

Fintech in India - A step towards digitization of financial Services

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SCHOOL OF BUSINESS

BONAFIDE CERTIFICATE

Certified that this project report “**Fintech in India - A step towards Digitization of financial services**” is the bonafide work of “**Aftab ahmad khan and shakib azimi**” who carried out the project Work under my supervision.

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Approval Sheet

This thesis /dissertation /report entitled Fintech in India -A step towards digitization of financial services by (Aftab ahmad Khan, shakib azimi is approved for the degree of Bachelor of Business

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1. Thesis title: **Fintech in India - A step towards digitization of financial services**

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3. Project Supervisor was referred to for preparing the report.

4. Specifications regarding thesis format have been closely followed.

5. The contents of the thesis have been organized based on the guidelines.

6. The report has been prepared without resorting to plagiarism.

7. All sources used have been cited appropriately.

8. The report has not been submitted elsewhere for a degree.

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ABSTRACT

A studies examine titled “Fintech in India: a step towards digitization of financial services” became performed with the point of interest on getting to know approximately digitization of economic offerings in India and its significance withinside the present day financial scenario. Fintech is economic technology; Fintech offers opportunity answers for banking offerings and non-banking finance offerings. Fintech is an rising idea withinside the economic enterprise. This paper explains the evolution of the fintech enterprise and gift economic technology (fintech) withinside the Indian finance sector. The fintech offer digitalization transaction and extra stable for the user. The blessings of fintech offerings decreasing operation charges and pleasant user. The fintech offerings India quickest developing withinside the world. The fintech offerings are going to extrade the conduct and behavior of the Indian finance sector.

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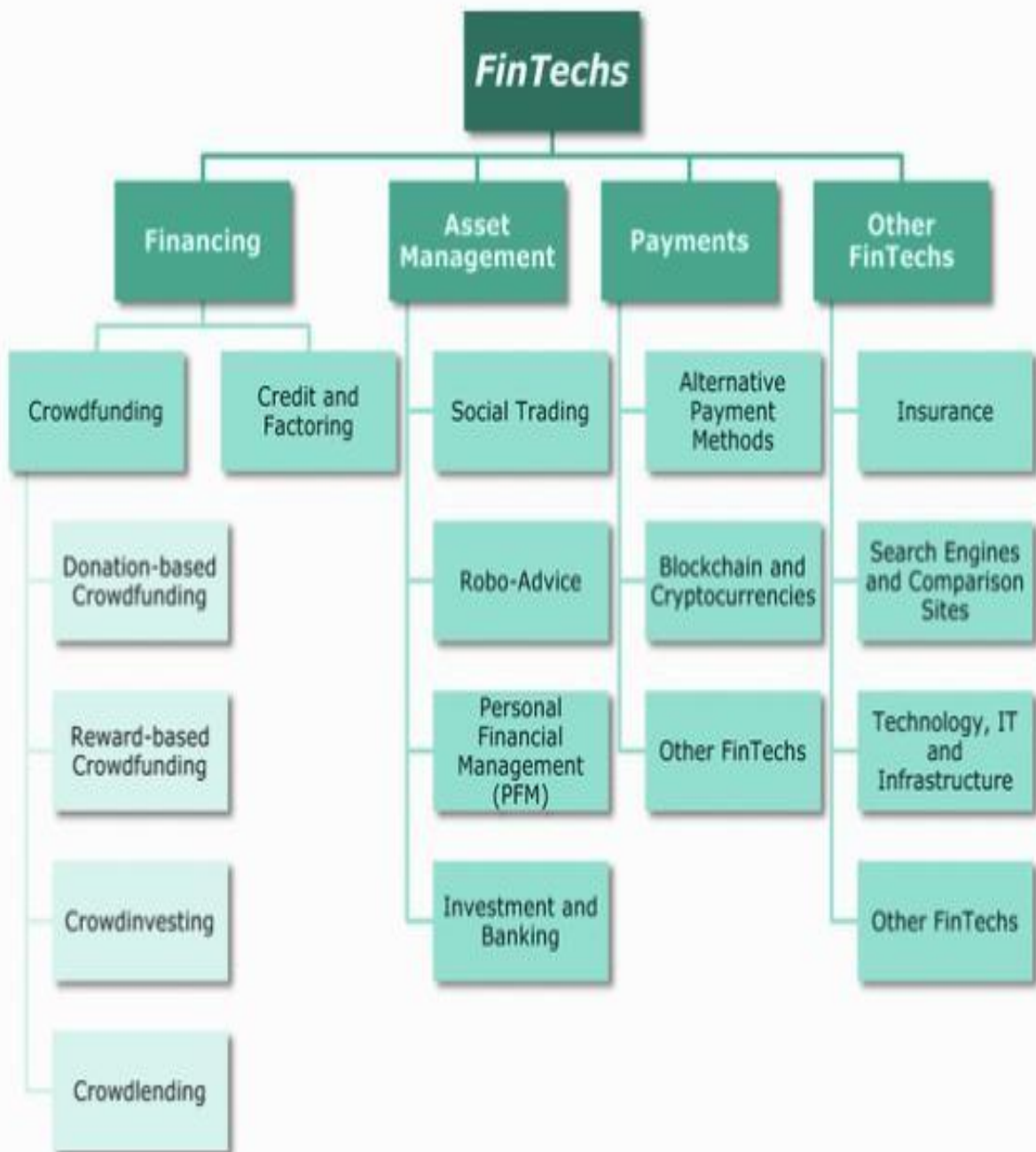
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Introduction

