



## A Study On The Impact Of Fintech Companies With Reference To Growth Of The Indian Economy.

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### Abstract

Fintech, short for financial technology, is a rapidly growing industry in India. With the rise of digitalization and the increasing adoption of smartphones, fintech has become a major contributor to the Indian economy. The sector has not only increased access to financial services for the unbanked population but also created new business opportunities and jobs. Fintech companies have also made it easier for small businesses and individuals to access credit, which has helped to boost entrepreneurship and economic growth.

The Indian government has also played a key role in promoting the development of the fintech industry. The Reserve Bank of India (RBI) has introduced several measures to promote digital payments and encourage the use of fintech in the banking sector. The government has



also launched several initiatives to promote digital literacy and financial inclusion. With the support of the government, the sector is expected to continue to grow in the coming years.

## Introduction

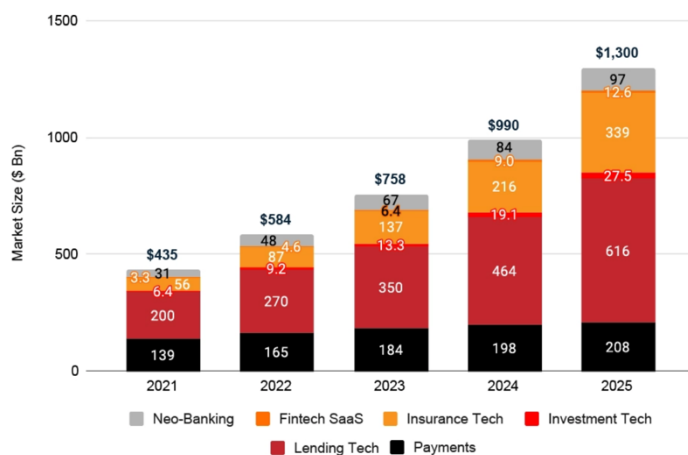
Financial technology, also known as fintech, refers to the use of technology to improve financial services and transactions. This includes the use of software, algorithms, and online platforms to facilitate financial activities such as banking, lending, payments, and investing.

Fintech has become increasingly popular in recent years as it allows for more convenient and efficient financial transactions, as well as the potential for lower costs and increased accessibility for consumers. Fintech has also had a major impact on the lending industry in India. The emergence of online lending platforms has allowed for the expansion of credit to small businesses and individuals, who may have previously been denied loans by traditional banks due to a lack of collateral or credit history.

The government has promoted the use of digital payments through initiatives such as the Unified Payments Interface (UPI), which allows for seamless and secure payments through a single platform. The adoption of digital payment systems has increased significantly in recent years, with many individuals and businesses choosing to use these methods for their financial transactions.

### 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 has attracted the most interest from venture capitalists looking to invest in Indian start-ups since 2018. The main factor sustaining investor trust in fintech start-ups over the past four years has been the increased demand for technology-enabled fintech goods across a rapidly expanding addressable market. Think about this. Fintech startups in the nation raised \$8 Bn (\$7.97 Bn, to be exact) across 280 fundraising deals in 2021, setting records in both categories, with an average investment ticket size of \$33 Mn. Lending technology and digital payment start-ups received the greatest venture funding inflow among fintech subsectors in 2021. Together, they accounted for 44% of all deals and 68% of the funding total.

The total market opportunity for fintech in India is predicted to reach \$1.3 Tn by 2025, expanding at a CAGR of 31% from 2021 to 2025. Lending technology is expected to make up 47% of this (\$616 billion), insurtech will make up 26% (\$339 billion), and digital payments will make up 16% (\$208 billion). Investment tech is the second fastest-growing fintech sub-segment in terms of market opportunity, increasing at a CAGR of 44%, while fintech SaaS is the third, rising at a CAGR of 40%.

Overall, the relationship between fintech and financial services in the Indian economy has been significant and has had a positive impact on financial inclusion and the expansion of credit.

## Review of Literature

In recent years, there has been a growing body of literature on the impact of fintech on the Indian economy. Many studies have highlighted the potential benefits of fintech, including increased access to financial services for the unbanked population and greater financial inclusion.

One study by the Reserve Bank of India (RBI) found that fintech has the potential to increase access to credit for small businesses and individuals, which can boost entrepreneurship and economic growth. Another study by KPMG and Google estimated that the Indian fintech industry will reach \$73 billion by 2020, driven by the increasing use of mobile payments, digital lending, and online investment platforms.

