

ANALYSIS OF TRENDS AND SEGMENTS OF FINTECH IN INDIA

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ABSTRACT

The Financial Services industry has undergone significant disruption from FinTech over the past decade, driven by advancements in automation, data science, AI/ML, smartphones, and telecommunications. FinTechs are reshaping the sector by usurping traditional business models and collaborating with established institutions to expand market reach. In India, FinTech encompasses diverse segments, including PayTech, LendTech, InsurTech, WealthTech, and RegTech, each leveraging technology to enhance services such as payments, lending, insurance, wealth management, and regulatory compliance. The rapid growth and innovation in these areas reflect the industry's shift towards digital-native solutions and collaborative advancements.

KEYWORDS: FinTech, Trends, Segments, Growth.

Introduction

The Financial Services industry has undergone significant disruption from FinTech over the past decade. This transformation is fueled by advancements in technologies such as automation, data science, AI/ML, smartphones, and telecommunications. These innovations are not only challenging traditional financial institutions but are also fostering collaborations that expand market opportunities. FinTech players are reshaping the industry by both capturing market share from established players and working with them to explore new avenues for growth.

In the global financial services arena, FinTech has emerged as a central force, driven by enhanced computing power, widespread internet access, and faster internet speeds. These factors have enabled FinTech solutions and startups to penetrate markets on a global scale rapidly. The sector's growth is also supported by increasing demand for inclusive financial services, heightened customer expectations, and the need for cost reduction while delivering faster, safer, and more reliable services.

The Indian FinTech market, in particular, represents a dynamic ecosystem of entrepreneurs, traditional institutions, BigTech companies, and regulatory bodies collaborating to drive growth. Segments like WealthTech and InsurTech, which had previously seen limited traction, are now gaining momentum as startups secure regulatory licenses. Emerging areas such as cryptocurrency and blockchain are cautiously evolving as they await clearer regulatory guidelines. The payments sector

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remains vibrant, with continued growth in fundraising and revenue. Additionally, many entrepreneurs are advancing their FinTech startups toward maturity with plans for initial public offerings (IPOs).

The landscape of FinTech services is rapidly evolving, with real-time payments, faster loan disbursements, investment advisory, transparent insurance solutions, and peer-to-peer lending becoming integral parts of the digital-native FinTech environment. Traditional financial services, including insurance, personal finance, and gold lending, are also increasingly being integrated into this innovative sector. FinTechs in India can be broadly categorised into:

- **PayTech:** In the PayTech segment, consumer-focused services include third-party application providers (TPAP), prepaid cards/wallets, bill payments, QR code payments, payment aggregators, and point-of-sale (POS) systems. For businesses, PayTech offers corporate cards, B2B payments, and invoice payments. Fintech innovations in this space involve payment gateways, card networks, application programming interfaces (APIs) or white-label solutions, and enhanced payment security.
- **LendTech:** The LendTech segment caters to consumers with services such as Buy Now Pay Later (BNPL), personal loans, salary loans, gold loans, auto loans, education loans, and peer-to-peer (P2P) lending. For businesses, it includes corporate cards, fixed-term finance, and trade finance. Fintech solutions enhance this segment with collections management, credit bureau integration, alternative credit scoring, lending-as-a-service, as well as loan origination systems (LOS) and loan management systems (LMS).
- **InsurTech:** InsurTech leverages technology to provide services like insurance comparison platforms, digital insurers, electronic insurance policies, and employee insurance. Fintech applications in this field include claims management, sales platforms, underwriting risk management, insurance infrastructure APIs, insurance product configurators, and policy administration systems.
- **WealthTech:** In the WealthTech segment, technology supports wealth and expense management through services such as robo-advisors, discount brokers, mutual fund investment platforms, research tools, and alternative investment platforms. Fintech contributions here include white-label robo-advisors, portfolio management suites, and CapTable management solutions.
- **RegulationTech:** Regulation Tech focuses on utilizing technology to meet compliance and regulatory requirements in the financial sector. This includes services for Know Your Customer (KYC), digital onboarding, fraud detection, anti-money laundering (AML), as well as banking compliance and risk management solutions.

Review of Literature

Rajeshwari, Vijai (2021) in their paper titled "Fintech Industry in India: The Revolutionized Finance Sector" provided an overview of the Indian Finance Industry, and the government supporting initiatives on fintech industry, their performance in today's scenario. Fintech is offering consumers faster financial services and products. Therefore, the development of fintech industry is necessary for both global and Indian financial sector. Sudhir (2020), attempted to identify globally emerging fintech trends. The qualitative research methodology was used relying on review of literature, discussions with professionals and researchers. The emerging trends include IMF focus on leveraging fintech for cross border payments using distributed ledger technology. Augmented reality for customer satisfaction, Digital insurance, Digital invoicing, Crowd funding, Crowd investing, Robotics investment advisory, future relationship between banks and fintech firms, Central bank regulatory role. Kedar (2019), in the research paper "Growth of Digital Payment System in India" elaborated on the driving force, growth and impact of fintech in digital payment gateways. This paper also provides an understanding the prominent digital modes in the development of cashless, transparent logistics. Priya, Anusha (2019) ⁽⁴⁾, in their article "Fintech Issues and Challenges in India" focused on basic types of financial technologies and their functions and also discussed the opportunities and challenges it has in the Indian business environment. Rajesh, Vagnish, Somraj (2019) ⁽⁵⁾, studied trend of digital transactions and the road ahead to increased digital transactions in their paper titled "Digital Financial Services in India-An Analysis of Trends in Digital Payments". They found that with a favourable regulatory environment, Digital Financial Services (DFS) have seen unprecedented growth in the past few years. Tamilarasa & Cheriyan (2019) ⁽¹⁾ in their paper "

