


# STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank



To kindle interest in economic affairs...  
To empower the student community...

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Student's Corner

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## Fintech in India

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**OPEN YOUR  
ACCOUNT  
DIGITALLY  
ANYWHERE**

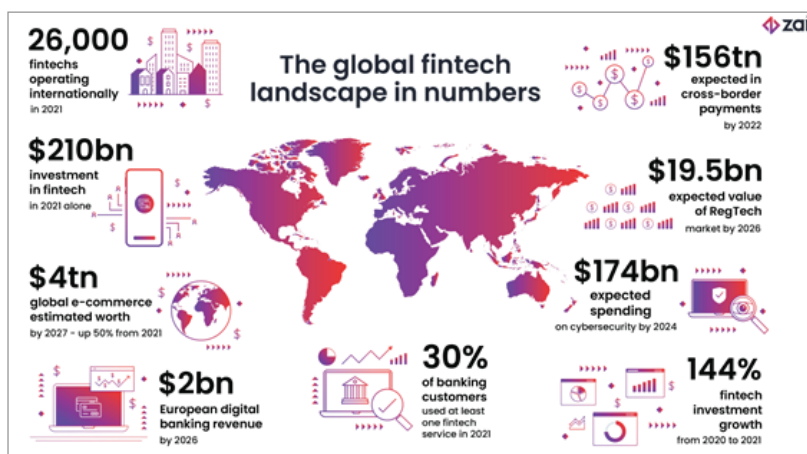
SIB introduces  
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The "SIB Students' Economic forum" is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is **"Fintech in India"**

The 21<sup>st</sup> century has seen the rise of many new innovative ideas and some of the best uses in technology. One of them is 'Financial Technology', also popularly known as '**Fintech**'. Today, more than 26000 fintech companies exist globally and the number is expected to increase. Fintech companies are those companies which deliver financial services such as borrowing as well as lending money by using technology such as machine learning, artificial intelligence, Big Data etc.

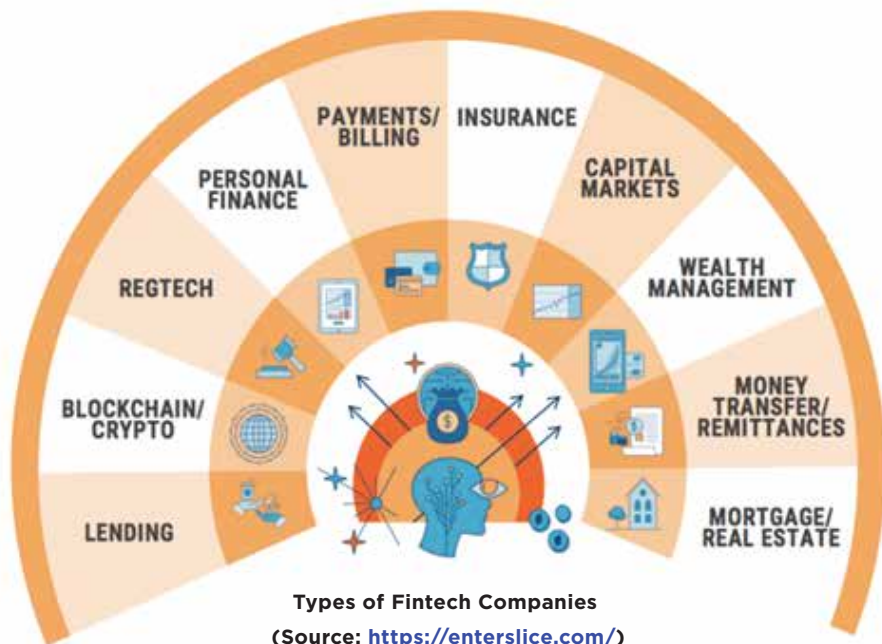


Global Fintech Landscape as on 2021 (Source - [www.info.currencyfair.com](http://www.info.currencyfair.com))

## Let's understand Fintech

As per the State of Indian Fintech Report Q2, 2022, the Indian fintech market is one of the fastest-growing globally, estimated to reach \$1.3 trillion by 2025, growing at a CAGR of 31%. Presently more than 2000 fintech companies are in operation in India.

