

Chapter 12

The Impact of FinTech on Financial Services in India: Past, Present, and Future Trends

Gagan Kukreja

Ahlia University, Bahrain

Divij Bahl

Gulf International Bank, Bahrain

Ruchika Gupta

Amity Business School, Amity University, Greater Noida, India

ABSTRACT

Fintech is a new buzz word in the fourth industrial revolution environment. No financial services across the globe are left unaffected by the new technologies. Artificial intelligence, machine learning, block-chain, and data analytics have immensely influenced many aspects of financial services such as deposits, transactions, billings, remittances, credits (B2B and P2P), underwriting, insurance, and so on. Fintech companies are enabling larger financial inclusion, improvement of lives of humans, better decision-making, and lots more. This chapter covers the development, opportunities, and challenges of financial sectors because of new technologies in India. This chapter throws the light on opportunities that emerged because of demographic dividend, high penetration, and access to the latest and affordable technology, affordable cost of smartphones, and government policies such as Digital India, Startup India, Make in India, and so on. Lastly, this chapter portrays the untapped potentials of Fintech in India.

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INTRODUCTION

Fintech is amalgamation of technology and finance. It is a new buzz word in business community; however, it has wide origins in the banking and finance industries for several decades. Early adopters of technology such as internet banking, utilizing ATMs, electronic banking, core banking systems and so on have mostly been the retail and finance industries. Technologies such as Fintech improve end-user experience, promote and simplify financial institutions operations. A lot of Fintech companies like Paytm (payment through mobile) have been trying to become a one stop solution for all the basic needs of an average customer. Fintech is also playing a pivotal role in fulfilling the Indian Governments agenda of financial inclusion, digital India & banking the unbanked.

India started walking on the road of globalization and liberalization in 1993, with several private-sector banks joining India and beginning operations. Before that, the major public sector banks including Punjab National Bank, State Bank of India, mainly dominated this market. With the increasing population, tech savvy people & high service cost, fintech started playing a crucial role to reach consumers through online financial mobile applications which the traditional banks could only dream off. New start up with new convenient and affordable services in Fintech were started with the help of venture capitalist and encouragement by government policies to tap new untapped opportunities in financial sector, particularly in banking sector.

Fintech appears to be a potential way to support the evolving Indian economy enjoy the advantages of digital technology and aim to reduce inequalities between industrialized and developing nations. According to India's Telecom Regulatory Authority (TRAI), in April 2019 there had been 1.16 billion mobile users. TRAI also states that the number of smartphone users in India has grown last year by leaps and bounds in India, culminating in the world's cheapest mobile data. The new entry of telecom operator, Reliance Jio, has changed the telecom market dynamics completely. This operator provides the telecom services in India which is the cheapest in the world (The Economic Times, 2018, September 6).

In India, there are around 1.17 billion phone subscribers which is second largest in the world after China with 1.30 billion (Wee, 2019). Further, a joint study by Associated Chambers of Commerce and Industry of India and PwC predicted that the number of smartphone users in India is expected to rise by 84% to 859 million by 2022 from 468 million in 2017 (Assocham & PwC 2019). Therefore, Fintech shall be having good penetration due to the increase in the number of people getting smart phone (even ordinary mobile phone) with cheap mobile services and data, young population, reducing gender disparities, government policies and accustomed to technology.

OBJECTIVES OF THE CHAPTER

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 inhouse to cater to the changing demands of the Indian customers.

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