

FINTECH STARTUPS IN INDIA & A COMPETITIVE MARKET STUDY

Khushi Mishra

Abstract

The increased dependency on technology of every service has led to various significant socio-economic alters. Accessibility of financial assistance and services have become convenient and easier. Financial Technology (Fin-tech) aims to deliver uninterrupted and personalized assistance competing with traditional means of monetary services. These digital innovations are responsible for new business models, creation of employment, reduction in transaction costs and many more. The research paper discusses coherent mechanisms and schemes implemented along with the growth of fintech giants in the Indian market. Acquisition of newer potential prospects with introduction of newer financial models governed by a set of rules has been a major goal. However, advancement in technology has created newer challenges. Stability and integrity, Privacy of data, efficiency, competition, accordance with financial authorities and a lot of other factors are still the area of concern. The research also puts light upon working of various types of Fintech and includes detailed analysis of some popular firms that exist in the market.

Keywords

Fintech, Startups, India, Social impact

Introduction

Financial technical school nology (better called Fintech) is employed to explain new tech that seeks to boost and alter the delivery and use of monetary services. At its core, fintech is used to assist firms, business house owners, and customers better manage their monetary operations, processes, and lives by utilizing specialised code and algorithms that square measure used on computers and, progressively, smart phones. Fintech, the word, may be a combination of “financial technology.” The cumulative investment of \$100bn by recent players since 2010 has been witnessed. (Accenture 2018) . Fintechs are venturing into all domains that previously were the privilege of universal banks or global financial institutions. (Varga 2017).

When fintech emerged within the twenty first century, the term was ab initio applied to the technology used at the back-end systems of established monetary establishments. Since then, however, there has been a shift to additional consumer-oriented services and so an additional consumer-oriented definition. Fintech currently includes completely different sectors and industries like education, retail banking, fundraising and non-profit-making, and investment management, to name a couple of.

Fintech conjointly includes the event and use of crypto currencies, like Bitcoin. Whereas that section of fintech may even see the foremost headlines, the massive cash still lies within the ancient world industry and its multi-trillion-dollar market

Broadly, the term “financial technology” will apply to any innovation in how folks interact with business, from the invention of digital cash to clerking. Since the net revolution and therefore the mobile Internet/Smartphone revolution, however, money technology has grown up explosively. Fintech, that originally cited the utilization of engineering applied to the rear workplace of banks or mercantilism companies, currently describes a broad form of technological interventions into personal and industrial finance. The most talked-about (and most funded) fintech start-ups share a similar characteristic: they're designed to be a threat to, challenge, and

eventually usurp entrenched ancient monetary services suppliers by being additional nimble, serving AN underserved section of the population, or providing quicker and/or higher service.

The digital way of transaction which has replaced the physical modes between consumers and providers will be important for economies and businesses (Feyen, 2021, p. 10)

Scope

To study and understand the close relationship of Financial technology with society as there is a close look taken at various start-ups that have emerged over the years revolutionizing the entire industry. The paper also aims to look at the past researches and give a critical scrutiny to them.

