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Original Research Article

A STUDY ON THE INFLUENCE OF FINTECH START - UPS ON THE INDIAN BANKING SECTOR

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Abstract

This paper deals with the issue of entrepreneurship in the context of contemporary society and the vision about key qualities that people with an entrepreneurial spirit are manifesting in the thinking and behavior of budding entrereneurs.

Entrepreneurs exist in every country but the nature and level of entrepreneurial activity differs remarkably. As more and more teaching and research into entrepreneurship reflects its often international nature, the need for literature reflecting this grows. At the same time, we will expose our opinion about the necessity of the development/creation/building of the entrepreneurship behaviour - understood as a person's ability to see opportunities where others only see possible problems or failures.

Keywords: *Entrepreneur, Entrepreneurship, Education, Globalization.*

Introduction:

The banking sector in India has been subjected to numerous disruptions over the last few decades, resulting in various forms of transformation. During this process, new technologies and products that are more customer-centric have been adopted. The emergence of Fintech companies is the most recent disruption. These businesses are utilising technology and developing innovative products to serve the tech-savvy digital banking customers. Indian banking customers' expectations have shifted, and they now expect high-quality digital communication and interactive features. These Fintech startups are reshaping the financial services domain in India as a result of changing consumer behaviour. Fintech firms have become more responsive to shifting customer expectations. As a result, these companies have taken a portion of the market share previously held by banks. However, with the emergence of enhanced technologies such as cloud computing, innovations based on the "Internet of things," and extensive use of data and analytics, Fintech companies will move deeper into a bank's middle and back office processes, creating frictionless processes and new, richer propositions for end customers. This is the next step toward Fintech 2.0. It will have a significant impact on the infrastructure and processes at the heart of the financial services industry.

Objective and Research Methodology:

The purpose of this research paper is to examine the emerging trends and the impact of the Fintech revolution on the Indian banking sector.

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This study's methodology is primarily based on the use of secondary data. Data and information for this study were gathered from the Live mint website, the Lets Talk Payments website, the Vccircle website, the RBI website, and various business newspapers.

Literature review:

Gauba (2012) examines the major transformational points in the Indian Banking Industry and the current state of banking in India in her Research Paper. According to her, the banking industry has encountered stumbling blocks in the past, but it has always used them as a stepping stone and has always 'Transformed' itself (for the better) and 'Evolved' as a winner. The FIBAC (2015) report identifies and clarifies practises, ideas, and opportunities that Indian banks can use to maintain their financial strength while pursuing the goal of financial inclusion, which necessitates extraordinary cost efficiency, productivity, and innovation.

In this Digital Banking era, Mckinsey & Company's (2014) report on Digital Banking in Asia presents insights and winning approaches. Carmen et al. (2015) identified three successive stages in a bank's digitization process in their report on 'The digital transformation of the banking industry': the first, where new channels and products are developed; the second, involving adaptation of the technological infrastructure; and the last, involving far-reaching changes in the organisation, in order to achieve strategic positioning in the digital environment.

The 'Finsights, technology insights for the financial services industry, core banking transformation' report by Infosys (2009) examines core banking transformation and the customer imperatives that will drive the new age banking requirements.

Mariano et al. (2015) investigate the concept of FinTech 2.0 and the fact that it represents a far broader opportunity to re-engineer the infrastructure and processes of the global financial services industry in their paper 'The Fintech 2.0 paper: rebooting financial services.'

Jhumkee Iyengar and Manisha Belvalkar (2010) document online banking trends, behaviours, and expectations of Indian consumers and banks in 'Case Study of Online Banking in India: User Behaviors and Design Guidelines.'

Customer Expectations in Digital Banking:

Digital Banking is a new concept in electronic banking that aims to improve standard online and mobile banking services by integrating digital technologies with a focus on user experience. Digital banking now accounts for 13 percent of the total banked population; this figure is expected to rise to 20-25 percent in the near future (Source : Inclusive Growth with Disruptive Innovations – The Boston Consulting Group, FICCI and IBA). As a result, the number of tech-savvy digital consumers will skyrocket. Customers expect seamless service from banks, bank accessibility through various assisted and selfservice non-branch channels, simplified banking processes, customer information protection, cheaper and easier-to-use banking products, social media interactions, and innovative payment solutions.

