Analysis of Fintech Startups in India

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EXECUTIVE SUMMARY

Fintech has been attracting significant investment in VC capital over the recent times but, there's a relative lack of studies on the factors induce the acceptance or denial of Fintech services. For example, there's no analysis that explains what data points measure best ininfluencing user perceptions and why, whether or not such influence applies equally or differentially across user populations, and whether or not these influence effects are temporally persistent.

Understanding the dynamics of acceptance-related influence processes is important for theoretical as well as practical reasons. This paper examined the acceptance of Fintech services through a combination of supply side and demand side drivers. The objective of this research is to identify the factors that compel users to accept Fintech services. In order to achieve this goal, this study aimed to develop a model on Fintech service acceptance by utilizing the Elaboration Likelihood Model (ELM) proposed by Petty and Cacioppo and selecting variables of the Technical Acceptance Model (TAM) proposed by Davis and several other variables. In addition, it adopted Concern for Information Privacy (CFIP), an increasingly aggravating problem in India's financial industry, and self–efficacy as moderating variables to examine their impact on intention to use.

At Supply side we have looked at the LASIC principle which defines five important attributes of business models that can successfully harness financial technology to achieve the objective of creating a sustainable social business for financial inclusion. The five attributes are: low margin, asset light, scalable, innovative and compliance easy.

Understanding the dynamics of acceptance-related influence processes is very important for theoretical in addition to practical reasons. This paper looks at the acceptance of Fintech services through a mix of supply and demand side drivers. The target of this analysis is to spot the factors that compel users to just accept Fintech services so as to attain this goal, this study aimed to develop a model on Fintech service acceptance by utilizing the Elaboration likelihood Model (ELM) proposed by Petty and Cacioppo and choosing variables of the (TAM) projected by Davis and several other variables. Additionally, it adopted Concern for information Privacy (CFIP), an exasperating drawback in India's monetary business, and self–efficacy as moderating variables to look at their impact on intention to use.

INTRODUCTION

FinTech

The term "FinTech," that is that the short variety of the phrase finance technology, denotes corporations or representatives of corporations that mix money services with fashionable, innovative technologies.

Fintech may be a service sector that uses mobile-centered IT technology to reinforce the potency of the national financial economy. As a term, it's a compound of "finance" and "technology", and conjointly refers to industrial changes achieved from the convergence of monetary services and IT. It's an innovative service that provides differentiated money services through new technologies, like mobile, social media, and IoT (Internet of Things). A recent example is the mobile-based payment and settlement system, that is that the most representative service of its kind in India.

In terms of trade, it refers to the development wherever a non-financial business uses innovative technology to produce services, like remittal, payment and settlement, and investment, while not operating with a financial company. Major examples include Paytm and Phone Pay.

