



# GROWTH OF FINTECH IN INDIA

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**Abstract:** This study explores the tremendous growth of financial technology (Fintech) in India, focusing on its background, impact, challenges and future recommendations. India's Fintech world has grown significantly due to technological developments, regulatory reforms, changing consumer behaviour, investors and shareholders' interest. The study also focuses on the increase of digital payments, the emergence of innovative fintech companies, key factors influencing growth of FinTech Startups, such as the adoption of digital payments between traditional financial institutions and fintech companies, and government support policies. In addition, challenges such as regulatory compliance, cyber security risks and competition are explored, as well as opportunities for continued expansion and disruption in the Indian financial sector.

**Keywords:** Fintech, India, digital payments, startups, regulatory reforms, innovation, collaboration, government policies, challenges and opportunities.

## I. INTRODUCTION

Financial Technology also known as FinTech has played a major role in businesses, companies and consumers. The FinTech helps in the use of financial services with the help of technology in the financial sector which helps to manage financial activities in a much more organised and systematic manner. FinTech is mainly used in various industries and sectors like Education, Retail banking, Fundraising and Non-Profit Organizations. FinTech also implements and emerges the use of cryptocurrencies like Bitcoin. The global financial sector has improved and experienced innovation and technological advancements in the Financial Sector. The paper shows how FinTech has improved in India in the Financial sector by understanding the change in the consumer preferences and the use of various technologies in India has helped and improved the Finance sector of the country. The paper showcases the emergence of FinTech and its growth in India. The FinTech industry has evolved in the use of different innovative technologies and how they have been growing in India, with the increase in the use of the smartphones the increase in the population of India they have emerged and grown

in the finance sector. The paper showcases the impact of FinTech on traditional banking services. The emergence of FinTech startups and the collaboration of traditional banking services with technology company has led to the development of innovative products and services to meet the needs of different consumers and businesses. One important thing about the FinTech is financial inclusion. Fintech solutions bridge the gap between traditional banking services and the unbanked or underbanked by providing access to financial products such as digital payments, microloans and insurance.

### 1.1 Objectives of the research

- To analyse the factors driving the growth of fintech in India.
- To understand the impact of fintech on traditional financial services.
- To understand consumer adaption patterns and behaviours.
- To identify potential business opportunities in the fintech landscape.
- To explore fintech venture challenges and risks.
- To find out the job opportunities created by fintech's in India.

### 1.2 Purpose of the study

- To understand fintech development in India.
- To recognize challenges and dangers of fintech in India.
- To compare the growth of fintech in India with the rest of the world.
- To analyse the growth of fintech's in the last few years.
- To inform policy makers and decision making.

## II. REVIEW OF LITREATURE

	Title of the paper	Author	Objectives	Observations
1	“FinTech In India - Demographics affecting the FinTech services”	“Saniya Sameer Paddalwar, Dr. Lakshmi.P”	The objective of the study is to provide the insights as when the fintech was launched and the scope of use in financial sector.	The adoption of the fintech has made payment process, lending processes, value technology, and insurance technology.
2	“FinTech: A new resolution in India”	“Shushank Agarwal, Gaurav Gupta, Dr. Aatish Zagade”	This paper aims to explore the impact and trends in the fintech on banks startups and role of the MSME’s in financing.	The growing technological innovations in the financial sector that aims to improve the way the industry operates.
3	“Fintech issues and challenge sin India”	“P. Krishna Priya, K. Anusha”	To provide insights of India in a growing fintech market.	The huge percentage of the unbanked banked population makes India an exciting fintech region.
4	“Growth of fintech in banking industry in India”	“Rohit Jain, Dr. Mercia Selva Malar”	To study the growing market of the fintech industry in India and the use made in the banking sector.	The new venture between finance and technology succeeds with the support of new startup in India.
5	“Fintech in India: Current status, trends and prospects”	“Ashish Saxena, Renu Jain, Anjali Mandal”	To study the venture between the finance and technology.	Fintech offers alternative services to banking and nonbanking services.
6	“The key drivers of fintech in India: Study on customer adoption and attitude”	“Dr. V. Kanimozhi, Dayanna Rose K”	This research is focused on the kew drivers of fintech in india	It helps to know the consumer adoption and the attitude towards the online banking sector
7	. “A study on fintech and digital transformation of financial services”	“Uday Rathore, Astha Saxena, Dr. Aashka Thakkar”	The article analyses the fintech industry and its future, looking at various factors.	The financial industry and maps of government initiative to promote the fintech industry.
8	“Rising fintech ecosystem in Indian financial sector”	“Dr. Aanchal Bhardwaj”	The main objective of this study is to explore the history, opportunities, challenges, in the fintech sector in India.	The article discusses various fintech sector in India and the role in the fintech industry.
9	“Fintech services: A key differentiator – A case study of Bengaluru city”	“Komal. S”	The objective of this study is to see how fintech can benefit the business in the areas of finance, insurance, and real estate.	Providing the services like personal financial management at less price than the traditional services and functions.
10	“A Study on the impact of fintech companies with reference to growth of the Indian economy”	“Dr. Lakshman K, R. Raghavendra GS, Vedant Raj, Burhanuddin Desawala, Niraj Jain”	The study aims to see the how fintech companies have made it simpler for the little business and for the people.	The boost in the business and the financial growth. The Indian government has too played a key part in advancing the improvement of the fintech industry.

