

Emerging Trends in Indian FinTech Market

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Abstract

FinTech is the abbreviation of financial technology used to describe emerging global digital technology that aims to improve and automate transmission and usage of financial services of PPIs. PPIs are also known as digital wallets and electronic wallets (e-wallets). Prepaid Payment Instruments (PPIs) can be issued by banks and non-banks. A FinTech is a neo banking system which provide digital banking services to the users. FinTech banking system is the product of digitization and globalisation process. The growing rate of connectivity and internet access in India helped the prepaid instruments as the fluid land. The emerging trends in the Indian FinTech market were Neo-Banking, Investment Tech, Insurtech, FinTech SaaS, and Market Consolidation. A neo bank is a type of direct bank that operates exclusively online without traditional physical branch networks.

Keywords:- Prepaid Payment Instruments, Fin Tech, Neo Banking, E-Wallet.

Introduction

FinTech is the abbreviation of financial technology used to describe emerging global digital technology that aims to improve and automate delivery and usage of financial services of PPIs. Prepaid Payment Instruments are financial products that facilitate the purchase of goods and services, remittance of funds, conduct financial services, etc against electronic money stored information. PPIs are also known as digital wallets and electronic wallets (e-wallets). Prepaid Payment Instruments (PPIs) can be issued by banks and non-banks. Banks required approval from RBI for issuing PPIs. The non-bank PPI issuers are companies incorporated in India and registered under the Companies Act, 1956 or the Companies Amendment Act 2013. The non-banks required permission from RBI for issuing PPIs.

A FinTech is a neo-banking system that provide digital banking services to the users. FinTech banking system is the product of digitization and globalization process. The lockdown situation followed by the Covid-19 pandemic instigated the growth of digital banking and gave birth to FinTech companies. Several start-ups were organized in this sector as it is a part the life in the modern world. It enables the users to transfer funds quickly from person to person and from place to place. FinTech companies initiate to leverage cutting edge technologies like artificial intelligence, machine learning, IoT, etc to provide banking services faster and easier. There are about 2100 FinTech companies in India, out of which 1400 companies were set up in the last five years.

Many banks are now switching to FinTech companies as the present community needs paperless and cashless transactions for time saving. The term FinTech was first introduced in the 21st century to include the development and usage of crypto currencies. It also benefited to the business owners and consumers in managing their financial operations and processes.

Objectives of the Study

1. To understand factors affecting growth of FinTech Companies in India
2. To study, the emerging trends in Indian FinTech market.
3. To identify significant FinTech players in the Indian FinTech market.

Research Methodology

The present study was a descriptive analysis of various FinTech companies in India. The study collected only secondary data regarding the FinTech companies in India. For the study the information was collected from newspapers, books, and online articles. The study focused on factors affecting fin tech companies in India, major FinTech companies in India, and various types of FinTech services provided by FinTech companies.

Factors Affecting Growth of Fin Tech Companies in India

Payment and Settlement Systems Act, 2007

The demonetisation action taken by the Government of India aimed to encourage a cashless economy through digital India. Demonetization refers to the withdrawal of the legal tender status of the denominations of Rs 500 and Rs 1000 on 8th November 2016, to break the grip of corruption and black money from the Indian financial market. As a result, the use of Prepaid Payment Instruments (PPI) such as mobile banking, smart cards, e-valets, prepaid cards, Paytms, MobiKwik, PayU, etc., has been increasing in India significantly. These PPIs are governed by the Payment and Settlement Systems Act, 2007 and the Reserve Bank of India Guidelines from time to time. It is an Act to regulate and supervise the payment system in India.

Increased Internet Access

The growing rate of connectivity and internet access in India helped the prepaid instruments as the fluid land. Over the last two years, prepaid payment instruments have been adopted as a convenient means and used by all.

Growing Availability of Smart Phones

During the last two years smartphones at once

it was a luxury product, have become a necessity of human life. It enables to do essential financial functions easily, transfer funds from one person to another, one region to another, immediate payment of bills, and Unified Payments Interface (UPI). It also enables contactless and cashless payments becomes the way for life of humans. Thus, these factors led to digitalization and boosted the nation's FinTech Revolution.

