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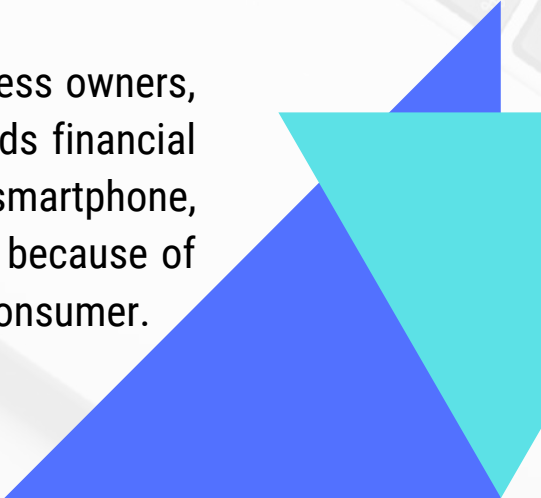
FINTECH REPORT 2019

By Akash Dubey

The word Fintech is making rounds of news all around the world from the last few years. The curiosity surrounded by the word is increasing at a rapid pace, and so is its influence in the finance industry. The concept of Fintech practises delivering financial services using technology with the aim to improve and automate the process. Fintech includes every activity that delivers financial services through technology platforms. Fintech aims to compete traditional processes of banking and financial operations with a focus on improving efficiency on multiple fronts and a reduction in operational costs. It helps to improve the utilization and delivery of financial services.

The arrival of Fintech has been celebrated in the financial world. It is helping financial institutions, business owners, companies, and consumers to manage their financial activities more efficiently. Fintech technology blends financial processes with specialized software and algorithms. These platforms can be accessed on a computer, smartphone, and other smart devices. Fintech has helped emerging business entities to disrupt the financial industry because of their adaptability to prevailing situations and agility to be flexible while serving the last mile needs of the consumer.

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Fintech initially, was attributed to the computer technology used to perform back end processes of established banks and financial institutions. However, gradual changes in technology and the rapid rate of innovation in Fintech changed the landscape for this concept. Interestingly the technology has now grown into multiple arrays of financial services and triumphing in both commercial and personal finance domains. Fintech is now predominantly taken into usage in different sectors, such as retail banking, fundraising, investment management, insurance, etc. A plethora of applications are now available for the users offering a range of utilities by harnessing the power of Fintech. Commonly used applications perform a function such as funds management, stock trading, selling and buying of financial instruments, etc.

Fintech not only helps to deliver financial service without geographical restrictions but also helps in the formulation of customer-centric policy based on data-driven insights collected from Fintech platforms. This data helps Fintech entities to optimize their service operations, policy development, and offer greater utility to consumers. The success of Fintech can be proved by the fact that at present, there are over 39 unicorns with valuation over 147 billion US dollars. The rapidly growingly Fintech fraternity now stands at 12000+ strong startups network.

Worldwide FinTech Unicorns



A decorative graphic on the left side of the page. It features two overlapping triangles in the top-left corner, one in a vibrant cyan color and the other in a bright blue color. Below these, a grayscale photograph of a modern skyscraper with many windows is visible, extending from the bottom left towards the center of the page.

Adoptability of Fintech

The confluence of technology with human lives has impacted every sphere of their life, and banking and finance are no exception. For example, masses of the present times prefer messages as their preferred mode of communication rather than visiting physical banking centers for communication. The behavior also justifies the utilization of technology to make our lives easier. The expectation is duly met by other tech companies of the world who offer hyper-personalization and superior service engagement. If traditional banks do not compete on the said fronts, then they will continue to lose their customer base in favor of Fintech companies. Fintech companies, unlike traditional financial institutions, offer engaged interactions and hyper-personalization to deliver their services.

Traditional banking centers are plagued with problems such as slow credit approvals, outdated operating systems, uneven experience on different fronts of the same organization, delay in customer grievance redressal, limited attention to customer-centric policies, etc. Whereas Fintech companies offer solution to the above problems by offering modern solution to the challenges faced by the traditional counterparts. Flexibility to adopt new spheres to their working models and agility to move towards customer-centric models provides them an edge over traditional competitors.

Global Adoptability Rate of Fintech



● China - 87%
● India - 87%
● Russia - 82%
● South Africa - 82%
● Colombia - 76%
● Peru - 75%
● Netherlands - 73%

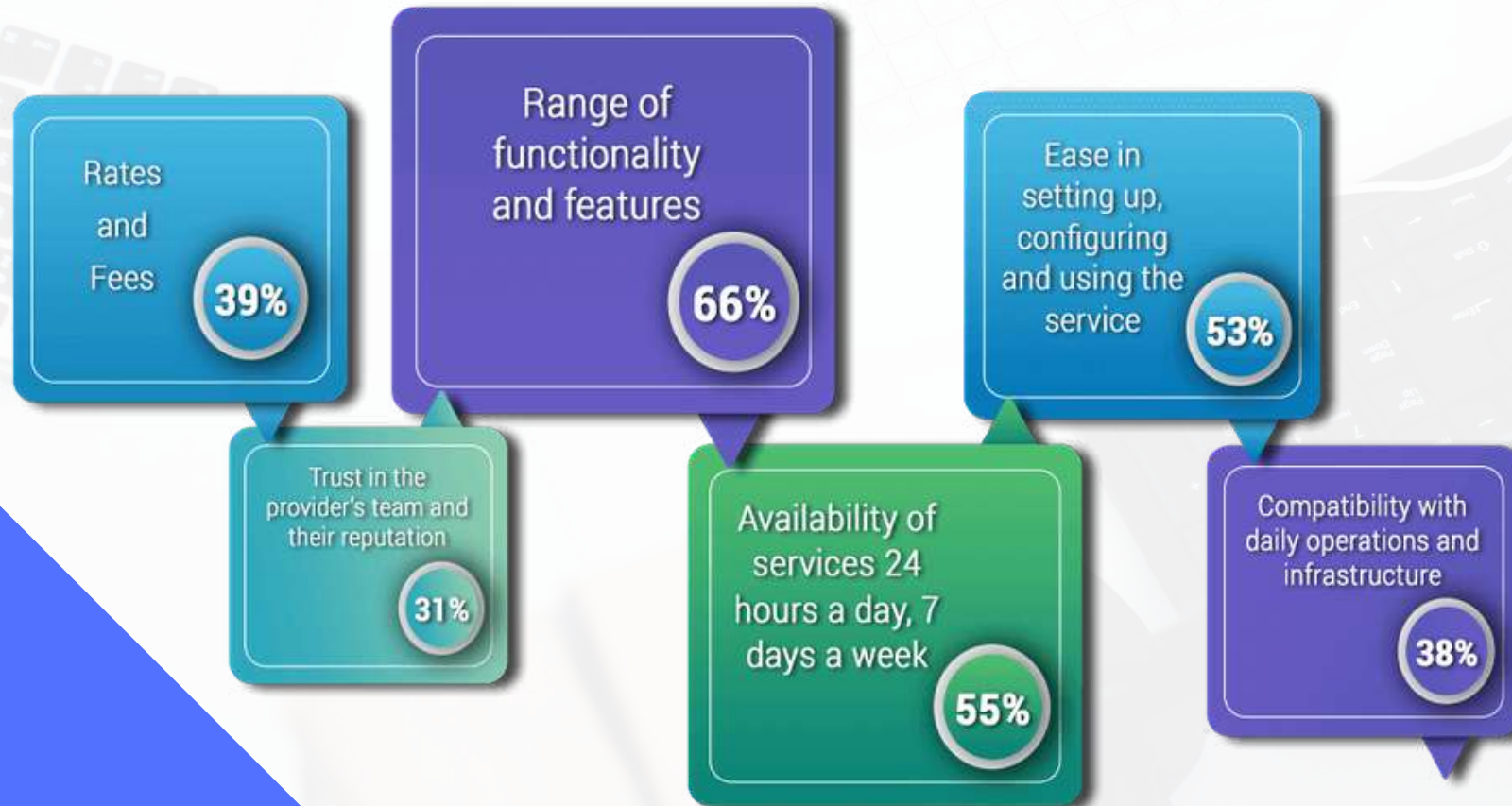
● Mexico - 72%
● Ireland - 71%
● UK - 71%
● Argentina - 67%
● Hong Kong - 67%
● Singapore - 67%
● South Korea - 67%

