

IS THE FINTECH REVOLUTION IN INDIA HAS BECOME A SOCIAL AND ECONOMIC MOVEMENT?

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Abstract

Now, digital transactions worth Rs. 20,000/- crore are taking place daily in India. In March 2022, Unified Payments Interface (UPI) transactions even reached Rs.10 trillion as quoted by our Hon'ble Prime Minister. The fintech revolution in India is leading the way for the global economies and there are approximately 2000 fintech companies doing roaring business now in India, out of which nearly 70% of them have been in the business for the last five years only. Indian Fintech segment has also seen exponential growth in terms of funding from across the globe. Since 2014, when Apple pay was launched this sector started looking with the ways to improve its performance. The Government of India has announced the demonetization move during 2016 and this has really added fuel to the fire as far as the fintech revolution is concerned. As per the April 2022 International Monetary Fund report, Indian economy is the world's fastest growing economies with the GDP growth projections of 8.5% for the current financial year. Undoubtedly, this has helped the fintech sector to grow at a rapid pace with various products like mobile banking, internet banking, digital wallets, electronic money orders, secured payment gateways etc. The penetration of mobile phone with 4G services even to the rural parts of the country complemented the fintech revolution. As per Telecom Regulatory Authority of India (TRAI) 19th April 2022 report, India's telephone subscribers – both wireless and wireline – 1170 million and broadband subscriber base of 784 million with an average of tele density of 85% across the country. This exponential growth of telecom is the solid base for the rapid fintech adoption by the masses, especially the youth population. We can say this even as a social and economic movement in India.

Key Words: - Fintech, digital revolution, mobile phone penetration, rural economy growth, Startups

INTRODUCTION

As per the April 2022 International Monetary Fund report, Indian economy is the world's fastest growing economies with the GDP growth projections of 8.5% for the current financial year. Undoubtedly, this has helped the finTech sector to grow at a rapid pace with various products like mobile banking, internet banking, digital wallets, electronic money orders, secured payment gateways etc. According to a report by Boston Consulting Group (BCG) and Federation of Indian Chambers of Commerce and Industry (FICCI) titled, 'India FinTech: A USD 100 Billion Opportunity', India is well positioned to achieve a FinTech sector valuation of USD 150-160 billion by 2025, implying a USD 100 billion in incremental value creation potential. To achieve this goal, India's FinTech sector will need investments of \$20-25 billion over the next few years. Upto two years before the India's vibrant banking sector was trusted as the only facilitator for the payment services. Now the picture has changed and the banking sector is slowly loosening its grip as the competition from new payment mechanisms are increasing. Ever since the National Payments Corporation of India (NPCI) launched its flagship product called Bharat Interface for Money (BHIM) using Unified Payment Interface (UPI) six years before, it has revolutionized the money transaction business in India. It has become so successful that we can say that it is social and economic movement with its scale of operations. After seeing the success of this product in India, the International cross border digital payment service provider Liquid Group has signed a Memorandum of Understanding (MoU) with NPCI in September 2021 to introduce UPI based QR code payment system in Singapore, Malaysia, Thailand, Philippines, Vietnam, Cambodia, Hong Kong, Taiwan, South Korea and Japan from 2022. Now, every common citizen is feeling that ease of sending and receiving money using their mobile phones means, thanks to the NPCI for popularizing this digital revolution. In India, there was a period, where only some handful of retailers – big merchants – accepted the credit cards. Then came the era of debit cards. In India, today the debit card circulation is nearly 950 million and in a short span of time it will touch 1 billion. The growth is so fast to note that it was

just 84 million a decade before. Opening of Jan Dhan – a zero balance savings bank accounts – which is an initiative of the Central Government came as a big booster in increasing the debit cards circulation. All these activities, pushed India towards the FinTech revolution.