In addition to giving services within the banking sector, there also are FinTech's that distribute insurance and alternative monetary instruments or offer third party services. In a generous sense of the term, "FinTech" encompasses corporations that merely offer the technology (such as software system solutions) to financial service suppliers
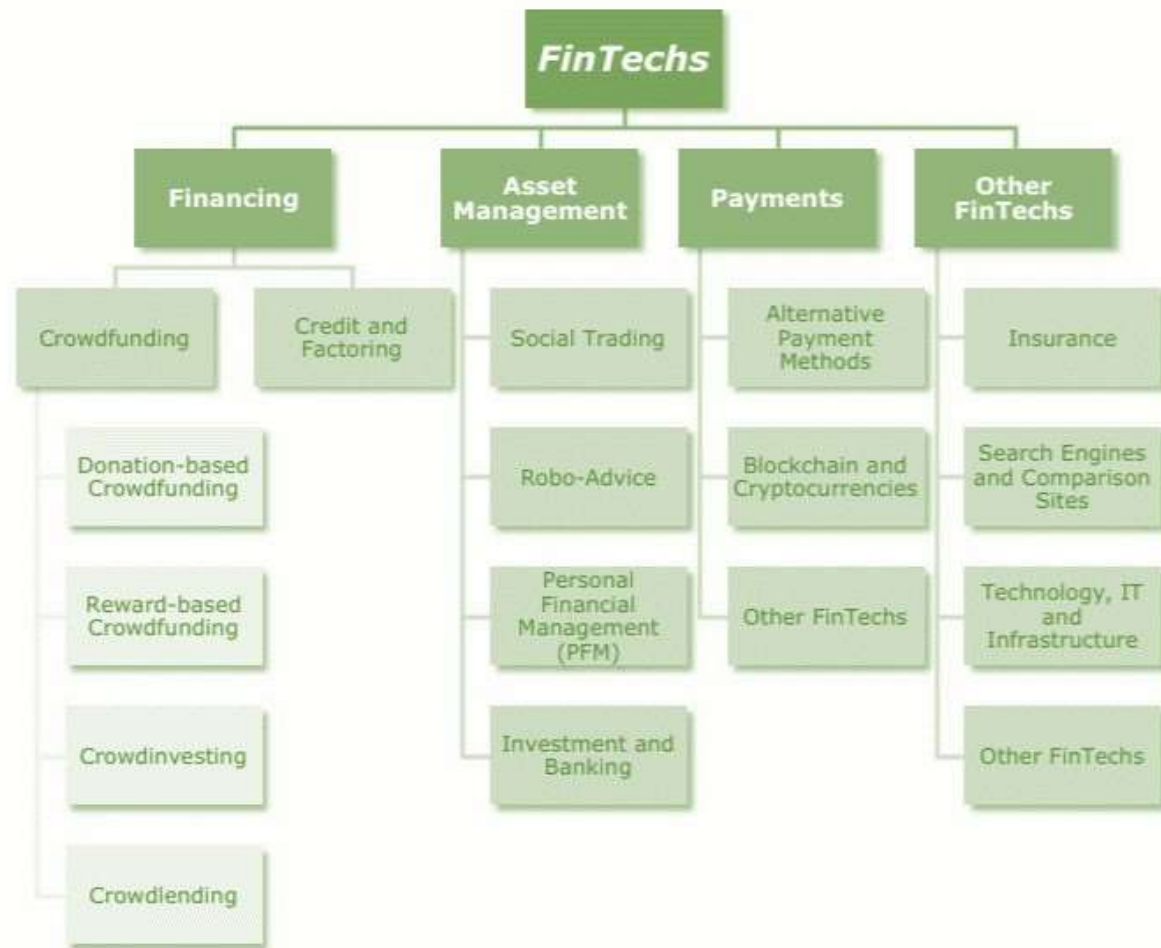
Figure: Fintech Services

HYPOTHESIS DEVELOPMENT

H1: "Personal mobility of payment-type Fintech services has a positive (+) effect onintention to use. "

P. G.Schierz, O. Schilke, and B. W. Wirtz, "Understanding Consumer Acceptance of Mobile Payment Services: An Empirical Analysis", Electronic Commerce Research andApplications, vol.9, no.3, pp.209-216, 2010.

In an analysis conducted by Schierz on the acceptance intention of individuals in European Union who were capable of using mobile devices, quality had a positive impact on acceptance intention. More analysis additionally found that quality affected the acceptance intention relatingto mobile services

H2. "Perceived usefulness of payment-type Fintech services has a positive (+) effect onintention to use."

A.Bhattacherjee, and C.Sanford, "Influence Processes for Information Technology Acceptance: An Elaboration Likelihood Model", MIS quarterly, vol.30, no.4, pp. 805- 825,2006.

Perceived utility is also outlined because the level of utility an exact product or service has for a user. Thus, during this study, the subjective level of utility of payment-type Fintech in existenceor task is also outlined as "perceived usefulness". In studies by Bhattacherjee and Sanford it was found that once a user feels "usefulness" through varied factors, this includes a high impacton "intention to use".

RESEARCH DESIGN

A research design is simply way to depict how data is to be collected, what instruments will beemployed, how the instruments will be used and the intended means for analyzing and comprehending the data collected. Diagnostic Research design is appropriate for this study.

MATERIAL AND METHOD:

A survey was done using an open questionnaire with a set of 15 questions.

The type of questions were multiple choice questions. This survey was open for age groups above 12Yrs. The research study is an exploratory research, based on primary and secondary data. Sample size obtained from the following survey is 25.The following methods are used to collect the information to this project.