● Chile - 66%
● Brazil - 64%
● Germany - 64%
● Sweden - 64%
● Switzerland - 64%
● Australia - 58%
● Spain - 56%

● Italy - 51%
● Canada - 50%
● USA - 46%
● Bel & Lux - 42%
● France - 35%
● Japan - 34%

Pillars of Fintech Revolution

TOP REASONS FOR USING FINTECH GLOBALLY

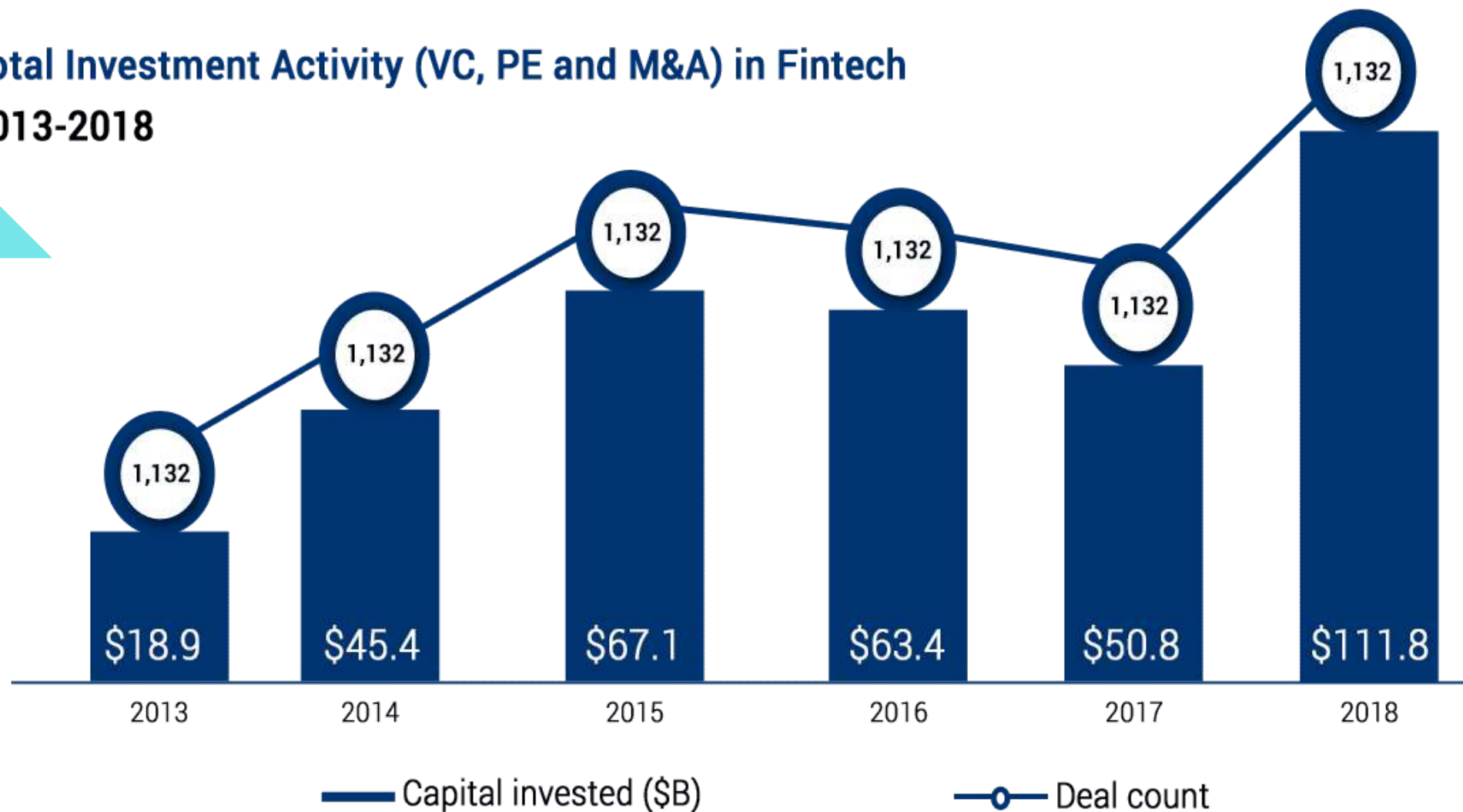




Investment in Fintech

The investment in the Fintech sector has been on rapid growth. The investment in Fintech had a modest start from an investment of 930 million dollars in the year 2008. According to statistics, more than 350 billion dollars are invested in this sector for the period of 2013-2018. The investment in Fintech in 2018 crossed the figure of 100 billion US dollars. The global digital payment alone is projected to touch the mark of 10 trillion US dollars cap by 2026.

