

OPEN ACCESS

Volume: 10

Special Issue: 1

Month: October

Year: 2022

E-ISSN: 2582-6190

Impact Factor: 4.118

Received: 20.09.2022

Accepted: 15.10.2022

Published: 21.10.2022

Citation:

Sathvik, S. “Fintech and Digitalisation of Financial Services: An Overview.” *ComFin Research*, vol. 10, no. S1, 2022, pp. 20–24.

DOI:

<https://doi.org/10.34293/commerce.v10iS1-Oct.6144>



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

# Fintech and Digitalisation of Financial Services: An Overview

**Sathvik S**

*Assistant Professor, Department of Management Studies  
Allum Karibasappa Institute of Management, Ballari, Karnataka*

## Abstract

*Fintech refers to use of finance and technology together to increase the efficiency of activities related to finance and automation of financial services. The Financial Stability Board (FSB) define fintech as “technologically enabled financial innovation that results in business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services”. With the advancement of technology, fintech ecosystem at global and national level continues to grow at fast pace. Fintech is considered as technological innovation in the area of financial services which use digital platforms to bring out changes in the existing systems. Penetration of mobile and digital banking has kept the movement of fintech services at larger pace. The purpose of this study is to understand the role of fintech in delivering financial services, to look over the major driving forces that encourage fintech services and also to understand the major challenges faced by Indian Fintech firms. The present study is purely conceptual and descriptive in nature and the secondary data pertaining to the study has been collected from published articles and reports of NASSCOM, MEDICI and KPMG etc and author has collected data from online sources. The findings of the study revealed that Vibrant investment ecosystems, digital infrastructure, demographic factors, flexi policies of government were the major triggers of fintech revolution.*

**Keywords:** Financial Services, Fintech Revolution, Digital Banking, Medici, FSB.

## Introduction

Fintech can be defined as use of new technology that helps in development and automation of financial services. Fintech has become a buzz word in the current scenario and gaining significant importance since 2015 and it is found to be a tech-savy word. The term fintech comprises of two words Finance and Technology (Fintech), the financial services are delivered through innovative means by use of technology. Fintech has become need of the hour due to rapid growth of population, majority of the people have no access to financial services, lack of awareness and financial literacy among rural people in India hinders the growth and development of an economy. Large group of people were excluded from financial services and they does not have any access to formal credit. In order to overcome the challenges faced by the people, the banking sector has come up with many innovations like introduction of ATM’s, Credit and debit cards, digital banking etc. After bringing so many innovations in the field of banking urban people have started using those financial services while people in rural areas are still not aware

of digitalization, innovations in financial services hence it is very important to penetrate fintech services to rural areas thereby India can achieve growth and development. Fintech firms help various stakeholders such as business firms, general public to manage their financial activities and with the help of specialized software's and Algorithms and increased usage of smart phones has promoted fintech revolution.

Fintech offers wide range of financial services which includes cash deposits, payments, money transfers and so on can be performed with the help of smart phones and also manage individual investments without any help of individuals. As per EY's adoption index report one third of consumer base uses more than two fintech services and has become part and parcel of daily lives and those financial services are offered to different clients under single umbrella. According to the report of Indian Fintech 2020, it was found that India is evolving as fast growing fintech hub and has gained support from the government and other financial systems. India is experiencing remarkable growth in establishment of fintech firms between 2015-2020. Access to IMPS, UPI, execution of Aadhar and PMJDY (Pradhan Mantri Jandhan) Scheme has accelerated growth of fintech companies in India.

### **Review of Literature**

Global Fintech rankings (2020) designed findexable has provided a comprehensive view about fintech development across the globe, according to the survey India is ranked 15th with score of 12,024 in contrast to US which secured at 31,789. The report describes the rankings of nations in fintech development.

As per KPMG report (2020) the global investment of fintech stands at US 25.6 billion dollars further it is projected that 60 percent of digitalized by 2024.

Lee and Shin (2018) opines that fintech ecosystem can be developed with help of two major elements like techno developers includes (Big data Analytics, cloud computing so on) and financial customers comprises of Individual and institutional communities. Techno developers help in promoting innovative financial services to all sections of society.