THE OBJECTIVE OF THE RESEARCH

The basic objective of this research is to delve into the factors which are contributing towards the exponential growth in the FinTech sector and analyze it further. At the time of its introduction, this technology was used only by some financial institutions. Now, it is being used in different sectors like banking, education, stock markets etc. Financial institutions are the back bone of the economy, the challenges are more and to keep the sector vibrant they need to cope up with the changing time. Otherwise, it is difficult to provide the magic term called 'customer delight'. Like that the cyber frauds have increased multifold worldwide, for that they need to keep up their software and other system enabled programs protected and at the same time they must adhere to the changing regulatory environments wherever they operate. World over if we see, especially in the advanced economies, the Fintech sector uses major technologies for its growth and sustenance which includes Artificial Intelligence (AI), Machine Learning (ML), Blockchain Technology and Big Data. FinTech also uses another technology 'Chatbot' to interact with its customers thereby bringing down the human resources cost extensively. These advanced technologies have stepped in to improve the efficiency of the FinTech operations and modernize the client services. During the recent central budget presentation in the Parliament of India, the Hon'ble Finance Minister Mrs.Nirmala Sitharaman announced that the Reserve Bank of India will soon launch a Digital Currency which has increased the eager from the general public and the trading community about one another digital transactions which backed by the Government of India. Moreover, FinTech sector is changing the financial markets with more career growth and other choices. Freshers who have undergone a crash course in any of these technologies are offered in great demand. Moreover, the millennials segment is the one which has been targeted by the FinTech sector keeping in mind the huge size of this segment in India. And obviously, the FinTech sector is one of the most regulated sectors across the world. Regulations have become the priority area for the welfare States as more number of players are entering the industry and there must be some sort of monitoring mechanism to protect both the traders and the general public who use the FinTech services. So, the basic questions are, what is fintech technology? in what way it helps in the ease of doing business? in what way it helps a common man? how it changes the lifestyle of the general public?

REVIEW OF LITERATURE

According to Cheng & Qu, 2020, technology plays a critical role in the finance industry. Technology support the bank to reduce the operational costs, increase efficiency and performance, reduce credit risks. Besides that, the technologies facilitate the banks to connect and maintain relationships with customers.

Junger & Mietzner opinies, "Under the rise of technologies in the finance industry, a new kind of company has been formulated; it is the fintech company. The technology platform facilitates the fintech company providing financial products with the same features as banking products. Additionally, the fintech company also provides new products (e.g. cryptocurrencies). New products are noticed by younger generations. (e.g. millennial generations).

Vives (2017) defined "Fintech may be understood as the use of innovative information and automation technology in financial services". Additionally, Dhar and Stein (2017) defined fintech as "Financial sector innovations involving technology-enabled business models that can facilitate disintermediation; revolutionize how existing firms create and deliver products and services; address privacy, regulatory and law-enforcement challenges; provide new gateways for entrepreneurship; and seed opportunities for inclusive growth". Furthermore, fintech is the compound word of "finance" and "technology", it is used for indicating the technologies applicable for delivering financial products. In practice and academics, fintech is often used to indicate utilizing technologies outside the finance industry's traditional business models (Milian et al., 2019).

Although it is initially believed that FinTechs belong effectively to the financial industry, this type of company also presents elements of the Information Technology industry as technological basis (Alt, Beck, & Smits, 2018; T Puschmann, 2017; Schueffel, 2016)

FinTechs also fit into the concept of financial innovation and perform different activities in the financial market. Some examples of these activities related by (Milian et al., 2019) are: loan technologies, personal finance, and asset management; value transfer; Blockchain / Cryptoassets; Institutional Technology / Capital Markets; crowdfunding and; technological security.

The role of FinTechs as a threat to incumbent banks also derives from the culture of the operational efficiency of these new companies (Philippon, 2016).

Another study presents a historic view of Fintech and considers the ecosystem of the fintech section. They then consider different fintech business models and kinds of investment. This work represents the use of factual for

fintech finance dictions. Eventually, technical and managerial issues for both sides' fintech start-ups and old-fashioned financial institutes are considered. (Lee et al., 2018).

