

Fintech Industry Report 19-20





Global FINTECH Market

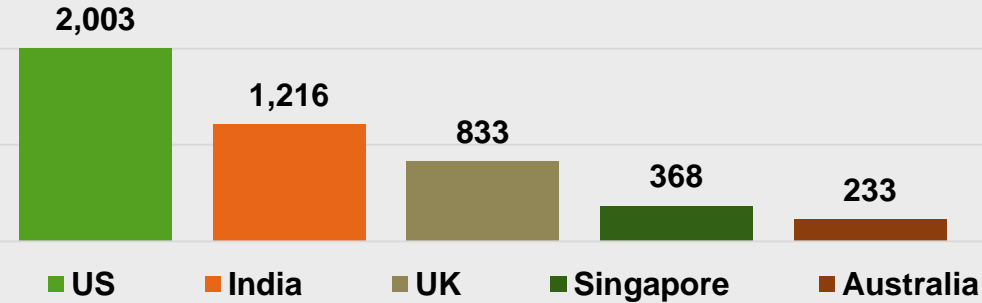
- FinTech is one of the fastest emerging areas in banking and financial services. It is making the experience of banking and finance more intuitive, personalized, and empowering
- The global FinTech ecosystem continues to grow at a rapid pace. Hundreds of new start-ups are being founded every month across the globe
- Large tech companies are getting super-interested in FinTech. GAFAM-BAT (Google, Apple, Facebook, Amazon, Microsoft, Baidu, Alibaba, Tencent) and the Flipkart / WhatsApp / Truecallers of the world are using their tech brainpower, user base, and data to offer superior financial services experiences
- The companies are adding new products and services into their portfolio to find new monetization opportunities i.e. ANT financial launched a Neo banks⁽²⁾ in Hong Kong and Revolut launched commission-free stock trading
- Fintech has seen \$128 billion investment globally and is expected to grow to \$310 billion by 2022, a 25% annual growth rate⁽¹⁾. This is nearly half of \$254 billion invested in venture capital globally in 2018

Indian FINTECH Market

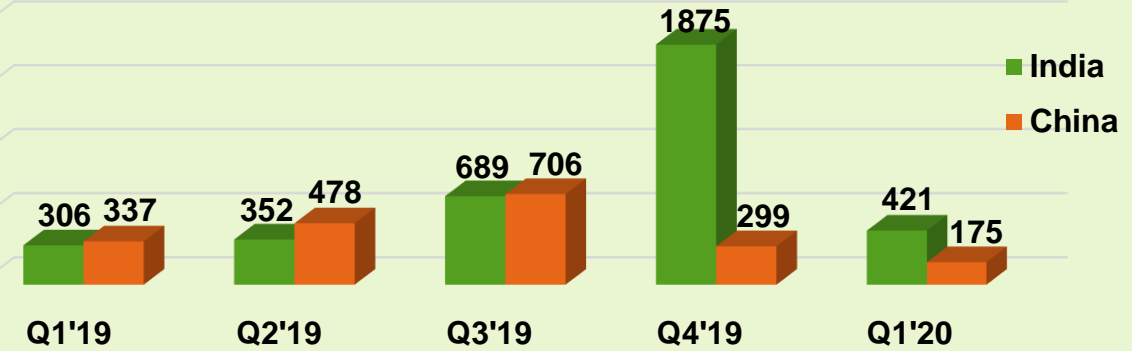
- In recent years, India has emerged as one of the fastest-growing FinTech hubs. India has 405 payments, 365 lendings, 313 wealthtech, 173 personal finance management, 111 insurance technology (InsurTech), 58 RegTech + Cyber Security, and 748 other Fintech companies⁽³⁾
- The government is pushing the adoption of digital payments in the country. Several initiatives have been taken by the government for the digital economy such as UPI, Aadhaar for eKYC, BharatQR for QR-based payments, biometric payments (AEPS), e-wallets by 50+ banks, and payment banks
- The number of Indians with bank accounts has increased in recent times and it is estimated that nearly 80% of Indians have bank accounts at present
- As of March 2020, India alongside China, accounted for the highest FinTech adoption rate 87%, out of all the emerging markets in the world. On the other hand, the global average adoption rate stood at 64%.
- The FinTech market in India was valued at Rs 1,920.16 billion in 2019 and is expected to reach Rs 6,207.41 billion by 2025, at a CAGR of approximately 22.7 percent during the 2020-2025 period

FINTECH Funding overview

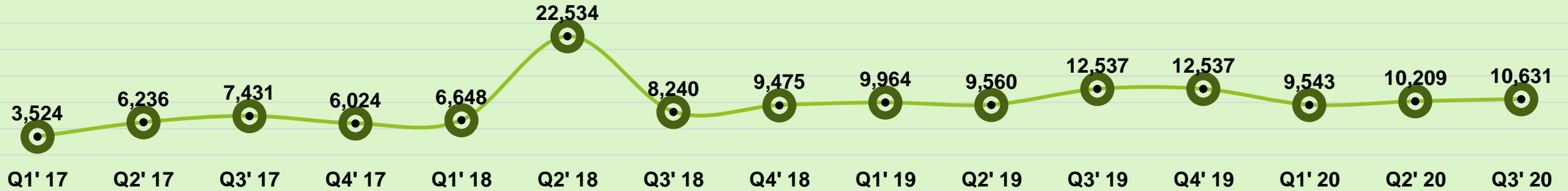
No. of New Fintech Startups Founded (2015-H12020)



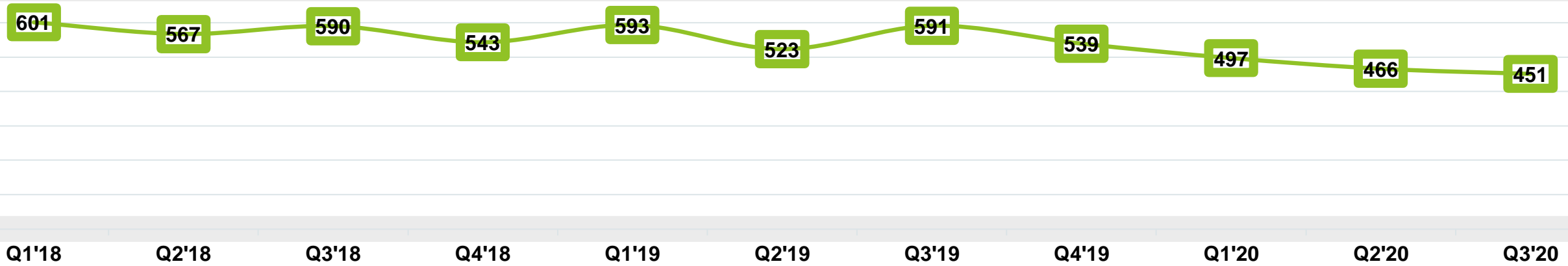
India VS China VC-Backed Fintech Funding (\$ mm)



Globally VC-Backed Fintech Financing (\$ mm)



Quarterly Global VC-backed Fintech Deals (No.)



