

A Study of Fintech Startups in the Service Industry

Dr. (Mrs) Vaishali Nadkarni and Gupta Akash Dilip

The Byramjee Jeejeebhoy College of Commerce, Mumbai, Maharashtra
bacchunadkarni@rediffmail.com

Abstract: *Fintech is a cloud-based platform that provides businesses access to various financial services such as lending, payment, and investments. The emergence of cloud computing technology has revolutionized industries by offering scalability and flexibility while offering business services, however, this constant innovation in fintech has led to the expansion of the FaaS (Fintech as a Service) Market. However, the researcher in this research has tried to evaluate the growth of the fintech industry, explore the initiatives taken by the government for promoting Fintech and also understand the challenges faced by the industry while offering these fintech solutions*

Keywords: Fintech, Expansion, Solutions, Challenges, Innovation

I. INTRODUCTION

FINTECH is a combination of the terms “financial” and “technology,” used to enhance or automate financial services and processes. India is currently one of the active FINTECH Markets in the world. It is a rapidly growing industry serving the interests of both consumers and businesses. Mobile Banking, Insurance, Cryptocurrency, Investment apps, the Retail Sector, Construction, and others are using FINTECH for the seamless functioning of their business activities. Fintech as a service market is expected to substantially grow from USD 310.5 billion in 2023 to USD 676.9 billion by 2028 exhibiting a CAGR of 16.9%. This growth highlights the lucrative opportunities being made available in the FaaS industry, opening up new avenues and building their efficiency. Fintech has enabled industries by virtually offering services over the internet, by eliminating the requirement of on-premises infrastructure. It helps to scale down the operation easily as and when customer demands, managing fluctuating workloads, and augmenting cost efficiency. Fintech leverages cloud services to adapt to the changing business environment, rapidly deploy new services, and ensure secure transactions and reliable operations irrespective of any age group.

II. REVIEW OF LITERATURE

Lee, S. (2017). stated that the user of the mobile application was highly influenced by the P2P (Peer-to-Peer) lending app as it provides easy access and perceived satisfaction, which in turn increases the use of the mobile application, but it also carries language learning disability.

Kim et.al., (2016) pointed out that fintech has a positive implication on the marketing factors such as easy accessibility, usage, and credibility whereas it also shows negative concern for maintaining the privacy of information and user intention.

Shin, Y. J., & Choi, Y. (2019). confirms that the Fintech Industry supports the growth of many industries in comparison to the traditional financial industry.

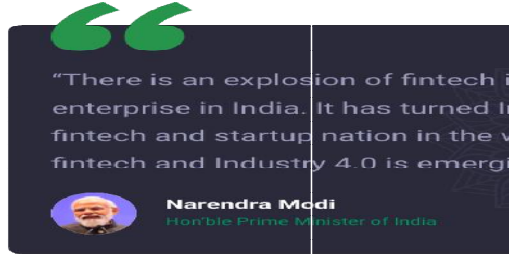
Lim et.al., (2019) confirms the relationship between perceived usefulness and satisfaction among the fintech user along with perceived security, however, perceived usefulness and security do not have any correlation that influences user satisfaction and reasons behind using fintech.

Magnuson(2018) revealed that fintech was recently able to avoid legal tender due to decentralization and P2P networks called Blockchain technology.

Ga.et.al., (2015) Mobile fintech applications have attracted a huge amount of investments and enhanced the growth of fintech

Ntwiga, (2020) observed that Kenya had higher efficiency in banking solutions with the help of Fintech.

Vives (2017) revealed the significant role of fintech in maintaining big business data, altering the disruptions between financial intermediaries and banks for raising capital. Crowdfunding is an alternative in fintech and acts as a bond between investors and bankers.



<https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

2.1 OBJECTIVE OF THE STUDY

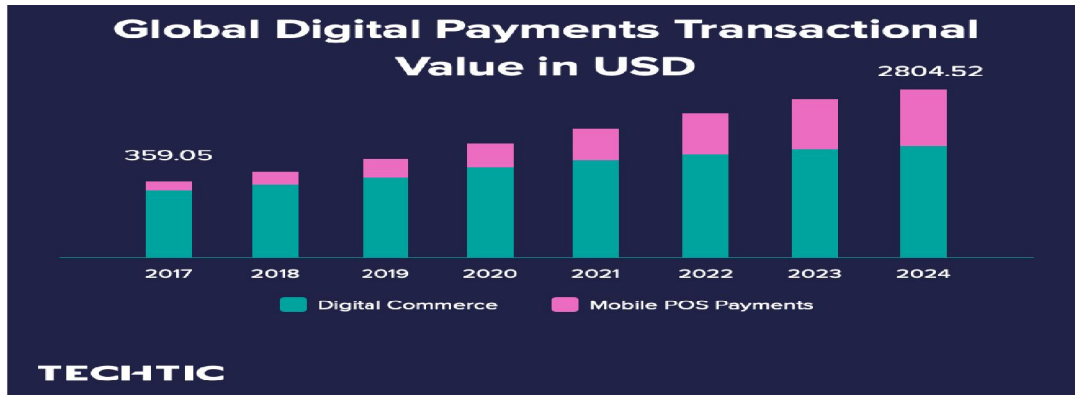
1. To evaluate the growth of the fintech industry.
2. To explore the initiatives taken by the government for promoting Fintech
2. To understand the challenges faced by the industry while offering these fintech solutions.

