



## **FinTech: An Initiative of Shadow Banking**

**Dr. Anjali Jain, Professor Of Economics, Institute For Excellence In Higher Education , Bhopal.**

**Dr. Runa Paul , lecturer, Carmel Convent Sr. Sec School, Ratanpur Bhopal.**

### **ABSTRACT**

Technology is continuously playing a major role in all facets of life, it is also revolutionizing the financial arena and is now providing plethora of softwares which is amalgamating technology in financial sector and thereby replacing the traditional banking system. In the world of shadow banking FinTech or Financial Technology is an upcoming industry serving both consumers and industry. It is a technology that provides automated and improved financial transactions. It has great prospectus in the coming years and it is estimated that this market is going to grow in leaps and bounds. It provides automated and improved financial services such as mobile payments, internet banking facilities etc. It has brought financial inclusion in the present economy. Fintech is now propelling many startups too and thereby increasing employment opportunities also. It aims at providing easy and quick financial services to the consumers without any hazzle. Fintech has broad application, makes the financial sector more faster, safer, efficient and it is providing facilities starting with loan, stock and credit options. India has the highest Fintech adoption rate globally. Overall transaction value in the Indian Fintech market is estimated to jump from approximately 65 billion dollars in 2019 to 140 billion dollars by 2023. The objectives of the present paper are to state the importance and future prospectus of this industry. The paper has been bifurcated into three sections, section one states the introduction of the topic, section two highlights the importance of the growing industry and section three concludes the study along with suggestions for the future growth of this industry.

**Key words:** Fin Tech, Inclusion, Employment opportunities, Financial Services, Market, Softwares

## I. Introduction

Technology has no boundation ,over the years, it has been crossing the frontiers and reaching the world of zero gravity. In the world of shadow banking FinTech or Financial Technology is an upcoming industry serving both consumers and industry. It is a technology that provides automated and improved financial transactions. It has great prospectus in the coming years and it is estimated that this market is going to grow in leaps and bounds. It provides automated and improved financial services such as mobile payments, internet banking facilities etc. It has brought financial inclusion in the present economy. Fintech is now propelling many startups too and thereby increasing employment opportunities also. It aims at providing easy and quick financial services to the consumers without any hazzle. Gone are the days when the consumers had to stand in long queues for transfer of money from one account to another, withdrawing money, availing loans fin tech is bringing the facilities at their doorsteps.