India's Demography



India's Fintech Market 2020



87%

Adoption Rate

Global Average is 64% and India Rank



US\$ 75 bn

Market Size 2019



20%

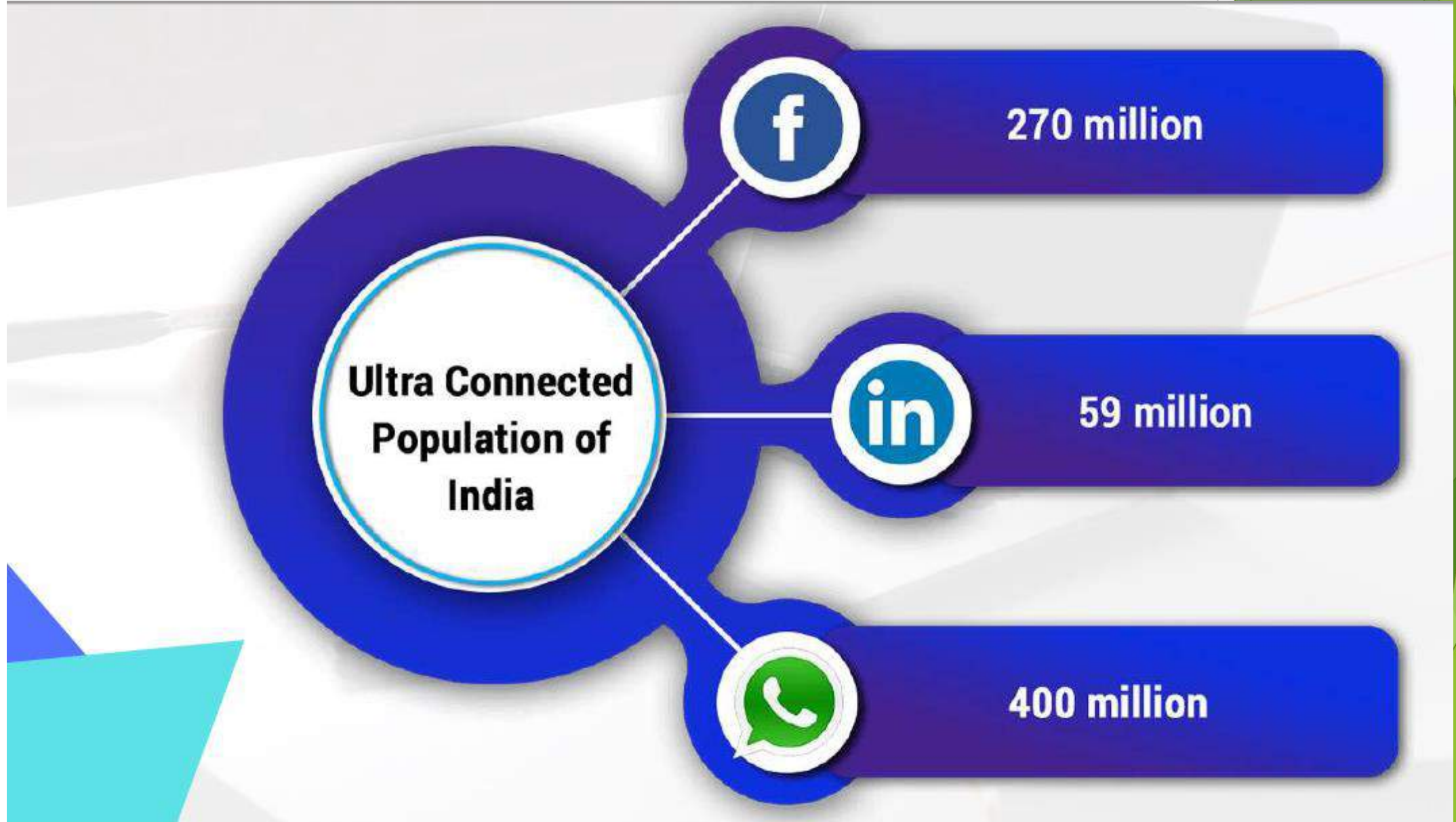
**CAGR
2020-
2023**

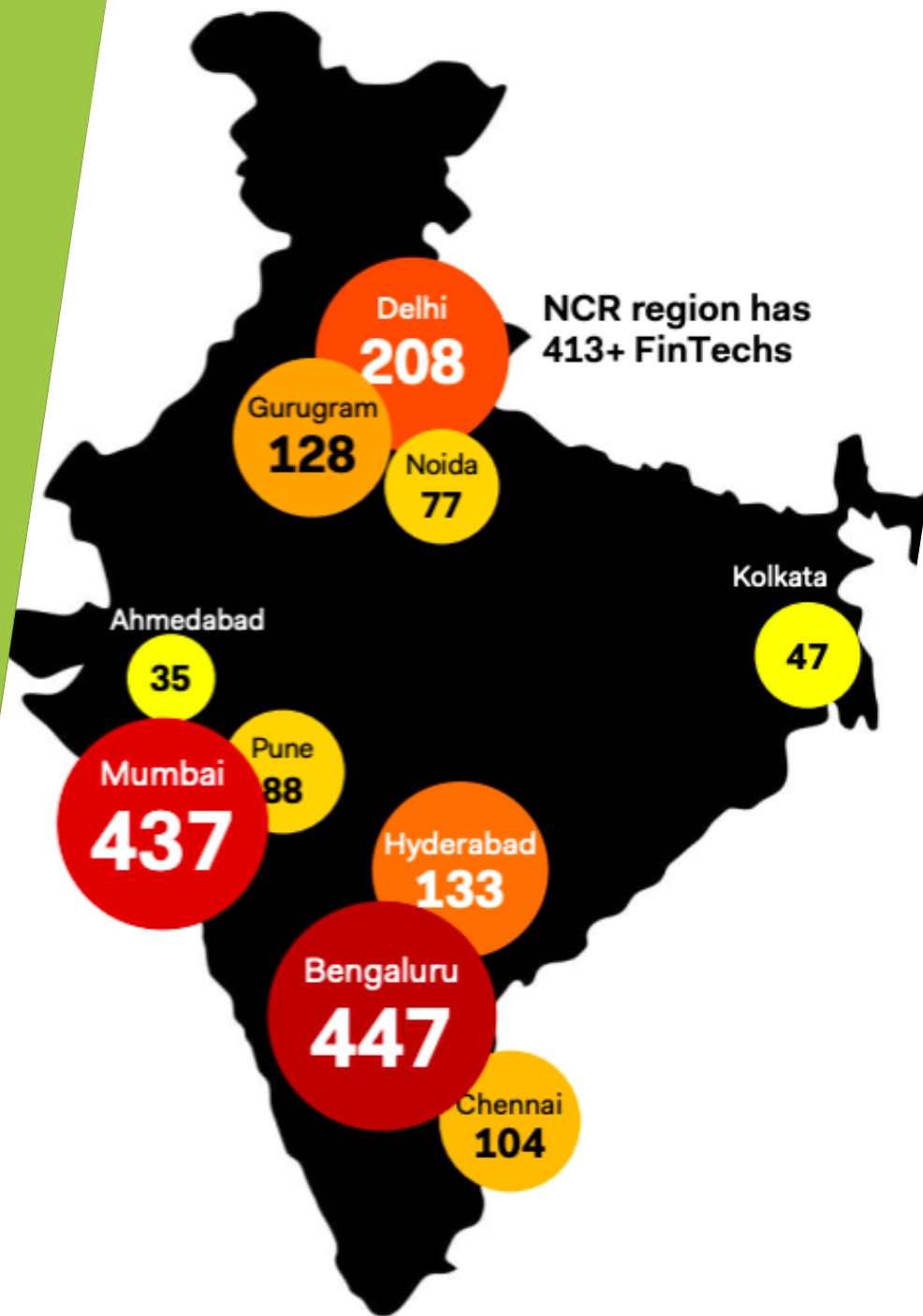


US \$3.7 bn

Funding in 2019

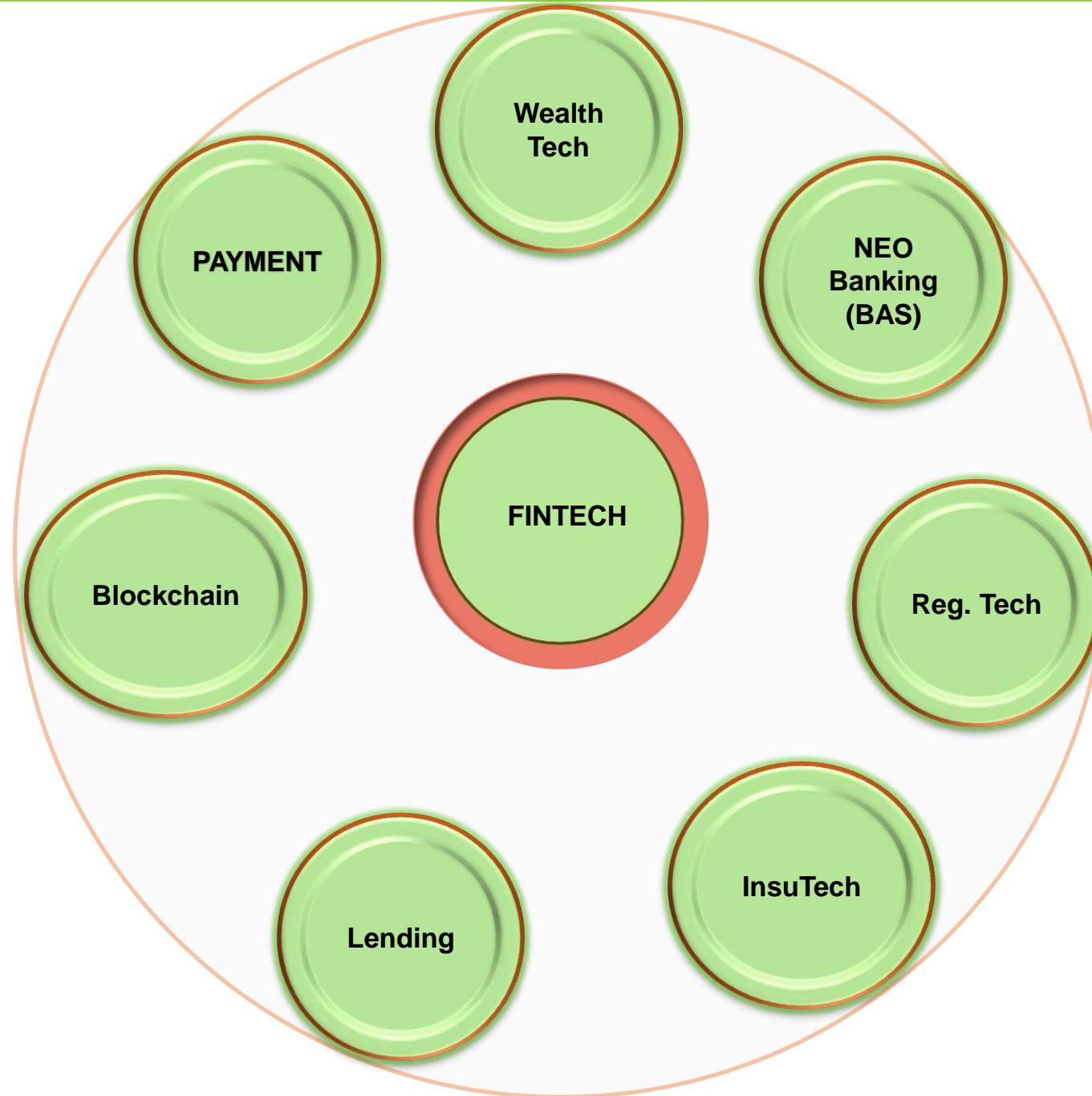
Digital India





Fintech In India By City

Different Segments of FINTECH Industry



| | | | |
|-------------------------|---|--|--|
| 405 Payments | 365 Lending | 313 WealthTech (Less PFM) | 173 Personal Finance Management |
| 111 InsurTech | 58 RegTech + Cybersecurity | 748 Other Segments | |

Fintech In India By Segment

Top 10 Funding in Fintech

TOP 8 FUNDING DEALS

Paytm

(Series G, Nov. 2019 – \$1,000 Mn)

One97

(Series G, Dec. 2019 – \$668 Mn)

Navi Technologies

(Series: Unknown, Apr. 2020 – \$395 Mn)

DMI Finance

(Series: Unknown, Jan. 2020 – \$230 Mn)

Policybazaar

(Series G, Nov. 2019 – \$150 Mn)

CRED

(Series B, Aug. 2019 – \$120 Mn)

Digit Insurance

(Venture Series, Jan. 2020 – \$84 Mn)

PhonePe

(Corporate Round, Dec. 2019 – \$82 Mn)

ACTIVE INVESTORS

[Not An Exhaustive List]

| | | | | | | |
|---|---|--|---|---|---|---|
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

#4 Tier Regulation on Fintech

Digital Lending

Regulated by RBI. Fintech will require to obtain NBFC License or Collaboration with an existing NBFC

InsuTech

Regulated by IRDA. Fintech Need to apply Insurance Web Aggregator or Insurance broker License .

Wealth-Tech

Regulated by SEBI for Insurance related services. Loan Marketplace is regulated by MCA

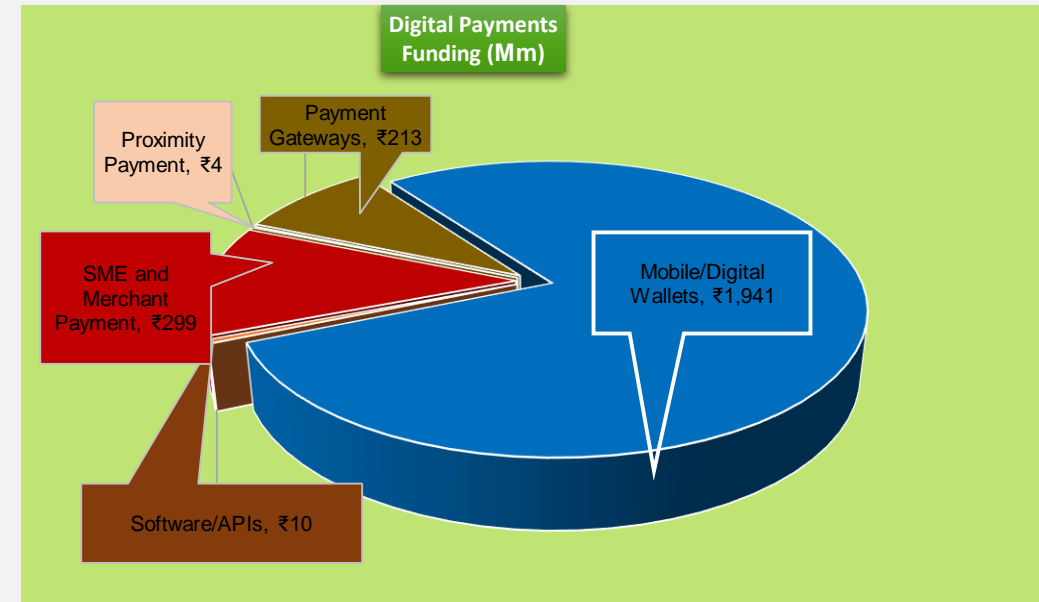
Payments

Regulated by DPSS, RBI and Also IT need to follow local and central laws.



