

Digital Transformation of Indian Businesses and Financial Sector: The Resonance of the Booming FinTech Sector

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Abstract

This research paper delves into the profound digital transformation taking place within the Indian business landscape, catalyzed by the burgeoning FinTech sector. With the aid of comprehensive data analysis, we investigate the trends, drivers, and implications of this transformation. By blending quantitative and qualitative methods, we aim to provide a comprehensive view of this evolving terrain as Fintech is the latest buzzword in the area of the finance sector. Fintech has changed traditional financial institutions. FinTech is a term used to describe the growing technological innovations in the financial sector. Fintech is increasingly shaping the financial sector. This research paper analyzes the Fintech Acceptance, Indian Fintech Industry Structure, Fintech Startup in India, and Fintech Trends in India.

Keywords: Fintech, Finance sector, Technological innovation, Future Trends.

Introduction

The global landscape of business is being significantly reshaped by digital transformation, and India is no exception. This research paper explores the transformative influence of the FinTech sector on the Indian financial sector, supported by an in-depth analysis of data. New financial technologies (FinTech) have erupted around the world. FinTech or Financial Technology refers to a firm merging the upcoming technological trends to provide better financial solutions to its clients in the form of digital payments and transactions. The Indian fintech industry has seen numerous startup entrants in the past few years. With each startup, the industry has grown a lot and is making a name globally. As per CB Insights 'latest reports, these are the 20 Indian fintech

startups that have been listed among the 250 global promising startup companies and UPI, BHIM, Payment wallet, digital bank, and many other services are available and we are using them every day on a big scale. Which reflects how finances and technology are playing a crucial role in our lives.

Methodology

Our research approach encompasses the following key aspects:

1. Data Collection

Data has been collected from a variety of reputable sources, including government reports, industry publications, financial reports of prominent companies, and surveys conducted among businesses, consumers, and FinTech experts.

2. Data Analysis

This research relies on a combination of quantitative and qualitative methods. Quantitative data was subjected to statistical analysis, while qualitative data underwent thematic analysis.

Leading Countries for Fintech Adoption

Table 1: Leading Countries for Fintech Adoption

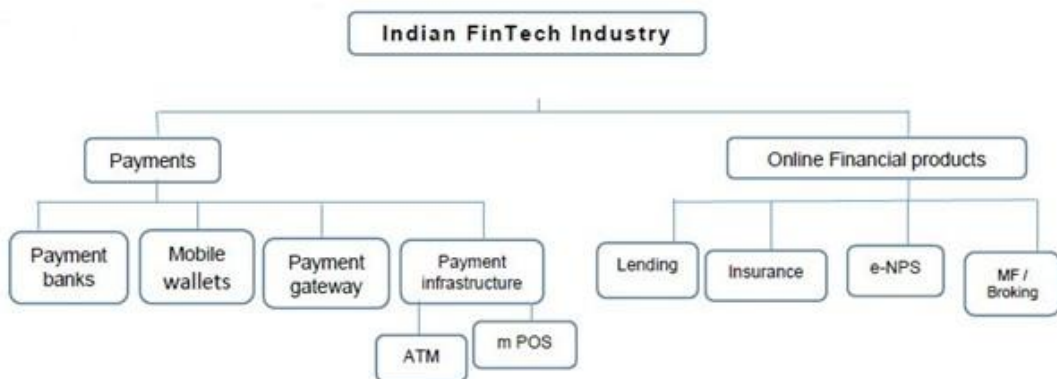
Countries	Banking and payments	Financial management	Financing	Insurance
China	92%	91%	89%	62%
U.S.	52%	49%	41%	31%
Mexico	49%	36%	31%	23%
South Africa	47%	43%	34%	26%
U.K.	41%	37%	34%	24%
Total	56%	51%	46%	33%