Fintech Company Disruptions: Fintech companies that have emerged in recent years have disrupted the financial services sector in a variety of ways. They used advanced technologies to create a variety of innovative products. These businesses engage in a variety of activities that can be broadly classified into three categories: payments, lending (business and consumer), and personal finance. These three segments may overlap in the case of some businesses. According to Traxcn, a data analytics company, 2015 was 174 of the over 750 fintech

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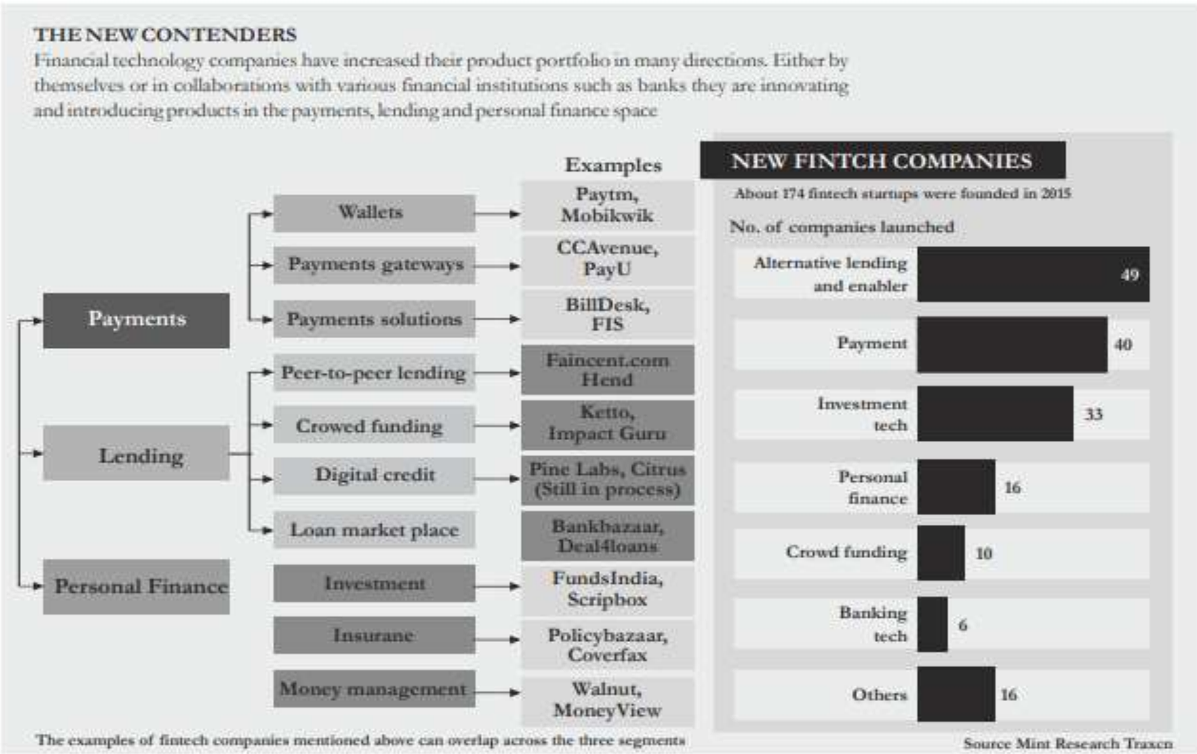
companies in India launching in 2015. These companies' roles and importance have grown exponentially. According to the Reserve Bank of India (RBI), the total number of credit cards issued by 55 scheduled commercial banks in India in October 2015 was 22 million, and the total number of debit cards issued was 625 million, with Paytm alone having more than 100 million digital wallet users. According to Accenture's latest report on the future of FinTech and banking, global investment in FinTech ventures tripled to $12.21 billion in 2014, representing a 201% increase over the previous year.

Payments:

Fintech companies in the payment space have created new payment options and worked to create an ecosystem that has increased the acceptance of various noncash transactions such as wallets, payment gateways, SMS-based transactions, and other payment solutions. Furthermore, in order to attract more customers, these businesses offer incentives such as discounts, which benefit the customer because they are in addition to the discount offered by



the vendor site. Paytm, PayU India, Mobi kwik, M-Pesa, and Citrus payments are just a few of the companies in this space. M-Pesa and Paytm have been granted payment bank licences by the RBI, which clearly reflects the impact of disruption caused by these companies.