Literature Review

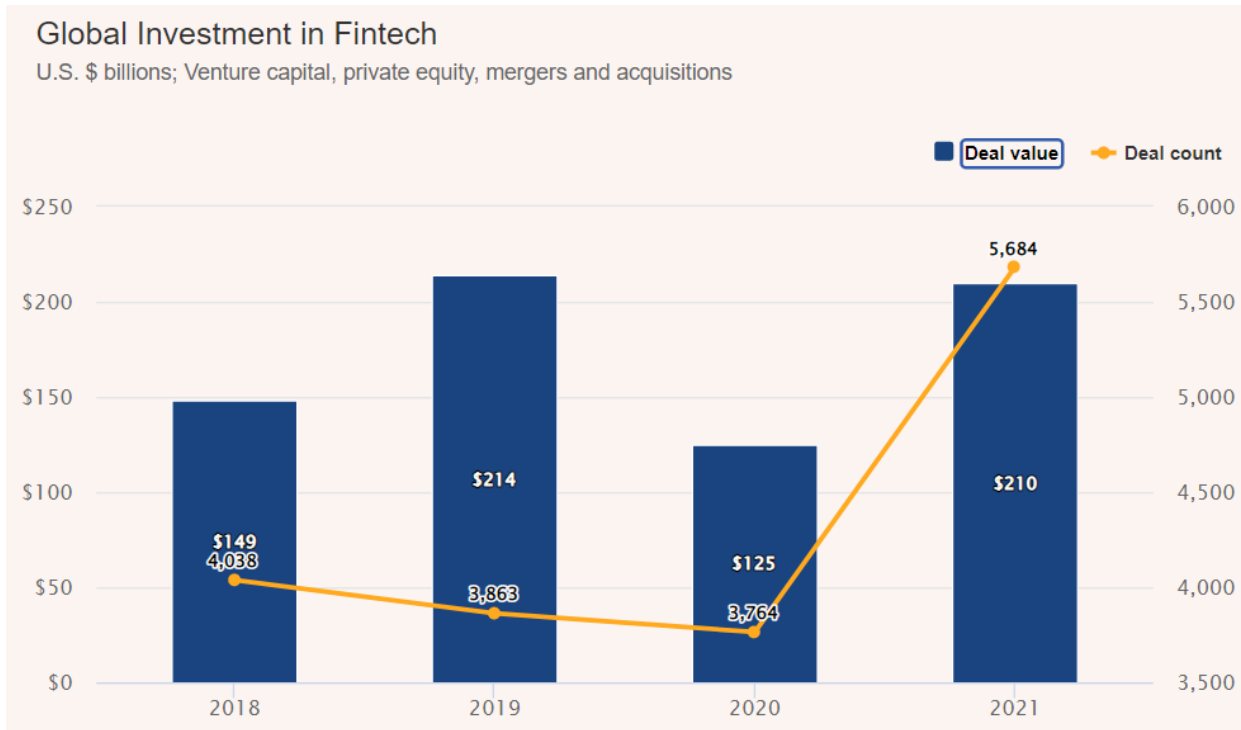
The scope of development of Fintechs in the Indian Market is great. Disruption of the market with innovative styles and models has made simple development. The overall speed of the process of lending has increased. The approval and disbursement of loan is a swift process now (Cyril 2018). To prove this Cyril adds “For instance, while traditional banks (around 100) and NBFCs (around 1100) in India use technology to simply calculate credit scores, fintech ventures use machine learning algorithms and alternative data points such as social media footprints, call records, shopping histories, and payments to utility service providers to increase efficiency and provide greater access to credit.” The average time for approval of loan used to be 28.5 days but post digitization it has dropped to 1 day, stats shows (Cyril 2018). Fintech acts as the bridge between existing gaps of the market. “India has a large untapped market for financial service technology startups – 40 percent of the population are currently not connected to banks and 87 percent of payments are made in cash” (Cyril 2018). According to stats almost 90% of small businesses are not linked to formal financial institutions. This gap has led to development of fintech firms.

Fintechs are backed up by the Indian Government. Regulatory policy introduction from time to time and bodies such as SEBI and RBI relentlessly promote the idea of a cashless economy (Fintech in India KPMG report 2016). “Introduction of Unified Payment Interface with NPCI which holds the potential to revolutionize digital payments and take India closer to the objective of Less Cash Society” (Vijai 2019). The step has done wonders. Today the Indian Financial System has an upper hand on any other country’s financial system. Payments on small shops, malls, big firms, and interpersonal transactions are seamless and easy. The linking of government documents such as Aadhaar and PAN card, eKYC, UPI and BHIM has changed the scene in India. 22% of increase in use of digital services is witnessed after banning of 500 and 1000 currency notes (Vijai 2019)