EXPERIMENTAL:

1. Questinnaire
2. Surveys.

EXPLORATORY:

1. Internet
2. Newspaper
3. Journal
4. Websites

An extensive literature review was conducted to gather information and comprehensive analysis of all existing publicly available information was referred in the report. The approach that was followed for the needs of this analysis was the inductive one. For the needs of this analysis, comprehensive interviews were used. Comprehensive interviews were personal/unstructured interviews with the aim of developing an in-depth understanding of all keychallenges and opportunities within the sector.

The hypothesized ELM-based influence model of Fintech acceptance was tested by trial anderror employing a survey study conducted on-line. The strategy of purposive sampling was employed to develop the sample of the analysis under discussion

SCOPE OF THE STUDY:

- This study helps to know the current scenario of electronic payments.

- It helps to know why people actually use electronic payments instead of using cash transactions.

- It helps to know the various scope for improving the electronic payment system to gain maximum customer satisfaction.

RESEARCH OBJECTIVE

- To evaluate the impact of fintech companies on the operations of financial institutions in the country

- Benchmark the current state of these drivers in India across Fintech segments.

- Develop Framework for Fintech Service Segments Adoption in India. Identify KeyBreakout Fintech Segments for the Indian Market.

- To examine the challenges facing the implementation of online payments in the country

QUESTIONNAIRE

1. what is your go to payments option

What is your go-to-payments option?
25 responses

Card — Cash — Cheque — Online

68% Online, 20% Card, 12% Cash
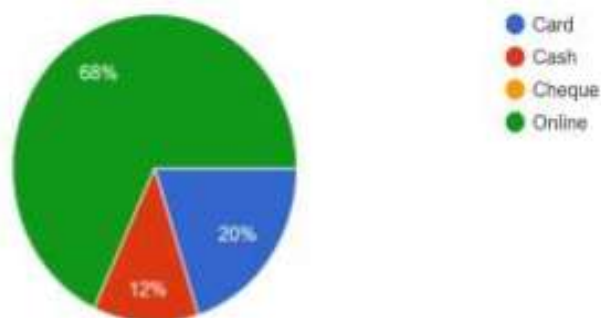
2. Do you have full knowledge about how online payments or Fintech App works?

Do you have full knowledge about how online payments or Fintech App works?
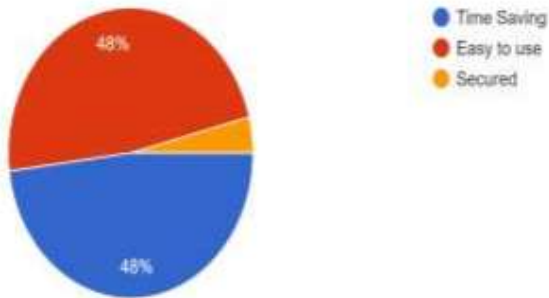25 responses

- Fully Aware
- Partially Aware
- Not Aware

44%
20%
36%
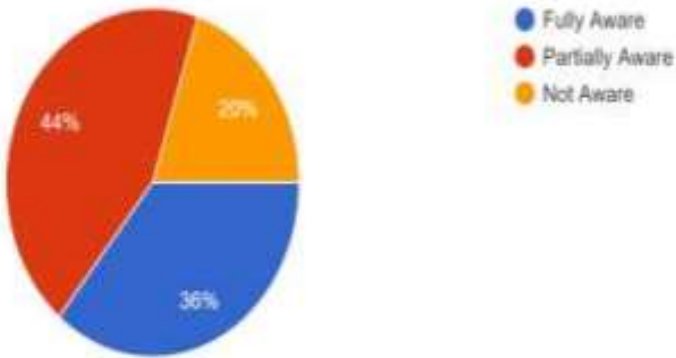
3. How would you rate the fintech services that you have used?

How would you rate the fintech services that you have used?
25 responses

- Satisfied
- Neutral
- Unsatisfied

40%
56%
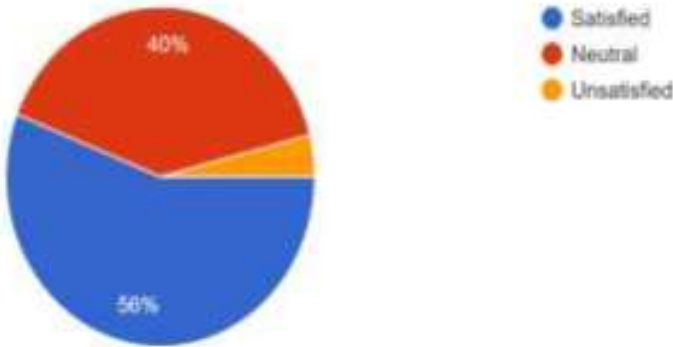
4. According to you why would you prefer Online payment over other modes of payment?