Are we Nodding for a Fintech Revolution? A study on the Indian Scenario studied about the fintech revolution which is on going in India at present. This paper is a descriptive paper which studied about the fintech revolution, fintech start-ups, the driving forces behind the development of fintech and the technologies used. Vinay & Rajat (2019) attempted to study the role of fintech and digital financial services. In India in financial inclusions with the progress of Indian economy, there must be an attempt to include the maximum number of participants from all the sectors of the society. The lack of awareness and financial literacy among rural population is hindering the growth of the economy. This study examined the future prospects of fintech towards financial inclusions and the issues affecting fintech in India. It further studied the incentives, policies and regulation fostering financial inclusion. Smrity, Radhakumari (2017) in their research study titled "Fintech Revolution: A Step Towards Digitization of Payment" focused on learning about digitization of payments in India and its importance in the current economic scenario. The study focused on three major fintech companies in the country. As a part of the study, existing literature was reviewed, which helped in identifying the research areas for assessing the performance and contribution of these concepts to the growth of the economy. EY's Winds of Change Report (2021), studied the Trends shaping India's FinTech sector. The insights in this report are based on experiences of looking closely at the FinTech industry over the past few years and working with incumbents as well as new players on their business and tech strategy. The report captures funding, business models and consumer trends across different FinTech segments to craft a holistic view of where we think the industry is headed. KPMG's Fintech in India- Powering Mobile Payments (2019) aims to offer a thorough view of the global mobile payments ecosystem and themes, thereby drawing key learnings, addressing opportunities and challenges for the mobile payment ecosystem to propel this vibrant and valued sector. PWC Report - Redrawing the lines FinTech's growing influence on financial services (2017) assesses the continued rise of new business models and emerging technologies in the financial services sector. This analysis is based on a nationwide survey of 45 Indian financial services and FinTech executives, mapped against a global survey of 1,308 participants from 71 countries, and also includes insights and proprietary data from PwC's DeNovo platform.

Statement of the Problem

It is apparent from the literature studies on FinTech, that there is a lack of consolidated study on FinTech Segments and the factors driving the FinTech Revolution in India. Through this study, the different FinTech Segments and the factors responsible for the growth of Fintech in India is to be understood.

Research Questions

The study addresses the emerging questions regarding the FinTech such as,

- What are the various FinTech Segments operating and functioning in India?
- What are the recent trends that are driving the FinTech Revolution in India?

Objectives of the Study

- To identify and analyse the different fintech segments in India
- To study the major trends driving the fintech revolution in India