Total Investment Activity (VC, PE and M&A) in Fintech 2013-2018



Types of Fintech Business

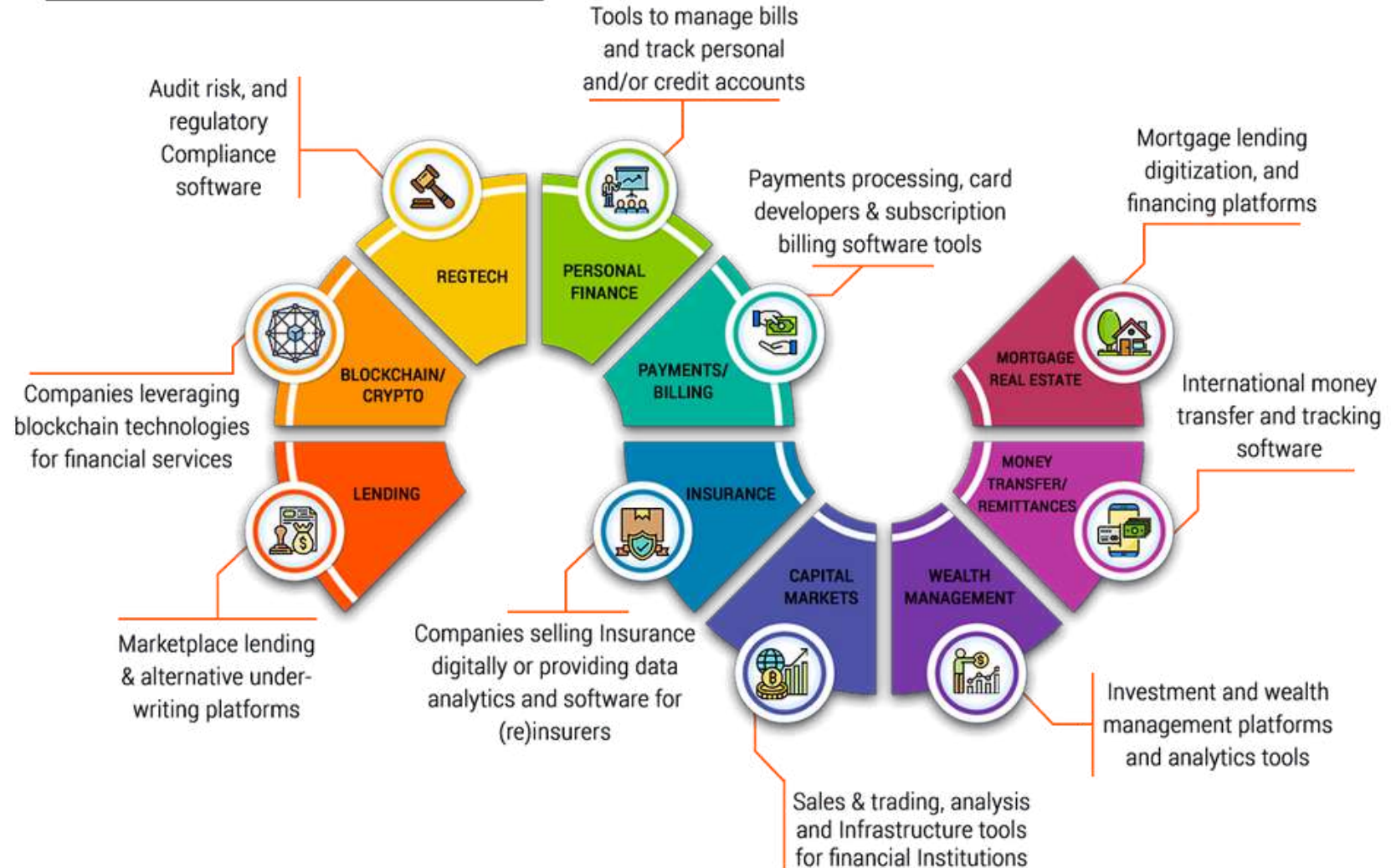
B2B (Business to Business) Model

Fintech is helping the consumers to avail of financial services on different fronts. The business entities which were subjected to a complex loan or credit application process can now take easy financial aids using Fintech. The coming of age concept of Fintech is helping business houses to get loans using mobile technology or web-based platforms in easy steps. The development is highly beneficial, especially for small and medium scale industries.

B2C (Business to Customer)

Fintech is benefiting a large number of consumers with different credit needs. Fintech is helping people to raise credit and consuming a plethora of financial services with convenience. Hyper personalization and superior quality of services providers ensures the prominence of Fintech over to their traditional counterparts. The prominent consumer services are money transfer facility, budgeting apps, easy credit facility, operate lending, and financial activities in their peer group.

LUCRATIVE SECTORS



Digital /Mobile Payments

These payment options provide access to make digital payments and trade with banks, commercial companies, central banks, hedge funds, forex brokers, investment management funds, and investors. According to reports, the global payments market is estimated to be 1 trillion US dollars.

Insurance

Fintech has disrupted the majority of services in the financial industry, and insurance is no exception. The so-called "Insurtech" industry is attracting a hefty investment from venture capitalists all around the world.

Crowdfunding

Crowdfunding platforms allow entities to raise money from internet or app-based users for their business operations. Fintech service allows the individual business owner or established entities to pool funds from different resources from one platform.

Digital lending /P2P Lending

The digital lending sector is considered as the most progressive arm of the Fintech revolution. The consumers can now get loans and advances using their smartphones. The lengthy procedure has been reduced to a matter of a few clicks. The consumers can get easy loans for whatever amount they desire, ranging from ticket loans of meaner amounts to capital loans of higher amounts. The global market for P2P lending is expected to grow at a CAGR of 60 percent to USD 1 trillion by 2025 from USD 9 billion in 2014.

Stock trading apps

Stock trading apps are platforms that enable the user to buy or sell stocks at the tap of their fingertips. Thus, reducing the complexity and time taking procedure of buying or selling stocks into a process of few taps of their finger.

Robo Advisors

The Robo Advisor segment of Fintech is a confluence of AI and Financial concepts. It is a wealth management program that uses AI to function. It advises consumers to manage their wealth in the most profitable manner. This segment is estimated to manage assets worth 5 Trillion US dollars by 2025.

Budgeting Apps

Budgeting apps help the consumer to keep a record of their financials. The coming of age apps is strengthening by the technological ability not only to keep track of resources but also get valuable alerts and advises on their spending patterns.