The time period —FinTech become first coined via way of means of a New York banker in 1972. While there may be no extensively customary definition of what lies beneathneath the time period FinTech, organizations taken into consideration to belong to that quarter offer offerings which include price options, on-line market lending, cellular apps, financing, forex and remittances, investments, allotted ledger tech, virtual currencies, cellular wallets, synthetic intelligence and robotics in finance, crowd funding, insurance, and wealth management, with an elevated definition taken into consideration to encompass ancillary era answers focused at economic offerings, consisting of virtual identity, biometrics, wearables, and era to help with Regulatory Compliance (RegTech) (Digital Finance Institute, 2016). As such, the economic offerings quarter has turn out to be appreciably impacted and inspired via way of means of rising era-enabled traits that guide innovation.

WHAT IS FINTECH?

Fintech refers to the unconventional techniques and merchandise that turn out to be to be had for economic offerings way to virtual technological advancements. More precisely, the Financial Stability Board defines fintech as —technologically enabled economic innovation that might bring about new enterprise models, applications, techniques or merchandise with an related cloth impact on economic markets and establishments and the supply of economic offerings. Nonetheless, the Fintech phase consists of many factors, which in step with Dortfleitnereal. (2017: 34-36) can be —loosely classified into 4 predominant segments i.e. —financing, —asset management, —payments and —different Fintechs. The 4 predominant segments along side their factors are seen in figure, below



OBJECTIVES OF THE STIUDY

The chapter aims to focus upon the fintech landscape of India. It will focus on the potential effects of technology in the financial space on the customers, financial institutions, businesses and society. The chapter will briefly discuss How India has changed over the last couple of years due to the disruption caused by the new technologies and How India became the fifth countries in world where the greatest number of start-ups have been founded between 2015 to 2018 (Papadopoulos, 2019, January 2). A lot of big tech giants have also shown keen interest in investing into India's Fintech start-ups & developing innovative products in-house to cater to the changing demands of the Indian customers.

FINTECH IN THE PAST

During the last ten years of the eighteenth century current banking arose in India. The fintech area has gone through a significant change throughout the most recent twenty years, battling from the frontier and post-freedom period and from nationalization and advancement (Agarwal, 2019). Indian economy was battling back in the mid 90s till the new globalization and advancement strategy happened in 1993, wherein a great deal of worldwide organizations began venturing into the Indian Market. Indian Banking was all the while chipping away at the advanced age paper-based record frameworks. This is when innovation a.k.a. monetary innovation initially began to roll out problematic improvements with the send off of Finacle by the Tech Giant Infosys.

Finacle turned into an enormous achievement, and was considered as the foundation of center financial frameworks of the majority of the banks in India and abroad. The banks had the option to decrease the time taken to do different undertaking by more than 90%. Each branch has availability of the client accounts which assist the clients with getting administrations from anyplace. However, this wasn't the finish to the situations that the customer needed to face to make installments for different exercises through Check's the place where the collector needed to visit the bank to store the check he gathered from the payer. Furthermore, client needs to do each exchange by visiting his own branch.