Lending:

This category includes a variety of products such as P2P (peer to peer) lending, crowd funding, digital credit to merchants and individuals, and loan marketplaces. One important area is peer-to-peer lending, with approximately 20 new online P2P lending companies launched in 2015. One problem in India is that nearly 60% of the population is still unbanked. While the government has taken various steps, such as opening bank accounts

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through the Jan Dhan Yojana scheme, there is tremendous potential in this segment, which represents a huge opportunity for P2P lending companies. These platforms also empower borrowers by connecting them with a variety of lenders who can provide loans tailored to their specific needs. Crowd funding has provided new avenues for startups to raise capital. There is the possibility of active collaboration between banks and fintech companies in the area of digital credit lending to merchants and individuals. Paytm, for example, has already partnered with eight financial institutions. Fintech 2.0 will result in the provision of paperless KYC systems and other paperless documentation solutions. There is currently a lot of friction in lending processes, which Fintech 2.0 should address by using superior technologies and thus improving the overall customer experience.

Personal Finance:

Insurance, investment, and money management are examples of personal finance categories. The product portfolio includes online insurance products that do not require any manual intervention, digitization of KYC, robo advisory, insurance marketplace, and innovative products that provide a one-stop solution for all financial products required by an individual. The market share of these products is growing; for example, transactions at policybazaar.com, an insurance aggregator, more than doubled in 2015 to INR 560 crore; and Rupeevest, an online personal finance products platform that uses technology to simplify financial decisions for investors, has an AUM of INR 10 crore.

The Fintech Revolution: There Is Hope for India's Unbanked

India has the world's largest unbanked population, accounting for nearly 60% of the total. This has long been a problem for the banking industry. There is hope that this segment will be within the reach of the organised financial services industry as a result of the emergence of Fintech companies. There are 976 million people in India with Aadhar numbers, which is supported by factors such as increasing smartphone use, favourable demographics, an expanding internet user base, and the Indian government's facilitating approach, all of which clearly indicate that India has the necessary infrastructure for Fintech startups to capitalise on this opportunity and thus expand financial inclusion through technology.

The Big picture of Indian Banks:

Fintech firms have completely transformed the way banks have traditionally conducted business. Traditional banks must choose between being disrupted and losing market share to fintech companies that can provide customers with innovative and less expensive financial solutions, or reimagining their capabilities by collaborating with fintech companies, embracing superior technologies, and emerging as a winner. Some agile banks have risen to the challenge posed by Fintech firms. This is a one-of-a-kind situation in which banks and fintech companies both benefit from collaboration. Superior technologies, innovative and efficient solutions for better customer service are available to banks. Banks have a large customer base that trusts them, and fintech companies can benefit from the banks' large customer base, experience, and deep financial pockets. Banks can also expand their operations.

Banks can take the following approaches in this age of Fintech revolution:

1. **Be Open**: Instead of viewing fintech startups as a threat, banks should welcome them with open arms. Customer XPS is one such example, founded by a team that was previously part of Infosys's products division. This company has created a software product based on artificial intelligence and psychology that assists banks

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in detecting and preventing fraud before an online banking transaction is completed, as well as taking the necessary steps to mitigate any damage.

2. **Maintain agility and innovate**: Being agile requires a cultural shift for these traditional banks. Banks, particularly public sector banks, are accustomed to a certain mode of operation in dealing with customers, with a primary focus on regulatory compliance. With customer-centric technologies, the digital revolution has completely transformed the banking landscape. Banks must recognise this and respond appropriately. Some banks, such as Axis Bank, SBI, and ICICI, have recognised this and created innovative products such as mobile wallets and social payment apps.
3. **Collaboration**: Paytm collaborated with Axis Bank, Yes Bank, Bank of Maharashtra, and ICICI Bank in 2015. This type of collaboration has benefited both parties. 4. Invest: Banks must follow procedures and adhere to a variety of local and global regulations. Innovation requires a creative environment, and the work culture in various banks differs greatly from the work environment required for creative entrepreneurship and innovation. In this scenario, one viable option is for banks to invest in fintech companies. According to CB Insights data, six major banks - Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo - have made strategic investments in 30 financial technology (fintech) companies since 2009. Banks in India, which are experiencing a fintech revolution, can take a similar approach. Banks can also invest time in mentoring fintech entrepreneurs, becoming a part of the innovation process.

Conclusion:

The Indian banking sector has been impacted by the Fintech revolution. Banks must acknowledge that the banking landscape is changing and respond quickly. The banks' response determines whether they are threatened and lose market share, or whether they use this as an opportunity to improve their customer proposition. If banks take the approaches suggested above, they will be able to weather the fintech revolution and emerge victorious. The transition to FinTech 2.0 represents a far broader opportunity for banks and Fintech companies to collaborate, with each providing what the other now lacks—be it data, brand, distribution, or technical and regulatory expertise; this will result in reengineering of the global financial services industry's infrastructure and processes. In the future, once we have a fully supporting ecosystem, India may have a completely virtual bank. We're headed in that direction.

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