Source: www.statista.com/statistics

Fintech in India

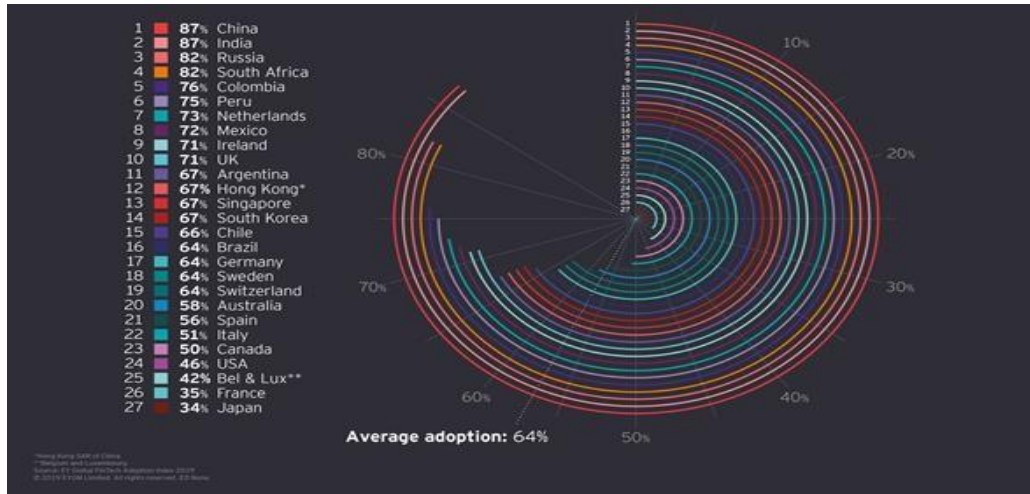
FinTech firms in India are setting new benchmarks for financial services in the country (Mathur, H.2020). In India, the fintech industry is being encouraged by the various government initiatives such as Jan Dhan Yojana, Aadhaar and the emergence of UPI which provide good foundation to boost financial inclusion in India (<https://www.financialexpress.com>) and Demographically, Males & females adopting FinTech applications stood at 88% & 84%, respectively, while age-wise people between 25 and 44 are highest adopters of FinTechs at around 94% while globally in the same age bracket FinTech adoption is seen at around 73%. (<https://bfsi.economictimes.indiatimes.com>). India is amongst the fastest-growing FinTech markets in the world. India ranked the highest globally in the FinTech adoption rate with China. Digital payments value of \$65 bn in 2019 is expected to grow at a CAGR of 20% till 2023 (<https://www.investindia.gov.in>). Multiple factors differentiate markets worldwide, and the FinTech sector is not an exception. India, with its own set of challenges and opportunities, stands out as a unique market for FinTech, especially the payments community.

Figure 1: Indian Fintech Industry Construction



India is amongst the fastest-growing FinTech markets in the world. India ranked the highest globally in the FinTech adoption rate with China. Digital payments value of \$65 bn in 2019 is expected to grow at a CAGR of 20% till 2023.

Figure 2: Global consumers have adopted FinTech



Source: <https://www.ey.com/>

With global FinTech adoption reaching 64%, FinTech is clearly becoming mainstream in all measured markets (Figure 2). When compared with adoption rates across previous surveys in 2015 and 2017, this figure represents a consistent growth curve over the last five years. In the six markets surveyed in this period, adoption rates rose from 16% in 2015 to 31% in 2017, to 60% in 2019 – an increase of almost 100% every two years.

Digital Transformation Trends in Indian Businesses

1. Explosive Growth of the FinTech Sector

The FinTech sector in India has witnessed notable growth, attracting extensive investments over the last decade. Data from the Reserve Bank of India (RBI) reveals a significant rise in the number of registered Non-Banking Financial Companies (NBFCs), with many being FinTech firms.

2. Digital Payment Revolution

India has seen an extraordinary surge in the adoption of digital payment methods, particularly UPI (Unified Payments Interface) and mobile wallets. Monthly UPI transactions have coursed from approximately 1.3 billion in 2018 to over 4.6 billion in 2022. Traditional banks have embraced digital networks,

offering online banking and mobile apps, further driving the digital payment revolution.

3. Government support

In order to support the emergence of a cashless digital economy with a strong fintech ecosystem in India, the Government of India (GOI) is pushing for an aggressive strategy, both at the policy and the funding level. The major steps taken by the GOI along with other regulatory bodies like RBI (Reserve Bank of India) and SEBI (Securities and Exchange Board of India) are mentioned below:

Figure 4: Government Initiatives



Impact on Businesses

1. Financial Inclusion

FinTech companies have played a pivotal role in advancing financial inclusion by providing affordable and accessible financial services to underserved populations.

Data from the World Bank demonstrates a significant increase in the percentage of the adult population with access to a bank account, underscoring the positive impact of FinTech on financial inclusion.

2. Economic Growth

The digital transformation of businesses has substantially contributed to India's economic growth. The World Bank reports a robust correlation between the growth of digital financial services and increased GDP.

3. Challenges

Notwithstanding the numerous benefits, businesses face data security and cyber threats challenges. Instances of data breaches and fraud incidents have risen in tandem with digital adoption, highlighting the pressing need for robust cybersecurity measures.

Future Trends

1. Blockchain and Cryptocurrency

The adoption of blockchain technology and cryptocurrencies is poised to further disrupt financial transactions and business models.

2. AI and Automation

The integration of artificial intelligence (AI) and automation is set to optimize financial processes, enhance customer experiences, and streamline operations.

Conclusion

Fintech is the new financial industry that applies technology and innovation to deliver financial services using new applications, processes, products, or business models provided as end-to-end processes via the Internet. Fintech in India is especially advantageous, since the country boasts of an unrivalled youth demographic which is rapidly growing. Furthermore, smartphone penetration is likely to witness an upsurge from 53% in 2014 to 92% by 2024. This represents an opportunity for Fintech start-ups to massively spread their wings in different segments. The digital transformation, propelled by the rapid ascent of the FinTech sector, is profoundly reshaping the Indian business landscape. It is fostering financial inclusion, driving economic growth, and revolutionizing business operations.

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