ICICI Bank, be that as it may, sent off Net Banking in India in 1998 interestingly and abbreviated installment periods from 3-5 days to a couple of hours, bringing about investment funds of thousands of worker hours and freeing some from the concerns of organizations working in India. From that point forward, Fintech has started to grow gradually with digitization starting after 2010, adding to the presentation of versatile banking applications and offering buyer banking solace whenever it might suit them and further developed UI through their PCs, workstations and advanced mobile phones.

The money fixated Indian economy has answered well to the fintech blast, which is essentially set off by a flood in the online business industry and entrance of cell phones. The market volume for the Indian fintech area is

projected to be roughly USD 33 billion out of 2016 and is expected to ascend to USD 73 billion of every 2020 at a CAGR of 22% five years.

Government favorable to digitization strategies, strategy changes, constructions like the presentation of Digital India, Start-up India Scheme, eKYC principles, UPI, Financial Inclusion, Unique Identification (Aadhar) and Bharat QR and so forth, set the Indian monetary area at the worldwide focal point and assembled a sound discussion for fintech firms and administrations.

Another huge drive came when the Indian government announced on November eighth, 2016, the demonetization of 500-and 1,000-rupee notes and individuals had no choice to follow wallet or card or bank channel installments that gave a monstrous lift to the computerized installment industry. Paytm has been one of the enormous victors of this administration change. This went from 125 million wallet clients to 185 million three months after the fact before demonetization, and it has kept on growing, arriving at 280 million clients by November 2017. It had acquired 5,000,000 shippers with acknowledgment of the QR code in one year, and the organization had handled \$1.6 billion of exchanges three and a half times each year (Wright, 2017, November 29). Back in 2014, national bank Reserve Bank of India delivered draft rules for another sort of association called an installment bank. Such banks could take little stores (something like 100,000 Indian rupees for each client, equivalent to generally \$1,530) and didn't offer advances or Visas yet could run current and investment accounts offer ATMs and check cards and work net banking. 41 associations have mentioned, among them was Paytm, and in August 2015 Paytm was one of 11 organizations to be given on a basic level licenses. (Wright, November 29, 2017). A large number of Indians began to utilize versatile installments and become cognizant (99.5 percent) of them without precedent for their lives inside a couple of days.

The monetary expert thought has been concentrated towards hello tech metropolitan regions in 2015, with Bengaluru seeing eleven VC (Venture Capital) upheld adventure game plans of USD 57 million, trailed by Mumbai and Gurgaon with nine and six courses of action, independently. Bengaluru, the

beginning up capital of India has benefitted by the same and is situated 15 among the world's huge start up metropolitan networks.

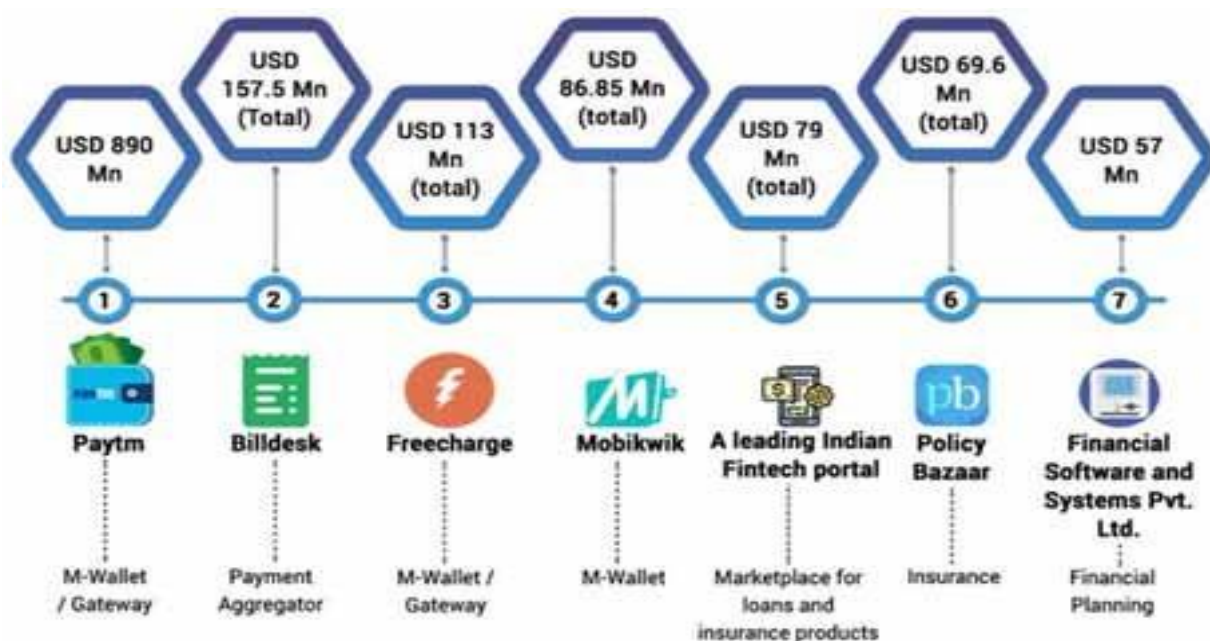
India's improvement wave may regardless not be of the scale when seen against its overall accomplices, yet it is stacked well, generally. From wallets to protection, the organizations of fintech have rethought how associations and clients do routine trades. The extending gathering of these examples is arranging India as a charming business area all over the planet.