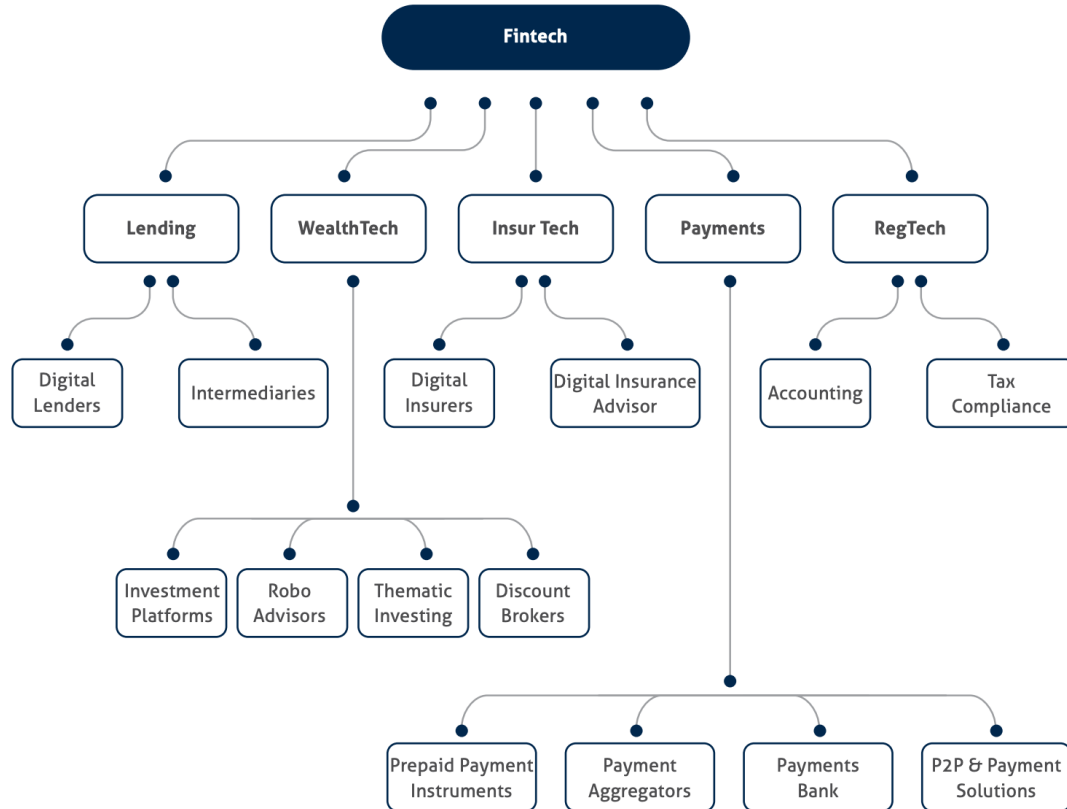
Research Methodology

The study is based on secondary data. The Secondary data is gathered from the different Journals, reports, articles and web sites.

Objective wise Discussion

- To identify and analyse the different fintech segments in India

Data Analysis and Interpretation



Source : FinTech Industry in India by RSBA Advisors

Paytech

PayTech, a subset of financial technology (FinTech), encompasses technologies used in payment systems, such as QR codes for bus fares or mobile phone taps for card transactions. It includes payment service providers, card networks, electronic money institutions, issuing and acquiring banks, and payment gateways. As consumer expectations shift towards seamless, secure, and rapid payment experiences, PayTech innovations like digital wallets, super apps, account-to-account (A2A) payments, and digital currencies are reshaping the industry. In India, digital payments have gained momentum with significant investments, driven by innovations such as UPI, biometric payments, and e-wallets. Enhancements like reduced merchant discount rates, NFC payments, and UPI 2.0 features are accelerating digital payment adoption.

Digital Payments- India Growth Story

Digital payments are experiencing rapid growth across India, with PayTech companies comprising 25% of the FinTech sector, valued at over \$2.17 trillion. The surge in digital payments and digital wallets was sparked by demonetization and continues to dominate the payment landscape in the country. Before demonetization, digital payments made up only about 10% of all transactions in India, but this has increased to over 20% in the following years. The global digital payment market is projected to reach \$361.3 billion by 2030, growing at a compound annual growth rate of 20.5%. Government initiatives aimed at promoting a cashless economy are enhancing the digital payment environment in the country. This rapid expansion in the digital payment sector is fueled by factors such as the convenience of digital transactions, widespread smartphone adoption, the emergence of non-banking payment entities like payments banks and digital wallets, supportive regulatory policies, and growing consumer acceptance of digital payment methods. Furthermore, favorable policy changes and government efforts are also significant contributors to this growth.

Value of Digital Payments in India

Year	Value of Digital Payments USD Billion	Trend
2020	107.72	100
2021	153.75	142.03
2022	184.08	170.89
2023	216.18	200.68

Source: Statista

The value of digital payments has consistently increased from 2020 to 2023, showcasing significant growth in the sector. Starting at \$107.72 billion in 2020, the value surged to \$153.75 billion in 2021, marking a notable 42.7% rise. This growth continued into 2022, reaching \$184.08 billion, though the rate of increase slowed to 19.7%. In 2023, the value further expanded to \$216.18 billion, with a growth rate of 17.4%. While the annual growth rates are gradually moderating, the overall trend underscores a strong and steady expansion in digital payments, reflecting the sector's growing integration into everyday financial activities despite the stabilizing growth pace.

Volume of Digital Payments in India

Year	Volume of Digital Payments in MN	Trend
2016	2.65	100
2017	429.15	161.94
2018	3746.32	1413.70
2019	10787.54	4070.77
2020	18880.89	7124.86
2021	38744.55	14620.58
2022	74044.48	27941.31
2023	83751.14	31604.20

Source: Statista

The volume of digital payments in India has experienced dramatic growth from 2016 to 2023. Beginning at just 2.65 million transactions in 2016, the volume skyrocketed to 429.15 million in 2017, marking a staggering 16,194% increase. The growth trajectory accelerated further, reaching 3,746.32 million in 2018 and 10,787.54 million in 2019. The pandemic year of 2020 saw a substantial jump to 18,880.89 million, and this momentum continued into 2021 with a volume of 38,744.55 million. In 2022, the volume surged to 74,044.48 million, and by 2023, it had risen to 83,751.14 million. This data highlights an extraordinary and consistent expansion in digital payments, driven by increased adoption and the growing digital infrastructure, reflecting an ongoing and robust shift towards digital transaction methods in India.