According to you why would you prefer Online payment over other modes of payment?
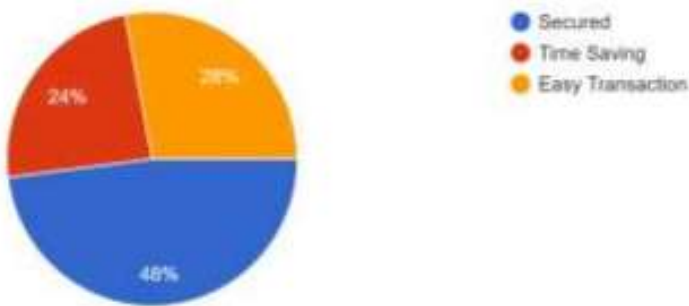25 responses

- Time Saving
- Easy to use
- Secured

48%
48%

5. Which mode of payment you prefer easy?

Which mode of payment you prefer easy?
25 responses

- Cash
- Card
- Online Payments
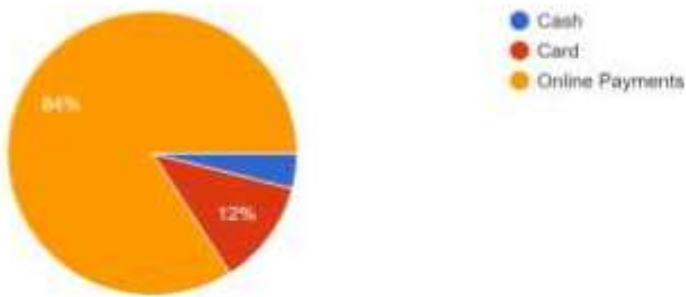
6. Why do you prefer cash payments?

Why do you prefer cash payments?
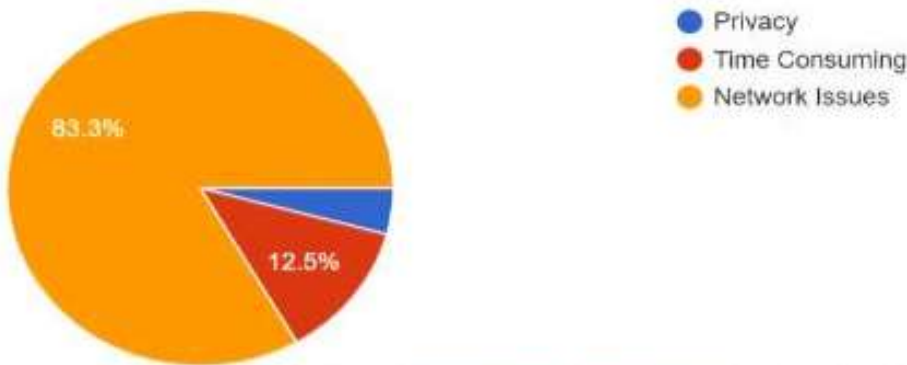25 responses