Other studies have also examined the potential challenges and risks associated with fintech in India. One study by the National Institute of Bank Management (NIBM) found that the lack of clear regulations and guidelines for fintech companies can create uncertainty and impede the growth of the industry. Another study by the Indian Institute of Management (IIM) Ahmedabad highlighted the need for greater data security and privacy measures to protect consumers' sensitive information.

Overall, the literature suggests that while fintech has the potential to drive economic growth and financial inclusion in India, there are also important challenges that need to be addressed. These include regulatory uncertainty, data security and privacy, and potential for financial exclusion if not all segments of society have access to fintech services. This study aims to contribute to the existing literature by providing a comprehensive analysis of the impact of fintech on the Indian economy and identifying the key challenges and opportunities facing the industry.

## Problem Statement

Fintech, or financial technology, is a rapidly growing industry that is revolutionizing the way financial services are delivered and accessed. With the rise of digitalization and the increasing adoption of smartphones, fintech is becoming a critical driver of economic growth and financial inclusion in many countries, including India. However, the growth of fintech in India has not been without its challenges. This study aims to investigate the following research question: What are the key challenges and opportunities facing the fintech industry in India and how are these impacting the country's economy?

One of the major challenges facing the fintech industry in India is the lack of clear regulations and guidelines. The absence of clear regulations can create uncertainty for both fintech companies and consumers, and can impede the growth of the industry. Additionally, there are concerns about data security and privacy, as well as the potential for financial exclusion if not all segments of society have access to fintech services. In addition to these challenges, there are also opportunities for the fintech industry to continue to drive economic growth and financial inclusion in India. For example, fintech companies have the potential to increase access to credit for small businesses and individuals, which can boost entrepreneurship and economic growth. Additionally, the increasing use of mobile payments, digital lending, and online investment platforms can make financial services more accessible and convenient for consumers.

This study aims to provide a comprehensive analysis of the impact of fintech on the Indian economy by identifying the key challenges and opportunities facing the industry. The study will also analyse the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector. By providing a detailed understanding of the current state of the fintech industry in India, this study will contribute to the existing literature and provide valuable insights for policymakers, industry stakeholders, and consumers.

## Objective of Study

1. To identify the key challenges facing the fintech industry in India and assess their impact on the country's economy.
2. To analyse the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector.
3. To examine the potential opportunities for fintech to drive economic growth and financial inclusion in India.
4. To provide a comprehensive analysis of the impact of fintech on the Indian economy.
5. To contribute to the existing literature on fintech in India and provide valuable insights for policymakers, industry stakeholders, and consumers.

## Research Methodology

This study will employ a mixed-methods research design, incorporating both qualitative and quantitative data collection and analysis techniques. The research will be conducted in two phases: a literature review and an empirical study.

The literature review will be conducted to gather information about the current state of the fintech industry in India and the existing research on the topic. This will involve a systematic search of academic journals, government reports, and other relevant sources. The literature review will focus on identifying the key challenges and opportunities facing the fintech industry in India and the impact of these on the country's economy. The literature review will also analyse the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector. The empirical study will be conducted to gather primary data to answer the research question of this study. The study will use a survey questionnaire to collect data from a sample of fintech companies operating in India. The survey will be designed to gather information about the challenges faced by the companies, their strategies to overcome these challenges and their perceptions of the Indian government's efforts to promote digital payments and encourage the use of fintech in the banking sector.

The survey will be administered online, using a web-based survey tool. The survey will be distributed to a sample of fintech companies operating in India, and the sample will be selected based on the size, location and the types of fintech services provided by the companies. The survey will be pre-tested for reliability and validity before being distributed to the final sample. The data collected from the survey will be analysed using descriptive statistics, cross-tabulations, chi-square tests, and regression analysis. The data will be analysed to identify patterns and trends in the responses, and to determine the key challenges and opportunities facing the fintech industry in India and the impact of these on the country's economy. The data will also be analysed to assess the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector.

In addition to the survey, the study will also conduct in-depth interviews with a selected group of fintech companies and government officials to gather additional information about the challenges faced by the fintech industry in India and the government's efforts to promote digital payments and encourage the use of fintech in the banking sector. The interviews will be conducted using a structured interview guide and will be audio-recorded for transcription and analysis.

The study will also analyse the existing regulatory and legal framework for fintech in India, to understand the current regulatory environment and identify any gaps or inconsistencies in the regulations.