### III. RESEARCH METHODOLOGY

Secondary data was used as the main source of this study. Secondary information refers to information that has already been collected and analysed by others for different purposes. Secondary data was collected in this study from various different websites including Government sites, Research Journals, and Google. These sources provide useful and necessary insights regarding the trends and growth of Fintech's in India that has been seen over the last few years. The sources for each sites visited and figures used has been provided in this report.

### IV. ANAYSIS AND INTERPRETATION

This study aims at understanding whether the FinTech's in India has seen a growth, decline or has been stagnant. Data has been collected from multiple sources to understand and figure out patterns and trends which will help us understand Fintech's better and how it has changed over the years.

Table 4.1 India's FinTech market size (\$ Bn) during 2021-2025

FINTECH TYPES	2021 (\$)	2022 (\$)	2023 (\$)	2024 (\$)	2025 (\$)
Payments	139	165	184	198	208
Lending Tech	200	270	350	464	616
Investment Tech	6.4	9.2	13.3	19.1	27.5
Insurance Tech	56	87	137	216	339
Fintech SaaS	3.3	4.6	6.4	9	12.6
Neo Banking	31	48	67	84	97
TOTAL	435	584	758	990	1300

Source: INC42 Plus

From the provided data, it's evident that India's FinTech market is experiencing significant growth across various segments from 2021 to 2025. The total market size is projected to grow consistently over the years, reaching \$1.3 trillion by 2025, which reflects the increasing adoption and acceptance of FinTech services in India. Here is a segment-wise break up:

- **Payments:** This segment shows steady growth, indicating the ongoing digitalization of payments in the country, with a projected increase from \$139 billion in 2021 to \$208 billion in 2025.
- **Lending Tech:** Experiencing rapid expansion, almost doubling in size each year, reflecting increased demand for digital lending services, with a substantial increase from \$200 billion in 2021 to \$616 billion in 2025.
- **Investment Tech:** Demonstrating significant growth potential, with a consistent increase in market size each year, reaching \$27.5 billion in 2025, showcasing growing interest in digital investment platforms.
- **Insurance Tech:** Experiencing substantial growth, indicating a shift towards digital insurance services, with the market size expected to more than quintuple from \$56 billion in 2021 to \$339 billion in 2025.
- **Fintech SaaS:** Showing steady growth, indicating increasing adoption of FinTech software-as-a-service solutions, with the market size expected to more than triple from \$3.3 billion in 2021 to \$12.6 billion in 2025.
- **Neo Banking:** Experiencing consistent growth, showing the emergence of digital banking solutions, with the market size expected to almost triple from \$31 billion in 2021 to \$97 billion in 2025.

The data suggests that FinTech is disrupting traditional financial services across various domains such as payments, lending, investment, insurance, and banking. There's a clear trend towards digitalization and the adoption of technology-driven financial solutions among consumers and businesses in India. This growth presents opportunities for both established FinTech companies and new entrants to capitalize on the evolving market landscape and meet the evolving needs of customers. Regulatory frameworks and infrastructure supporting FinTech innovation are likely to play a crucial role in shaping the future trajectory of the industry.

Table 4.2 FinTech Investment in India [during 2018 - 2023]

YEAR	INVESTMENT (IN \$ BN)
2018	5.7
2019	5.8
2020	3.9
2021	8.4
2022	5.6

Source: FinTech Global, Inc42 and EY

The Overall Trend tells that there's a fluctuating trend in FinTech investments over the years, with no clear linear pattern. Investments have varied annually, indicating the dynamic nature of the market and external factors influencing investor sentiment. Here is a Yearly analysis:

**2018-2019:** Investments remained relatively stable around the \$5-6 billion range, suggesting consistent interest and confidence in India's FinTech sector during this period.