INDIAN FINTECH MARKET: PRESENT SCENARIO

India is transitioning into a competitive environment providing a forum for fintech start-ups to eventually develop into unicorns worth billions of dollars. Fintech entrepreneurs in India are following various goals, from entering new sectors to targeting international markets. Adoption of Indian Fintech has grown rapidly in recent years. For Fintech India has now become Asia’s market leader. In establishing their dominance over Asia’s Fintech markets, India has defeated fast competitor China. India has recently earned US\$ 286 million in venture capital funding. Fintech companies in China, on the other hand, obtained an investment of USD 192.1 million over the same period (Fig.1). According to NASSCOM, the Indian fintech app industry is projected to hit USD 2.4 billion from a estimated USD 1.2 billion by 2020

Figure1. Top Fintech Start-ups of India with Total Investments

Source: World Fintech Report: 2019-20



FINTECH: IMPACT ON INDIAN FINANCIAL SERVICES INDUSTRY

With redid arrangements, basic help and outstanding improvements in comprehensive areas including training, protection and credit the executives, Fintech has circumspectly yet advantageously reshaped the whole monetary administrations and installments space. As per the Vision 2020 concentrate by Deloitte and CII, India is progressively turning into an advanced economy of north of one billion PDAs, 330 million web clients (around 94% on cell gadgets), and 240 million PDAs.

India is developing into an energetic biological system that gives a gathering to fintech new companies to venture into unicorns of billions of dollars. Fintech organizations in India follow different objectives, from entering new areas to focusing on global business sectors. Over the most recent couple of years, the development of Indian Fintech has developed dramatically. As indicated by NASSCOM, the Indian fintech programming market is relied upon to arrive at USD 2.4 billion from a current USD 1.2 billion by 2020.

Indian Fintech firms could address a piece of the essential issues affecting Indian cash related organizations - growing exertion, further developing client experience, diminishing functional grinding, and enabling progressed channel gathering and use. Legacy slanted structures and higher fixed cost models of traditional banks and monetary foundations should offer a favored situation for new Fin-tech firms as banks play track down these inexorably versatile and imaginative new organizations. Fintech \s chance is to expand the market, shape client leads and effect long stretch changes in the money related business. Some of Fintech \s beneficial sections for augmentation are given:

Indian Fintech firms can reshape the monetary administrations industry in the going with three distinct ways:

- Fintech should make remarkable and creative peril assessment frameworks. Using immense in-line, significant learning, and elective data to ensure credit and build FICO appraisals for clients with unfortunate credit establishment would augment monetary administrations entrance in India.
- Fintech associations are depended upon to diminish expenses and lift the monetary administrations capability. The benefits of less greasy working models can be given to clients not being messed with in-heritance assignments, IT structures and expensive actual frameworks.

TOP FINTECH COMPANIES IN INDIA

Ranking	Company Name	Business category	City	Total Funding
1	Paytm	Mobile wallet, e-commerce platform and payment bank	Noida	\$890M
2	MobiKwik	Mobile wallet, recharge, bill payments	Gurgaon	\$86.8M
3	BankBazaar	Online marketplace providing customized rate quotes on loans and insurance products	Chennai	\$80M
4	policybazaar	Leading online insurance aggregator in India	Gurgaon	\$69.6M
5	FINO PayTech	Financial inclusion technology Provider	Mumbai	\$65M
6	ItzCash	Multi Purpose Prepaid Cash Card	Mumbai	\$50.6M
7	Capital Float	Online lending platform for small Businesses	Bangalore	\$42M
8	Mswipe	PoS terminal for accepting card Payments	Mumbai	\$35M
9	Ezetap	Payment device maker	Bangalore	\$35M
10	Citrus Pay	Payment gateway and mobile Wallet	Mumbai	\$34.5M