Digital Payments

- These payments options provide access to make digital payments and trade with banks, commercial companies, central banks, hedge funds, forex brokers, investment management funds, and investors
- In recent years, there were several innovations to support digital payments such as UPI, biometric payments, e-wallets, and BharatQR code, etc.
- Central and State governments and the Reserve Bank of India is bringing a digital payment revolution in India
- Also in recent years, RBI and the Central government promoted homegrown payment networks (RuPay and UPI) and took measure share of the digital transactions
- There are around 405 payments gateways startups in India and this segment further divided into several other subsegments such as Payments Gateways, Bill Payment & Direct Money Transfer, API, POS/Mobile POS, Mobile digital wallets, and P2P Payments
- In the last 3.5 years, India recorded 3.4x growth POS terminals. There were 1.50 million POS terminals in pre-demonetization (Oct 2016) in India and it has reached to 5.08 million in Apr 2020
- Paytm, PhonePe, BharatPe, Razorpay, KhataBook, and Billdesk are top funded digital payment startups in India



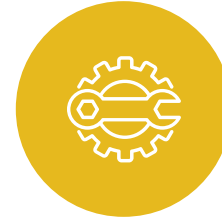
Digital Payments



**US \$ 7500 "M"
in 2020**
(Transaction Value)



16.7% CAGR

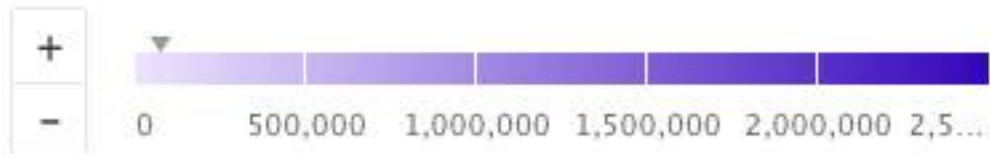


**589 Million
user**



**China Rank 1 In the
World US\$2309049**
(Transaction Value)

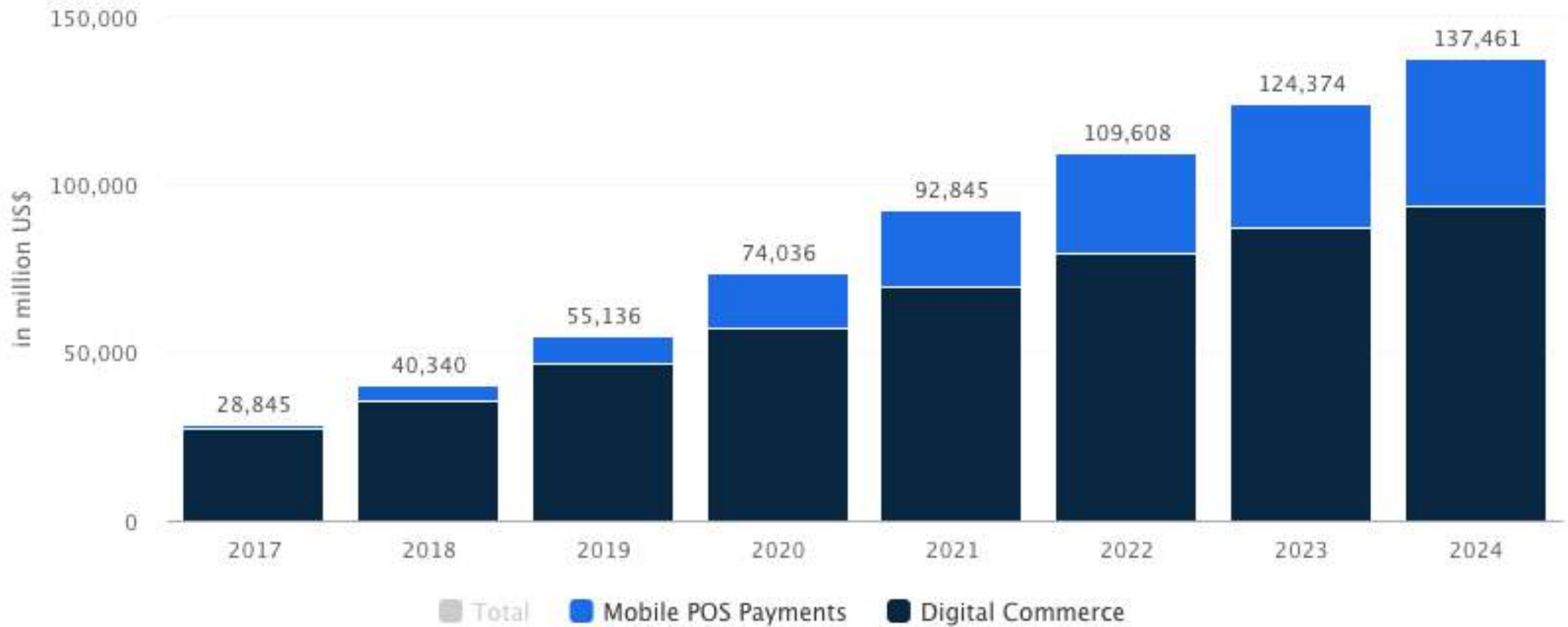
Digital Payments World-Wide



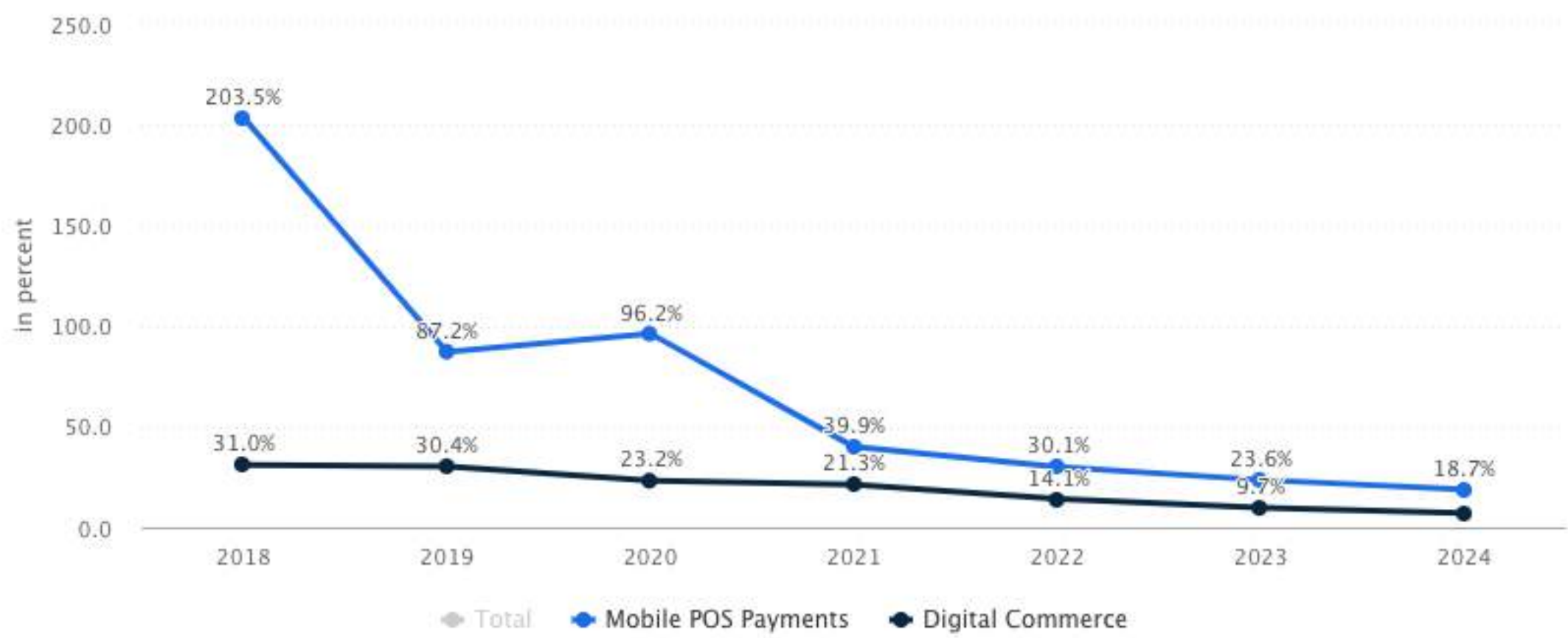
Top 5

| | |
|---|----------------|
| 1.  China | US\$2,309,049m |
| 2.  United States | US\$910,396m |
| 3.  United Kingdom | US\$188,350m |
| 4.  Japan | US\$173,014m |
| 5.  South Korea | US\$120,637m |
| | |
| 8.  India | US\$74,036m |

Digital Payments Transaction Value In India



Digital Payments Transactions- Value Growth



Digital Payments Transactions- User Base Vs POS



Key Challenges Faced By Payment Company



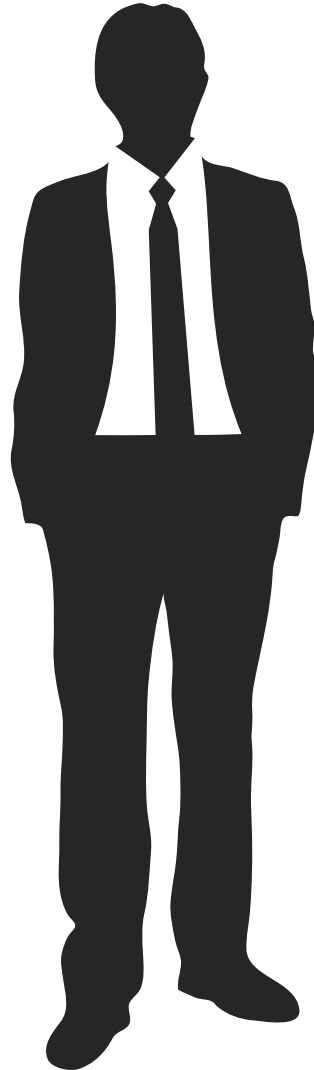
Compliance



High Cost of Operations



Cyber Security



Merchant Support



Low Margin



Adoption

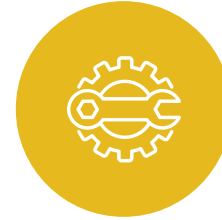
Digital Lending



US \$ 150 Billion
(Transaction Value)