- Secured
- Time Saving
- Easy Transaction

7. While doing online transaction do you take help of others?

While doing online transaction do you take help of others?
25 responses

- Friends
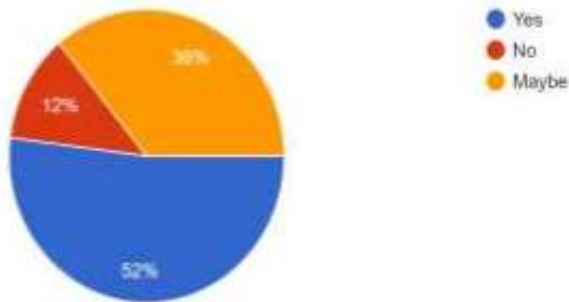- Family members
- Customer Service Executive
- None
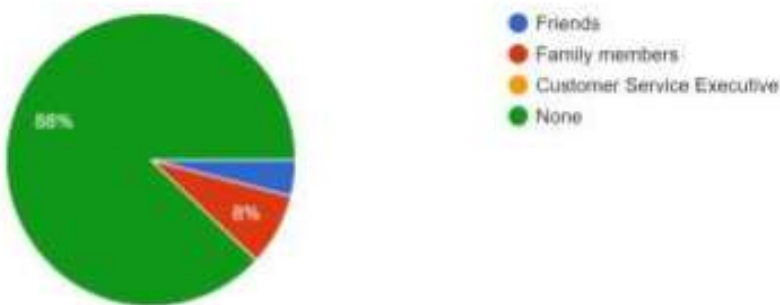
8. Obstacle you face while doing online payments?

- Privacy
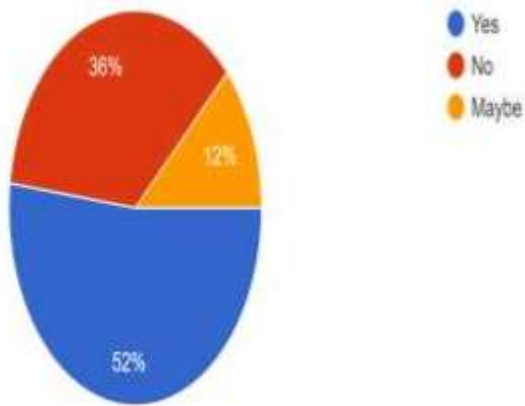- Time Consuming
- Network Issues

9. Do you think online payments can be done by uneducated people?

Do you think online payments can be done by uneducated people?
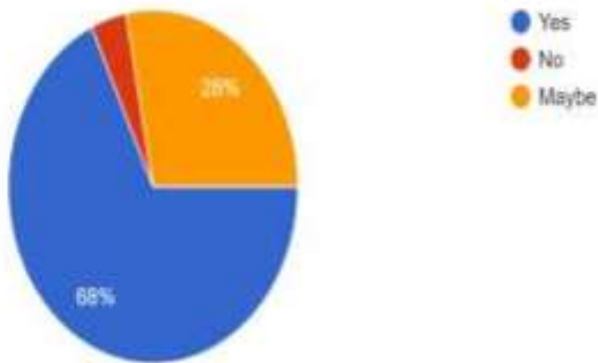
25 responses

10. Does every small shop accepts online payments in your locality?

Does every small shop accepts online payments in your locality?

25 responses

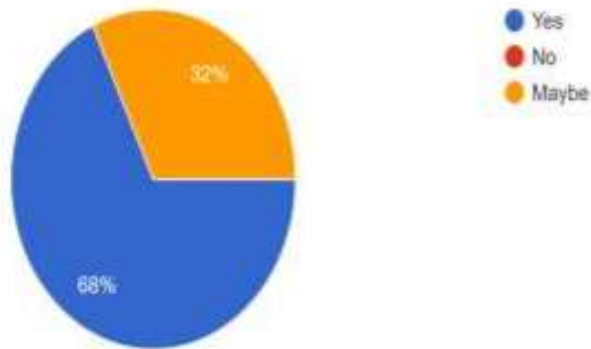11. Do you think current online payment system needs improvement?

Do you think current online payment system needs improvement?
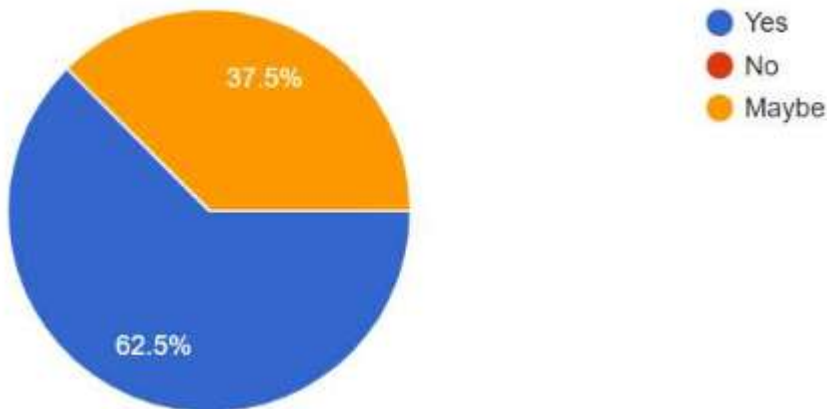
25 responses