PWC (2016) Report the summary of the report is financial institutions need to synergise and invest more funds in fintech extension and innovations in delivery of financial services to all sections of the society.

Accenture (2016) financial system plays a crucial role in fintech investments and hence it is very much important to invest in startups and collaborative projects, in the fintech projects for innovative practices and also to gain competitive advantages.

### **Objectives of the study**

1. To understand the role and importance of Fintech companies in delivering financial services.
2. To look over the major driving forces that promotes fintech revolution.
3. To identify the major challenges faced by Indian fintech firms.

### **Research Methodology used in the Present Study**

The present study is based on secondary data research focusing on conceptual discussions are the core theme of Fintech revolution and digitalization of financial services. The study is carried out on the basis of detailed literature review on pertinent topic related to the theme.

The literature review has done from the available reports published by MEDICI, NASSCOM, Money outlook, KPMG reports, RBI etc and other published articles were used. Present study is based on conceptual, descriptive study and efforts have been made to structure the discussion in the paper in order to adequately address the research objectives. Author has used well defined inclusion and exclusion criteria for selecting the research papers.

### **Inclusion Criteria**

Published works related to fintech companies, digitalization of financial services are the key word search used to collect required information and only works available in English language were considered in the present study.

### **Exclusion Criteria**

Information pertaining to global fintech segments was excluded from the study.

### **Key Drivers Strengthening Fintech Firms in India Vibrant Investment Ecosystem and Capital Flows**

The major challenge faced by an entrepreneur for setting a new business arise with raising of funds and marketing opportunities, Availability of necessary funds help fintech firms to promote delivery of unique financial services to various stakeholders of business and helps in building new fintech models Along with this Indian fintech firms are encouraged with financial sources like private equity, venture capital funds, tech hubs, seed money projects, incubators, public sector and financial institutions helping those firms to set up start new fintech companies.

### **Technological Innovations and Digital Infrastructure**

Technology is key factor that drives innovation in delivering financial services, technical innovations in Artificial intelligence (AI), Internet of things, block chain technology, machine learning, robotics, cloud computing, instant payments has brought tremendous changes in the financial sector. Indian fintech companies has gained strength from various technological innovations , digital infrastructure, and other players in the market such as Bharat QR, BBPS, Indian stack and UPI as per the BCG survey Indian stack has generated more profits, revenue and growth opportunities to Indian fintech startups and the digitalization helps in minimization of acquiring clients and in delivering financial services at least possible cost.

### **Demographical Factors**

As Indian population is composed of youth more than 65% of population will fall under the age group of 35, and also found to be tech savy, penetration of mobile phones, internet access promotes fintech growth, As per the survey 52% of Indian population are digitally active and engaged in digital transactions, Hence these factors helps in promoting fintech startups and still there is a scope and potential for growth of fintech segments in Untapped rural areas.

### **Regulatory Bodies Governing Fintech Startups**

Fintech companies are regulated by the following governing bodies stated as below:

- Reserve bank of India (RBI)
- Securities exchange board of India (SEBI)
- Ministry of corporate affairs (MCA)
- Insurance regulatory and development Authority of India (IRDAI)
- Ministry of electronics and Information technology (MEITY)

### **Government Policies**

The Government of India and other regulators strengthen the growth of fintech companies in India.

India is experiencing growth at faster pace in cashless transactions and digitalization of financial services. Introduction of government initiatives and schemes encouraged growth of fintech

companies. Initiatives such as UPI, startup India, Digital India, Jhan dhan Yojana and approval of NBFC financial services like P2P lenders. National Common Mobility Card (NCMC) along with the above schemes and initiatives tax benefits and promotion of entrepreneurship has made easy governance and flexi business policies for new startups.

### **IRDAI**

With an advent of sandbox in the year 2019 which is monitored by IRDAI to strike the balance between growth of insurance and security for policy claims which helps to promote tech space in the insurance sector.