III. TO EVALUATE THE GROWTH OF THE FINTECH INDUSTRY.

Looking at the size of the population and scattered geography, it is a major challenge to turn India into a **completely cashless economy**. But thanks to the rapid growth of **SMARTPHONE and E-COMMERCE penetration**, Digital Payments have grown quickly. India has the largest, **Second Biggest FINTECH hub, with over 2565 Start-ups**. India's **largest share from FINTECH start-ups is through payment**, followed by Lending, Wealthtech, Personal Finance, Insurance Tech, and others. India has **23 FINTECH which has gained UNICORN Status** (With a valuation of \$1Bn) and 1/5 Start-ups Unicorn is from FINTECH. The FINTECH segment in India has seen an exponential rise in funding the service sector worth **\$9.8Bn in 2021 led by the payment segment** (53% of the share of FINTECH funding across all fintech verticals in India). It is observed that the Real-time transactions in the world crossed nearly 48 Bn, which is 6.5 times of the combined volume of the world's leading economies, resulting in cost savings of \$12.6 Bn for Indian Businesses and Consumers in 2021. Some of the newest advancements being utilized by FINTECH are machine learning algorithms, Blockchain, and data science to do everything from process credit risks to run a hedge fund. India recorded over 23Bn digital payments worth INR 38.3 Lakh Crore in Q3 2022, India's total fintech opportunity is set to rise to \$1.3 Tn by 2025 growing at a CAGR of 31% during 2021-2025, according to **Inc42's State of Indian Fintech Report, Q2 2022**. Of this, lending tech is likely to account for 47% (\$616 Bn), followed by insurance tech at 26% (\$339 Bn) and digital payments at 16% (\$208 Bn). Among these three, insurance tech is the fastest-growing fintech sub-segment in terms of market opportunity, growing at a CAGR of 57%, followed by investment tech (44%) and fintech SaaS (40%). (source: <https://inc42.com/features/decoding-1-3-tn-fintech-market-opportunity-for-indian-startups/>)

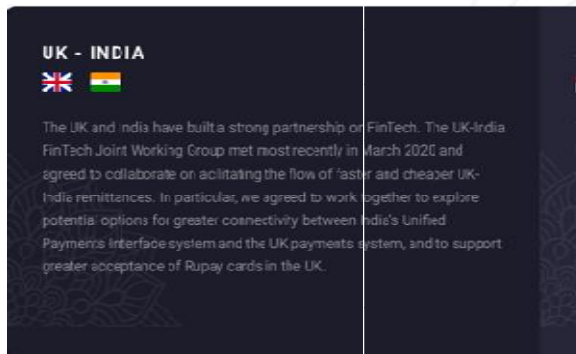


<https://inc42.com/features/fintech-unicorns-in-india/>



INDIA'S 'UDAAN' AT A GLOBAL LEVEL

Joint Working Groups have been established bilaterally with UK & Singapore to improve regional entrepreneurship and collaboration between the nations and promote joint development of...



<https://www.investindia.gov.in/sector/bfsi-fintech-financial-services>

IV. TO EVALUATE THE INITIATIVES TAKEN BY THE GOVERNMENT FOR PROMOTING FINTECH

The two important innovation led by the Government of India using **Fintech** was “**FINANCIAL INCLUSION**” and “**DIGITAL INDIA**” driving Innovation. This leading ‘**Revolution in India**’ could be seen by years of efforts laid together by enabling FINTECH in the common man’s Life:-

JAN DHAN YOJANA: World’s largest ‘Financial Inclusion’ initiative, enrolled 450 Mn beneficiaries, remittance of Credit, Insurance, and pension. FINTECH enables companies to build tech products to penetrate India’s Large Consumer base, facilitating the opening of bank accounts, direct bank transfers, and granting access to a multitude of financial services applications. This will enable fintech start-ups to develop technological solutions that effectively meet customer requirements especially emphasizing Jan Dhan Adhar and Mobile (JAM trinity) along with UPI. It played a pivotal role in promoting technical transparency, integrity and timely delivery of benefits and services to the public.