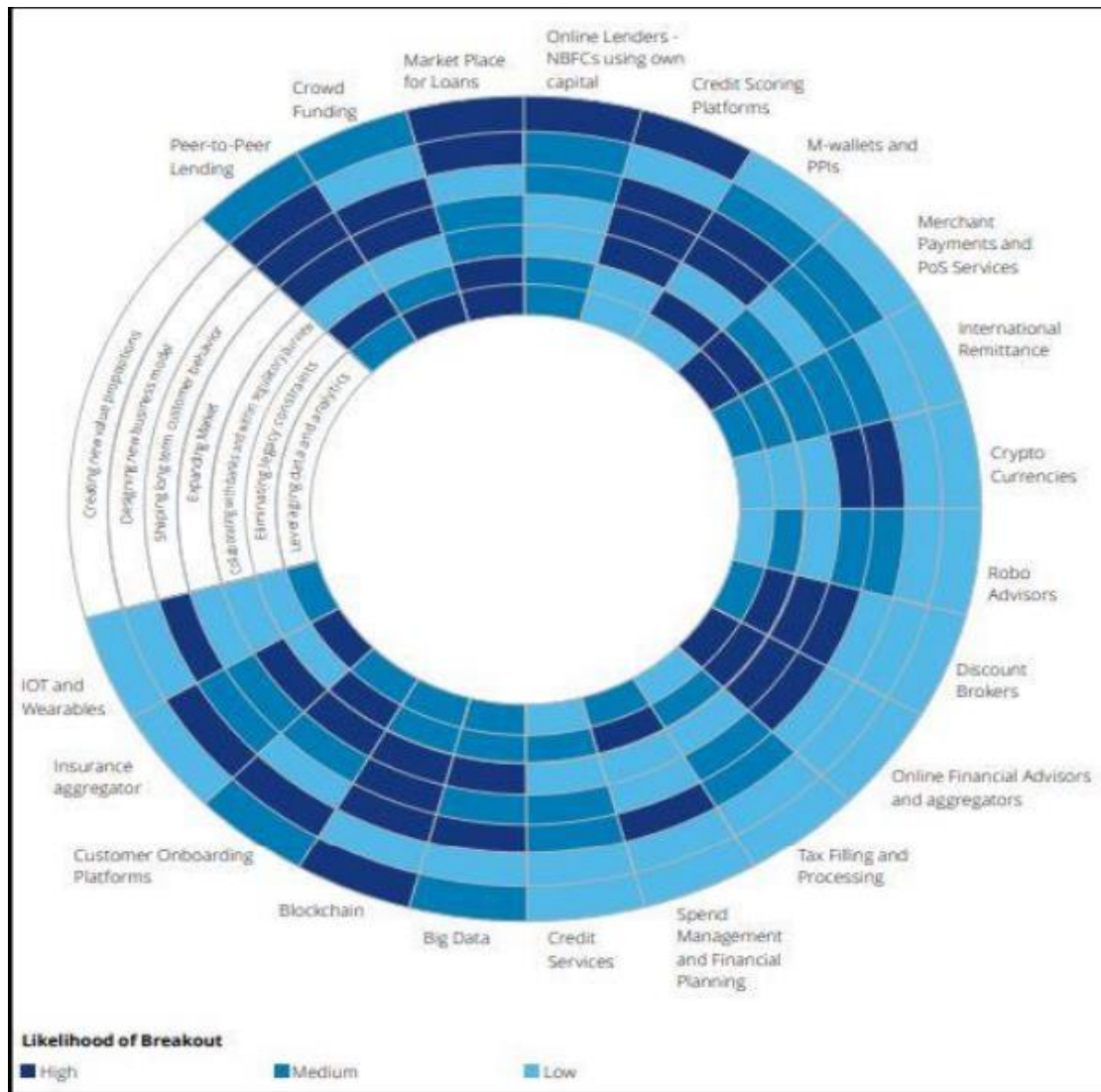
This has led private and government sector traditional banks to invest and introduce digital applications and payment gateways. Banks like HDFC, federal bank and many more have integrated digitals services. Digital Wallet also has a part to play. “Further, the enormous cost outflow is another factor for the alliances. It also provides pilot solutions for new learning’s in the work culture of FIs. In contrast, FinTechs endeavours to target customer's trust and likelihood, resources, guidance, marketing through FIs products, the extensive client base, and other insights related to the financial industry “ (Gupta, Agrawal 2021)

Methodology

The paper is a collection of data from secondary sources like past researches, articles and relevant data from relatable data from reliable sources like Government Data Banks that help the reader see the various Fintech start-ups in India and their overall impact on the society. The paper also has relevant data and charts attached below.