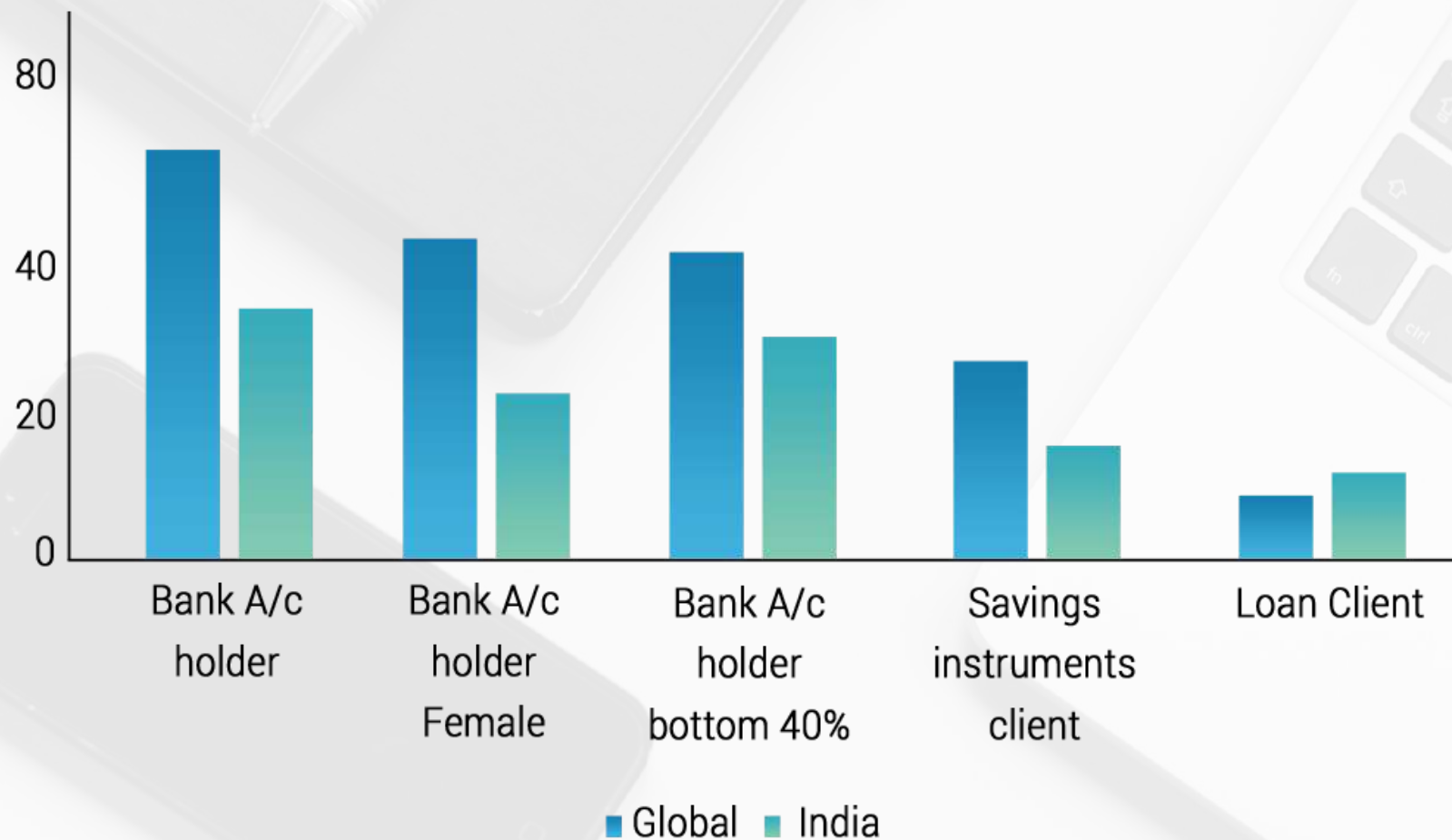


The Unbanked Population of The World

At present, around 31% of the world population can be classified into the unbanked category. The estimated figure stands at 1.10 billion people. The unbanked category can be classified as the class of people who do not use any banking service or take banking schemes in any capacity. These people either make the transaction in cash or are dependent on any other agent for banking and financial activities. These people reportedly do not have a subscription to any insurance or pension schemes. It is further estimated that the revenue potential that can be generated by servicing the unbanked sector is 338 billion dollars.

Fintech is playing an essential role in meeting customer expectations in the financial service industry. It has decentralized the availability of financial services from physical, financial centers to the smart devices operated by the fingertips of the consumers. The revolution is extremely helpful for developing countries where traditional banking and financial infrastructure are not robust and accessible to a larger share of the population. The reason cited for the acute shortage of these services in developing countries and underdeveloped countries was the cost of establishment of such centers of finance. This shortcoming has been bridged by the development of Fintech.

THE-UNBANKED-POPULATION-OF-THE-WORLD



Opportunities in India

India is the largest consumer market in the world. It is among the fastest-growing Fintech industry market in the world. Point of advantages in favor of Fintech operating in India is a rapid internet penetration, the largest population of unbanked category, and the highest Fintech adoption rate in the world.

Moreover, it is estimated that the Indian Fintech market will be growing at a CAGR of 22% in the next five years as per NASSCOM. Hence, India possesses unexplored revenue potential for Fintech players. The opportunities are not just limited to retail consumers but also exist to include the 57.7 million small businesses registered in the country.



Advantages In India

01

• Growing Demand

Rising incomes are driving the demand for financial services across income brackets.

02

• Innovation

India benefits from a large cross utilisation of channels to expand reach of financial services.

03

• Policy Support

Government has approved new banking licenses and increased the FDI limit in the insurance sector.

04

• Growing Penetration

Credit, insurance and investment penetration is rising in rural areas. Moreover, the wealth management segment has witnessed growing HNWI participation.

Infrastructural Advantage

India is the world's third-largest and fastest-growing startup hub, with over 26000+ startups projected to be in operation by the end of 2025. The growth potential of Indian startups is supplemented by the growth of startup infrastructure in India. The Government of India is running various schemes for the growth and development of startups in India.

Schemes such as Startup India Scheme, Make in India scheme, Stand up India Scheme, Atal Innovation Mission (AIM) are the prominent ones among the various schemes offered by the Indian Government at various levels of governance.

The Startup India Scheme has a grant value of 1.5 billion US dollars to be allotted for developing startups to strengthen the startup ecosystems of the nation. Also, the Government provides a rebate in business and trademark registrations along with tax benefits to startups. The Government of India also launched a dedicated platform for startup registration in order to make the startups aware of the various schemes and benefits available to them. The platform is appreciated to provide ease of registration for startups by the business fraternity and foreign investors.

The Best of Industry Talent

The Best of Industry Professionals of the world are present in India. The IT workforce of India Accounts for more than 4 million professionals. India stands second in terms of the number of IT professionals rallying behind the USA. However, among the 6.5 million IT professionals of USA, 1.5 million belongs to Professionals of Indian origin working in the USA. The export of Indian IT services stands at 180 billion US dollars in annual revenue. The total world force in India stands at 510 million people and is ranked second in the world.

Smart Country Initiative

The Government of India launched the initiative to build smart infrastructure for the country by the initiative of the development of Smart Cities and the launch of the Digital India movement. The move aims to attract foreign investments in the economy.

Apart from these, free Wi-Fi at a public place, Railway stations, and hyper-local (metro) stations are functional throughout the country. The fact that internet mobile data in India are the cheapest in the whole world helps in easy penetration of internet-based service providers.

The largest railway network of the world, Indian railways also allowed payment for the ticket booking and other services via Digital payments option such as payment wallets banks and Fintech companies.

Tax and Rebate Benefits

The Government of India provides various Tax and Rebate incentives and rebates. Tax rebate is offered to merchants making more than 50% their transaction digitally. Apart from this, rebates up to 80% of costs are provided to startups at the time of trademark registration. The DPTT recognized startups also get the tax holiday period of the first three years from the date of recognition by the Government.