The use of ABCD (Artificial Intelligence, Blockchain, cloud computing and Big Data) and various other technologies in order to render financial services may be seen as the basic driver of Fintech. Some examples of fintech applications include roboadvisors, payments apps, P2P lending apps, investment apps, crypto app and many more.



## Top Fintech Companies in India

Paytm	Lendingkart	MoneyTap	Instamojo
Razorpay	Shiksha Finance	Pine Labs	Zest Money
PolicyBazaar	InCred		

## Factors that boosted the growth of Fin-Tech companies in India

- 1. Growing competition** – Globalisation has opened doors to new opportunities and more demanding customers. Banks and financial service providers are looking for better and novel ways to engage the customer and deepen their relationship. At this point, retention of a customer is seen as a crucial part doing business in order to sustain the growth in competition. In such a scenario, FinTech services have been considered as a game changer to serve the customer better and sustain competition and have led many banks in search of suitable fintech firms for collaboration.
- 2. Availability of data** – Data regarding spending habits, loan details, credit worthiness, banking services availed, insurance details, demographics (age, gender etc) and much more is now being recorded by various companies and provided as per demand. Fin-tech companies require such data to design custom made product packages and such data is now easily available.

3. **Penetration of smart phones and internet enabled devices** – India has one of the highest technology adoption rates in the world. The transition into smartphones and other internet enabled devices has helped banks and financial service providers to connect with the customers like never before. Since the services provided by Fintech companies mostly require internet support, this has also been a key advantage for fintech companies who are looking to connect with a large group of customers.
4. **Robust market** – Unlike the conventional bank and financial service providers, fintech companies have been able to provide loans even to persons with no past record of availing loans. This information is primary to assess the credibility of the borrower. Using new age technology, fintech companies have been able to assess the credit worthiness of the borrowers even if they have no loan history. This paves way to the access the opportunities of a new and robust market which was not very well tapped before.
5. **Government support** – The government of India has been in support of the growth of the fintech ecosystem. The launch of the 'Open Credit Enablement Network and Account Aggregator framework' by the government has helped to improve the way loans are availed. Government support has also been vital to transition into a paperless and cashless system which is now being adopted by several banks and NBFCs. Moreover, strong policies to protect the rights of the customers and their data is ensured by the government which has helped to build the public trust and confidence over the Fintech business.

## Way Forward for Banks and Fintech Firms

The entry of Fintech companies has disrupted the traditional/conventional means of banking. This has given rise to alternative finance and a certain amount of business being taken away from banks by such firms.

Traditional banks are often seen to face the following issues –

- Highly regulated – Traditional banks are bound to complex and time consuming procedures.
- High operational costs due to a large network of branches and manpower involved
- Mostly risk averse and hence do not look beyond the traditional way of doing Low
- Low Investment in new ideas and technological innovations

However, considering the ever changing landscape of the banking industry, banks may consider the following to overcome competition from fintech firms –

- **Investment in Technology** – Understanding the role of technology in banking and a focussed approach in utilisation of the budget for digital transformation for creation of better products and services. This may also include creating more payment options to customers, improving TAT by leveraging on technology for assessment of loan, simplifying procedures various internal procedures for customers etc.
- **Integrate fintech ideas** – Fintech aims at innovation and disruptive technology while banks have a large customer base which is possible to connect and create demand. Banks should leverage the technology and opportunities offered by fintech firms for their advantage. This can help banks understand their customer and the market better and also provide the best financial solutions possible.
- **Collaboration** – There are many areas and opportunities which are yet to be tapped by banks. Banks should explore all possible venues including options to mechanise and improvise the internal processes through a way of collaboration with the fintech companies to ensure better efficiency and utilisation of resources. This would help banks to save time and resources in order to cope up with the technological innovations done by the Fintech firms.

With growing technology and awareness, customers are always looking for new and innovative ways to get things done in an easy , fast and convenient manner. Fintech firms and banks have their own Unique Selling Propositions (USPs) and in days to come, we may see more novel ways of doing banking.

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