16.7% CAGR



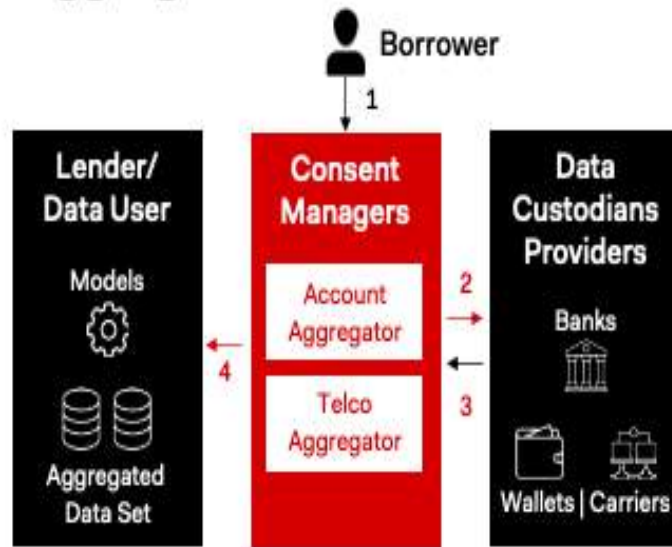
**US \$ 1 Trillion
Opportunity**



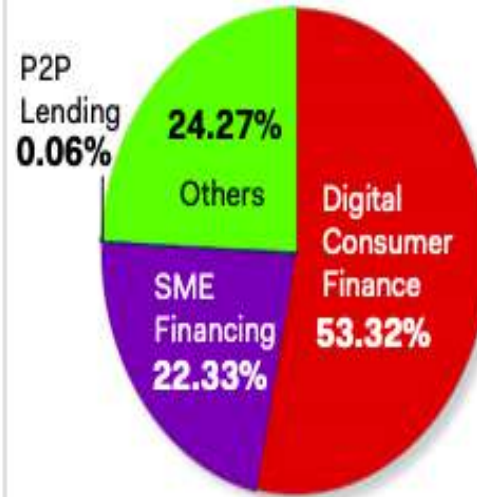
**China Rank 1 In the
World US\$2309049**
(Transaction Value)

Digital Lending

Future Model: Cash Flow Based Lending based on Account Aggregation



Digital Lending Funding: Breakdown of \$1,673 Million

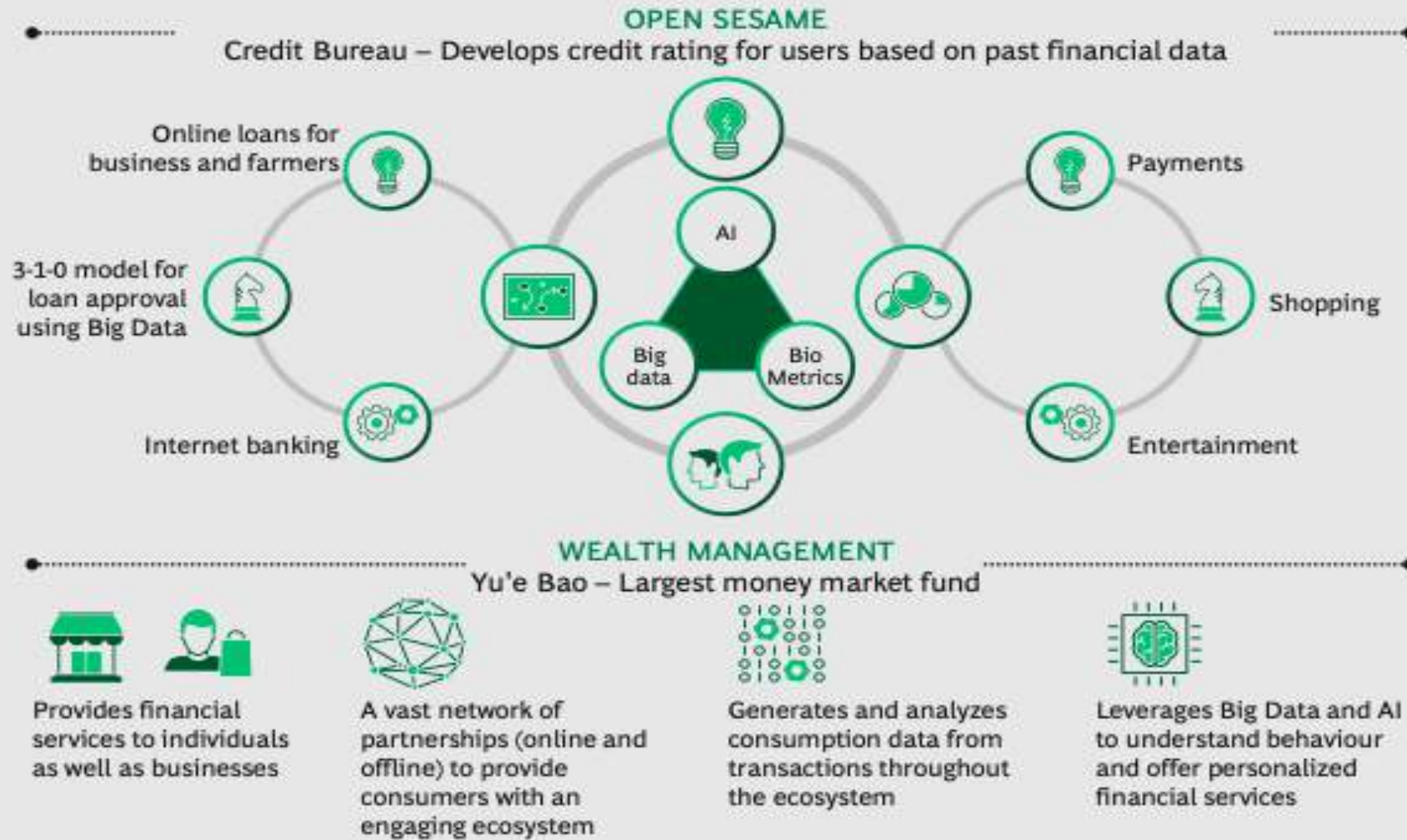


Top Funded Digital Lending Startups in India (> USD 100 Million)