Emerging Trends in the Indian Fin Tech Market

The emerging trends in the Indian FinTech market can be of the following:-

1. Neobanking
2. Investment Tech
3. Insurtech
4. FinTech SaaS
5. Market Consolidation

Neobanking

A neo bank is a direct bank that operates exclusively online without traditional physical branch networks. Neo-banks suitable for the present generation as they are increasingly relying on smartphone and digital medium.

Investment Tech

As of 2019, only 3% of the Indian population participated in the national stock market compared to 55% in the US. In FY21, the estimated value of total equity in the Indian stock market was \$990 Bn, which is expected to increase 2.3x to \$2.2 Tn in FY26. A combination of growing demand and awareness among the people towards financial securities and a substantial addressable market portray investment tech as a profitable business opportunity in India.

Insurtech

Insurtech refers to technological innovations are created and implemented to improve the efficiency of the insurance industry. Insurtech powers the creation, distribution, and administration of the insurance business.

FinTech SaaS

FinTech SaaS means FinTech Software, offering financial technology as a service. For example, this

is a cashier platform that allows merchants from different business niches to get access to multiple payment solutions with just one integration.

Market Consolidation

Many established FinTech start-ups in India are eyeing IPOs this year, including MobiKwik, Navi Technologies, and Pine Labs. Understandably, the greater a company's market share, the better the chance of a successful IPO, which helps raise investor confidence. In fact, a substantial market share is one of the critical indicators that analysts use to determine a company's competitive position. Moreover, the requirement of full-stack solutions to capture potential customers and new markets at the earliest will also send these top players on a shopping spree. India has more than 2,100 FinTech companies and one of the highest FinTech adoption rates in the world; India is a global FinTech powerhouse, a position it earned thanks to pioneering digital infrastructure initiatives, a dynamic venture capital (VC) landscape, and favorable demographics, including a young, digitally-savvy population, and rising middle class.

Globally, investors are bullish on the prospect of FinTech in India, having poured billions into the space. As per data from Invest India, the national investment promotion and facilitation agency, show that FinTech funding surpassed US\$8 billion in 2021, pushing start-up valuation to new heights. Today, the country is home to not less than 17 FinTech unicorns worth US\$1 billion and over. But besides these industry leaders, a horde of smaller, fast-growing start-ups, are making their presence known, witnessing strong growth and traction from investors worldwide.

Major Fin Tech Payers in India

The significant companies engaging fin tech business in India can be discussed as follows:-

Cash-free Payments

Cashfree Payments was launched in 2015 as a payment and banking technology company located in Bangalore. It provides a complete online payment platform helping businesses to collect, and send money, offering services such as revenue

collections, dealer spay-outs, wage pay-outs, instant loan disbursements, e-commerce refunds, insurance claims processing, expense reimbursements, loyalty, and rewards payments. Cash free Payments serves over 100,000 businesses, including Cred, Zomato, Xiaomi and Tencent, and processes US\$20 billion in payments annually. The company has businesses across eight different geographies including the US, Canada, and the United Arab Emirates (UAE). Cash-free Payments valued at US\$200 million after raising strategic funding from the State Bank of India.

Cred Avenue

Cred Avenue was established in 2017 as a Chennai based company; Cred Avenue is a specialised institution in providing online loans. The company handles five main platforms aimed at catering to every requirement of both borrowers and investors. The first one is Credit Loan, a business lending platform. The second one is a Cred CoLend, an origination platform for banks and non-banking financial companies (NBFCs) for co-lending partnerships. The third one is Plutus; bond issuance and investment platform for institutional, and retail participants. The fourth one is CredSCF; a supply chain platform. The last one is CredPool, an end-to-end securitization and portfolio buyouts.

Get Vantage

Get Vantage was founded in 2019 and located in Mumbai; GetVantage is a financing platform rendering growth capital to digital-first businesses, including e-commerce entrepreneurs and start-ups across India and Southeast Asia.

Hyperface

Hyperface was established in 2021 with headquartered in Bengaluru. Hyperface is the developer of a card platform designed to clarify credit card issuance for FinTech and e-commerce firms. The company offers customizable software development kits (SDKs) and application programming interfaces (APIs) to allow customers to design and fast launching of credit card programs and manage the entire customer experience, from know-your-customer (KYC) requirements to loyalty program.

