

**Fintech for Indian Financial Inclusion 2020****Bramarambica Devi K. M.**

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**SUMMARY**

Fintech the service procedure with automation touch. It's one of the driving force of many Asian economies from last 5 years. Not only Asian economy or Indian economy but the global attention towards fintech explains the significance of this not so new system. Indian government being instrumental with effective implementation of fintech has been fruitful and made the transactions crystal clear to a considerable extent from 2014 onwards. All are many industries has been benefited from this innovation which is reflected in factual elements of growth. Therefore fintech has been a fantastic partner for largest economies like India in 2020.

**INTRODUCTION**

The word fintech can be defined as a super blend of finance and technology. If this has to be explained through an equation then  $\text{fintech} = \text{finance} + \text{technology}$  or the other way financial services through technological support. Fintech is one such support through which all the financial services and processes can be automated. The examples of such automated services are mobile banking, investment applications, crypto currencies and also certain insurance services. The segment of fintech in any financial system is growing in leaps and bounds as it is the most prevalent edge to compete with the global innovations and experiments, at the same time it's proven to be the most customer likely segment of all the financial systems across the globe. Fintech is one such technological innovations in the recent decades the adoption and acquisition of which make the entire financial system to witness an excellent innovative oriented growth rate. Therefore many nations especially South Asian nations are getting the support and partnership with fintech trends in order to tackle the cons of their financial system like lagging processes to money laundering.

**Fintech**

It is not only an amalgamation of technological inventions with financial products but it also encompasses various dimensions like artificial intelligence, block chain and data science. Though these dimensions are not closely related or similar but they perform as an intern link to manage all the complications and regulatory concerns. We can see a very fastest growth of fintech innovations in credit scoring and stock trading segments of any financial system. Fintech adoption strategies maybe innovative but the entire concept of fintech isn't a new technology but it is something which is getting evolved quickly with the rapport of all the growing economies. The one example which shows us that fintech already existed a decades ago or at the initial stage of any financial system is that credit card operations which is entirely a virtual process like the fintech in recent years. To improve the efficiency of fintech, enterprises are now extending the extent of products or services by including machine learning algorithms to credit risk and credit rating to hedging. We can also name other variant of fintech that is 'regtech' which is included to make it more effective.

The global trends of 2020 which conveys the importance of fintech are as follows:

- Decentralization of global payments
- Robotic based trading settlements
- Block chain algorithms and machine learning
- Credit reporting

The Indian fintech industry has grown from 1.2 billion dollars to 2.4 billion dollars in 2020 amidst the shackles of pandemic. However may be the catastrophic effects of pandemic fintech industry rise at the rate of 42 % during last quarter of 2020. Indian fintech market is the world's fastest growing market with the highest adoption rate of 87% whereas it is 64% partnership rate globally. Certain policies which were implemented with the objective of reforming the economy and financial system like demonetization, Jan dhan yojana, aadhaar and unified payment interface that is UPI has brought higher growth rate than expected. Indian fintech market has got the capability of CAGR of 22.7 % for the five years period of 2020 to 2025. Like the highest potential, there has to be certain impediments for any growth. Similarly Indian fintech market has also got certain threats like the threat of cyber security, threat of certain entry barriers with high legal proceedings, threat of intimidating effects

of revolutionary policies, threat to certain sectors where technological up gradation seems less cost effective, etc. Therefore if these obstacles are addressed then without any doubt Indian fintech will be the super gigantic and ingenious financial system of the globe.

#### **Five trends of Indian fintech 2020 are:**

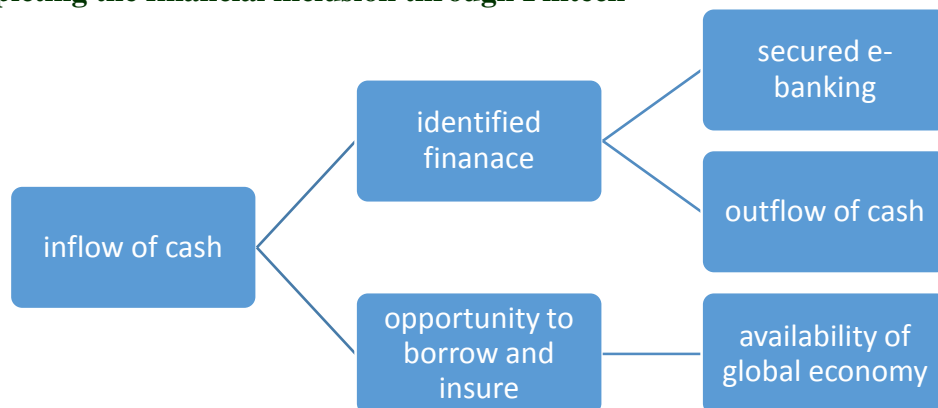
- Increased Virtual payments
- Developed consumer learning and communication
- And plan of action with several services
- Focalized and directive principles
- Fruitful experiments of digital infrastructure

Each industry has adopted in tech within objective of amplifying their operational effectiveness. Few examples of various industries where many competitive advantages are magnified through fintech are as follows:

