



# FINTECH SERVICE BUSINESS IN INDIA TREND AND PRACTICE -A THEORETICAL OUTLOOK

Dr. P. Rekha<sup>1</sup>, Mr. Anish K. S<sup>2</sup>

<sup>1</sup>Associate Professor, CMS Institute of Management Studies, Coimbatore -49.

<sup>2</sup>Research Scholar, CMS Academy of Management & Technology, Coimbatore -49

Article DOI: <https://doi.org/10.36713/epra16797>

DOI No: 10.36713/epra16797

## ABSTRACT

Fintech (Financial Technology) an advance payment-based technology is a growing service in India. With the introduction of number of innovative payment platforms that are alternative to cash transactions, people are motivated to choose best of best payment options. Fintech technology adoption rate in India is noticed as 87 per cent compared to 64 per cent of the world average. Growth of fintech services is influenced by number of factors like: nation having huge underserved financially excluded population, rising youth population, educated and rapid urbanisation, easily available of workforce, supportive Government policies and scope for raising capital for investments. Digital payments and fintech service market is expected to grow multi-fold in the near future, with active support from the user, Government and financial institution. The financial market is found be less matured and large number of people are still uncovered by various financial service, through enhancing their knowledge on easy and safe mode of payment either for physical or online shopping or for money transfer with support the fintech services to growth in India.

**KEY WORDS:** Fintech Services, Digital Payment, Financial Literacy of Fintech Service

## INTRODUCTION

Modern day economists keep debating on the context whether cash circulation is healthy for an economy's growth or not. In an economy the usage of cash starts reducing, when the country become richer. As the education and income among the citizens in an economy rises, they start using credit cards or debit cards or migrate to the usage of alternative mode of payments widely. With the introduction of number of innovative payment platforms that are alternative to cash transactions, people are motivated to choose best of best payment options. Government rules and regulation in recent years modified and needed additions or corrections are made suitable to the modern-day payment system. Seamless security norms are framed to attract more people to use the electronic /digital payment platforms at merchant point-of-sales.

Fintech (Financial Technology) an advance payment-based technology is a growing service in India. Fintech service provider offers not fast and easy payments, it offers basket of services including lending, insurance, wealth management, broking services, offering of crypto currencies, under writing services and many more<sup>1</sup>. Adoption to Fintech service ensure offering of innovative payment and transfer of fund from

cashless, branchless, human absence service by popular financial service companies through wireless medium to any knock or corner of the country. Digital payments in India are offered in a collaborated format i.e., the payment regulators, Government of India, banks and the fintech companies.

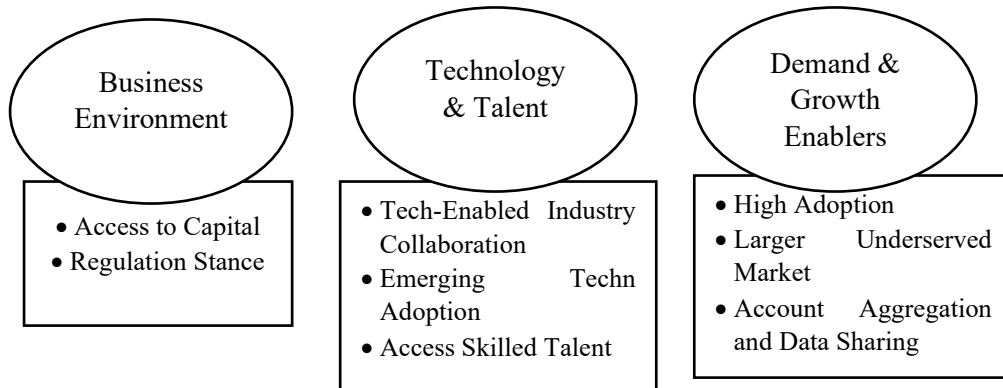
Digital payment companies have succeeded in building trust and reliability among the millions of Indian (RBI, March, 2024). Fintech technology adoption rate in India is noticed as 87 per cent compared to 64 per cent of the world average. Market size of the fintech service (including new startups) was valued at US \$ 50 billion in 2021 in India and the same is expected to raise to US \$ 150 billion by the year 2025. The total fintech service market including all kind of service is expected to raise to US \$ 1.3 trillion by 2025. Nearly 550 startups have received over US \$ 22 billion through this fintech service in India between the year 2014-2024. Fintech service have greatly touched the life of common man, small- and large-scale business operations. India is the world's third largest fintech service providing country in the world, next to USA and China.