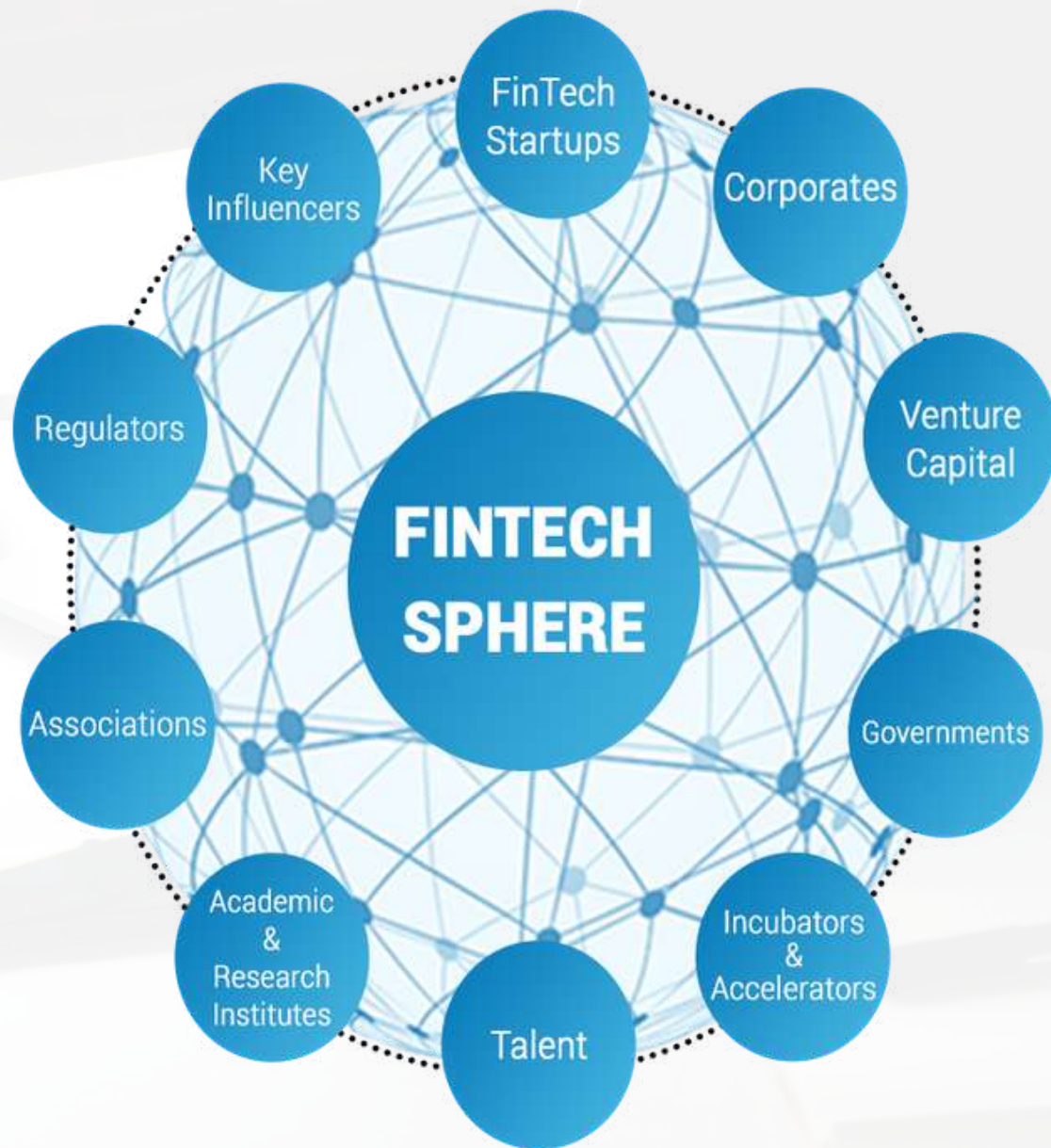
An exemption is provided on capital gains tax for investment in unlisted companies for an investment period long for more than 24 months. The Government is in talks with various Government and regulatory bodies to cease the charging of surcharge or transaction fees made for government services and registrations.



Tax and Rebate Benefits

The Government of India, making joint efforts with regulatory bodies such as RBI and SEBI are creating a favorable environment for startup growth in the country. The aggressive efforts of the Indian Government resulted in India becoming a cashless digital economy. The efforts helped to create a dynamic and progressive Fintech ecosystem in the country. The Government has been able to reach the institutions and public to use digital financial platforms at a surging rate. The statistics show that the digital payments segment is the fastest growing in the world, with a CAGR of 20.2 %.

The Reserve Bank of India is facilitating the growth of the startup ecosystem in India by providing ease of business registration and compliance. The well-timed policies of the regulatory board are ensuring the growth and sustainability of the Fintech industry in India. The looking forward policies of RBI have helped the Fintech player to establish a successful business in the field of digital lending, digital payment, open banking, and wealth management.

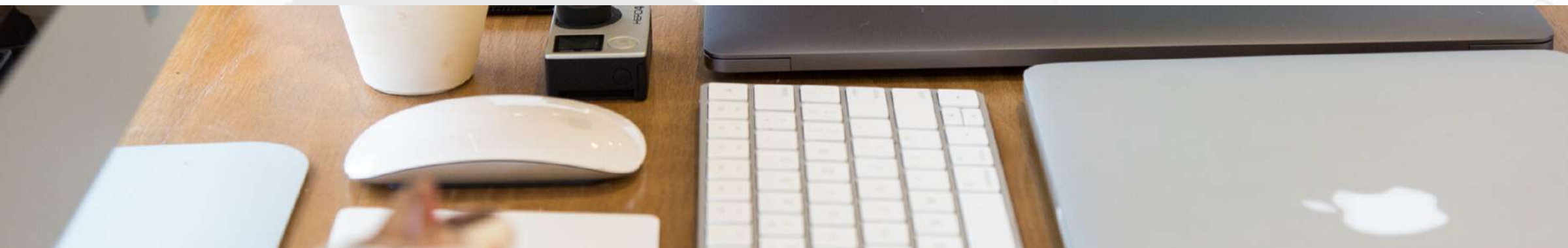


Few of the Landmark moves taken by the RBI to develop Fintech in India

Introduction of “Unified Payment Interface” or UPI in collaboration with NPCI (National Payments Corporation of India). NPCI is an apex body with coverage for all retail payments in India. NPCI was structured with guidance from RBI and IBA (Indian Banking Association). The UPI enabled the seamless transaction of digital payments in India using a single channel of authorization for both banks and consumers. The UPI facilitates the user to access their bank account via an app on their smart phone or any other smart device. The introduction of UPI played a catalyst role in the Fintech penetration and financial inclusion in the country. The volume of UPI transactions has increased at a CAGR of 246 percent during the period from 2016-17 to 2018-19.

The RBI also released the consultation paper as a roadmap for regulating the P2P lending market in India. The document states the favorable outlook of the regulatory board for Fintech entities in the P2P segment in India.

Further, the apex body issued 11 payment banks option last year to support the objective financial inclusion by utilizing the technological advancement of Fintech entities. The RBI is having approved 33 entities for Bharat Pay operating unit under the Bharat Pay Payment System. The Bharat Pay Payment System aims to establish an integrated bill payment service platform in India.



Institutional Support

Support from business organizations and educational institutes is playing a vital role in the wide scale development and nurture of the startup economy in India. These are playing a pivotal role in nurturing the startup ecosystem in the nation. They help to develop an entrepreneur mindset in young individuals, along with providing training and technical support.

A majority of Indian Education Institutions have set up dedicated entrepreneurship cells to address the need for entrepreneurship development in the country. The Indian Institute of Technology and Indian Institute of Management are leading the forefront of such entrepreneurship cells. As a result, many renown startups have been carved out of these dedicated entrepreneurship development centers. With support from peer network and industry associations, they provide the nurturing environment necessary for the growth and incubation of the startup ecosystem. Various incubation centers are established in India that provide support to scale seed-stage startups. These incubation centers are funded by the Government, with many of them also held by private institutions or commercial bodies. These centers help to identify, nurture, and scale the potential of the startup.