Research Methodology

Research method is a system of planning, acquiring, studying and disseminating applicable statistics and information". It can be recognize as a technology of reading how studies is performed scientifically. Why a studies look at has been undertaken, how the studies trouble has been defined, in what Way and why the speculation has been formulated, what statistics had been gathered and what manner the speculation has been formulated, what statistics had been gathered and what precise approach of studying statistics has been used. Here are the a few studies strategies that have been used:-

Quantitative Research

Various facts and figures were collected by us to analyse and predict future prices.

Qualitative Research

Various non-numerical data about companies, players such as addresses were found out using this research method.

Descriptive Research

Facts were considered while using this method. These helped to determine the actual need for resources for a company or an athlete

Analytical Research

Analytical research uses the facts that have been confirmed already to form the basis for the research and critical evaluation of the material is carried out in this method. Analytical methods were used to predict prices of the stocks while considering the data collected in quantitative methodology

Case Studies

Case studies are another method of research methodology where different cases are considered and the proper one for the research is selected. Case studies helped us to form an idea of the research and helped in the foundation of the research. Various facts and theories were considered from the case studies that helped me to form proper reviews about the research topic.

A proper Understanding of the research was made by me based on the case study provided.

DATA COLLECTION METHOD

DATA COLLECTION METHOD

PRIMARY DATA:

Primary statistics are the ones which can be amassed mainly for the challenge at hand, directly – e.g. thru questionnaires & interviews. Primary statistics reassets consist of agency salesman, middleman, consumers, buyers, alternate association's executives & different businessman & even competitors. There are many techniques of accumulating number one Data and number one statistics collection, the usage of techniques which include Interviews and questionnaire. The key factor right here is that the statistics we accrued in precise to you and our studies And till we put up no person else had get right of entry to to it.

SECONDARY DATA: -

These are normally posted reassets, that have been accrued at the beginning for a few different purpose. Source are inner agency records, authorities publication, reports & publication, reports & journals, alternate, expert and commercial enterprise institutions publications & reports. The secondary statistics is accrued and probable processed via way of means of human beings in question. Common reassets of secondary statistics consist of census, huge survey and company records. Secondary statistics facts pertains to beyond periods. Through vintage can be handiest feasible supply of favored statistics at the challenge which can't use following supply of secondary statistics. I actually have accrued statistics the usage of secondary approach via way of means of going thru agency website, internet, organizational records, and web sites of different groups withinside the identical industry

Findings

- Fintech adoption in India has increased significantly over the last two years and according to EY's FinTech Adoption Index 2017, India has progressed to become the market with the second-highest FinTech adoption rate (52%) across 20 markets globally. This holds true for each of the five categories of services with digitally active Indian consumers displaying 50%— 100% higher adoption rates than global averages. (EY FinTech Adoption Index 2017)

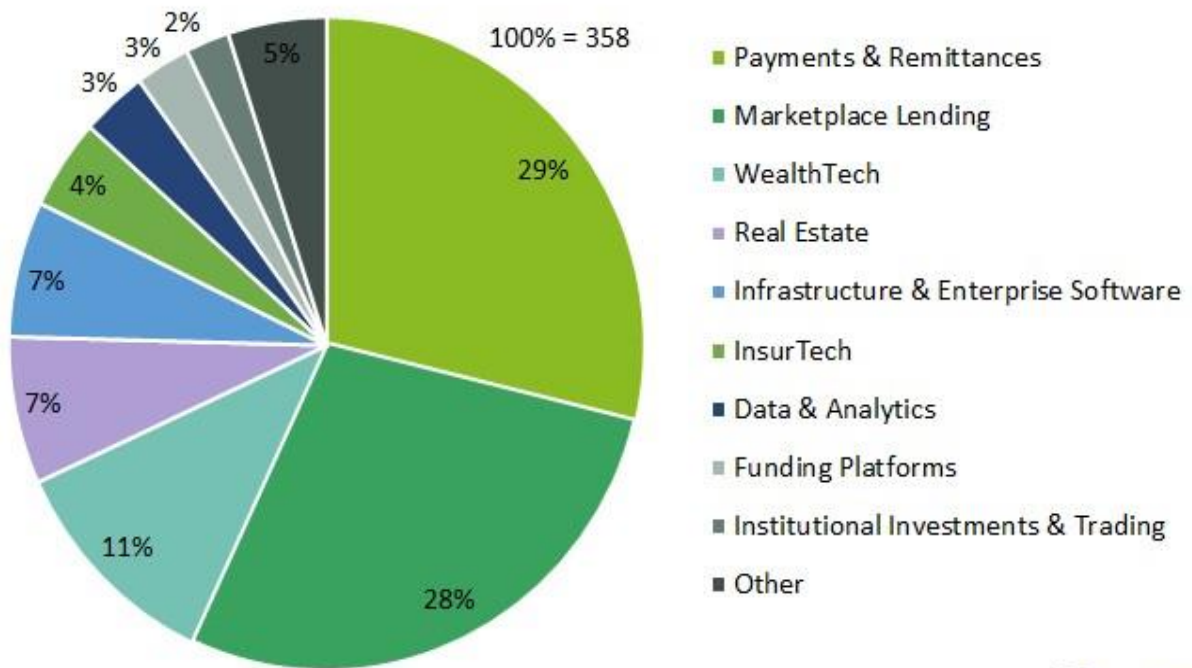
Figure 2: FinTech adoption among digitally active consumers