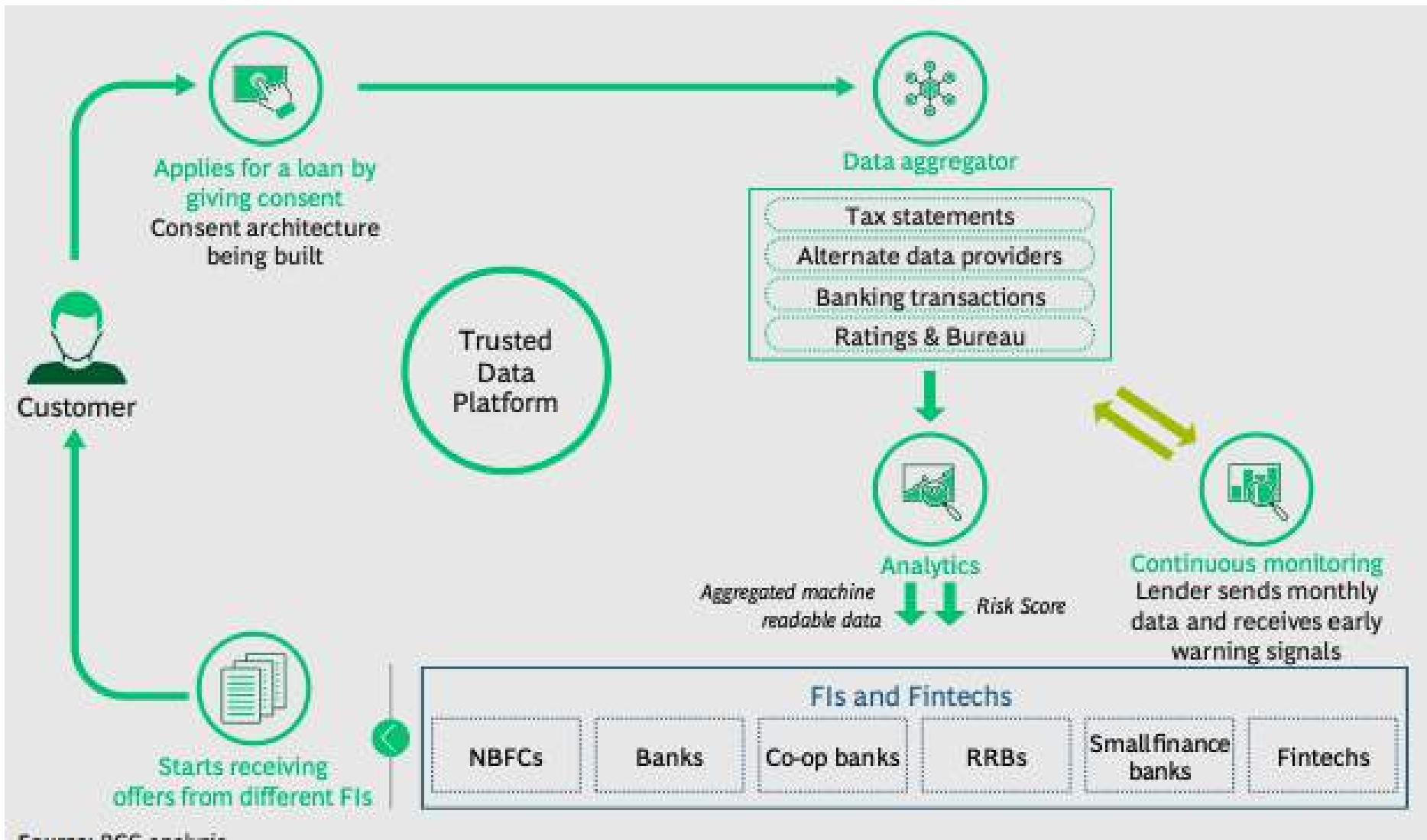


Digital Lending Check Points

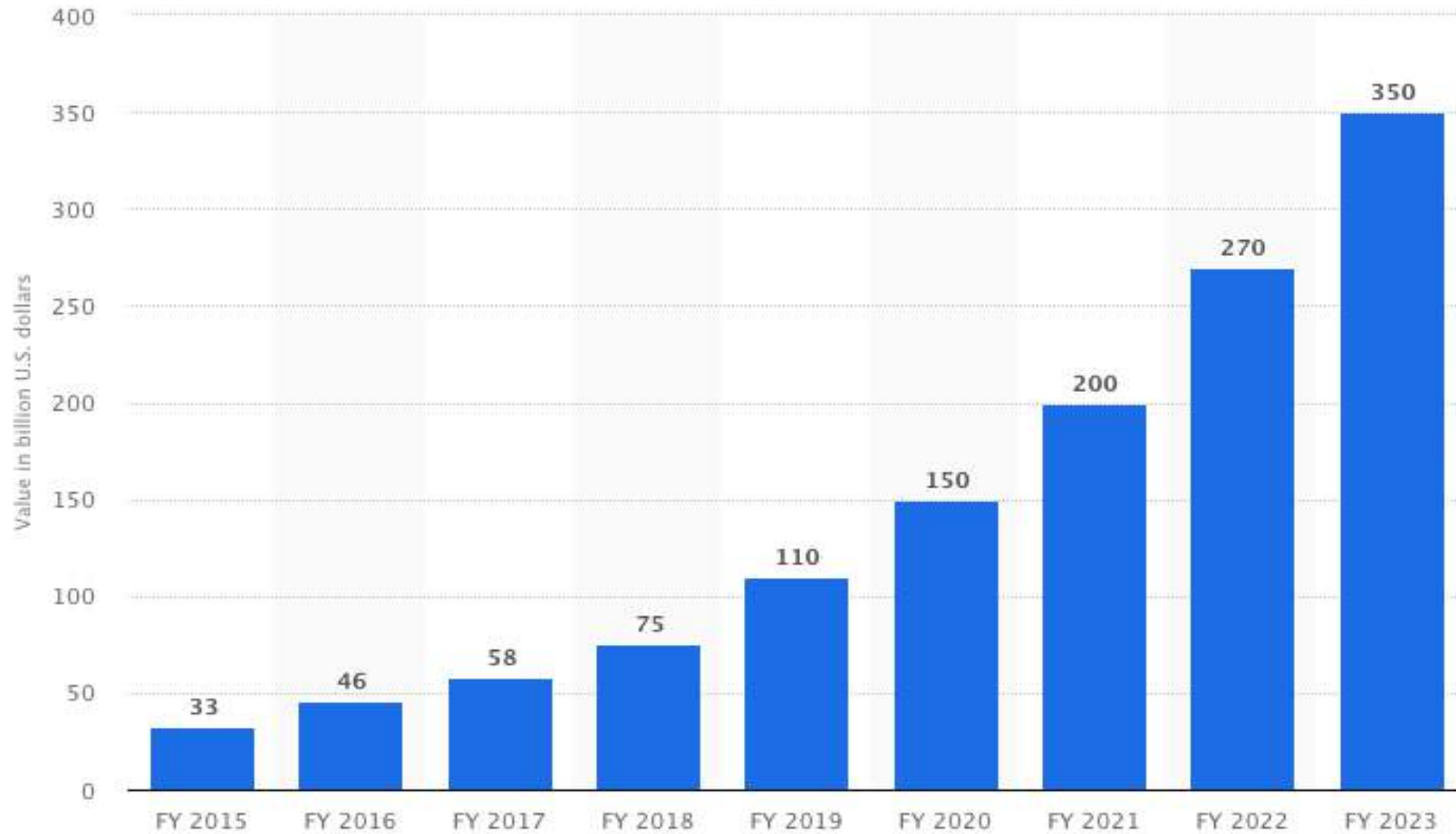
EXHIBITS 1.1 | Ant Financial Ecosystem: Becoming Integral Part of User's Daily Life



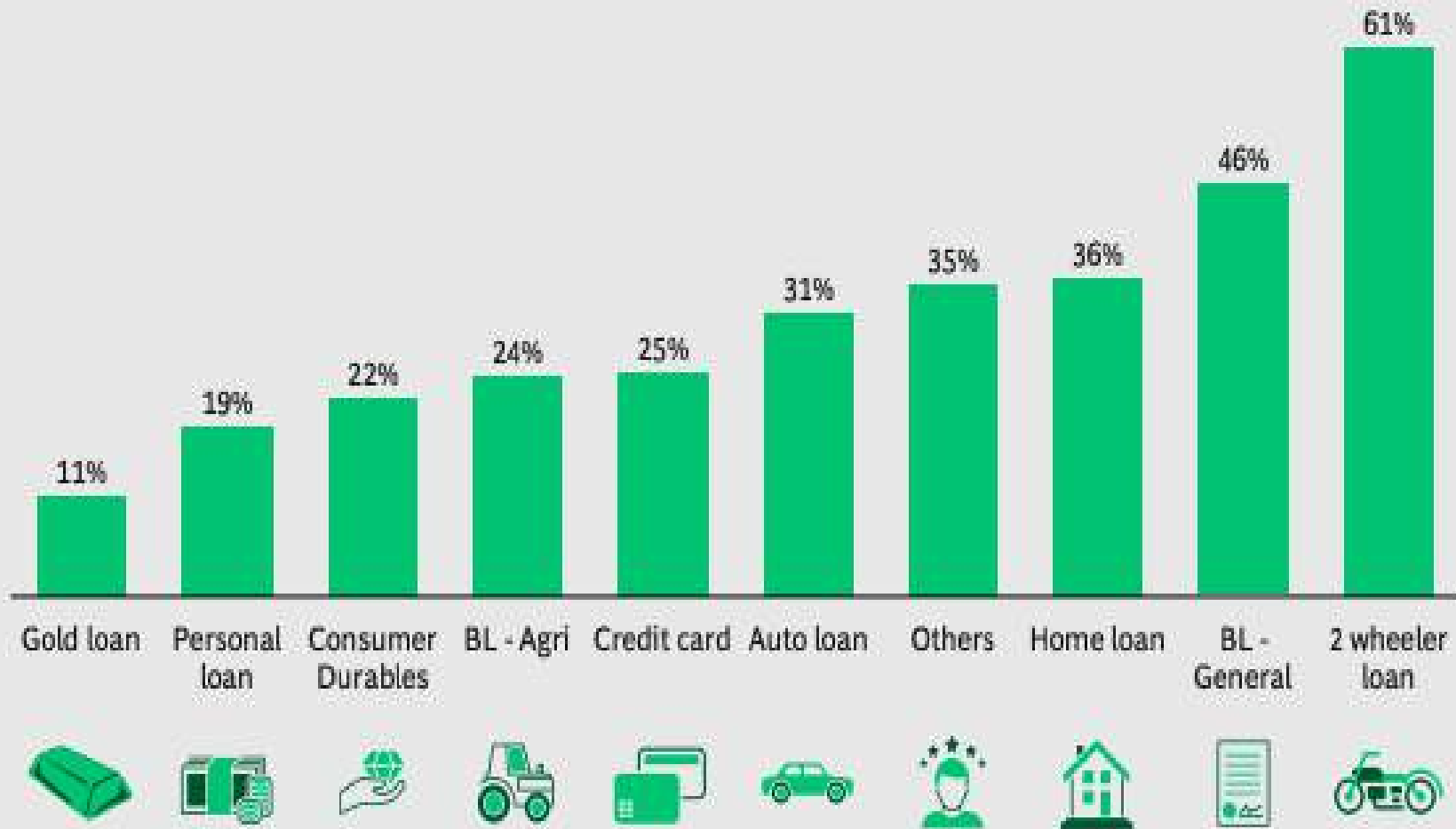
Digital Lending Process



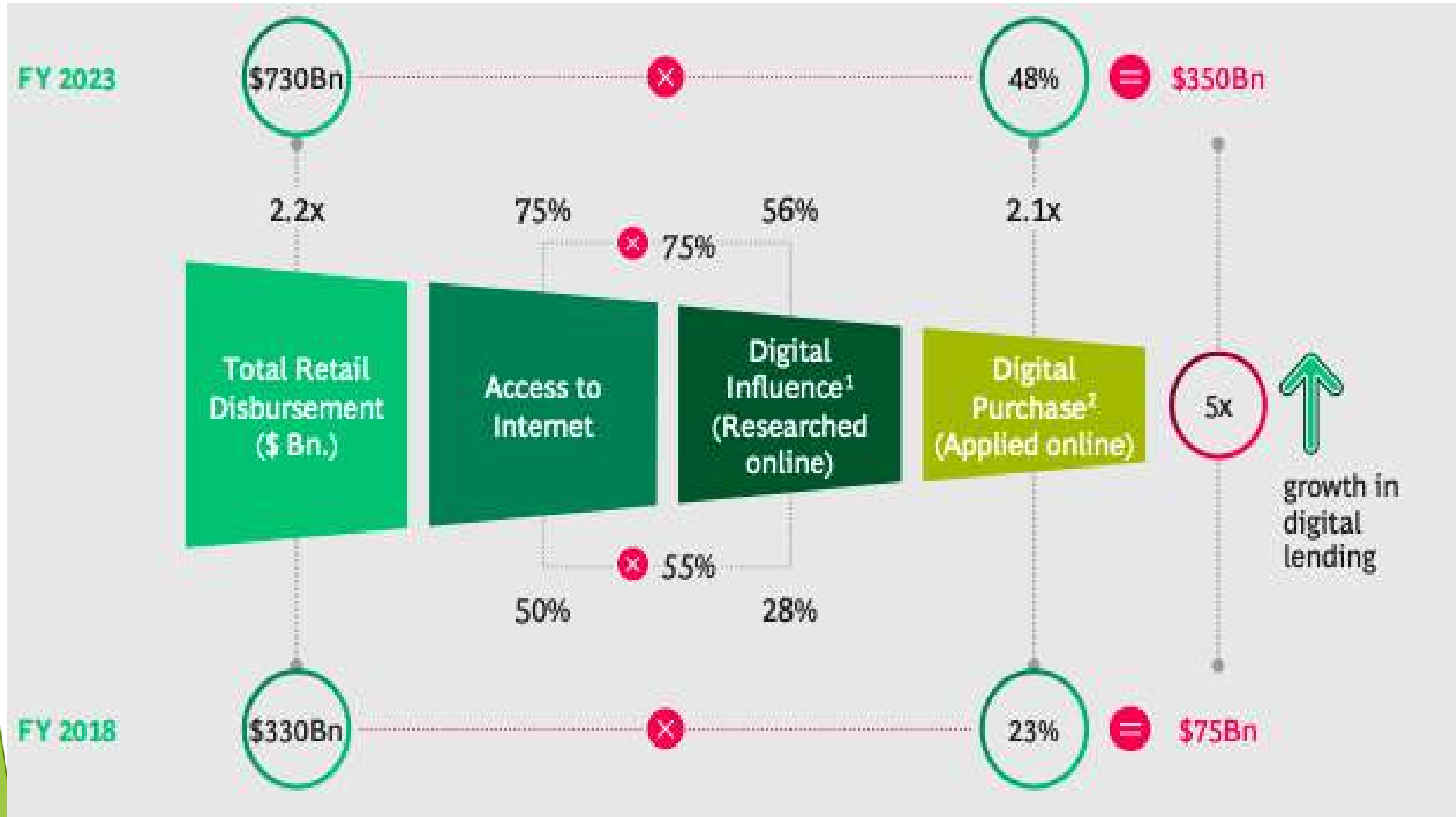
Digital Lending Value (US\$ Billion)