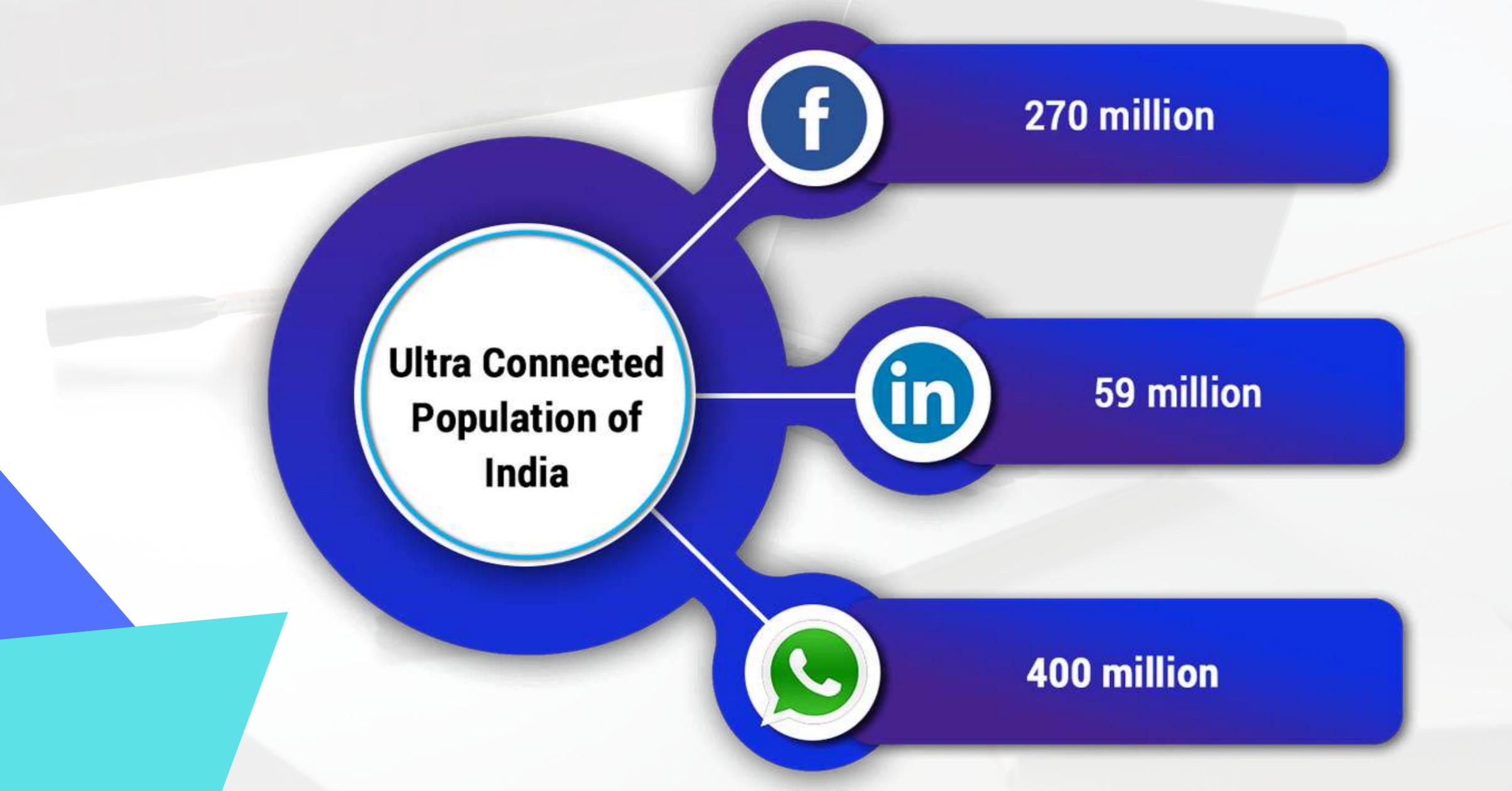
Smart Consumers of India

Additionally, another biggest advantage India is having is that of the growing population with access to mobile phones. The number of smartphone users in India stands at 1.2 billion. This set of class represents around 93 % of the country's population. India ranks 3rd on the rank of most smartphone users in the world. Another advantage for Fintech players in the internet user base and the rate of internet penetration in the country. India has 566 million registered Internet users by the end of the year 2018. The figure is estimated to grow at 627 million by the end of the year 2019. The figure comprises 41% population of the country. Moreover, India enjoys the second-highest rate of internet penetration rate in the world.



The facts signify the trapped potential for internet-based financial businesses as the second-highest internet user base with the second-highest penetration rate is yet to involve 60% of the population. The dormancy rate of 43 % among the Indian Banking sector also stands an opportunity for the Fintech players to create more users in India. The success of Facebook and WhatsApp in India can be considered as a case study to highlight the potential for internet-based business in India. India reportedly has the highest number of WhatsApp and Facebook users in the world.

The e-commerce sector of India is also on a rampage growth, and it is growing hand in hand with the digital payment sector in India. The e-Commerce sector, which was limited to tier 1 city during the infancy stage, has now established across Tier 2 and Tier 3 cities. A momentum shift towards online payments is also observed for E-commerce transactions. Change in payment options from cash on delivery payment options to digital payment options among Indian consumers is considered a massive improvement.



The infographic features a central white circle with a blue border containing the text 'Ultra Connected Population of India'. Three blue lines radiate from this circle to three separate blue horizontal bars on the right. Each bar contains a circular icon with a white border and a corresponding population value. The top bar has a Facebook 'f' icon and '270 million'. The middle bar has a LinkedIn 'in' icon and '59 million'. The bottom bar has a WhatsApp icon and '400 million'. The background is white with light gray geometric shapes and a blue and cyan triangle in the bottom left corner.

**Ultra Connected
Population of
India**



270 million



59 million



400 million

State of Indian Economy

India, which was earlier considered as a developing economy, is no longer so. India is now the fifth-largest economy in the world in Gross Domestic Product (GDP) on the basis of Nominal GDP as per the report by the International Monetary Fund with a GDP of 2,971,996 million US dollars. The economy, which is functioning in multiple sectors, is growing at a tremendous pace from the last decades. Hence, as a result, the country is also ranked as the 3rd largest economy in terms of Gross Domestic Product on the basis of Purchasing Power Parity by both the International Monetary Fund and World Bank. Additionally, India is the world's fastest-growing among the major economy of the world.

Financial Sector in India

India has a diverse financial services market. The sector is experiencing robust growth in both the size and diversity of services. The sector comprises of commercial banks, Non-banking Financial Companies (NBFC), insurance companies, mutual funds, and other financial services. Entities like payment banks are a new entrant in the financial services segment of India and are reported to register strong growth.

The Government of India is committed to undertaking all measures in order to support the financial service providers in India. The Government is introducing progressive reform at regular intervals to liberalize, regulate, and ensure transparency of operations in the industry. The effort of Government and highly constructive response from the financial service providers has made in India one of the most prominent capital markets in the world. Attainment a score of a perfect ten by India for protecting shareholders' rights through the policies of its security and exchange board of India is one of the many documented evidence that reflects the potential and stability of the capital and financial sector in India.

State of Main Financial Services in India

The mutual fund sector has been a major stakeholder in the financial sector of India. The sector holds total Assets of worth 340.48 billion US dollars as Assets Under Management. Interestingly, the number of Mutual Fund Equity Portfolio also reached a high of 74.06 million as of June 2018.