Source: EY FinTech Adoption Index 2017 Country Dashboard.



- Figure 4: Fintech investments in India by sector

FinTech Investments in India by Sector, 2014 - 2017 YTD
(number of deals, as of 30/10/17)



Source: FinTech Global



CHALLENGES AND FUTURE PERSPECTIVES

- In India, acknowledgment of different credit only modes installments was seen after demonetization notes. □ The public authority itself empowered everybody towards the credit only advances like computerized wallets, Internet banking, and the portable driven retail location (POS).
- Connecting with the Aadhaar card, eKYC, UPI and BHIM had rebuilt the monetary area in □ India. After the boycott of 500 and 1000 notes, it was accounted for that advanced exchanges brought up to 22% up in India FinTech new companies like PayTM saw 435% of more traffic to the sites and Apps. This prompted the development of numerous FinTech new companies in India as there are numerous potential chances to develop.
- Computerized Finance firms have profited from many government's beginning up strategies. Hold Bank □ of India likewise permitted a simple method for beginning a FinTech fire up. Government is likewise giving the monetary help to fire up really depends on 1 crore. Clients began tolerating the computerized money for both individual and business use.
- Because of different changes in the Indian economy, the monetary design of Indian banks and □ monetary foundations were changed and advanced wallet turned into an obligatory channel for the exchange of installments.
- Incorporation of IT with finance prompted the expansion in the worth of advanced cash like Bitcoins. □ Crypto money, Block anchor framework prompted quicker exchanges of computerized installments.

- Banks like HDFC, Federal Bank and so forth connected their true computerized exchanges with the small □ startup in India like Startup Village which prompted the development even in little FinTech new businesses.
- Modernization of the practice area of banking and money had expanded more customers, □ decreased the time and had the option to offer quick and fast types of assistance to the clients.
- Fintech industry likewise has not many difficulties, as Fintech new companies, see as somewhat challenging to reach □ the developing stage in the business cycle.
- Coordinated effort and reception rate is very less yet the proportion is moving upwards with a 59% expansion in the computerized installments.
- Combination of numerous different strategies like blockchain the board, digital currency isn't still □ in a specialty stage in India.
- Straightforwardness of the administrative issues and recruiting of tech staff are among the key □ difficulties of the Indian FinTech space.
- Advancement has been a piece restricted for the low-pay gatherings. Furthermore, mass mindfulness and web data transfer capacity is as yet an immense barricade in India.
- As a coin has two faces even FinTech industry in India additionally have not many difficulties, Yet these □ difficulties can be changed over into open doors on the off chance that a further help is given by the government. (Parinita Gupta, 2018, Fintech Ecosystem in India: Trends, Top Startups, Jobs, Challenges and Opportunities

SOLUTIONS AND RECOMMENDATIONS

Some of the recommendations based on the deliberation in the preceding pages addressed to managers of Fintech enterprises include:

1. Excessively severe authorizing guidelines in India are one of the fundamental disadvantages forestalling Fintech improvement. Overall experience recommends that supporting campaigning and joint effort with State organizations has assisted Fintech with firing up undertakings to enter the market, gain buyers and controllers' trust and draw in financial backers. This experience could demonstrate valuable in Indian conditions.
2. Associations and Federations of Chamber of Commerce ought to illuminate the populace about Fintech administrations that are now accessible for use.
3. Risk capital subsidizes need to help new organizations in this field since they have an enormous potential to create and fill in India as well as Asia and global business sectors;
4. Fintech firms need to make significant promoting efforts upgrading the public's mindfulness.

