FINANCE AND INVESTMENT CELL,
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FINTECH IN A FLASH

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PILLARS OF THE FINTECH ECOSYSTEM

BY SHRUTIKA RUIA

The pillars or the support system of the fintech industry play a significant role to execute the most genius tasks and turn them into reality. These stakeholders provide the base to start a fintech business, the absence of whom will completely paralyse the ecosystem of technology and brilliance floating everywhere.

Startups – Nimble and innovative start-ups are enabling many elements of traditional financing services. These creative startups allow or distort elements of traditional financing services like Wealth Management, Payment, Crowdfunding, Insurance etc.

Users – No business is complete without the consumers. Corporates, as well as individuals, are considering how to leverage fintech to improve their services or experience respectively.

Tech Vendors – The technological vendors are finding ways to fix and mix the fintech solutions and innovations in their solution stack. Technology drives the market. Tech freaks bring out the best possible use of fintech creations transforming the globe.

Investors – Angel investors, venture capitalists, and private equity houses are out there to win returns on their money. They feel that fintech is a very globalized industry and has a huge potential to grow. They are evaluating fintech as a great platform to earn viable and multiple returns.

Government and Regulators – Anything without government intervention is like a car without gear. These regulatory bodies modulate the fintech industry which is very crucial for it to thrive. They protect the consumers through appropriate rules and regulations and provide supportive incentives to help the industry to grow and diversify.

Incubators, Accelerators and Innovation labs – Accelerators “accelerate” growth of an existing company, whereas incubators "incubate" disruptive ideas with the hope of building out a business model and company. They offer and provide means for big businesses to engage and assist young companies to meet their potential.

FINTECH COMPANIES IN INDIA

BY AASHI JAIN AND ABHISHEK SANCHETI

In this modern era of globalization, as the economies of the world have come closer, they have become more integrated and digitized. Even though this integration and digitization of economies and its activities have benefited the economy at large, it has also left it vulnerable to cyber-attacks, malware etc. Thus, the need for Fintech companies now is more than ever.

But, the industry has been a little slow in understanding this need. Hence, there were very few players in the market until a few years back. People were not familiar with the revolutionary nature of blockchain, data science, AI and other such terms. As soon as the people realized its importance and the type of impact it could have on the society, they all considered it to be a viable option for investments.

The result? The demand for Fintech companies increased exponentially as everyone wanted to invest in them. Shares of Fintech companies were selling like hotcakes. One of the most famous examples can be seen in the case of On Line Plc. Their shares surged by a massive 394% in a single day of trading. The reason? It decided to add “Blockchain” to its name.

Surely, such periods of frenzied activity and high demand for Fintech companies wouldn’t have gone unnoticed. Soon enough, there were startups cropping all over in India. The Indian Government realized the importance of Fintech and started providing incentives in the form of relaxing rules for the P2P market, Digital India, Jan Dhan Yojna among other schemes.

PayTM is of the major success stories of Fintech Startups in India. Its first mover advantage in this sector coupled with relaxed government policies and support, helped it to gain market share in the vastly untapped Indian market. Although, the consumers needed to be educated, some innovative marketing and incentives from its end (PayTM were accepting old notes after demonetization), saw it capture a major chunk of the Indian market. Before anyone could know, PayTM was the leading player in this market. This eventually led to PayTM’s founder, Vijay Shekhar Sharma becoming the youngest billionaire in India.

The success of PayTM brought many players like Freecharge, Mobikwik, Jio Money, into the market. Players like Amazon too wanted to enter the Indian market owing to its untapped nature and more and more consumers entering this segment due to increasing consciousness and digitization. This coupled with relaxed government policies and incentives, resulted in a 22% five-year CAGR for this industry. The increased competition has ensured high innovation and continuous development in the products in order to gain an edge in the market. In 2015, there were around 400 companies in India, with an investment of USD 420 Million. It is expected that this number would rise to 1200 with investments rising to USD 2.4 Billion till 2020.