The insurance industry is another booming sector in the Indian Financial Services industry. The sector, with the help of Fintech platforms, is being grown at an unprecedented growth rate. The total premium received by the industry during the financial year 2019 was 30.2 billion US dollars.

Investments in India are highly lucrative for foreign investors. The domestic stock market ranks second in the world in terms of IPO (Initial Public Offering) raised from 161 IPO's up to November 2018.

COMPONENTS OF INDIAN FINANCIAL SYSTEM



Investment in India

The foreign investment prospects for India are booming at a rapid pace. India enjoys the trust and investments of investors from all around the world. The investments by Foreign Direct Investors stood at 64.37 billion dollars during the fiscal year 2018-2019. The FDI received in the first quarter of 2019-2020 Fiscal year stood at 16.3 billion US dollars. The private equity and venture capital (PE/VC) investments reached US\$ 25.20 billion between January to October 2018.

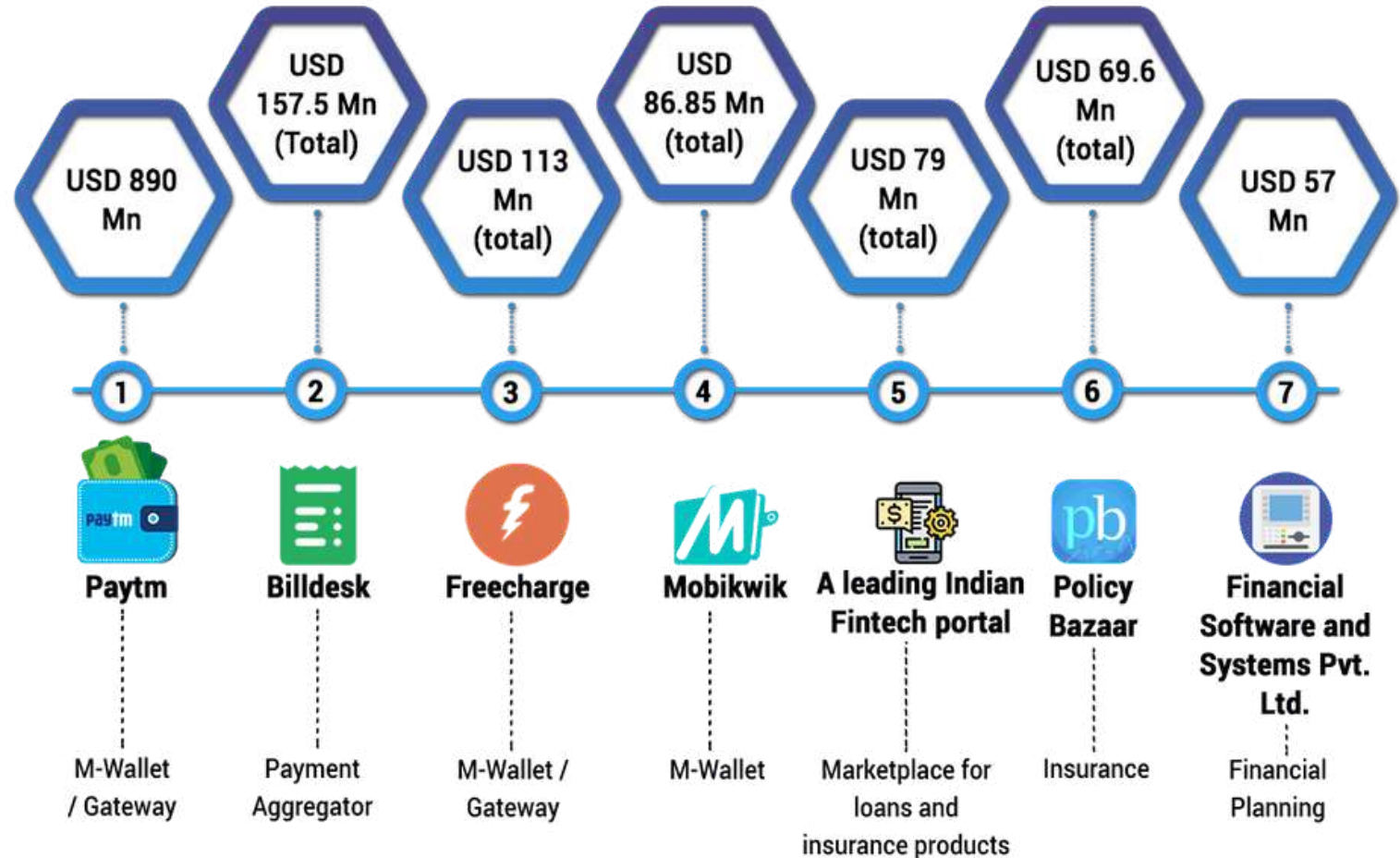
The country is receiving FDI and FPI at an unprecedented rate. During the period of April – June 2019, the FDI stood at 18.4 billion US dollars. The country is on the road to becoming a five trillion economy by 2022.

The State of Indian Fintech Market

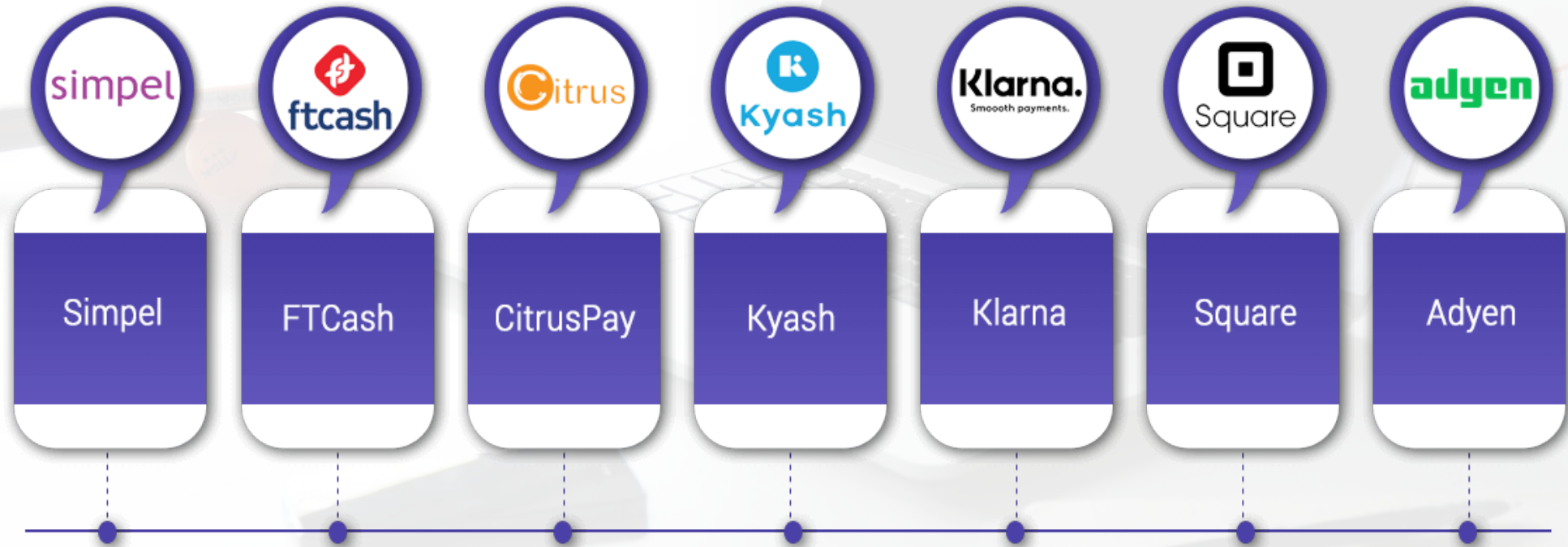
Indian Fintech adoption has risen exponentially in the last few years. India has now become the market leader in Asia for Fintech. India has beaten close competitor China in establishing its reign over the Fintech markets of Asia. India has reportedly received venture capital investment of 286 million US dollars. On the contrast, Fintech startups in China received an investment of 192.1 million US dollars during the same tenure.