Overall, the data illustrates a remarkable evolution in digital payment adoption in India, driven by technological advancements, changing consumer preferences, and efforts to promote a cashless economy. This transformation not only enhances convenience and efficiency but also contributes significantly to financial inclusion and economic growth.

In financial year 2023, almost 114 billion digital payments were recorded across India. This was a significant increase compared to the previous three years.

Variety of Digital Payments

The total value of digital payments encompasses large-scale interbank transactions like Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT), as well as consumer transactions through credit and debit cards. India's mobile payment platform, the Unified Payments Interface (UPI), has seen significant growth in both transaction volume and value since its inception in 2015.

Unified Payments Interface (UPI)

The Payments sector is a key driver in the shift towards a cashless economy. By 2030, transaction volumes in the Payments ecosystem are expected to reach a monumental \$100 trillion, generating \$50 billion in revenue. This rapid growth is largely due to the widespread use of digital payment platforms, particularly the Unified Payments Interface (UPI). In the fiscal year 2022-23, digital transactions surpassed 13 crore, highlighting the increasing preference for digital payment methods.

The evolution of UPI (Unified Payments Interface) has been remarkable. Introduced by the National Payments Corporation of India (NPCI) in 2016, UPI has experienced substantial growth in India. Starting with just 1 million transactions in 2016, UPI has now surpassed the milestone of 10 billion transactions, fundamentally transforming digital transactions.

Volume of UPI Transactions

Year	Volume of UPI Transactions (in Lakh Crores)	Trend
2017	1	100
2018	6	600
2019	18	1800
2020	34	3400
2021	72	7200
2022	126	12600

Source: NPCI

The volume of UPI (Unified Payments Interface) transactions has surged significantly from 2017 to 2022. Starting at just 1 lakh crore in 2017, the volume grew to 6 lakh crores in 2018, reflecting a remarkable 600% increase. This rapid expansion continued with transactions reaching 18 lakh crores in 2019 and 34 lakh crores in 2020, further accelerating during the pandemic. By 2021, the volume had jumped to 72 lakh crores, and in 2022, it soared to 126 lakh crores. This exponential growth illustrates the widespread adoption and increasing reliance on UPI for digital payments, driven by its convenience and accessibility.

Overall, the data illustrates the phenomenal rise of UPI transactions in India, driven by its convenience, speed, and accessibility. The growth not only signifies a shift towards digital payments but also contributes significantly to financial inclusion and the evolution of India's digital economy.

Lendtech

LendTech also known as LendingTech—provides innovative digital lending solutions to both consumers and businesses by leveraging advanced technologies and alternative data sources. These companies use online platforms to reach individuals who may lack access to traditional banking services, particularly those in remote or underserved areas. By employing algorithms and data analytics, LendTech firms can assess creditworthiness more quickly and offer customized financial products tailored to individual needs.

Digital lending, a core aspect of LendTech, involves providing loans and credit services through online platforms. This method utilizes digital technologies and data analytics to evaluate borrowers' creditworthiness, allowing for rapid approval and disbursement of funds. As digital connectivity and the culture of digital finance expand, digital lending is becoming increasingly popular. It simplifies the loan process by reducing the need for traditional procedures, such as detailed credit assessments and extensive paperwork.

In India, LendTech startups have two primary pathways for operating in the lending sector:

- **Direct Lending:** This involves obtaining a license from the Reserve Bank of India (RBI) as a regulated entity (RE), such as a bank or Non-Banking Financial Company (NBFC). This route requires meeting specific criteria set for different types of REs.
- **Indirect Lending:** Startups can also partner with an existing RE, functioning as a third-party service provider (LSP) or digital lending application (DLA). In this model, they offer services such as customer acquisition, verification, and credit scoring, without directly issuing loans.

Digital Lending in India

Year	Digital Lending (\$ Billion)	Trend
2020	150	100
2021	200	133.33
2022	270	180
2023	300	200

Source: DECENTRO

Digital lending in India has shown robust growth from 2020 to 2023. Beginning at \$150 billion in 2020, the sector saw a substantial increase to \$200 billion in 2021, marking a 33.33% rise. The expansion continued into 2022, with the volume reaching \$270 billion, reflecting a significant 35% growth.

By 2023, digital lending further surged to \$300 billion, an additional 11.1% increase from the previous year. This steady upward trajectory highlights the growing acceptance and integration of digital lending solutions in India, driven by advancements in technology and increasing consumer demand for convenient and accessible financial services. Overall, the data illustrates a rapid evolution and adoption of digital lending solutions globally, driven by technological advancements and changing consumer behaviors. The increasing volume of digital lending not only enhances convenience and efficiency in borrowing but also contributes to economic growth by expanding access to credit for a broader segment of the population. Digitization has revolutionized India's traditional lending system, bridging the gap between innovative technologies and financial services. This evolution has led to a completely online lending and borrowing process, making it paperless and more efficient. Fintechs have integrated modern technology with financial services, simplifying the process for lenders and borrowers to transact money. These elements and an increasing demand for fast, small-scale loans have contributed to the emergence of digital lending platforms. India's digital consumer lending market alone is expected to exceed \$720 billion by 2030, accounting for almost 55% of the country's total digital lending market, estimated to be over \$1.3 trillion.