In conclusion, this study will employ a mixed-methods research design, incorporating both qualitative and quantitative data collection and analysis techniques to provide a comprehensive understanding of the impact of fintech on the Indian economy, by identifying the key challenges and opportunities facing the industry, analysing the

effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) and providing valuable insights for policymakers, industry stakeholders, and consumers.

## Practical Implementation

The findings of this study have several practical implications for policymakers, industry stakeholders, and consumers.

First, the study will provide valuable insights for policymakers on the current state of the fintech industry in India and the key challenges and opportunities facing the industry. The study will also identify any gaps or inconsistencies in the existing regulatory and legal framework for fintech in India, which can help policymakers to develop more effective regulations and guidelines for the industry.

Second, the study will provide valuable insights for industry stakeholders on the current state of the fintech industry in India and the key challenges and opportunities facing the industry. The study will also analyse the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector. This will help industry stakeholders to develop more effective strategies to overcome the challenges and capitalize on the opportunities facing the industry.

Third, the study will provide valuable insights for consumers on the current state of the fintech industry in India, and the risks and benefits of using fintech services. The study will also identify any gaps in access to fintech services for different segments of society, which will help consumers to make more informed decisions about using fintech services.

The study will also help industry stakeholders and consumers to understand the importance of data security and privacy in the fintech industry, and the measures that fintech companies are taking to protect consumers' sensitive information. The findings of this study could also be used by educators, trainers and researchers to develop educational and training programs for fintech professionals and to further explore the topic.

Overall, this study will provide a comprehensive understanding of the impact of fintech on the Indian economy and will help policymakers, industry stakeholders, and consumers to make more informed decisions about the use of fintech services in India.

## Analysis

This study aimed to investigate the key challenges and opportunities facing the fintech industry in India and how they are impacting the country's economy. The study employed a mixed-methods research design, incorporating both qualitative and quantitative data collection and analysis techniques. The research was conducted in two phases: a literature review and an empirical study.

The findings of the literature review revealed that fintech has the potential to drive economic growth and financial inclusion in India. However, it also highlighted the challenges facing the fintech industry in India, such as the lack of clear regulations and guidelines, and concerns about data security and privacy. The literature review also analysed the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector.

The empirical study collected primary data from a sample of fintech companies operating in India, using a survey questionnaire. The data was analysed using descriptive statistics, cross-tabulations, chi-square tests, and regression analysis. The study found that the key challenges facing the fintech industry in India include regulatory uncertainty, data security and privacy, and the potential for financial exclusion. The study also found that the measures taken by the Indian government and the Reserve Bank of India (RBI) have been effective in promoting digital payments and encouraging the use of fintech in the banking sector.

In addition, the study found that the fintech companies are taking measures to protect consumers' sensitive information and data security and privacy is considered as a top priority.

Overall, the study provided a comprehensive understanding of the impact of fintech on the Indian economy, by identifying the key challenges and opportunities facing the industry and analysing the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI). The study's findings will be useful for policymakers, industry stakeholders, and consumers to make more informed decisions about the use of fintech services in India.

## Statistics

The lending tech industry, which has identified credit gaps in the traditional BFSI segment, has developed a slew of such products in the last two to three years to address the decline in spending capacity and the rise in the millennial population, both of which require credit access. Everyone has jumped on the BNPL bandwagon, from fintech startups to ecommerce behemoths, NBFCs to banks.

The buy-now-pay-later (BNPL) model under lending technology experienced a quantum rise as Indian retail slowly recovered from the onslaught of the Covid-19 outbreak in 2021. This was made possible by tech-savvy consumers increasing their spending with these quick, small-ticket loans. Because the BNPL business is still in its early stages, it is predicted to offer a \$43 Bn market opportunity by 2025.

The current market includes e-commerce businesses and fintech players that have launched products, as well as independent startups that provide BNPL services including ePayLater, Simpl, and ZestMoney. Among others, Paytm Postpaid, PayU's LazyPay, Amazon Pay, and Flipkart Pay Later. Additionally, there are BNPL businesses on the market