2021 witnessed \$210 billion investment worldwide in Fintech. These statistics show the potential and vision of entrepreneurs around the globe regarding Fintech. Due to Covid situation the investments have dropped to \$125 billion during 2020.



SOURCE (Anand & Bhatia, 2017)

The strength of breakout in the Indian market has been presented in the chart. Online lending and market places for loans are likely to be the most high among these. Cryptocurrency and tax filing have seen lighter impacts.

Analysis

Business model of different Fintech firms depend upon the particular type of service they intend to provide. Some common models such as Payment gateways, peer to peer lending, asset management, insurance, blockchain and cryptocurrency are very popular. Customers can now review and compare services across different platforms according to personalized needs. It also gives them a chance to incorporate innovative payment methods to various fields such as education, small businesses etc.

1.Cred

In an outline street credibility is associate degree Indian Trust school startup that brings along mastercard users to form payments on-line via associate degree app. Kunal Shah, associate degree Indian bourgeois, founded the corporation in 2018. Its basic philosophy is – that it advances the people’s mastercard transactions to the payment of taxes in exchange for incentives via coins. With reward coins, users will use them to shop for a large variety of products offered on the platform with discounts and special offers. Once a number of years of firm, the startup’s users skyrocketed to nearly half dozen. Recently, the corporation has had quite \$700 million in total funding and quite four.1 billion reviews. Its Key Composition includes Ganesha Subramanian – Chief design, Lisa Boye – government Operations, Sandeep Tandon – adviser, Priya Vadivel TPM. Sudarshan Tapuriah government Operations, India Kumar – authority school Program Manager, Chandra Maloo – Product Manager, Deepak Narang-Campaign Manager, Hriday Bradoo – Product Manager, Preet religion – Product Platform Manager, Kanhaiya Agarwal Engineer, Tejas Balasubramanya Product Analytics, Trupthi Shetty – Product & selling. With these dignitaries during this field gift, street credibility still has its drawbacks because it does not bring something groundbreaking or just ‘new’ in its field. This will be deciphered as a result of them completely not holding any patents to themselves as they failed to bring any new inventions to the table within

the existing market. Though their founder, Kunal Shah, contains several patents to his name, none of its beneficiaries area unit street credibility.

.Business Application

The Trust technical school organization provides associate unfastened accessibility app for automaton and IOS versions. The app builds in an exceedingly handy interface allowing customers to be had once paying the credit score payments. Moreover, the purchasers will freely sign on for the app and link up to music and take care regarding completely different financial statistics on their own. Street cred has partnered with loads of corporations to supply invoice bills through the platform. Those corporations are a unit inclined to produce the platform's customers with many advantages. What is more, as a result of the platform has tens of thousands and thousands of energetic

Customers, the businesses that have partnerships with the organization will get purchasers reciprocally. Thus, this industrial enterprise version may be a win-win methodology for the organization. This industrial enterprise version may be a stunning thought that Kunal sovereign used whereas organizing the organization. The thought is prepared to be profitable for any customers inclined to pay their credit score payments via the app. Like no completely different on-line worth platform, the purchasers pay credit score payments and acquire one-of-a-kind rewards

Razorpay

Razorpay could be a payment entrance and on-line payment service supplier for Indian firms. It was founded in 2013, and the Razorpay founders are IIT alumni Shashank Kumar, Harshil Mathur, and Sumit faith. Razorpay is a web payment entrance that helps merchants settle for payments from their customers through debit or credit cards. It additionally offers continual asking, period transactions, and order management tools to assist

businesses grow. Razorpay is one of the foremost accessible payment gateways that offer on-line payments, paid cards, digital payments, and remittances.

Razorpay founder Harshil Mathur endowed during this on-line payment application with all they need, and currently it's mature to be one in every of the foremost in style payment gateways in the Republic of India. In 2017, Razorpay crossed the \$1 billion group action mark per month on its platform, as well as B2B and B2C transactions across 4500+ merchants, as well as a number of the most important on-line payment services.