Lending Market Product share



Growth In Digital Lending Purchase



Key Challenges faced by Digital Lending Company



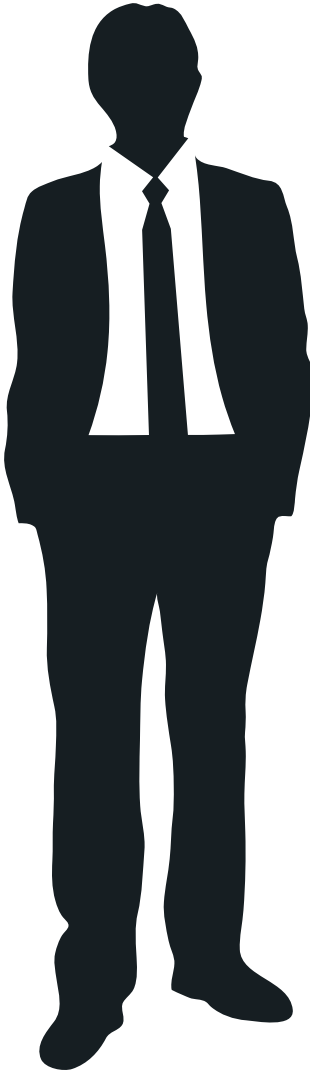
Stringent Regulation



Increasing Bad Loans Post Covid-19



Liquidity Crisis



Technology



Cyber Security



Lack of Experience

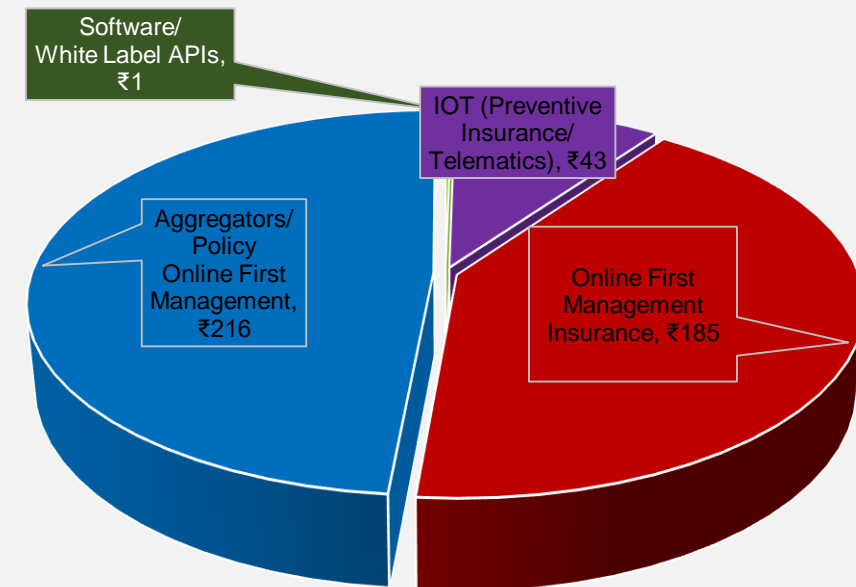
InsurTech

- InsurTech is very new in India and Insurance penetration is quite low, i.e., 2.76% in life insurance and 0.93% in nonlife insurance compared to the global average of 6.5%
- There are some new-age insurers like Toffee, Digit, and Acko with new abilities to attract the millennials and high-tech generation
- Equipped with the capabilities of artificial intelligence/machine learning, predictive analytics, and data capture by IOT-driven connected devices, Insurtech players are exploring new ways to serve the segment
- Policy bazaar, acko, digit, and cover fox are top funded InsurTech startups in India (> USD\$ 50 million)

Development in the InsurTech Space in India

- **Artificial Intelligence and ML:** Leverages AI for functions like claim automation, fraud prevention, underwriting & risk management, and insurance chatbots
- **Wearables:** Provides near-real-time data to the insurers that help them manage risks
- **Robo-advisors:** Relies on rules and machine learning to handle customer interactions and even sell
- **Advanced analytics:** Helps insurers in analyzing data and making better decisions

InsurTech Funding (Mm)



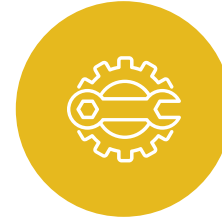
Insurance-Tech



**67% Adoption
Rate**
(Post Covid-19)



15 % CAGR



**US \$ 37 Billion
(New Policy)**



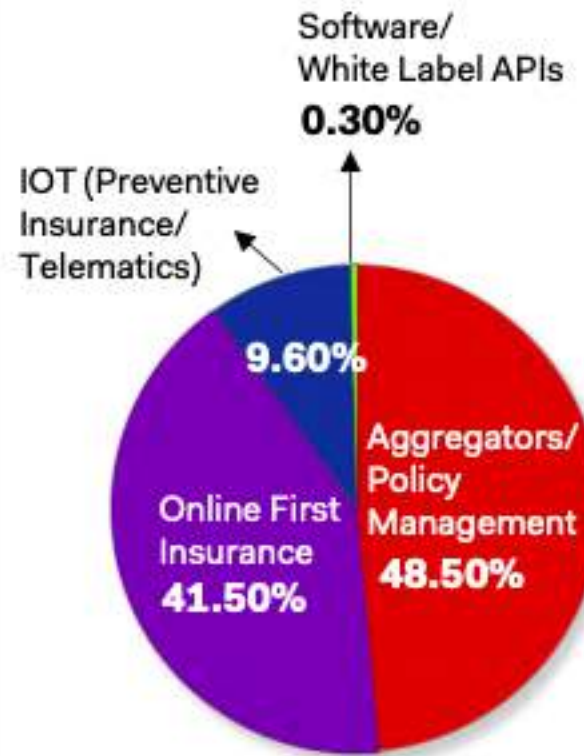
**US \$ 30.6
Billion
(Policy
Renewal)**

Insurance-Tech

Developments in the InsurTech Space in India

- **Connected ecosystems** can help insurers better understand risk profiles and spot issues quickly. E.g., Kruzz
- **Artificial Intelligence and ML** are leveraging AI for functions like claim automation, fraud prevention, underwriting & risk management, and insurance chatbots. E.g., Artivatic.ai
- **Wearables** can provide near-real-time data to the insurers, helping them better manage risks. E.g., GOQii
- **Blockchain** offers features such as efficient information exchange, trust, and smart contracts. E.g., Sofocle Technologies.
- **Robo-advisors** rely on rules and machine learning to handle customer interactions and even sell. E.g., Ask Arvi
- **Advanced analytics** helps insurers in analyzing data and making better decisions. E.g., Pentation Analytics.

InsurTech Funding: Breakdown of \$445 Million



Top Funded InsurTech Startups in India (> USD 50 Million)

policybazaar 
Compare. Buy. Save.

