



Future of fintech in India

Description

Theme:

- India is one of the largest and fastest growing fintech markets in the world with more than 2,100 fintech companies (as of 2021) and is the third largest fintech ecosystem in line after the US and China.

Growth enabled by fintech:

- Despite a slowdown in economic activity due to the pandemic in 2020, the fintech industry in India continued to showcase growth by capitalizing on the digitization opportunities posed by the pandemic and leveraging public digital infrastructure among other things.
- India has seen rapid growth of e-payments in the country which has helped the country to move towards becoming a cashless economy.
- Automated FASTag has reduced the long queues and subsequent delays at the highway tolls.
- Fintechs have helped in increasing financial inclusion in India and taking innovations to the last mile and empowering local communities.
- It has made it possible for the government to implement one of the biggest reforms in independent India – Jan Dhan-Aadhaar-Mobile linking (JAM Trinity) to provide direct subsidy transfers to the poor, which has been a game changer in financial inclusion in India.

Future of fintech:

- This year, the Union Budget has laid a sound roadmap for fintech and its scope in augmenting services to the people.
- The introduction of Digital Currency and core banking in post offices are considered the next leap for fintech in India.
- Digital Public Infrastructures (DPI), which are open-source, will help encourage digitalization across economies and societies. CoWIN portal is an example of a digital

public good.

- A public-private partnership that facilitates and enables private sector innovation in the sector of banking, and technology as well as fight against crime like money laundering, terrorism and financial crime.
- With the help of artificial Intelligence, fintech firms can help in providing better advice and accurate predictions for better utilization of resources.
- More and more services from different sectors like banking and finance will follow a direct selling model where goods and services are directly sold to consumers without any help from a retailer.
- Insurance will become more affordable, and more efficient in claim settlements for common people.

Challenges:

- Rural India is still a lesser-tapped market for the industry where connectivity is still poor.
- Weak infrastructure and lack of manpower required for fintech solutions in India.
- Lack of trust in the use of technologies by people when it comes to their security of money and investment.
- Data security concerns as these fintech firms will be dealing with sensitive financial information of the people.
- Difficulty in reaching old age people to enjoy the benefits of digitalization as the older population prefers personal relationships over services and products offered by fintech companies.

Steps taken by the Indian government to promote fintech:

- The government of India has allocated INR 1500 crore towards the Ministry of Electronics and Information Technology (MeitY) for the promotion of digital payment.
- In December 2021, the government approved a scheme to provide incentives for transactions done through the RuPay Debit Card and BHIM UPI.
- Promotion of digital payments for unorganised sectors including street vendors, sector-specific schemes, contactless payment solutions and digital payment solutions using feature phones.
- Conducting awareness campaigns and capacity building to increase the penetration of digital payments in the market.
- Various Tax exemptions for fintech firms and businesses based on digital payments.
- Development of a FinTech hub at the Gujarat International Finance Tech-City (GIFT), which is the country's first International Financial Services Centre (IFSC), aims in increasing the connectivity between the fintech firms.
- In November 2021, the Digital rupee was launched on a pilot basis, which is expected to promote transparency, traceability and convenience.

Conclusion:

The Fintech sector in India has a lot of untapped potential, but as the country's digital infrastructure develops further and with the underlying demand growth expected to stay strong,

there are a lot of future opportunities for fintech firms to grow and disrupt the financial market in India. With the backing of the government and financial institutions in India, the fintech firms will develop very quickly and provide financial inclusion by utilising the massive number of smartphone userbases that exist there right now. In spite of the difficulties, India's Fintech sector has a promising future in India.

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References:

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