FINTECH IN INDIA: THE ECOSYSTEM

BY MEHAK RAINA AND SAKSHI AGRAWAL

Over the past few years, the financial technology ecosystem has emerged as one of the hottest sectors in India's internet era! As per EY, the Fintech adoption index in India is the second highest and 59% higher than the global average. The country is transitioning into a dynamic ecosystem offering Fintech startups a platform to potentially grow into billion dollar unicorns! The traditionally cash driven Indian economy intermingled well with the Fintech opportunity, primarily triggered and accelerated by the surge in e-commerce and smartphone penetration. The potential lying in the Indian market has attracted several investors. In 2015 alone, investments in Fintech start-ups in India crossed the billion-mark across the spectrum. However, this growth wave is of much lower intensity if viewed against the global counterparts, but it is stacked well and the increasing adoption of these trends is positioning India as an attractive market worldwide. Recent partnerships between Fintech companies and traditional banks suggest that the two entities need not compete, but can co-opt, whereby banks can offer voluminous funds for lending purpose and Fintech companies bring in technological expertise.

The government along with the regulators like RBI and SEBI, has adopted a multi-pronged approach to ensure the penetration of Fintech in Indian markets and attain the goal of cashless digital economy.

- The Government of India implemented schemes such as Jan Dhan Yojana, which has resulted in the opening of over 295 million bank accounts and 99% of households in India holding at least one bank account.
- "IndiaStack", an open-source set of APIs provided by the Unique Identification Authority of India (UIDAI), presents an enormous opportunity for both government and business to build innovative tech products enabling frictionless payments and other banking services.
- The Unified Payments Interface (UPI), a payment system as part of "India Stack" that facilitates instant fund transfer via mobiles, currently has 50 banks live on the platform and has seen growth from 92,000 transactions at the time of launch in August 2016 to 9.2 million transactions in May 2017.
- The Digital India and Smart Cities initiative have been launched to promote digital infrastructure development in the country and to attract foreign investments.
- The Ministry of Finance has proposed to withdraw surcharge on online and cards payment.
- Initiatives like Start-Up India have eased and facilitated the process of procurement of fundings.

The socioeconomically diverse billion-plus population of India also opens up wide avenues for Fintech activity, in terms of talent, innovation opportunities, and a massive market to serve. Fintech is also disrupting the social sector, with Milaap being one of the biggest online fundraising platforms. It allows people from around the world to fund and help communities in India in need of basic facilities such as sanitation and access to clean drinking water. The government-backed Gujarat International Finance Tech-City (GIFT city) is a big step in this direction towards the future.

The government is, by virtue, the prime catalyst for the success or failure of Fintech in a heavily regulated financial industry. Fintech is a dynamic and diverse industry which is still evolving in India, growing at a CAGR of 7.1%. The FinTech sector has young businesses that need help in reaching their true potential. Incubators and accelerators can mentor these businesses and assist them in competing against the big players in an extremely challenging, cost-conscious Indian market.

UNDERSTANDING FINTECH WITH LILY AND SILLY

BY GURLEEN KAUR

Lily: Hey Silly! Since this is our last meeting before I go to that grand party, I wanted to enlighten you on yet another topic.

Silly: Oh wow, even I am planning to attend it! So what's the topic for today?

Lily: Umm, okay I'll tell you about a quite popular concept these days- Microlending.

Silly: It must mean giving loans to people, since it has the word lending in it, right?

Lily: No, that is only partially correct. Microlending actually means the provision of small, low-interest rate loans to low-income individuals and groups. It's basically designed to support entrepreneurship and alleviate poverty.

Silly: But how does it alleviate poverty, since interest rate, as well as the principal amount, will have to be repaid?

Lily: Yes you are right, but it happens because Microloans are given only to impoverished borrowers who typically lack collateral, steady employment, or a verifiable credit history.

Silly: It's an amazing concept for such people then!

Lily: And you know what? According to a report by Grameen Bank, the repayment rates are almost 100 %!

Silly: That's so impressive. Okay, now my turn. I have a very important question.

Lily: And that is?

Silly: If micro is small, then why is the biggest software company Microsoft and not Macrosoft?

Lily: Shut up Silly!