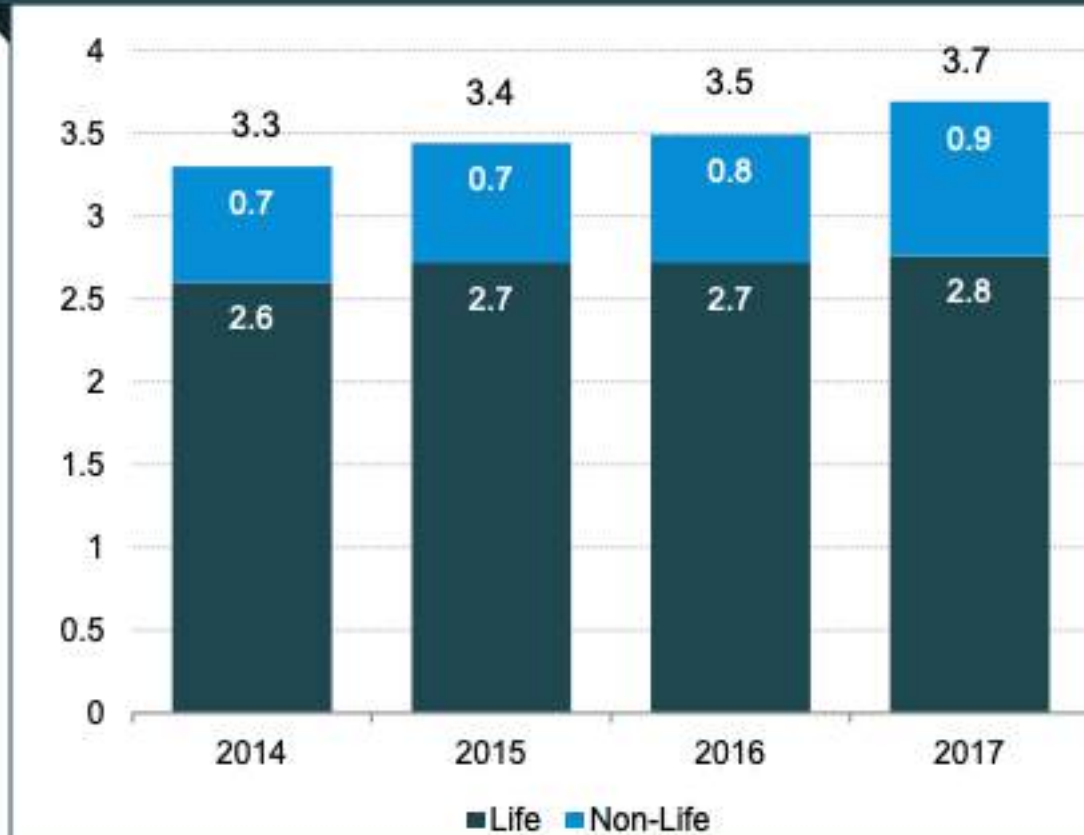
QCKO

digit

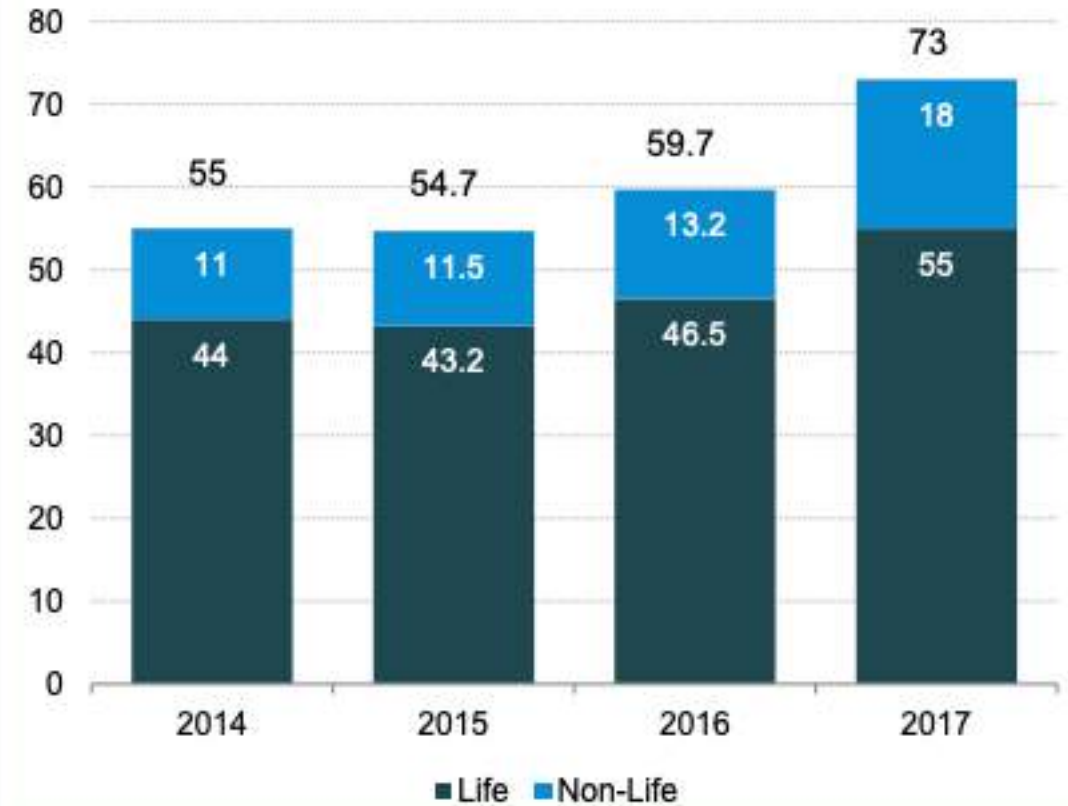
Coverfox

Insurance-Industry % of GDP

Insurance Penetration (Premiums as % of GDP)



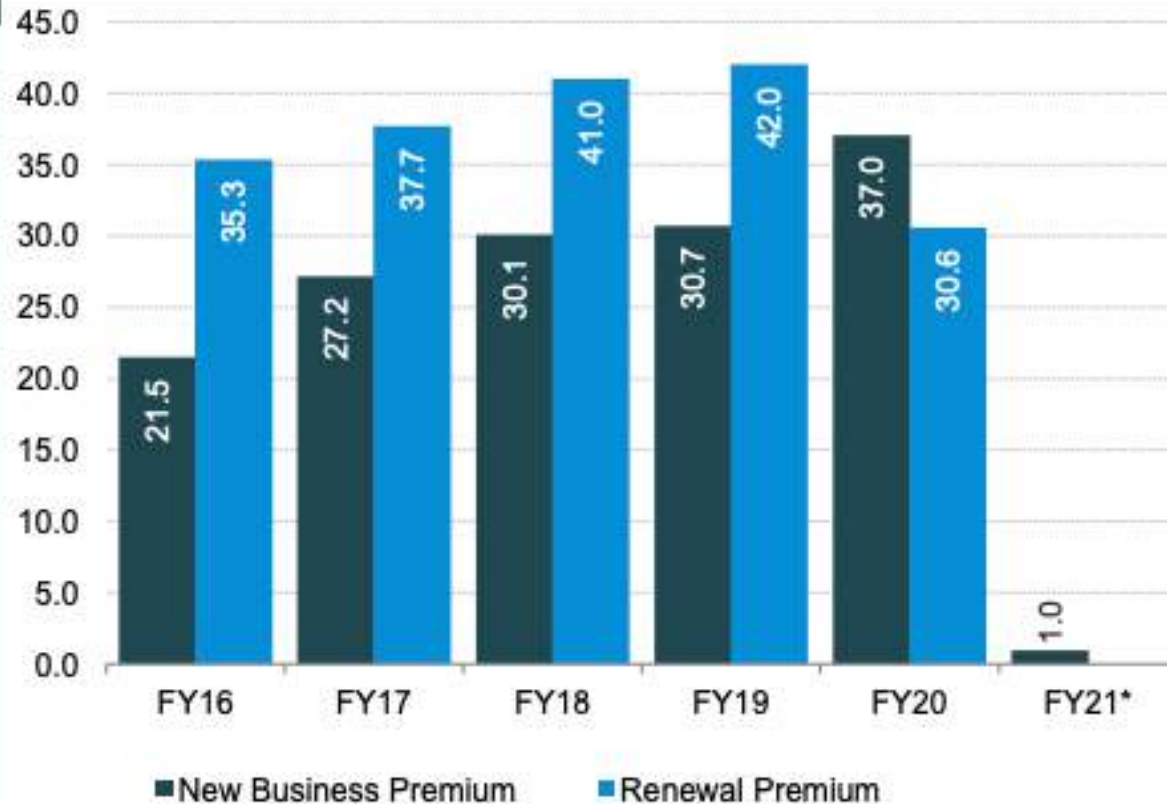
Insurance Density (Premiums Per Capita) (US\$)



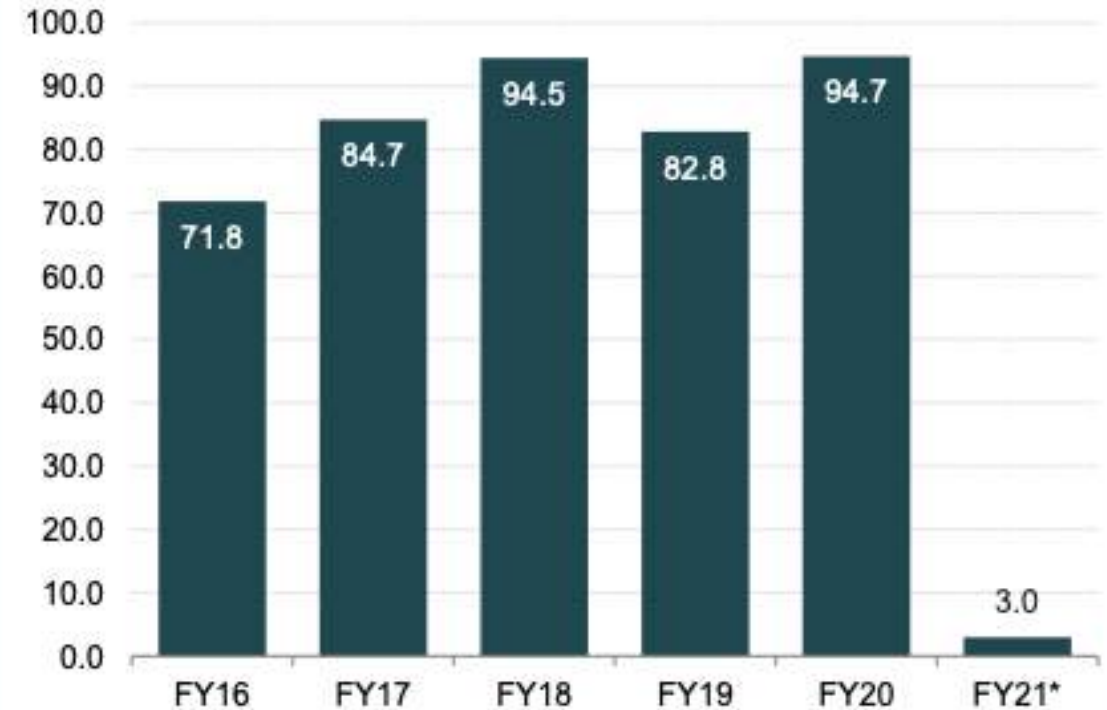
- At 3.69 per cent, India ranked 41 in 2017 in terms of insurance penetration, with life insurance penetration at 2.76 per cent and non-life insurance penetration at 0.93 per cent.
- In terms of insurance density, India ranked 73 in 2017 with an overall density at US\$ 73.

Insurance-Expenditure In India

Life Insurance Premiums (US\$ billion)



Gross Premiums Written in India (US\$ billion)

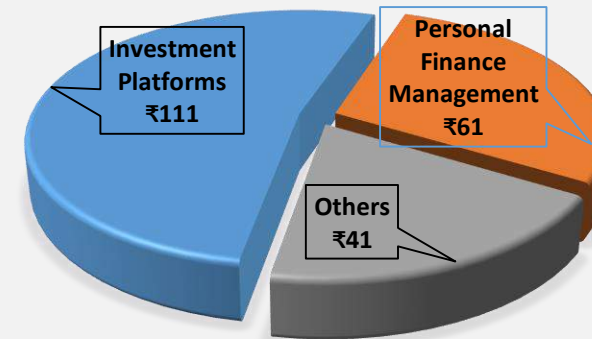


- Life insurance in India has a huge growth potential. By 2020, it is expected to account for 35 per cent of India's total savings.
- Gross premium collected by life insurance companies in India increased from Rs 2.56 trillion (US\$ 39.7 billion) in FY12 to Rs 7.31 trillion (US\$ 94.7 billion) in FY20.
- During FY12–FY20, premium from new business of life insurance companies in India increased at a 15 per cent CAGR to reach Rs 2.13 trillion (US\$