Disbursal Amount

Year	Disbursal Amount (Amt in \$ Billion)	Trend
2020	150	100
2021	200	133.33
2022	270	180
2023	350	233.33

Source: Experian: Fintech led digital lending Report

The disbursal amount for loans has demonstrated consistent growth from 2020 to 2023. Starting at \$150 billion in 2020, the disbursal amount increased to \$200 billion in 2021, reflecting a 33.33% rise. This growth trend continued into 2022, with the amount reaching \$270 billion, representing a 35% increase. By 2023, the disbursal amount surged to \$350 billion, marking a substantial 29.63% rise from the previous year. This steady upward trend indicates a robust expansion in lending activities, driven by growing demand for financial products and enhanced digital infrastructure facilitating larger and more frequent loan disbursements. Overall, the data underscores the dynamic expansion of digital disbursements in the financial sector, driven by technological innovation and changing consumer preferences for convenient and efficient lending solutions. This trend not only supports economic growth by facilitating access to capital but also fosters a more inclusive financial landscape globally.

Wealth Tech

WealthTech, or Wealth Technology, is a specialized segment of fintech that leverages advanced technologies like artificial intelligence (AI), machine learning (ML), big data, and advanced analytics to offer more efficient and effective investment solutions. These technologies enhance tools for both wealth managers and individual investors, streamlining investment processes and improving accessibility. In India, notable WealthTech innovations include Robo-Advisors that provide automated financial guidance, digital brokerage platforms offering direct market access, and portfolio management tools that centralize investment tracking. Additionally, B2B Software Services within WealthTech deliver tailored technology solutions to wealth management firms, enabling them to implement sophisticated financial strategies and boost sector efficiency and inclusivity.

The rapid expansion of WealthTech is driven by several factors: firstly, millennials are increasingly engaging in equity markets, leading to significant inflows into mutual funds and direct equities. Secondly, there has been a general shift towards equities investing due to favorable tax policies and government incentives, moving away from traditional investments like gold and real estate. Lastly, the rise of discount broking models has attracted a new generation of investors with their lower costs and customizable trading interfaces, making investing more accessible and appealing.

Asset under Management (AUM) under Robo Advisory

Year	AUM (in \$ MN)	Users (in 000s)
2017	1299	1675.1
2018	2927	3370.5
2019	5517	5786.3
2020	8750	8884.7

2021	14026	12593.4
2022	21075	16900.7
2023	30338	21814.1

Source : FinTech Industry in India by RSBA Advisors

The assets under management (AUM) for robo-advisory services have experienced substantial growth from 2017 to 2023. Starting with \$1.3 billion in 2017, AUM nearly tripled to \$2.9 billion in 2018, and then surged to \$5.5 billion in 2019. By 2020, AUM had grown to \$8.8 billion, and this upward trend continued robustly, reaching \$14 billion in 2021. In 2022, AUM jumped to \$21.1 billion, and by 2023, it soared to \$30.3 billion. Concurrently, the number of users has also expanded significantly from 1.7 million in 2017 to over 21.8 million in 2023. This data underscores the growing popularity and acceptance of robo-advisory services, driven by increasing investor confidence and the scalability of digital investment platforms.

Overall, the data illustrates a flourishing market for robo advisory services, driven by technological innovation, increasing investor awareness, and the convenience offered by automated investment platforms. The consistent growth in AUM and user base underscores the growing prominence of robo advisors in democratizing access to sophisticated investment strategies and wealth management tools.

Insurtech

InsurTech, short for "insurance technology," involves the application of advanced technologies such as artificial intelligence (AI), big data analytics, blockchain, and machine learning to revolutionize the traditional insurance industry. These innovative tools are used to enhance customer experiences, streamline operational processes, and create personalized insurance products.

InsurTech is instrumental in transforming the insurance landscape by introducing greater efficiency, transparency, and accessibility. It disrupts traditional insurance models by automating processes, improving the accuracy of risk assessments, and providing customized coverage options. As a result, InsurTech meets the evolving demands and expectations of consumers, making the insurance industry more responsive and adaptive to changing needs.

Insurtech Market in India

Year	Insurtech Market in India (\$ Billion)	Trend
2021	56	100
2022	87	155.35
2023	137	244.64

Source: Inc42

The InsurTech market in India has shown significant growth from 2021 to 2023. Starting at \$56 billion in 2021, the market expanded to \$87 billion in 2022, marking a 55.35% increase. This growth trajectory continued into 2023, with the market reaching \$137 billion, reflecting a remarkable 57.47% rise from the previous year. This robust expansion highlights the increasing adoption of technology-driven insurance solutions in India, driven by innovations in digital platforms, improved customer engagement, and a growing demand for more efficient and accessible insurance services.

Overall, the data indicates a dynamic evolution of the Insurtech market in India, driven by technological advancements and changing consumer expectations. The rapid growth reflects the industry's response to digital transformation and the rising demand for personalized, tech-enabled insurance solutions across the country.

