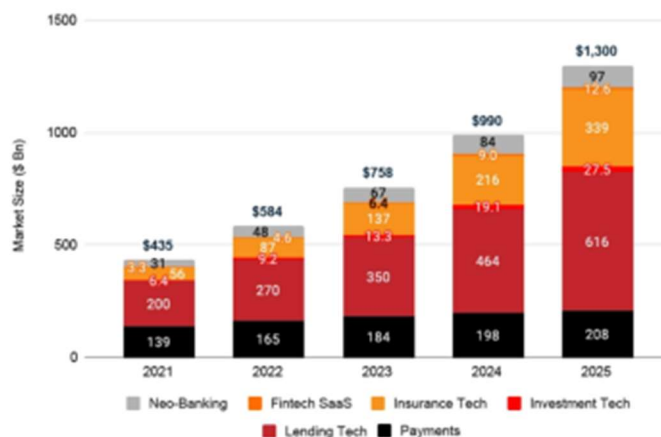
The reduction of poverty, the encouragement of balanced economic development, and the maintenance of economic stability all depend on financial inclusion. A sizeable section of the populace in developing countries lacks access to even the most basic financial services. For millions of people, especially those who reside in India's most remote and rural regions, the provision of basic financial services like banking is still mostly out of their grasp. In order to execute financial transactions and raise one's quality of living by investing in the establishment of new businesses or initiatives linked to self-employment, one must utilize financial technology and services related to mobile money.

The quick progress being achieved as a result of these activities is being aided by the sharing economy, regulation, and information technology. Despite this, the discipline of fintech research is still in its infancy. Financial inclusion is seen by policymakers as a top development goal in the majority of still-developing countries. This research adds to the body of knowledge about the challenges of utilizing fintech for financial inclusion, especially for those living in rural India who is economically disadvantaged.

The most significant result of this empirical study was the model that included rural communities' involvement into financial decision-making. Additionally, the researchers came to the conclusion that customers who are intended to use fintech services to participate in financial inclusion should always try to conduct transactions using fintech-based mobile services. This conclusion was supported by results from the structural equation modeling and route analysis. They like how user-friendly these services are and have no intention of ceasing to embrace fintech for financial inclusion.

India To Reach A Trillion-Dollar Fintech Market By 2025

The country's fintech market is estimated to grow at a CAGR of 31% during 2021-2025



Fintech is expected to have a \$1.3 TN market potential in India by 2025, growing at a CAGR of 31% between 2021 and 2025. This is anticipated to be made up of 47% (\$616 billion) by lending technology, 26% (\$339 billion) by insurrect, and 16% (\$208 billion) by digital payments. With a CAGR of 44%, investment technology is the second fastest-growing fintech sub-segment in terms of market potential, followed by fintech SaaS with a CAGR of 40%.

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