## II. Fintech's Initiative for a Stronger and Smarter India

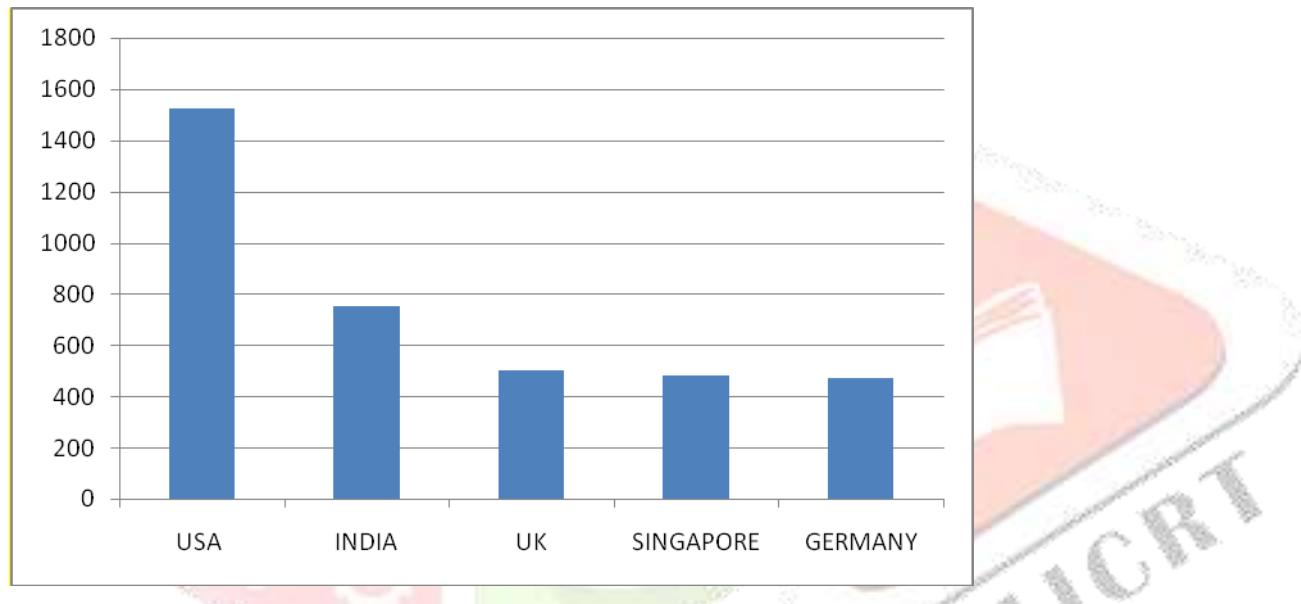


Fin tech is making the Indian financial sector more advance, organized and inclusive. The number of Fin tech company in India is growing over the years. India has experienced the emergence of numerous FinTech startups, accelerators and incubators over the last few years. India has everything going for it to establish itself as a global FinTech hub. With a large market of underserved/unserved customers, increasing mobile penetration, favourable demographics, an active start-up ecosystem and a large technology talent pool, India has a potent opportunity that is waiting to be seized in the FinTech space.<sup>1</sup> As per Investopedia Fintech companies are the ones who use specialized software, algorithms to help businesses and consumers manage their financial operations and investments more efficiently. Fintech sector in India has seen a rapid growth of fintech companies over the past 5 years with its market size projected to grow to 2.4 billion dollars in 2020 from 1.2 billion dollars in 2014.

Overall investments in Fintech companies stood at roughly 2 billion dollars in 2018, the number of deals increased to 132 in 2018 from 103 in 2017.<sup>2</sup> India has achieved the second spot globally with largest number of financial technology (fintech) startups. The first spot was booked by the United States leading the list. With a total of over 2,000 fintech startups, 42 per cent of them are concentrated in Bengaluru and Mumbai followed by New Delhi, Gurugram and Hyderabad. Among all fintech startups, the ones who had maximum share were payment companies, lending, insurance and personal finance management startups .Some significant names that have made an impact include Paytm, MobiKwik, Policy Bazaar, PhonePe, PayU, Kissht, Shubh Loans, Lending Kart and Faircent. There has been three-fold growth in the number of fintech startups during 2015-18. <sup>3</sup>India has world's second biggest fintech hub with 2,565 startups operating currently, there were only 737 in 2014. India's largest share from fintech startups is through 'payments' and is followed by lending, wealth tech, personal finance, insurtech, regtech and others.<sup>4</sup>

The resurgence of FinTech in India can be largely attributed to several factors such as the government's pro-digitization and pro-startup initiative (Startup India program). In the past couple of years, India's economic and business environment has shown great acceptance and potential for a FinTech revolution. There is a huge top-down push from the government for the adoption of digital payments. The demonetization in November 2016 was the focal point around which Paytm and other players gained prominence. In the last few years, there have been several exciting innovations in this space, such as UPI, Aadhaar for eKYC, BharatQR for QR-based payments, biometric payments, e-wallets by 50+ banks, payment banks & sound-wave-based payments for rural engagements, and last-mile connectivity. These innovations highlight the fact that India is carving out a niche for itself in low-cost, large-value, FinTech-driven innovation that is focused on urban and rural segments alike.<sup>5</sup>

Figure 1: Showing The Countries Where New Fin Tech Start-Ups Were Founded (2015-2018)



In the above it is very well seen that between 2015 to 2018 USA had the maximum start-ups in Fin Tech followed by India, UK, Singapore and Germany. In India the Fin Tech hubs are in Mumbai, Bangalore, Hyderabad, New Delhi, Gurugram.<sup>5</sup>

Digital payments value of \$65 bn in **2019** is expected to grow at a Compounded Annual Growth Rate (CAGR) of 20% till 2023. The overall transaction value in the Indian FinTech market is estimated to jump from approximately \$65 bn in 2019 to \$140 bn in 2023.<sup>6</sup> Among the leading fintech companies that are performing well in India are Paypal, PhonePe, Paytm, Google Pay. Trading companies like Share Khan and Money Control too have a large presence in the market. Insurance companies like Policy Bazaar can also be included in this list.<sup>7</sup>

### III. Conclusion

Thus, Fintech has a bright future in India. It will not only enhance employment opportunities in India but will also promote growth and development in the India economy. In the coming years this industry will bloom and provide avenues for growth in banking, financial, insurance sectors too. AgriTech, Health Tech, Prop Tech are now cropping up with the help of Fin Tech to promote consumer centric services. US has been the AgriTech hub in terms of funding volumes, however, the focus is now shifting towards Israel, China, and India. The growing AgriTech market presents plenty opportunities in India but it is yet to witness funding and partnerships at scale.<sup>5</sup>The traditional banking system will be over taken by this system in the coming years, phone pay , google pay etc will pay out ways to make the financial sector work easy and efficient.

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