In another study, researchers define fintech, reviews some of the intended statistics, and then review the empirical and theoretical literature. This review is organized around the four main questions of the research. This article summarizes their knowledge of these questions and concludes with questions for future research (Amer et al., 2015)

In a review paper, researchers find the most important articles in this area. This article is a review of the fintech literature and its interaction with banking. Innovations in payment systems (including cryptocurrencies), credit markets (including P2P loans), and insurance are included in fintech, with smart contracts involving Blockchain. This article defines fintech in some way, examines some statistics, and then examines the theoretical and experimental literature. This review is organized around the four main questions of the research. This article summarizes their knowledge of these questions and concludes with questions for future research. (Thakor et al., 2020)

According to Das et al., the major advances in computing, mathematics, statistics, psychology, econometrics, linguistics, cryptography, big data and computer interfaces have sparked an explosion of advanced technology.

Fintech is being adopted across markets worldwide—but not evenly. Why not? This chapter reviews the evidence. In some economies, especially in the developing world, adoption is being driven by an unmet demand for financial services. Fintech promises to deliver greater financial inclusion. In other economies, adoption can be related to the high cost of traditional finance, a supportive regulatory environment, and other macroeconomic factors. Finally, demographics play an important role, as younger cohorts are more likely to trust and adopt.

METHODOLOGY OF THE RESEARCH

This is descriptive research. All data used here are secondary and are sourced through various news articles, internet data, companies' websites, world bank data, etc. No primary research was conducted in the field.

THE FINTECH REVOLUTION

Hon'ble Prime Minister of India Shri Narendra Modi has called for a fintech revolution to achieve financial empowerment of every single citizen and said the country has made significant progress in this area because of people's trust in the Indian digital ecosystem. Starting from the launch of credit cards in India during 1950s and the debit cards in the 1980s, we can say that the fintech adoption is picking up steadily. The Government of India's demonetization move on 2016 gave a rapid push for moving towards the cashless economy. For the next five years saw the launching of nearly 2000 fintech companies which made many traditional bankers also to think of adopting to the latest technology to stay afloat. Even the small merchants started adopting the fintech enabled payment systems, otherwise they thought that they will miss the bus. The result is that India has emerged as one of the fastest growing technology enabled financial markets in the world and number one in Asia. Now a common man feels that his money is safely reaching the payee and the receiver too have the feeling that it is ease of doing business and this is the success of the fintech industry. Convenience of paying, the rise of non-banking payment institutions, a vibrant regulatory policies etc. are some of the factors which fuels the cashless economy. When it comes to lending business, banks are feeling much comfortable in disbursing customer specific loans and tracking their payment history. The credit card industry does not want to miss the business at par with the growing economy. With 'buy now pay later', 'no cost EMIs' etc. it is trying to woo the public to use their services. We can say that the usage of ATM cum debit card has come down at the merchant establishments because of the wide usage of mobile phone based fintech apps. Even road side based small vendors started welcoming these electronic payments extensively because of user friendliness, immediate payment credit to their account, no deductions for them etc.

DISCUSSION AND FINDINGS

The Role of Smart Phone and Fast Internet

A general projection says that by 2030 India will have a billion digital users. The average share of customer interactions through digital mode was 19% during May 2018, but during July 2020 it touched to 53%. This exponential growth of digital media across the globe, including the rural markets has helped marketers to reach out to the masses very successfully. With companies allocating more resources for the adoption of digital technology to reach out to the newer markets, the return on investments also has become crucial. So aggressive marketing to penetrate the newer markets has become the order of the day.

According to a recent survey, there are around 1.20 billion mobile connections and 470 million phone internet users in India. This is the world's second-largest internet market. Out of which rural India registered a 45%