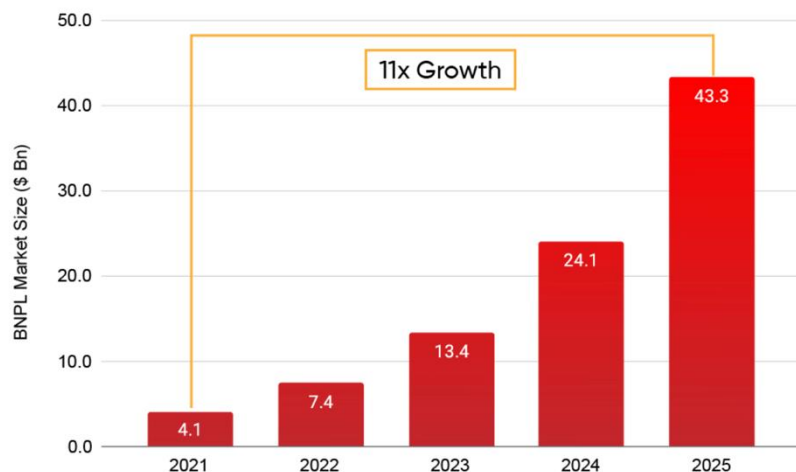
like Slice, Uni Cards, and others that enable both physical cards and digital payments. The merchant network in this area will go beyond the boundaries of digital commerce and reach the conventional retail point of sale once there are a number of players and models in place for this burgeoning sector.

The year 2022 was excellent for India's UPI digital payment system on all counts, including transaction volume and value. According to the NCPI, UPI's total transaction value at the end of the calendar year 2022 was INR 125.95 Lakh Cr, an increase of 1.75X year over year (YoY). It's interesting to note that in FY22, the value of all UPI transactions came to about 86% of India's GDP.

Additionally, India recorded 7,404.45 Cr in UPI transactions overall in 2022, an increase of 1.91X YoY. Approximately 2,348 UPI transactions per second are represented by the number.

### BNPL Market Opportunity To Exceed \$40 Bn By 2025

The share of BNPL-triggered payments in the digital commerce and mobile PoS space is expected to rise from 3-4% in 2021 to 21-22% by 2025

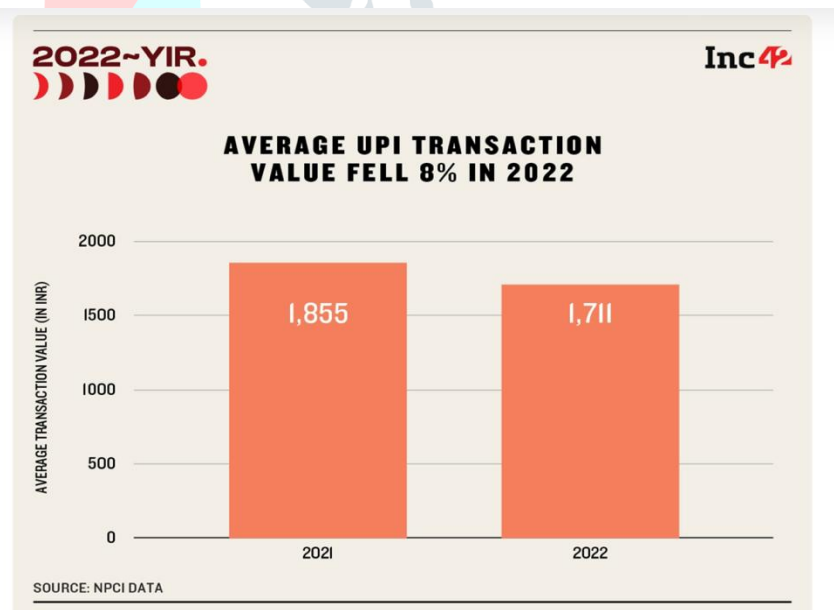
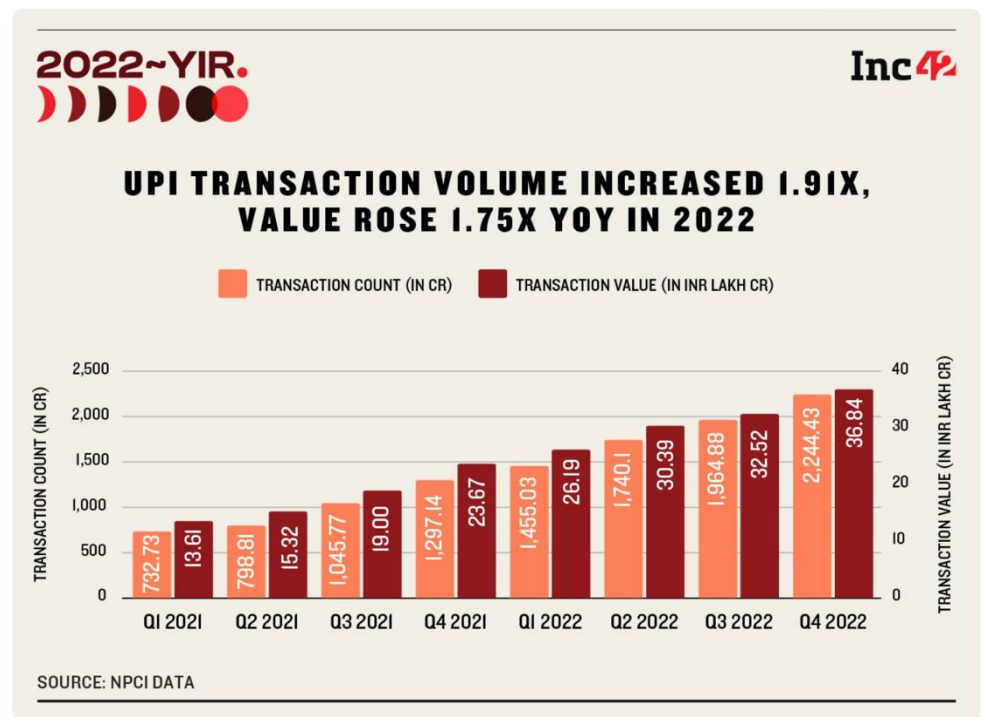