Mahila Money

Mahila Money is the digital banking platform for women's. The headquarters of Mahila money is at Delhi and it is a women-only social network. Mahila Money offers short term business loans and other financial services to women and female micro-entrepreneurs. Mahila Money had partnerships with banks and NFBCs including Transcorp, Visa, My Shubh Life, Avail Finance, and Shivalik Bank from its initial year.

Multipl

Multipl was launched in 2020 with headquartered in Bengaluru. Multipl provides a mobile app that helps investors to invest their savings in mutual funds and other market instruments for spends. Multipl also partners with lifestyle brands to provide customers with exclusive offers on travel, jewelry, bike, home furnishing, career courses, electronics, and, more. In addition, it has a loyalty program with customers of Amazon, Myntra and Jio-Saavn.

Onsurity

Onsurity is a health techstar up founded in 2020. Onsurity is providing monthly, comprehensive employee healthcare to small, and medium-sized enterprises (SMEs), micro-businesses, start-ups and growing businesses. Onsurity's offers monthly-based plans for employees like group health insurance, discounts on medicine orders and health check-ups, fitness rewards, doctor tele consultation, and the like.

SmallCase

Smallcase was launched in 2015 with headquartered in Bangalore. Smallcase is a wealth techstart-up that provides an online trading platform. The company has an in-house team of licensed professionals who offer more than 100 portfolios of stocks and exchange-traded funds (ETFs) for investors in the stock exchanges to invest in. It also offers access to independent investment managers, brokers, and wealth platforms.

FPL Technologies

FPL technologies was a Pune-based company founded in 2019. FPL Technologies is a FinTech start-up specializing in consumer credit. In 2019,

the company introduced OneScore, a digital credit score platform offering free credit score checks and personalized insights. In 2020, it introduced OneCard, a credit card that works alongside with a mobile app to allow customers to lock their card, manage their features and active services, and pay bills.

Zolve

Zolve is a neo-banking start-up introduced for the benefits of migrant workers in 2020. This FinTech company launched its full-scale services in September 2021. Currently serves the India-US corridor, providing immigrants bound to the US for access to bank accounts, high-limit credit cards, and debit cards based on their home country credit score while they are still in their home countries. Zolve strives to become a full-stack financial services provider with products focused on instant remittance, insurance, and loans in the pipeline.

Niyo Solutions

Niyo was founded in 2015, focused on enabling banking that is simpler, smarter, and safer for their customers by simplifying finance with technology. Niyo is a Bengaluru-based FinTech start-up that offers digital banking solutions such as prepaid payroll cards, cross-border travel payment debit cards, and multi-wallet tax benefit cards to customers.

Paytm

Paytm is a global Indian technology firm in Noida that focuses on digital payment systems, e-commerce, and finance. Paytm is currently available in 11 Indian languages. It offers a web- and mobile-based platform for mobile recharges, money transfers, bill payments, trip reservations, hotel, and ticket bookings, gas cylinder bookings, and online gold purchases. It provides banking, credit cards, loans, and investment platforms for insurance, mutual funds, and other types of investments. The app is compatible with both Android and iOS devices.

Perfios

Perfios is a leading product technology firm that helps organizations gather structured and

unstructured data, rectify it, analyse it, and use it to make better decisions. Perfios' product solutions assist businesses in developing vertical apps across a variety of sectors. In the last nine years, Perfios has gained over 100 big clients in India and overseas, including banks, NBFCs, digital lending platforms, mutual fund firms, insurance companies, and human resources.

Findings and Conclusion

The study aimed to understand various FinTech companies in India and its role in the development of Indian economy. The study finds out that the significant factors led to the development of FinTech companies in India were, the increased use of PPIs, growing availability of smartphones, increased internet access, and the enactment of the Payment and Settlement Systems Act 2007. The emerging trends in the Indian FinTech market were Neo banking, Investment Tech, Insurtech, FinTech SaaS, and Market Consolidation. Many fin tech companies were organised and survived successfully in the Indian market for the last five years. They provide various financial services to the banking, non-banking institutions, insurance, and online business entities. Some of them are GentVantage, Cashfree payments, Cred Avenue, Paytm, Niyo Solutions, Zolve, Smallcase, Mahila Money, Onsurety, Multipl, and Hyperface.

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