At long last, Indian government ought to animate the execution of monetary administrations essentially in three headings:

1. By making a stage (sandbox) permitting imaginative monetary advancements to enter the market and approving their security;
2. By making a reasonable and straightforward arrangement of management over the exercises of Fintech firms, particularly the P2P and B2B loaning stages;
3. By making a program of assessment motivating forces animating interests in the monetary area.

CONCLUSION

There is no question that business developments invigorate financial advancement on both miniature and full scale levels (Harrison, Jaumandreu Mairesse and Peters, 2014). The utilization of data innovation in the finance industry is a field with extraordinary potential for developments; subsequently, the two endeavors and financial backers are exceptionally inspired by it. Fintech will affect client experience, meaning the whole of all encounters the client has with the specialist organization. Other than it will have its suggestions on business financial matters, for example income, expenses, and edges. To wrap things up the area specialists anticipate Fintech to modify the Industry elements out and out, causing changes in the serious design and biological system of financial administrations (Deloitte, 2016). Additionally, no sort of monetary administrations supplier will stay solid as Fintech will carry change to a wide range of banks, resource and abundance administrators, asset and installment supportive of viders, dealers, trades, back up plans the same (PWC, 2016). While the consideration got in scholarly community is no place near the consideration which is paid by experts, a few researchers really do see the peculiarity of Fintech as a basic shift. Kauffman and Ma, for example, allude to the progressing "worldwide Fintech upset" (Kauffman and Ma, 2015, p.261) thus does Mackenzie while heading her article on trend-setters in monetary help "The Fintech insurgency" (Mackenzie, 2015, p.50).

This section has given an outline of the patterns in the advancement of the Fintech business in the Indian setting. The advancement of Fintech was because of globalization allowing an opportunity to little yet complex ventures to foster monetary administrations without the assistance of banks, by consolidating finance with IT, and offering buyers quicker execution of ordinary financial cycles. Subsequently, the Fintech improvement is essential for both worldwide and Indian's monetary areas, since this will permit clients to utilize the open doors and benefits of both the conventional financial framework and Fintech organizations. One can expect that Fintech advancements will change the customary action of banks - banks will take on inventive IT advances, and Fintech organizations should work in states of more tough management to guarantee the wellbeing of client activities. Such assembly will check the start of another time in the improvement of the monetary business. Since Fintech is a particularly ongoing turn of events, there is as yet a scarcity of studies on the

social, administrative, mechanical, and administrative parts of Fintech. This makes it exceptionally trying for monetary firms to settle on informed choices with respect to the interest in Fintech projects. Their improvement in India has been somewhat sluggish, including because of credit imperatives looked by all youthful organizations in India and the section places a hypothesize that Indian culture isn't prepared to utilize Fintech administrations leaning toward bank administrations all things considered.

On a last note, creating at an extremely high speed, any reasonable person would agree that pieces of Current Fintech force will dial back in the years to come. Some market spectators even go as far to say that there is a Fintech bubble developing which is probably going to burst soon. Be that as it may, the Internet and web based business didn't disappear with the explosion of the Dot-Com bubble. In actuality, the advancements made in the years paving the way to the air pocket burst won. Web innovations have never been just about as unavoidably applied as today. A Web deals channel or at least a data outlet has turned into a norm for most endeavors in the Western world. Subsequently, Internet innovation didn't vanish with the eruption of the Dot-Com Bubble. Instead of that, it was ingested, changed, and embraced by most of firms in the western world and transformed into a business standard. Almost certainly, comparable things will happen to Fintech. Transforming into an untouchable according to financial backers in case of an air pocket burst, Fintech will then, at that point, vanish as a mark. Nonetheless, a decent portion of the advancements presented by Fintech firms will then be consumed by different players, for example, by officeholder banks, safety net providers and programming organizations and be kept alive. At the end of the day, even assuming the Fintech genie empties it will in any case keep on living in its container. Also, this time we will actually want to stick a legitimate mark on it.

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