<sup>1</sup> The Changing Face of Financial Services Growth of Fintech in India, ASSOCHAM Report, 2022,  
<https://www.pwc.in/assets/pdfs/consulting/financial->

[services/fintech/publications/the-changing-face-of-financial-services-growth-of-fintech-in-india-v2.pdf](https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/publications/the-changing-face-of-financial-services-growth-of-fintech-in-india-v2.pdf)



**EXHIBIT: 1**  
**FACTORS INFLUENCING GROWTH OF FINTECH SERVICES IN INDIA**



Source: The Wind of Change -Trend Shaping India’s Fintech Sector: Edition II, September,2022,  
<https://www.fintechcouncil.in/pdf/The%20Winds%20of%20Change-%20Edition%20II.pdf>.

Growth of fintech services is influenced by number of factors like: nation having huge underserved financially excluded population, rising youth population, educated and rapid urbanisation, easily available of workforce, supportive Government policies and scope for raising capital for investments.

**GROWTH OF FINTECH BUSINESS IN INDIA**

Adoption of the fintech service is not only beneficial to traditional financial services operating in India, but it also provides scope for designing innovative service model and build-in close relationship with the customers (users) (ASSOCHAM Report, 2022). Fintech services have experienced a robotic growth in India with the active participation of the users, friendly policies framed by the Government and needed policy amendments made by the RBI (Reserve Bank of India).

**TABLE: 1**  
**FINTECH BASED TRANSACTION VALUE**  
 (Values in Billions USD (US\$))

Year	Digital Capital Raising	Digital Payments	Neo banking
2017	0.85	80.76	2.04
2018	0.86	92.30	4.57
2019	0.86	111.40	9.85
2020	0.77	107.70	19.87
2021	0.81	153.70	37.18
2022	0.80	184.10	58.97
2023	0.82	216.20	85.46
2024	0.84	254.60	113.60
2025	0.86	296.90	138.70
2026	0.88	328.10	160.30
2027	0.89	361.80	179.10
2028	0.90	394.40	196.00

Source: <https://www.statista.com/outlook/dmo/fintech/india#transaction-value>

Prime segment of fintech services in India are five i.e., digital capital raising (crowd fund pulling), digital payments, digital investments, neo-banking ((an integrated payment solution with use of mobile applications and digital assets (wealth management)). Of these five fintech service, Digital capital raising business has expected raised from US \$ 0.85 billion in 2017 to US \$ 0.90 billion by 2028. Digital payment is very active, most preferred and fast-growing service in India it has recorded a growth of US \$ 216.02 billion in 2023 significantly raised from US \$ 80.76 billion in 2017. Similarly, the neo-

banking fintech service have raised from merger value of US \$ 2.04 billion in 2017 to a whopping value of US \$ 85.46 billion by 2023. The market size for various fintech services is expected to rise in the near future.