growth in the monthly active internet users in 2019 – 20 and around 304 million internet users. This is directly linked to the exponential growth of digital banking, digital payments, digital borrowing or lending, crowdfunding, cryptocurrency etc. The 4G mobile internet penetration is giving a good mode of marketing to the masses by the marketers. The COVID-19 pandemic and the sufferings it has brought have caused a shift in mind set. For the marketing world, it has redefined consumer sentiment in many ways. Speaking in general, the challenges in the newer markets India remains the same as ever, but what has changed a lot are the different ways a marketer can now view addressing them. Research Strategist Ms. Shraddha Ganesh shares how digital behavior is being redefined in rural India. It is fast becoming a way of life and she cites the example of WhatsApp which reportedly has 309 million Indian users – the bulk from Tier 2 and 3 cities. The mobile phone based fintech apps have transformed the consumer industries. These users friendly fintech apps are in fact, has become a threat for the established market players like banks and other financial institutions. The fintech apps have started consolidating more complex services and using it as super apps. These super apps give better value addition for businesses in terms of driving vertical growth, identifying more avenues to interact with high net worth individuals, giving better customer user experience, reducing re-acquisition cost etc. At the same time, the businesses that use the fintech extensively are equally concerned about the data protection, protecting consumers' privacy, protecting consumers bank accounts from fraud etc. For this they use multiple security layers like end-to-end encryption, bio-metric linked mobile phone operating systems, global positioning system (GPS) tracking etc.

Young Population Taking the Fintech to Next Level

India has a population of 65 percent under the age of 35 – not seen in any part of the world – which is the main driving force in taking the fintech sector to new heights. Although we can say many factors involved in this mammoth task, this favourable shift in demographics plays a key role. The youth population have enough disposable income. Moreover, now the young entrepreneurs are more tech savvy and all these factors leads to the boom of fintech sector. Until some three years before people used to go automated teller machines to withdraw cash from their accounts. Now, especially post covid era, people find it more convenient to pay – however small the amount may be – through electronic formats. This has many advantages as well for all the stake holders like the general public, merchants, Governments and the digital payments and financial technology companies. It is a win – win situation for all.

Global Acceptance of Indian Rupee (INR) and UPI

India's payment app Unified Payment Interface (UPI) has been approved as such in nearly eighteen countries and with another twelve countries it is at the Memorandum of Understanding (MOU) stage to approve this. This is going to lead to nearly thirty plus countries exchanging currency with India excluding the United States of America's dollar. The world is looking eagerly to see the next action of the International Monetary Fund (IMF) regarding this. Because, as soon as fifty plus countries started using INR, the IMF will have no choice other than declaring it as the global currency. Because of the ongoing Russia and Ukraine war and the subsequent sanctions imposed on Russia by the USA and their North Atlantic Treaty Organization (NATO) countries, Russia has been forced to look for buyers for its oil production and this situation started playing advantageous role for India to buy Russian oil at a discounted price compared to the Gulf countries and added to that the Russia – India oil business is taking place in INR. This has resulted in Saudi Arabia asking India to buy oil from them also in INR, otherwise they are losing their share of business to Russia.

Another major import for India is gold. It is understood that recently the Government of India has purchased more than 500 tonnes of gold from United Arab Emirates (one of the major exporters of gold in the world) through the INR transactions. Also, India is the world's second largest importer of defence equipment. Now, the Government of India is in the process of converting all these transactions into INR so that acceptance of Indian currency will be extended to many other countries. All these developments lead to further boosting the fintech revolution. So it is no wonder that a globally well reputed magazine has called the Indian rupee (INR) as the future dollar and it will become a reserve currency for many countries along with the United States dollar and gold.

CONCLUSION

India's economy is currently in the fifth position and the Gross Domestic Product (GDP) is projected to grow at 7 – 7.5% for the financial year 2022-23. While the GDP of European Union (EU) countries and the United States of America (USA) are in the range of 2 – 3% and Chinese economy is around 5%, India is the only shining silver line in the dark clouds. As per the available current trends, facts and figures, the World Bank has predicted that Indian economy will be the third largest in the world in the next to ten to fifteen years. Though, once upon a time it was considered as the growing population of India is not so good enough to the country, now it is proved that this huge population of India only is fuelling its economy in the right directions. In this context, the wise decision by the Government of India to encourage the growth of Fintech companies and thereby revolutionizing the way the business transactions are carried away are really fuelling the digital revolutions in the country. Even small traders, though they are exempted from paying income tax to some extent cannot reduce their business turnover and other accounts from the purview of the statutory bodies. The tax compliance is increasing and subsequently

it leads to various incomes for the Governments to spend more on infrastructure and other people welfare schemes.

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