Insurtech Funding and Deal Count in India

Year	Insurtech Funding (\$ MN)	Deal Count
2014	22	2
2015	58	4
2016	16	8
2017	112	7
2018	290	8
2019	136	7
2020	308	11
2021	822	34
2022	17	5

Source: Inc42

InsurTech funding and deal activity in India have shown notable fluctuations between 2014 and 2022. In 2014, funding was modest at \$22 million with just 2 deals. This increased to \$58 million in 2015, doubling the number of deals to 4. Funding peaked in 2018 at \$290 million with 8 deals, but saw a significant drop in 2019 to \$136 million despite maintaining 7 deals. The trend reversed in 2020 with funding soaring to \$308 million and 11 deals. A substantial surge occurred in 2021, with funding reaching \$822 million and 34 deals, indicating a heightened interest and investment in InsurTech. However, 2022 saw a dramatic decline to \$17 million in funding and only 5 deals, suggesting a cooling period or shifting priorities within the market.

Overall, the data illustrates a dynamic and evolving Insurtech funding landscape characterized by fluctuating annual investments, reflecting industry maturation, technological advancements, and shifting investor sentiments towards digital disruption in insurance services. FREE REPORT

Regtech

RegTech (Regulatory Technology) refers to the application of advanced technologies to enhance the management of regulatory compliance. Although it is a relatively new field, RegTech is rapidly evolving, utilizing tools such as machine learning, natural language processing, blockchain, and artificial intelligence (AI) to revolutionize how businesses handle regulatory requirements. The core functions of RegTech include regulatory monitoring, reporting, and compliance, focusing on improving efficiency and accuracy in managing regulatory processes.

RegTech addresses challenges arising from a technology-driven economy by automating compliance-related tasks. With the rise of digital products, issues such as data breaches, cyber-attacks, and money laundering have become more prevalent. RegTech tools are designed to monitor online transactions in real-time, identifying potential issues or irregularities in the digital payment sphere. Any anomalies are flagged and reported to financial institutions, allowing for early detection and mitigation of fraudulent activities. By identifying potential threats promptly, institutions can reduce the risks and costs associated with lost funds and data breaches.

Collaboration between RegTech companies, financial institutions, and regulatory bodies is crucial. These companies leverage cloud computing and big data to facilitate secure and rapid data sharing. Cloud computing offers a cost-effective way to share information quickly and securely, enhancing the efficiency of regulatory processes.

Key characteristics of RegTech include agility, speed, integration, and advanced analytics. RegTech solutions can swiftly organize complex data sets, generate reports efficiently, and integrate solutions into existing systems rapidly. Analytics tools enable the mining of big data sets for various applications, supporting more informed decision-making and compliance.

RegTech operates across multiple areas within the financial and regulatory sectors. It automates tasks such as employee surveillance, compliance data management, fraud prevention, and maintaining audit trails. However, RegTech firms must align their goals and strategies with those of the financial institutions or regulatory authorities they collaborate with to ensure effective partnerships.

The growing demand for regulatory intelligence and the high costs of compliance, coupled with increasing penalties for non-compliance, are driving the adoption of RegTech solutions. Additionally, government initiatives, such as mandating Know Your Customer (KYC) documentation for financial transactions, are expected to further fuel market growth, creating significant opportunities for RegTech advancements.

Regtech India Funding

Year	Regtech Funding (in \$ Millions)	Trend
2018	6.9	100
2019	25.8	373.91
2020	12.9	186.96
2021	17.2	249.28
2022	44.9	650.72
2023	7.0	101.45

Source: Feed Geo Report – RegTech India

RegTech funding in India has shown a volatile but generally upward trend from 2018 to 2023. In 2018, funding was relatively modest at \$6.9 million. This amount surged dramatically to \$25.8 million in

2019, reflecting a 273.91% increase. However, the growth trend reversed in 2020 with funding dropping to \$12.9 million, though still maintaining a significant 186.96% increase from 2018 levels. The sector saw a rebound in 2021 with funding rising to \$17.2 million, representing a 249.28% increase from 2020. A substantial spike occurred in 2022, with funding reaching \$44.9 million, a remarkable 650.72% rise from the previous year. However, in 2023, funding fell sharply to \$7.0 million, a 101.45% decrease from 2022, indicating potential market corrections or shifts in investment focus.

City-Wise Regtech Funding

City	Percentage %
Bengaluru	53.1
Mumbai	33.2
Hydebarad	11.5
Chennai	0.6
Pune	0.6
Delhi	0.4
Gurgaon	0.2
Others	0.4

Source: Feed Geo Report – RegTech India

RegTech funding in India is predominantly concentrated in Bengaluru, which leads with 53.1% of the total funding, reflecting its status as a major tech and startup hub.