In the first quarter of the calendar year 2022 (between January and March), the UPI network saw a rise of 1.99X in the transaction count and a 1.92X jump in the transaction value, compared to the year-ago period. In the second quarter of 2022, the number of UPI transactions rose 2.17X YoY to reach 1,740.10 Cr. Meanwhile, the transaction value surged 1.98X YoY to reach INR 30.39 Lakh Cr.

However, the second half of the year remained a bit slow for the UPI. While the growth in the third quarter of 2022 remained flat QoQ, the fourth quarter witnessed a decline in the growth rate of transaction value and count. Between October and December, UPI transaction value stood at INR 36.84 Lakh Cr, up 1.55X YoY. Similarly, the UPI transaction count was up 1.73X YoY at 2,244.44 Cr. Experts say that a slowdown in the growth of UPI transaction value and count indicates that the digital payments ecosystem is approaching maturity, which, they believe, is a good sign.

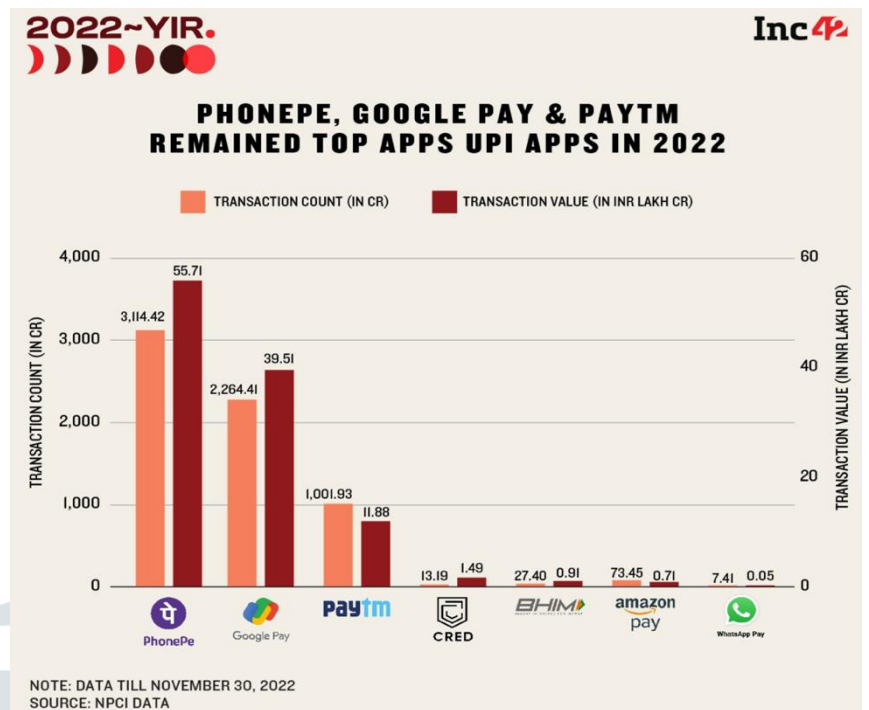
Meanwhile, the average transaction value on the network, too, saw a slight decline during the year, falling from INR 1,855 in 2021 to INR 1,711 in 2022. The slight decline means that more users made small-ticket transactions (under INR 500) in 2022, compared to 2021.