**ONLINE PAYMENT PRACTICES IN INDIA**

Payment systems through electronic instruments are in practice in India for many years. In a retail market consumers believe that electronic/ digital payments systems are the highly secure and convenient modes. Even, after the wide popularity and



usage of electronic and digital payments systems, small/medium scale retailers and their customers predominantly prefer cash transactions and payment until 8<sup>th</sup> November, 2016. After the proclamation of demonetisation of currency in India in November, 2016, the retailers have started widely accepting the electronic and digital payments systems in their retail POS (Point of Sales). From, November, 2016, cash transactions have been reduced and the usage of modern-day payments systems have increased across India. There are many potential benefits to merchants from accepting credit and debit cards or other digital payments. Generally, the modern payments modes enable the consumers to spend beyond the cash they carry in person. Thus, merchants who accept their payments through this mode of payments often experiences increase in their average sales. Modern payments systems facilitate the retailers bookkeeping and currency conversion practices and it also decrease the merchants' operational cost and credit risks. Similarly, the consumer enjoys benefits like: convenience of electronic payment and greater security both in domestic and overseas travel. Convenient of remote purchasing-ordering / shopping online or by phone. Purchase products or services is made possible whenever and wherever they prefer that too with the option of paying immediately or later date.

Outbreak of Covid pandemic has supported in the extensive use of digital payments in the country. As there is a rise in the first-time users of digital payment platforms. Retail consumers are blessed to use different forms of alternative payments systems for settling their bill of essential or non-essential items purchased. The value of digital payments made in India has raised from ₹.162 crores in 2012-13 to ₹. 14, 726 crores in 2023-24, recording over 90 per cent growth in a period of 12 years. Nearly, 46 per cent of the world digital payments are made in India and there prevails wide scope for promotion of digital payment system in the country.

## ADOPTION TO FINTECH AND DIGITAL PAYMENTS IN INDIA

Though fintech service and digital payment systems are fast growing in India, in reality there prevails a digital divide between the urban and rural peoples as the digital literature among these two segments of the population ensures frequency of usage of alternative cash payment mediums. Youth and younger generation citizens of this big country (aged between 18 years to 34 years) predominately use digital/electronic platforms, while its usage among the elderly populations are found to be less. middle income population are found to be major adopters and users of modern-day payment mediums compared to the other two extreme segments i.e., very low- or high-income categories. Salary credited in the bank by the employers, convenience realised in usage of digital or e-payments and safety feel motivated middle-income segment of population to adopt accept and frequently it. Whereas, digital/electronic illiteracy, fear of taxation, e-fraud and other malpractices restrict the lower- and upper-income category population to use these modern payment media in an elaborate form.

## CONCLUSION

Digital payments and fintech service market is expected to grow multi-fold in the near future, with active support from the

user, Government and financial institution. The financial market is found to be less matured and large number of people are still uncovered by various financial service, through enhancing their knowledge on easy and safe mode of payment either for physical or online shopping or for money transfer with support the fintech services to growth in India.

## REFERENCE

1. *Benchmarking India's payment System*, Department of Payments and Settlement Systems, Reserve Bank of India, Central Office, Mumbai, June, 2019, <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/BIPSO4062019CE3C72E9873244ED8BAAE9C8FC5955A8.PDF>.
2. *Digital Payments, Statistical (forecast adjusted with the expected Covid 19)*, January, 2021, <https://www.statista.com/outlook/296/119/digital-payments/india>.
3. <https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/DPAW2024GOVERNORA236E9BE0F6E4AFF96E3964605FAF07F.PDF>
4. <https://www.investindia.gov.in/sector/bfsi-FinTech-financial-services>
5. Prashasti Awasthi (2021), *Digital Payment in India to Grow to 71.7% of all Payment Transactions by 2025: Report*, *The Hindu's Business Line*, 31<sup>st</sup> March.
6. Snehal.S, Herwadkar, Radheshyam Verma and Prabal Bilantu (2019), *Drivers of Digital Payments: A Cross Country Study*, *RBI Bulletin*, PP:21-33, August.
7. *The Changing Face of Financial Services Growth of Fintech in India*, ASSOCHAM Report, 2022, <https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/publications/the-changing-face-of-financial-services-growth-of-fintech-in-india-v2.pdf>
8. *The Wind of Change -Trend Shaping India's Fintech Sector: Edition II*, September,2022, <https://www.fintechcouncil.in/pdf/The%20Winds%20of%20Change-%20Edition%20II.pdf>.