Razorpay Payment includes a large variety of choices for its users. Here is the list of the ways for accepting payments.

- Payment gateway
- Payment links
- Payment pages
- Payment buttons
- QR codes
- Instant settlement
- Instance voices
- Smart collect
- Subscription
- Razorpay token hq

All these facilities users will efficiently utilize through the Razorpay app. Business Banking and additionally includes a large variety of economic choices completely for business. Razorpay, Vendor Payments, Payouts links, Current account , Tax payments, Payroll, Marketplace instant settlement, Corporate cards, Cash advance

Zerodha

Zerodha may be a Bengaluru, Mysore based broker. It was based by Nitin Kamath on fifteen Gregorian calendar months 2010. It's India's initial discount broker that brings a revolution within the broking house trade. Zerodha is the largest and one of the simplest brokers for stocks in Asian countries. Zerodha may be a growing and leading market with its technology and latest options. They believe client satisfaction is a priority initially. They are currently on imaginary being valuation. Around 1300 workers operate in their workplace. Zerodha alone currently contributes over V-day of the overall retail commercialism volumes in Asian countries.

Zerodha is legitimate of 2 words Zero + Rodha that in Indo-Aryan suggests that barrier. Their main motive was to get rid of the entry barrier within the exchange. Zerodha promoted money acquisition within the Indian exchange. It contains a preponderantly kite platform for primarily desktop shoppers and mobile too. They supply a Pi downloadable platform for advanced algo and analysis. Of these are things that helped them to square out from the competition. Around 2010 all brokers were charging brokerage supported turnover charges. For eg., if you get or sell heap|tons|plenty|heaps|loads|a great deal} of choices then you will find yourself being charged around one hundred rupees per lot. However when Zerodha returned into this trade, they non continuous it by providing twenty flat charges per order. This issue works o.k. in market folks got attracted towards the less brokerage plans. Then discount brokers return on the boom then the trade modified tons. The issue that these days even Zerodha is ahead in competition is their technology ahead platforms and 10-year trust of shoppers. They're invariably careful with their shoppers. Today as of the date they're having the most important shopper base of five Million customers.

Fampay

What is Fampay?

FamPay is India's initial payment application that came into existence in 2019. The appliance focuses on creating teenagers financially freelance and building saving habits. The Go Cashless campaign has sealed the approach for several autochthonal payment and diversion applications. All the present applications have an associate degree age restriction of eighteen years to access the payment facilities. So, the FamPay app focuses on the restricted people starting from 13-19 years, permitting them to experience the monetary world.

The payment application provides the ability to the elders to teach their kids regarding the importance of cash. It permits the holders to transfer the number digitally into the FamPay account. The youngsters will simply purchase any item with constant cash and create payments through UPI and FamPay Card with no checking account setup. Because the kids have their distinctive UPI ID, they expertise the popular on-line payment methodology from a young age.

Now that we all know about the FamPay, the application allows us to meet the foundation members behind its formation. Sambhav faith and Kuch Taneja area unit the IIT graduates UN agency co-founded the startup company in 2019. Throughout their school, each of them have worked for Rivigo, HotStar, and Share Chat. They additionally had connections with well-known world investors and venture capitalists. Notable contributors include Kunal monarch (CRED), Amrish Rau (Pine Labs), Neeraj Arora (ex-Whatsapp), and Kevin architect (Twitch). The team of forty members aims to form an associate degree in-app marketplace for GenZ teenagers and their families.

FamPay is the best thanks to teach the children regarding personal finance and creating correct saving choices. The app additionally eliminates the requirement to steal and therefore the risk of giving bank credit cards to kids. The corporation features a robust team that prioritizes the user's demand and works laboriously for its execution. It's an authorized license from the bank of Republic of India and is partners with RuPay and IDFC initial bank. It additionally emphasizes finishing the KYC verification method for each of the oldsters and their kids. Users will transfer the appliance from App Store and Google Play Store and begin mistreatment it when mobile variety verification.