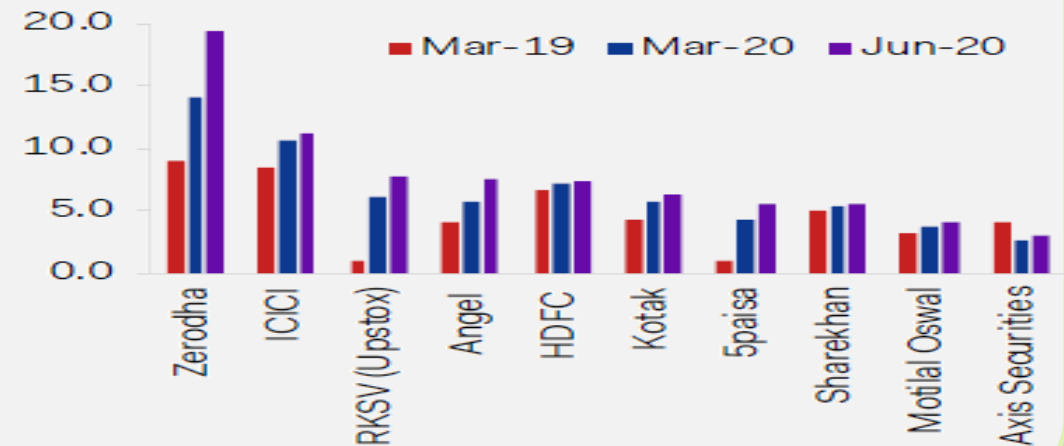
Wealth Tech

- In the last few years, India has witnessed a phenomenal increase in the wealthy population. Wealth managers are leveraging technology to offer low-cost investment advisory to mass segments. There are more than **440** startups that provide various types of wealth services. And these are:
- **E-Commerce Firms & Digital Wallets Offering Investment Products:** Due to regulatory changes brought in by SEBI's ecommerce companies and digital wallets are now offering mutual funds through their apps. E.g., PhonePe (financial arm of Flipkart) and Paytm
- **Discount Broking Models:** Broking houses that charge clients significantly lower fees than traditional ones and offer only online trading facilities, but no research supports or financial advice. Zerodha, 5Paisa, Upstox, ETMONEY, GROWW, and Samco are top discount brokers in India
- **Robo-Advisors:** Uses algorithms and artificial intelligence to understand the goals and aspirations of users better and provide them with personalized advice rather than just offering a generic portfolio
- **UPI, eKYC, and Aadhaar authentication:** Act as Key Enabler for WealthTech Startups to expand their digital footprint by digitizing mutual fund products. Users can also apply and pay for IPO allotments through their preferred UPI app

WEALTHTECH FUNDING (MM)

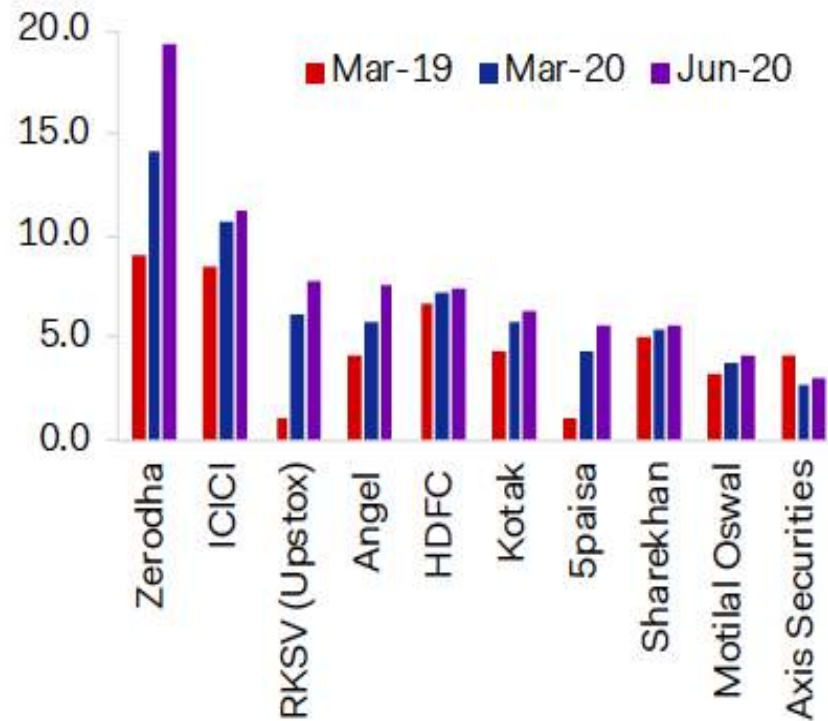


Top Retail Brokers in India by No. of Active Clients – 2020 (Value in Lakhs)

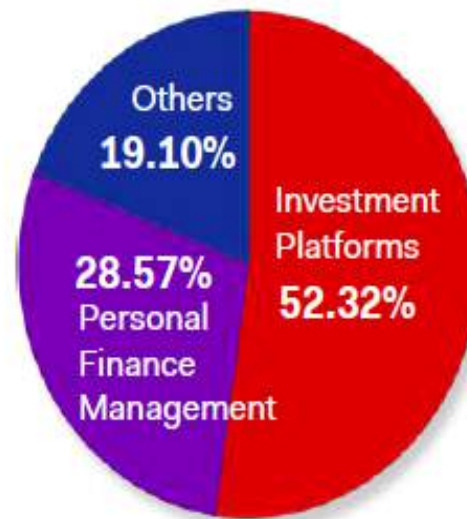


Wealth-Tech Market Analysis

Top Retail Brokers in India by No. of Active Clients – 2020 (Value in Lakhs)



WealthTech Funding: Breakdown of \$213 Million



Top Funded WealthTech Startups in India (> USD 50 Million)

bankbazaar.com

INDwealth

ZERODHA

Zerodha, India's largest stock broker, is a bootstrapped startup that has turned profitable and is valued at around **\$1 billion**.

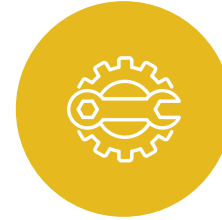
Neo Banks In India



**67% Adoption
Rate**
(Post Covid-19)



54 % CAGR





**US \$ 600
Million
Market Size
(2019)**



**US \$ 15000
Million
(FY 2027)**

Top Neo Banks in India

| Startup | Total Funding | Latest Funding Stage |
|--|---------------|----------------------|
|  Niyro | \$49.2 Mn | Series B |
|  Open | \$37.4 Mn | Series B |
|  Jupiter | \$26 Mn | Seed |
|  epifi. | \$13.2 Mn | Seed |
|  kaleidofin | \$7.8 Mn | Series A |
|  fampay | \$4.7 Mn | Seed |
|  Wizely | \$1.5 Mn | Seed |
|  Uthmaniyah | Undisclosed | Seed |



INVESTORS & NUMBER OF NEOBANKING DEALS

Sequoia Capital
(4)

Flourish VC
(2)

Matrix
(3)

Better Capital
(2)

Omidyar Network
(2)

3one4 Capital
(2)

Top Reasons Customers Adopt FINTECH Services From Non-Traditional Players



70%
attracted by
low-cost
offerings



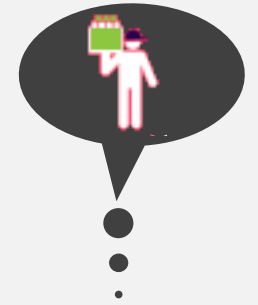
68% seek
ease of use



54% wants
faster
services



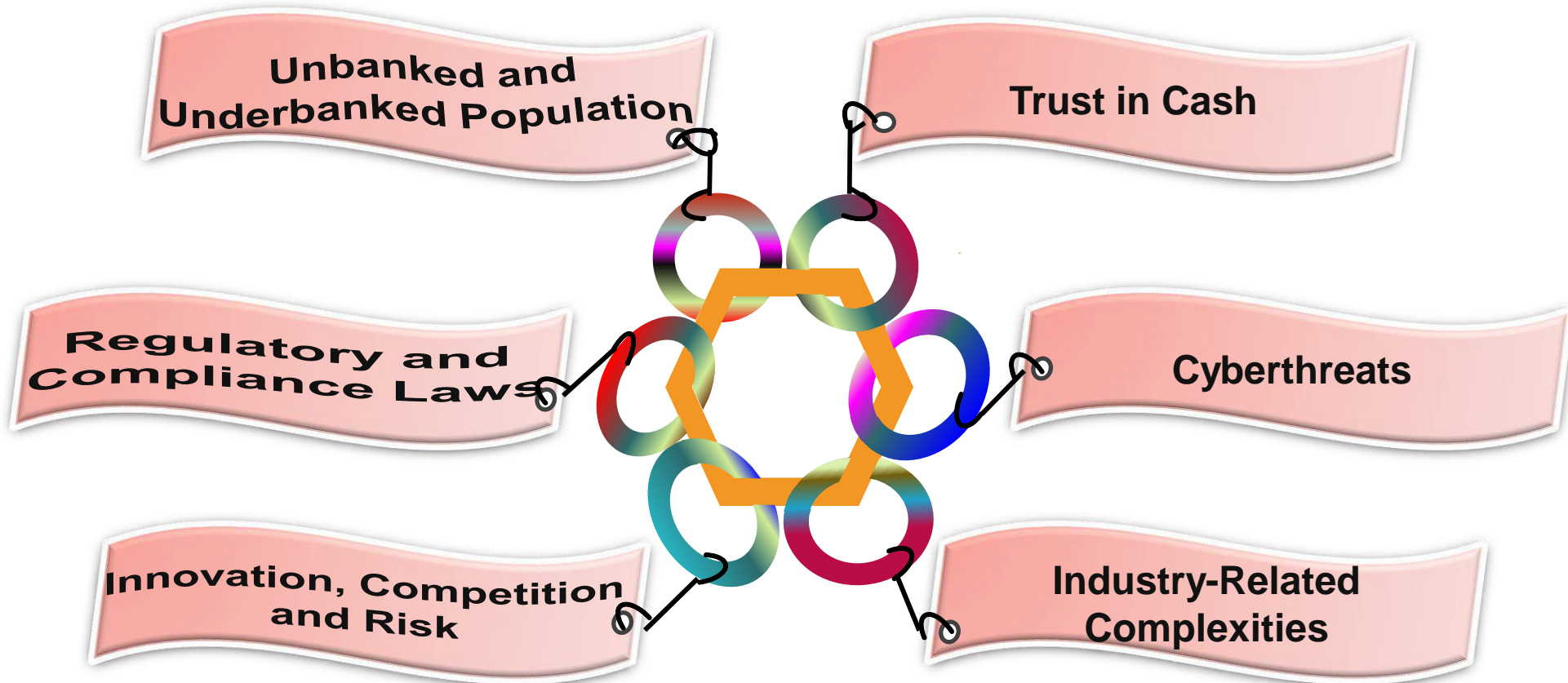
39% pursue
better
features



39% wants
personalized
products



FINTECH Challenges in India



Thank You

Source –

1. Enterslice R & D team
2. IBEF
3. MEDICI