Mumbai follows with 33.2%, indicating a strong presence of financial institutions and tech firms. Hyderabad accounts for 11.5%, showing its growing role in the RegTech space. In contrast, other cities such as Chennai, Pune, Delhi, and Gurgaon receive a minimal share, each contributing less than 1% of the total funding. This distribution underscores Bengaluru and Mumbai's dominance in the RegTech sector, while other cities have relatively minor roles.

Objective II

To study the major trends driving the fintech revolution in India

Factors Driving the Fintech Revolution in India

- Government and Regulatory initiatives - Government support has been a key factor in accelerating the growth of the fintech industry in India, providing crucial assistance not only from a regulatory standpoint but also in terms of broadband infrastructure to increase internet access in rural areas, digital literacy, and various financial programs.

Various government initiatives such as Startup India, the Digital India program, India Stack, E-RUPI, licenses for payments banks, Jan Dhan Yojana, recognition of P2P lenders as NBFCs, the National Common Mobility Card (NMC), and regulatory sandboxes by the RBI and IRDAI for fintech have been instrumental in boosting the growth and adoption of fintech in India. Furthermore, public digital infrastructure supported by Aadhaar, UPI, and a conducive regulatory environment has facilitated technological transitions in India. Regulators such as the RBI, IRDAI, and SEBI have undertaken measures to enhance accountability and ensure secure, affordable digital financial systems.

To facilitate fintech growth in India, the government has established various mechanisms, including the Inter-Ministerial Steering Committee (IMSC) on Fintech and Joint Working Groups (JWG) on Fintech with the UK and Singapore, promoting fintech solutions, interoperability standards, and payment linkages. Additionally, the International Financial Services Centre Authority (IFSCA), established in 2020, serves as a unified authority for the development and regulation of financial products, financial services, and financial institutions in India's International Financial Services Centre (IFSC).

- Demographic opportunities- Over 65% of the Indian population is under 35 years old. Additionally, by 2030, India is expected to add 140 million middle-income and 21 million high-income households, driving the demand and growth of the Indian FinTech space. According to the World Population Review report, the median age in India is 28 years, significantly younger compared to China (38 years), Japan (48 years), and the US (38 years).
- Large unbanked population- People without an account at a financial institution or with a mobile money service provider are classified as unbanked. According to a recent World Bank report, India is among seven countries that are home to half of the world's 1.4 billion adults without access to formal banking. India still has the second-largest unbanked population globally, and

according to a recent report by the Reserve Bank of India, the country's annual Financial Inclusion Index stood at 53.9 on a scale of 100 in 2021. A significant portion of India remains outside the realm of digital finance and financial inclusion, presenting an opportunity for the growth of fintech in these areas. As of the fiscal year 2023, India's financial inclusion index was 60.1, according to the Reserve Bank of India. This marks a rise from 43.4 in 2017 to its current state, indicating improved financial inclusion. The financial inclusion index measures the extent of access to and usage of formal financial services, including banking, insurance, investments, pensions, and postal services.

Financial Inclusion Index

Year	Financial Inclusion Index
2017	43.4
2018	46
2019	49.9
2020	53.1
2021	53.9
2022	56.4
2023	60.1

Source: STATISTA

The Financial Inclusion Index has shown a steady upward trend from 2017 to 2023. Starting at 43.4 in 2017, the index has increased year over year, reaching 60.1 in 2023. This indicates a consistent and significant improvement in the accessibility and usage of financial services over these years. The growth from 43.4 to 60.1 suggests that more people are gaining access to and utilizing financial services, which reflects positively on efforts to enhance financial inclusion and bridge gaps in financial access.

Overall, the consistent rise in the Financial Inclusion Index signifies positive strides towards enhancing financial access and opportunities for individuals and businesses in India.

- Improving internet access- According to the Internet in India Report 2023, the number of active Internet users in India is projected to reaching 900 million by 2025, up from around 821 million in 2023. The report defines an active user as someone who has accessed the Internet at least once in the past month. This growth will be driven by increased adoption in rural India.

Internet users in India

Year	Internet users All India (in MN)	Internet users Urban India	Internet users Rural India	Penetration Rate
2019	574	309	264	41%
2020	622	323	299	43%
2021	692	341	351	48%
2022	759	360	399	52%
2023	821	378	442	55%

Source: Internet in India Report 2023

From 2019 to 2023, the number of internet users in India has steadily increased, reflecting broader digital adoption across the country. The total number of users grew from 574 million in 2019 to 821 million in 2023. Urban areas have seen a rise from 309 million to 378 million users, while rural areas experienced a more substantial growth, from 264 million to 442 million users.

This expansion is also evident in the penetration rate, which improved from 41% in 2019 to 55% in 2023, indicating that a greater proportion of the population is gaining internet access. This trend highlights significant progress in bridging the digital divide between urban and rural regions and suggests ongoing efforts to improve connectivity and digital infrastructure across India.

With over 821 million internet users, India is the second-largest online market in the world. In 2023, there were an estimated 442 million internet users in rural India and 378 million in urban India. This number has been increasing exponentially, setting the country on the path toward a Digital India.