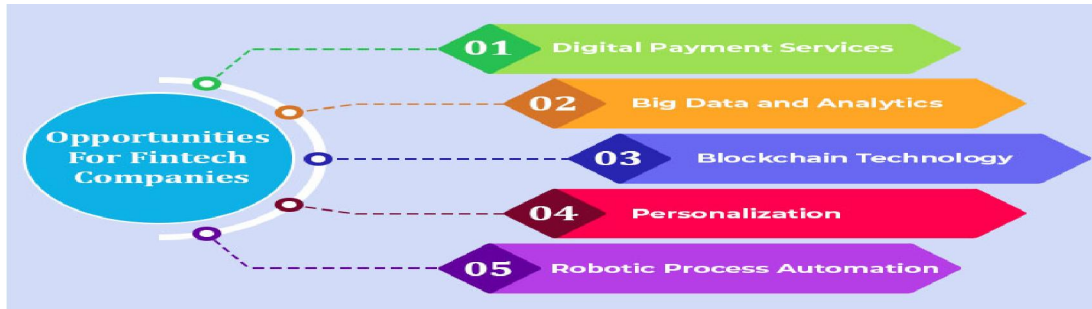
FINANCIAL LITERACY: aiming to improve financial literacy for all sections of the society/population. e.g. Investment in different securities.

E-RUPI: Digital Payment instrument allowing cashless and contactless payment solutions, aiming to promote direct benefit transfer.

INDIA STACK: It is an Application Programming Interface(API) that allows businesses, Startups, and developers to utilize Unique Digital Infrastructure. It plays a catalyst role in India’s digital foundation and evolution.

ATMANNIRBHAR NIYESHAK MITRA : Constituted by the Government of India helping domestic investors and businesses to become global brands. This unit connects domestic investors with zonal level experts, secondly provides a huge customer database for doing business ecosystem thirdly it promotes MSMEs and local and global investors for investing and promoting their business.

ONE DISTRICT ONE PRODUCT: This ODOP initiative aims to foster regional development across all districts enabling holistic socio-economic development, as well as attract the manufacturing sectors and increase the exports under the Flagship of Aatmanirbar Bharat, generate employment opportunities for local people in the district and make them competitive for domestic as well global market.



V. TO UNDERSTAND THE CHALLENGES FACED BY THE INDUSTRY WHILE OFFERING THESE FINTECH SOLUTIONS

DATA SECURITY: In 2021, 1,862 data breaches with an average cost of \$4.24 million were found. This is a matter of great concern as it leads to cybersecurity challenges. If such breaches are found companies' goodwill is at stake, so to build a fintech cyber safety solution, Two-factor authentication, Biometric Authentication, 256-bit encryption, and Notifications need to be provided to all the customers for any transactions or actions. Regular penetration tests will ensure hackers won't disrupt the solution.

REGULAR COMPLIANCE:

One of the major challenges in Fintech is the badgered government regulations. Companies have to adhere to many laws such as GDPR, GLBA, the Wiretap Act, the Money Laundering Control Act, and many more. The companies need to hire legal consultants and a dedicated legal advisor who can track regulatory compliance for updates. Using the services of a lawyer is much cheaper than paying a fine with the GDPR's maximum penalty reaching Euro 20 million.

LACK OF MOBILE AND TECH SECURITIES

A lack of competence in Fintech mobile application development service results in uncomfortable apps do not fully utilize mobile devices. Applications may not benefit from NFC chip, geolocation capabilities and other features.

BIG DATA AND AI INTEGRATION:

Many banks and financial companies struggle with innovative ideas to make mobile banking user-friendly and intuitive. There is a constant focus on providing a unified user experience by using: top-notch UI and UX, Comprehensive data visualization, QR-codepayments, and NFC support, this requires tech experts and advice to compete with leading market players.

USER RETENTION AND USER EXPERIENCE

The most common challenge is to retain the users because if the users switch it results in to reduction of income. It is important to provide seamless experiences to the user like gamification and reward systems, customer recommendations, and user-friendly applications. Industries need to monitor their approaches along with competitors so that they can opt for the best practices if required for new start-ups.

EFFECTIVE MARKETING TACTICS TO ACQUIRE CUSTOMER

Fintech Companies need to push notifications with username, topic of interest, and geo-based data. Filter the products and services that the user is looking for and surfing. Artificial intelligence is now the most demanded fintech development service which is now worth required. Offer them discounts

VI. CONCLUSION

There is a global realization that banking and finance are an integral part of efficient business operation and digitization of the banking and finance sector is key for any economy to grow exponentially.

At this juncture, FINTECH has entered to serve digitalization allowing both BFSI (Banking, Finance, and Insurance) to focus on their core functions and consumers satisfying themselves at their fingertips.

FINTECH today provide crucial differentiation to business in the form of easy integration of ERP, Cloud Options, and Customer Relationship Management system could be reflected in other integrated systems

FINTECH help business to save cost, concentrate on core activities, cost reduction, expand the business globally, and get millions of customer together on one single platform.

Businesses irrespective of being large or small, which embrace the transformation, and review the FINTECH solutions, most suited to conduct likely operations if utilized will gain an unfathomable, insurmountable edge over the competition.

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