### **Role of RBI**

RBI has framed regulations for effective and efficient delivery of financial services to various stakeholders the regulations pertaining to entry and exit of fintech companies, listing of fintech products and services offered to its clients. RBI has improved Bharat Bill Payment system and unified payment interfaces apart from these p2p lending, digital transactions, RBI has recognized 11 entity with license is to promote bank payments such as savings, deposits and remittances.

### **Fintech and Financial Inclusion**

Use of fintech services for financial inclusion helps in penetration and getting unbanked under the supervision of banking and makes those companies to participate in digitalized economy. Majority of the Indian wallets has entered into segment, As per the MEDICI fintech 2020 report, it was observed that paytm has more than 200 million users comprises of both men and women population belongs to urban and rural areas. Paytm has more than 15 million users, and it has been witnessed that Razorpay has boarded 0.8 million merchants in online platform similarly zerodha has largest number of active investor client base i.e,19.4 lakhs.

### **Challenges for Indian Fintech's**

The deep penetration of Non banking financial companies in delivering fintech services has been popularized this creates a major impact upon financial systems where integration of technology with financial services have a synergistic effect on long run operations. There are even challenges to fintech startups like digital divide, rural and urban divide, age, gender, afford ability and tech – friendliness and so forth for citizens at large. The network services outreach is the major challenge exist in real situation. According to the survey report (2020) produced by Internet and Mobile Association of India and Global web index around 687 million users are connected to internet out of this 70 percent of people are daily users and it was observed that 97 percent people are using smart phones as per the information average time spent on smart phone usage is 2.5 hours in a day. India has a 264 million user base from rural sector which represents the left out part. A challenge may arise with availability of information hence it is very necessary to develop digital infrastructure in remote areas.

### **Findings and Suggestions**

1. The evolution of fintech could not be possible without flexi-policies framed by government of India.
2. Implementation of Aadhar, then introduction of PMJDY schemes, demonetization phase act as major set thruster for fintech revolution as a result of it digital transactions has gained significant importance and came to limelight.
3. Allowing financial institutions such as banks and fintech players to access digital platforms like UPI, GSTN and digi services for innovations to promote sustainable development in India.

4. Proper IT infrastructure helps fintech companies to expand their services and network with people may helps in developing client’s base.
5. Techno-developers create a digi-platforms that may helps in creating conducive environment for new startups to deploy innovative financial services.
6. The fourth industrial revolution drives the global trade and helps in delivering financial services to all sections of society. Hence there is more potential for growth and development of Fintech companies in India.

### **Conclusion**

Fintech is a new sector that applies innovative technology in developing and delivering financial services to larger sections of society and fintech innovations are growing massively in India. The development of Indian fintech industry is not possible without support and flexi policies executed by Indian government and other regulators. The recent push of digitalization by government of India is promising approach towards laying out of fintech ecosystem blueprint. Fintech has higher scope and opportunities to handle the issues like financial inclusion and digitalization of innovative financial services helps in bringing all sections of clients under single umbrella. If the operational costs, affordability of services meet the requirements of clients then it results in enhanced user friendliness, Indian stack act as catalyst in digitalization of financial services.

### **References**

1. Accenture (2016) Global fintech investment growth continues in 2016 driven by Europe and Asia.
2. Article from NASSCOM on The Fintech Revolution- The FinTech Revolution - NASSCOM Community |The Official Community of Indian IT Industry
3. Article by team Finezza on A Brief Trajectory of Fintech Revolution in India - A Brief Trajectory of Fintech Revolution in India - Finezza Blog.
4. FinTech in India: A revolution is underway - FinTech in India: A revolution is underway (eletsonline.com)
5. MEDICI India Fintech report 2020, 2nd edition
6. Article from BFSI. Economic times.
7. MEDICI Fintech report 2021
8. Lee. I and Shin Y J (2018) Fintech ecosystem, Business models, Investment, decisions, challenges. Business Horizons 61(1), pp.35-46
9. PWC (2016) Blurred lines how fintech is shaping financial services
10. The pulse of fintech (2015) KPMG Report.
11. The Global fintech Rankings (2020) retrieved from <https://findexable.com/wp-content/uploads/2019/12/findexable-Global-Fintech-Rankings-2020exSFA>.