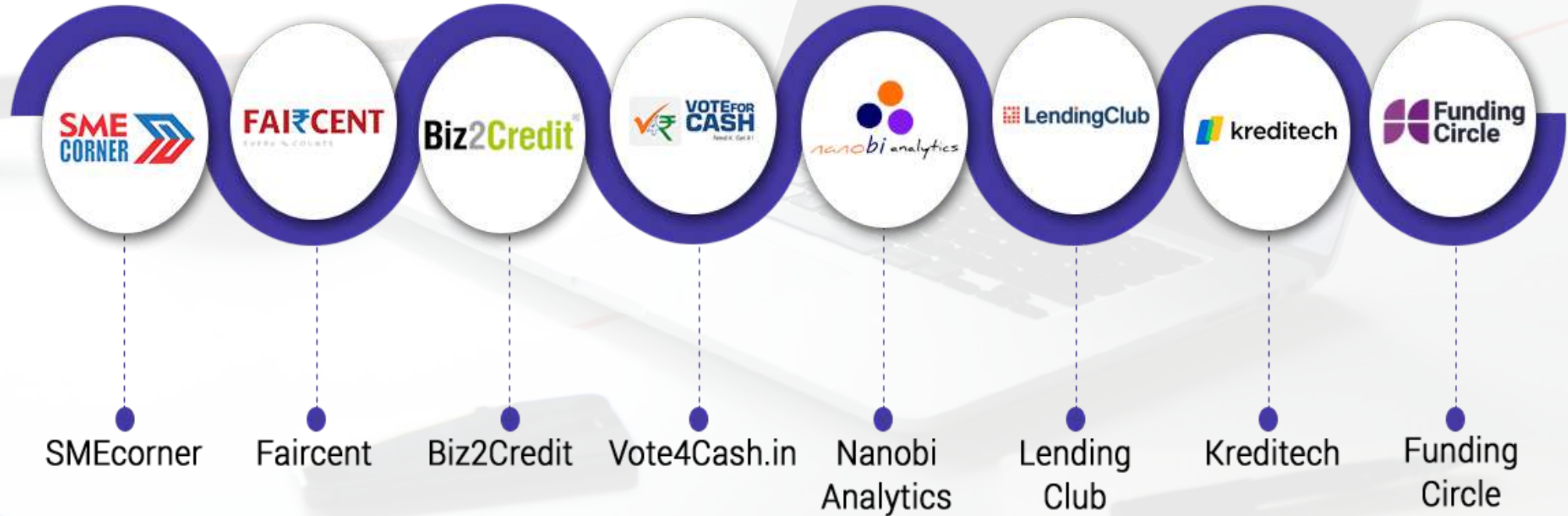
TOP FINTECH STARTUPS OF INDIA WITH TOTAL INVESTMENTS



TOP DIGITAL PAYMENT PLATFORMS OPERATING IN INDIA



TOP MARKET LENDING PLATFORMS OPERATING IN INDIA



TRENDS IN FINTECH SECTOR

52%

e-wallet that can be used for payments with different businesses

51%

Online digital only banking bank account

43%

Insurance linked smart devices for car, home and individual use

40%

Online budgeting and financial planning tools

37%

peer to peer or online short term loans as Investments

37%

Online Investment advice and Investment management

36%

Peer to peer or online short term borrowing



Chinese Fintech Investment in India

The graph of Chinese investment in India is on a vertical slide with every passing year. The statistics show the emergence of the Indian Startup Ecosystem as the first choice of Chinese investors. Chinese Venture Capitalist Investment in India has raised to roughly ten times in the last 3 years. The Chinese VC investment in India was 668 million US dollars in 2016, which raised to 3 billion US dollars in 2017 and subsequently reached the figure of 5.6 billion US dollars in the year 2018. The growth in VC funding is cited as the success of steps taken by the Indian Government to improve infrastructure and policy framework.

The prominent Chinese investors in India are Alibaba, Xiaomi, Shunwei Capital, Fosun Tencent. India, which has been the prominent choice for investment by Japan, USA, European countries are witnessing China joining the raging to top investors list.

The first Start-up India Investment Seminar was held in Beijing last year. 12 Indian startups participated in the event, out of which four secured funding to the tune of \$15 million from Chinese venture capitalists.

The most highlighted deals came from Tencent and Alibaba. The Shenzhen based company Tencent enjoys the reputation for being the most active corporate investors in China. It invested 35 million US dollar funding in Bangalore based digital banking company NiYO. NiYO additionally serves as the currency exchange service for outbound tourists. Additionally, the company made a 1.4 billion US dollar Investment in Indian E-commerce Giant Flipkart teaming up with Microsoft and eBay. Further, the company also made an investment of 1 billion US dollars in the ride-hailing service provider OLA. The deal was executed in partnership with Softbank.

It also invested an amount of 1 billion US dollars in Indian food delivery startup Swiggy along with Naspers, as South Africa based firm.

Alibaba, the largest e-commerce holding in the world, is not lagging behind in the trend for investing in India. Alibaba has invested 177 million US dollars in Indian Payments Bank entity Paytm.

Future Prospects

India has emerged as the fastest-growing major economy in the world and an attractive investment hub. The achievement has emerged as a result of constructive economic reforms and a growing customer base. The highly prospering financial sectors bloom a positive scenario for upcoming Fintech players in India. The growth projection is based on progressive infrastructural reforms and proactive government policies.

Domestic and foreign investment is on growth in Indian financial markets along with other sectors. The economy received an equity inflow of 436.35 billion US dollars through Foreign Direct Investments for the period of April 2000 to June 2019. Apart from that, the Foreign Portfolio Investment has stood 184 billion US dollars for the period of April 2002 to March 2019. Talking of Fintech, the digital payment segment is currently clocking a turnover of 64 billion US dollars. The segment is projected to reach a turnover of 135.2 billion US dollars by 2023.



INDIA IN NUMBER

Highest Fintech
adoption rate

87%



01

1.2 billion
smartphone

2nd largest
internet user

02



03

2nd highest mobile
internet penetration rate

5th largest Economy
of the world

04





***Thank
You***

For more information on Fintech Report 2019 or any other query contact Mr. Akash.

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Akash Dubey is a Law Graduate and works as an Advisor at Enterslice. He is proficient in Legal and Financial Advisory. His expertise in the skills of Legal and Financial Research is an aid to his strengths as an Advisor.