- Smartphone penetration- India ranks second globally in the number of smartphone users, with 550-600 million currently. According to Deloitte's 2022 Global TMT (Technology, Media, and Entertainment, Telecom) report, this number is expected to reach one billion by 2026 with the rollout of 5G services. This would mark an increase of 250 million users from the 750 million

smartphone users among the 1.2 billion mobile subscribers in 2021. During the lockdown, the number of smartphones in rural India more than doubled, as noted in the latest Annual Survey for Education Report (ASER). In 2018, approximately 36% of households had a smartphone, which rose to 74.8% in 2022. The survey also indicated that around 88% of households now have both smartphones and internet connectivity. ASER 2021 estimated that 67.6% of households had smartphones.

- Increasing national disposable income- The Ministry of Statistics and Programme Implementation (MOSPI) reports that Disposable Personal Income in India increased to 296,383,300 INR million in 2023, up from 273,364,818.90 INR million in 2022. Historically, Disposable Personal Income in India has averaged 39,028,329.17 INR million from 1950 to 2023, with a peak of 296,383,300 INR million in 2023 and a low of 91,540 INR million in 1950.

Disposable Personal Income

Year	Disposable Personal Income (In Mn INR)	Growth in %
2012	102	100
2013	115	12.74
2014	127	10.43
2015	140	10.23
2016	156	11.43
2017	173	10.89
2018	192	10.98
2019	205	6.77
2020	201	1.95
2021	236	17.41
2022	273	15.67
2023	296	13.55

Source: Ministry of Statistics and Programme Implementation (MOSPI)

From 2012 to 2023, Disposable Personal Income in India has shown a consistent upward trend, increasing from 102 million INR in 2012 to 296 million INR in 2023. The growth rate has varied over the years, with notable spikes such as a 17.41% increase in 2021 and a 15.67% increase in 2022, reflecting periods of substantial economic improvement. However, growth slowed in 2020 to just 1.95%, likely due to the economic impact of the COVID-19 pandemic. Despite this temporary dip, the overall trend remains positive, indicating a general rise in disposable income over the decade. This progressive increase highlights a growing capacity for individuals to spend and save, contributing to economic stability and improved living standards.

Overall, the data illustrates a positive trajectory in disposable personal income in India over the years, underscoring economic growth and improving standards of living for individuals across the country.

- Evolving E-Commerce Market place- The Indian e-commerce market is projected to grow from US\$ 46.2 billion in 2020 to US\$ 188 billion by 2025, and further to US\$ 350 billion by 2030. In 2022, the market is expected to increase by 21.5%, reaching US\$ 74.8 billion. Additionally, India's e-commerce market is anticipated to reach US\$ 111 billion by 2024 and US\$ 200 billion by 2026.



Source- <https://www.ibef.org/industry/ecommerce>

- Technological advancements- The growth in the fintech sector is being driven by the implementation of new business models powered by technologies such as Artificial Intelligence and Machine Learning
- Financial inclusion initiatives- Financial inclusion programs such as PMJDY, DAY-NRLM, Direct Benefit Transfer, and Atal Pension Yojana, among others, have accelerated the digital revolution and expanded access to digital financial services, particularly for citizens in rural areas.
- Volume of funds- A high volume of funding from venture capital, private equity, and institutional investors is driving innovation in the sector.
- Customer expectations and the businesses need to reduce cost while providing faster, safer and more reliable services are the key factors shaping the fintech revolution.

Conclusion

The FinTech landscape in India demonstrates a remarkable evolution across various segments, driven by rapid technological advancements and shifting consumer preferences. PayTech has transformed the payment experience with innovations like UPI, e-wallets, and biometric payments, contributing significantly to the rise in digital transactions and financial inclusion. LendTech has revolutionized borrowing through digital lending platforms, enhancing accessibility and efficiency. WealthTech, with the growth of robo-advisory services, is democratizing investment opportunities and attracting a diverse investor base. InsurTech is reshaping the insurance industry by leveraging advanced technologies to enhance customer experience and operational efficiency. Meanwhile, RegTech is improving regulatory compliance and security through automation and data analytics. Overall, these fintech segments collectively underscore India's dynamic financial technology ecosystem, reflecting a robust shift towards digital and automated financial services that are poised to drive further growth and innovation in the coming years.

The fintech revolution in India is driven by a confluence of supportive government policies, demographic trends, and technological advancements. Government initiatives such as Startup India and Digital India, coupled with infrastructural developments like Aadhaar and UPI, have laid a robust foundation for fintech growth. Demographic advantages, including a young population and increasing disposable incomes, further fuel the sector's expansion. The large unbanked population presents a significant opportunity for financial inclusion, while rising internet and smartphone penetration accelerates digital finance adoption. Technological innovations, including AI and machine learning, enhance fintech capabilities, while financial inclusion programs and substantial funding from investors propel sectoral advancements. Collectively, these factors are shaping a dynamic and rapidly evolving fintech landscape in India, making it a key player in the global financial ecosystem.

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