FamPay has worked with the National Payments Corporation of Republic of India (NPCI) to launch India's initial innumerable cards. The cardboard is thought as FamCard and has similar functions as any positive identification. The distinctive feature of the cardboard is that it doesn't have credentials like CVV and expiration date written on it. Users will deposit a maximum of 10,000/- per month within the FamPay Account. They'll even have a zero-balance account and track the expenses details through the FamPool feature. To date, the corporation has over 1 Lac plus registered users that have developed the habit of going cashless.

In the USA, kids below eighteen years work part-time and earn allowances. However it's not constant in the Republic of India as minors don't seem to be allowed to figure per the kid labor law. Therefore the FamPay application may be a medium for the oldsters to produce monetary acquisition to their kids. The appliance doesn't charge any hidden fees once the account is paused and features a zero balance. Folks may set the defrayal limit, manage the payments, lock the device, and block the cardboard anytime.

Groww

In 2016, four Flipkart employees Lalit Keshre, Harsh Jain, Ishan Bansal and Neeraj Singh, quit their jobs to start a venture that could make investing easy. They called this venture Groww and started operations In 2017. It is a Bangalore based broking firm offering online flat fee discount brokerage services. Groww helps you to

invest in Equity, IPO, and Direct Mutual Funds. It is the brand name for Nextbillion Technology Private Limited who is a SEBI registered stockbroker. NTPL is also a member of NSE and BSE. It initially started as a direct mutual fund investment platform. But in the 2020s Groww expanded its product offering to include Equity trading.

Founders based on their own experience and that of their friends and acquaintances, the founders felt that the process of investing in financial products in India is too complex and opaque. Their main motive was to make it more transparent and clear to investor. There are close to 200 million people who can invest income in India, while only 20 million actively invest. If you are working on the way to bring the next 180 million on board is by making investing simple. Groww aimed to provide the necessary information, resources and user experience for people to start investing in the simplest way possible. Initially, when the founding team was researching Indian financial interests, they took a lot of time to understand the market and identify the users' fundamental pain points. They also had to do a lot of experiments to figure out the right user experience. Also, because the user's hard-earned money was at stake, they had to ship a safe and secure product, and that took them some time to build.

In the financial world, you cannot compromise with security. The most dangerous cybercrimes are looting the money of new people coming to this world.

Conclusion

Similar to any other process the revolution in the finance industry will have certain positive as well as negative influences. While digital innovations result in better time management, easy service, reduced paperwork, introduction of younger audience, simple complaints and grievances follow-ups it also has the threat of leaked data privacy, internet security, stability in technology, regular updates in system, lack of physical branches, lack of regulation and many more. Designing a good user experience is also a challenge. Using AI and ML the

security has to be developed. More regulations should be introduced by authoritative bodies to avoid obnoxious practices. However, these start-ups have also given rise to employment in the market. “Fin-Tech” is still an exciting and new term. The need for technical development in the banking sector has forced every banking institution to turn digital. To be the leader in the world market, certain steps and processes need to be implemented in which Fintechs and online transactions are a major footstep.

References

Erik Feyen, Jon Frost, Leonardo Gambacorta, Harish Nataraja and Mathew Saa 2021 “Fintech and the digital transformation of financial services: implications for market structure and public policy” BIS no 117

Anil Savio Kavuri and Alistair Milne 2019 “FinTech and the future of financial services : What are the research gaps?”

Accenture. 2018. “Global Venture Capital Investment in Fintech Industry Set Record in 2017 “

David Varga 2017 “Fintech, the new era of financial services” Budapest Management Review

Melissa Cyril 2018 “Future of Fintech in India – Opportunities and Challenges” India Briefing

C Vijai 2019 “Future of Fintech in India – Opportunities and Challenges” South Asian Academic Research Journals.

Seema Gupta, Adarsh Agrawal 2021 “ANALYTICAL STUDY OF FINTECH IN INDIA: PRE & POST PANDEMIC COVID-19” Indian Journal of Economics and Business.

Anand, V., & Bhatia, P. (2017). FinTech in India: Ready for breakout. Deloitte.