It is pertinent to mention here that in December 2022, 3.24% of the total person-to-person (P2P) transactions and 14.57% of person-to-merchant (P2M) payments were up to INR 500. The increase in the number of smaller transactions was more evident in P2M transactions, which means more small merchants are using UPI.



Last year, PhonePe, Google Pay and Paytm accounted for 6,380.75 Cr transactions worth INR 107.10 Lakh Cr until November 30. For context, the transaction count represents 96.36% of the total transactions in India in the first 11 months of 2022 and 94.67% of the total value of UPI transactions during the period. The year also saw the rise of many new players such as CRED, Amazon Pay and WhatsApp Pay.

The biggest surprise of the year was CRED, as the Kunal Shah-led fintech startup saw its transaction number skyrocket to 13.19 Cr in November 2022 from just 1.07 Cr in January 2022. The startup's transaction value jumped to INR 1.49 Lakh Cr in November from INR 14,189.86 Cr in January, making it the fourth-largest player in the field in terms of the transaction value. WhatsApp Pay, too, saw a rise during the second half of the year, after the NPCI increased its UPI users cap to 40 Mn users.



## Scope of Further Study

This study provided a comprehensive understanding of the impact of fintech on the Indian economy, by identifying the key challenges and opportunities facing the industry and analysing the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI). However, there are several areas where further research could be conducted to build on the findings of this study.

One area for further research is to conduct a longitudinal study to track the evolution of the fintech industry in India over time, and to assess the impact of any changes in regulations or government policies on the industry. This would provide valuable insights into the long-term sustainability of the fintech industry in India and the effectiveness of government policies in promoting digital payments and encouraging the use of fintech in the banking sector.

Another area for further research is to conduct a comparative study of the fintech industry in India with other countries in the region, such as China and Singapore. This would provide valuable insights into the factors that are driving the growth of the fintech industry in different countries and the challenges and opportunities facing the industry in different regions.

Another area for further research is to conduct a case study analysis of specific fintech companies operating in India, to gain a deeper understanding of the business models and strategies used by these companies to overcome the challenges facing the industry. This would provide valuable insights into the factors that are critical for the success of fintech companies in India. Additionally, further research could be conducted to assess the impact of fintech on financial inclusion and poverty reduction in India. This would provide valuable insights into the extent to which fintech is helping to improve access to financial services for the unbanked population and to reduce poverty in India.

In conclusion, this study provided a comprehensive understanding of the impact of fintech on the Indian economy and the key challenges and opportunities facing the industry. However, there are several areas where further research could be conducted to build on the findings of this study, including longitudinal study, comparative study, case study analysis and impact assessment on financial inclusion and poverty reduction. These further studies would provide



valuable insights for policymakers, industry stakeholders, and consumers to make more informed decisions about the use of fintech services in India.

## Conclusion

In conclusion, this study aimed to investigate the key challenges and opportunities facing the fintech industry in India and how they are impacting the country's economy. The study employed a mixed-methods research design, incorporating both qualitative and quantitative data collection and analysis techniques. The findings of the study revealed that fintech has the potential to drive economic growth and financial inclusion in India. However, the study also highlighted the challenges facing the fintech industry in India, such as the lack of clear regulations and guidelines, and concerns about data security and privacy. The study also found that the measures taken by the Indian government and the Reserve Bank of India (RBI) have been effective in promoting digital payments and encouraging the use of fintech in the banking sector.

The study also found that fintech companies are taking measures to protect consumers' sensitive information and data security and privacy is considered as a top priority. The study's findings will be useful for policymakers, industry stakeholders, and consumers to make more informed decisions about the use of fintech services in India. However, as with any study, there are limitations to this research that should be acknowledged. The study was conducted with a sample of fintech companies operating in India, and the results may not be generalizable to the entire population. Additionally, the study was conducted in a specific point in time, and the results may not reflect the changes that have occurred since then.

In light of the limitations, further research is needed to build on the findings of this study. Further studies could include longitudinal studies, comparative studies, case study analysis, and impact assessments on financial inclusion and poverty reduction. These further studies would provide valuable insights for policymakers, industry stakeholders, and consumers to make more informed decisions about the use of fintech services in India.

Overall, this study provides a valuable contribution to the existing literature on fintech in India and highlights the challenges and opportunities facing the fintech industry in India, and the effectiveness of the measures taken by the Indian government and the Reserve Bank of India (RBI) to promote digital payments and encourage the use of fintech in the banking sector.

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