**2020:** There was a slight dip in investment compared to the previous years, dropping to \$3.9 billion. This decrease could be attributed to various factors such as economic uncertainties, regulatory changes, or investor caution amidst global challenges like the COVID-19 pandemic.

**2021:** Investments saw a significant surge, jumping to \$8.4 billion. This increase reflects renewed investor confidence, possibly driven by factors like the recovery from the pandemic, increased digital adoption, and the emergence of promising FinTech startups.

**2022-2023:** Investments experienced a decline again, falling to \$5.6 billion in 2022 and further dropping to \$2 billion in 2023. This downward trend could be due to multiple reasons such as market corrections, shifting investor priorities, or saturation in certain segments of the FinTech market.

## V. FINDINGS, SUGGESTIONS, AND CONCLUSION

### 5.1 FINDINGS

#### 1. Fintech adoption and growth in India:

- India is very fond of fintech products, with 87% of people using them, which is more than the global average.
- India has around 3,000 fintech companies, most of which started just five years ago a year
- India has the world's third largest number of unicorns in fintech, which are really successful startups.

#### 2. Factors leading to fintech growth:

- India's fintech industry uses cool things like artificial intelligence, machine learning and big data to facilitate finance.
- In India, Fintech includes things like paying, lending money, digital banking, insurance, wealth management and doing business transactions.

#### 3. Impact on traditional banking services:

- Fintech has made it easier for people to do online banking, so conventional banks also had to improve their online services.
- But there are issues such as compliance, data security and competition with fintech companies.

#### 4. Potential business opportunities:

- Businesses have great opportunities to engage in digital banking, analyze big data, use blockchain technology, provide personalized services and use robots in banking.
- These things can be done to make customers happy and help businesses make more money.

#### 5. Challenges facing fintech companies:

- Fintech companies have difficult problems to deal with, such as the COVID-19 pandemic, regulatory compliance, compete with traditional banks and keep people's data safe.
- They need to change with people's problems and follow the rules to grow further.

### 5.2 SUGGESTIONS

#### 1. Government support and awareness campaigns:

- The government should continue to support fintech initiatives with policies that promote innovation and financial inclusion.
- Launch awareness campaigns to inform the public about the benefits and safety of fintech solutions, especially in rural areas where awareness can be less.

#### 2. Invest in Fintech Education:

- Resource education programs that teach financial literacy and fintech skills and ensure that people are prepared to use fintech products effectively.
- Encourage partnerships between fintech companies and educational institutions to develop courses and workshops on fintech topics.

#### 3. Encourage collaboration and partnerships:

- Facilitate collaboration between fintech startups and traditional banks or financial institutions to leverage each other's strengths and resources.
- Create platforms or events where fintech startups can connect with potential partners, investors and mentors to ensure growth and collaboration.

**4. Regulatory framework and compliance:**

- Create clear and supportive regulatory frameworks that promote innovation while ensuring consumer protection and data security.
- Provide guidance and assistance to fintech companies to effectively transition to regulatory requirements and compliance obligations.

**5. Investment in cyber security measures:**

- Prioritize investment in cyber security infrastructure and protocols to protect sensitive financial data and defend against cyber threats.
- Provide incentives or grants to fintech companies to implement effective cyber security measures and conduct regular security audits.

**VI. CONCLUSION**

In summary, the provided data sheds light on India's dynamic FinTech sector over the specified periods. As depicted in Table 4.1, India's FinTech industry shows promising growth across various sectors, including payments, lending, investment, insurance, FinTech SaaS, and neo banking. This growth mirrors the increasing adoption of digital services, shifts in consumer preferences, and technological advancements driving the sector's development. However, Table 4.2 illustrates fluctuations in FinTech investments between 2018 and 2023. While investment remained relatively steady in 2018-2019, there was a decline in 2020, followed by a notable upsurge in 2021. Subsequently, there was a downturn in 2022-2023. These fluctuations underscore the volatility of investor sentiment and external factors influencing investment trends. In conclusion, while India's FinTech market exhibits substantial growth potential and attracts investor interest, it also grapples with challenges such as market volatility, regulatory ambiguity, and evolving consumer behaviors. Successfully navigating these challenges will demand adaptability, innovation, and strategic decision-making from both investors and FinTech entities to capitalize on the opportunities within India's dynamic FinTech landscape.

**7 ACKNOWLEDGMENT**

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