12. Does fintech company help in revenue generation for E-Business sector?

Does fintech company help in revenue generation for E-Business sector?
25 responses

- Yes
- No
- Maybe

32%

68%

13. Do you think fintech startups in India will help in economic growth?

- Yes
- No
- Maybe

37.5%

62.5%

14. Do you promote digitization of India?

Do you promote digitization of India?
25 responses

- Yes
- No

100%

Age?

Age?
25 responses
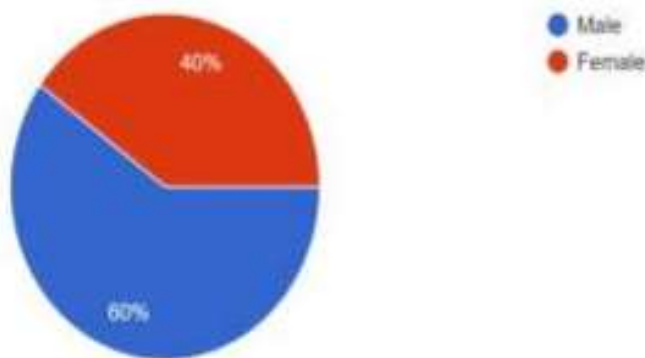

- 18-23
- 23-35
- 35-45
- 45 & above
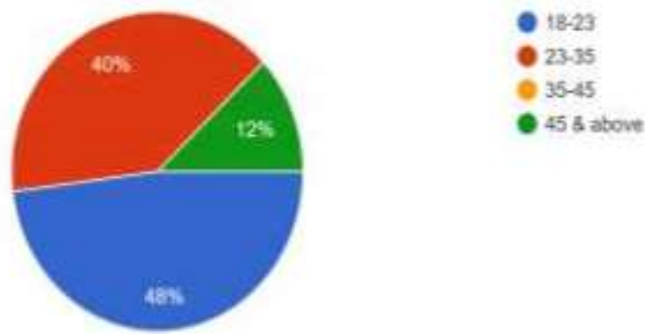
Gender?

Gender?
25 responses

- Male
- Female

FINDINGS

Indian FinTech companies could address a few of the critical structural issues afflicting Indian financial services - increase outreach, improve customer experience, reduce operational friction and foster adoption and usage of the digital channel. Legacy prone processes and higher operating cost models of incumbent banks and financial service providers will give digital FinTech companies an edge, as banks play catch-up with these more nimble and innovative start-ups. The opportunity for FinTech lies in expanding the market, shaping customer behavior, and effecting long term changes in the financial industry. Indian FinTech companies have the potential to reshape the financial services landscape in three ways:

- The FinTech startups are likely to reduce costs and improve quality of financial services. Not being burdened with legacy operations, IT systems, and expensive physical networks,benefits of leaner operating models can be passed on to customers.
- The FinTech industry will develop unique and innovative models of assessing risks. Leveraging big data, machine learning, and alternative data to underwrite credit and developcredit scores for customers with limited credit history, will improve the penetration of financial services in India.

- FinTech will create a more diverse, secured and stable financial services landscape. FinTech companies are less homogenous than incumbent banks, and offer great learning templates to improve, both, capabilities and culture.

Just as incumbents have a lot to learn from emerging FinTech companies. Fintech companies canalso learn and adopt best practices around risk and internal controls, operational excellence, compliance culture, and employee engagement, that has stood the test of time for most the banks,and financial services providers in India.

CONCLUSION

The main goal of the study is to know about the current scenario of Fintech companies in India and to know the various scope for improving the electronic payment system to make effective transactions and obtain maximum satisfaction from the online payment users. From the above study it is clear that the electronic payment transaction or use of Fintech Apps is growing rapidly and most people are aware of the use of the E-payment. E-commerce businesses get advantages of E-payment in getting quick payments from the customers. Overall, this study can conclude that use of Fintech Apps or dependency of online payment has increased and most of the respondents need a change from old methods of Payment and go digital .

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