- Banking- technical based mobile banking to neobanks many various experiments have been undertaken by the industry the fundamental support of fintech. New banks are not a much familiar concept in India but mobile banking has become the first option of any Indian consumer of the industry.
- Crypto currency- on a broader perspective cryptocurrency and block chain or any other algorithms seems to be varied operations with varied objectives but they are complementary to each other who worked towards building an effective financial system.
- Investment applications- this virtual options helps the investors to overcome the barriers for their investment and to look for the different approaches which are not addressed otherwise.
- Trading- formulation of various strategies to enhance the returns through prediction is possible because of the massive data available on fintech applications.
- Payments- already in India we are experiencing the ease of payments by treating fintech as our daily transactional partner which is one of the most significant advantage of fintech.
- Lending- Through fintech lending now is not a procedure with high risk but more transparent procedure. From loan requisition to loan reporting is possible at our fingertips because of fintech.
- Insurance- the support of software has grown so much that there is no necessity of any adviser or any middleman rather we can plan our own insurance policies and packages with customized returns to fulfill our visions.

Financial inclusion refers to building greater opportunities for the greater accessibility e to the financial services or products and funds. It is a concept which is only confined to unbanked and under banked but that's not the case rather it is related to providing less costlier, less time consuming and proper size of funds are financial products and services to the consumers. Financial inclusion can be defined as an action plan for channelizing the funds towards appropriate usage by creating or building a qualified infrastructure along with educating the consumers to attain certain social objectives over a certain period of time but not just creating the opportunities for accessibility. The major obstacle for Indian financial inclusion is microfinance which makes people to turn their back towards structured financial options and also this microfinance give rise to induced entrepreneurs who aren't operating with any clear objectives which in turn make the funds unfruitful. In the last one decade more than 50 countries are allocating greater funds of their earnings towards enhancing the effectiveness of financial inclusion. To regulate the misallocations if any there is also a standard setting bodies formed who operate on global stage. The concept or the idea of financial inclusion was notified by the Indian government in 1950, it was the recommendation of the then financial committee. But the actual implementation of financial inclusion can be seen at the nationalization stage of banks during 1960 and 70s. There was also other vision along with nationalization in 1975 with an aim of rural development which was put into action through the establishment of regional rural banks. 2004 the Khan commission recommended the good need of financial inclusion principles. After this through the continuous R&D and collaborative efforts Pondicherry became the first city in which all the households have got bank accounts and along with this Himachal Pradesh and Kerala has got 100% banking accessibility. There is also a plan of attaining 600 million bank accounts by 2025 in India.

### Flow chart depicting the financial inclusion through Fintech



The potential and progressive financial inclusion of India through fintech can be analyzed with the help of certain factual events and elements, which are discussed below:

- Out of 100 India's score in financial inclusion is 42.8, nearly 43
- Agricultural credit accounts have been increased in last 6 years by nearly 12%
- Out of 7 Indians won Indian have got accessibility to the bank credit account and out of two Indians one Indian have got savings account which is figured to 82.0 crore
- 5.6 % increase is witnessed in Bank branches in the year 2012 and the growth of Bank branches has increased to 8.4 % in 2013
- For every 1 lakh Indian population there are 7.9 Bank branches, this growth is only 3.5 in bottom 50 districts of India
- Out of 632 districts, 611 districts and out of 35 States, 34 districts have got highest CRISIL inclusix score. 9 States have got hundred percent CRISIL inclusix score.
- 703 million people in India have got accessibility to the banking services which grows by 40% from 2009
- The Indian financial inclusive sector is growing @ 7% CAGR from 2014 with the assistance of fintech and this progression continues with the pros of teledensity.
- Top 3 Indian states with exceptional financial inclusion are Kerala Andhra Pradesh and Himachal Pradesh whereas Walton three states are West Bengal Assam and Bihar.

As we have seen certain potentialities of Indian financial inclusion there are also challenges exist:

- Income asymmetry unexpected expenses
- Far off earning payments

Financial inclusion or the innovations of fintech cannot be a powerful weapon to effectively tackle the global competition, if it is concentrated or directed towards economic growth only rather it should be channelized towards sustainable development growth too. For this we need to to work towards certain sustainable development goals such as zero poverty, zero hunger and shelter less, zero gender inequality and zero ill health and unhappiness.

### CONCLUSION

Fintech has been a great partner for implementing effective financial inclusive framework in India from past five to six years and has shown more than expected acceptance level from Indian consumers because of its user-friendly and most convenient technological innovations but it on the other considerable note due to failure of addressing some fundamental issues like geographical asymmetry, lack of adequate IT infrastructure and tedious banking procedures the rate of progression is undermined. In the current scenario of fintech players are channelizing there efforts towards the India which has got comparatively higher earnings segments but some players have begun to visualize their efforts towards much marginalized Indian status. In future a lot of Indian fintech startups are expected to shift their jobs or goals towards less focused segment of the market. To make

India an excellent stage for financial inclusion via fintech, Indian players or the foreign players has to give their complete attention towards the status of of 1.3 trillion dollar GDP 1K dollar per capita and 1.126 billion population. Whatever may be the statistical are the sustainable facts convey we cannot deny that fintech has made our transactional lives easier, secured and quicker.

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