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Efforts of Fintech Institutions in the development of Financial Inclusion in Indian Financial Market

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Abstract: *Fintech institutions have changed the financial service sector. These institutions have successfully proved to be precious along with the already existing conventional structure and are possibly playing a wide role in encouraging financial inclusion. Yet, there is inadequate consideration about the role of fintech institutions in increasing financial inclusion in Indian Financial Market. Fintech institutions have acted as an innovator and capitalized on the technology to augment the accessibility of financial products and services to the people living in the grass root areas and hence increased the financial inclusion Indian financial market.*
Keywords: *financial inclusion, fintech company, developing nations, economic growth*

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I. Introduction:

The financial technology (FinTech) revolution is in full swing globally. Although technology has been a part of the financial services industry since the 1850s, it is only during the past two decades that FinTech has become a term to customarily describe breakthroughs in technology that potentially have the power to transform the provision of financial services, drive the creation of novel business models, applications, processes, and products, as well as lead to consumer gains. During the same period, the banking sector has undergone far reaching technological and regulatory changes, driven among others by deregulation and liberalization, advances in information and communication technologies, novel solutions for transactions and saving, changes in cybersecurity and digitisation. Given the importance of banks in the financial system, it is critical to understand the risks and opportunities that FinTech creates for banks and its impact on the main functions of financial intermediaries as well as their role in the modern ecosystems of financial services.

II. Literature Review:

Although providing financial services via technology is not a new concept, attention towards FinTechs from a broad group of stakeholders has been quite recent (Arner et al.2016), Thus, research in this space is still at a very early stage and is gradually evolving. So, too, is the development and expansion of FinTechs in both developed and developing countries (Arner et al. 2016; Patil et al. 2018). To clarify the position of the article, this literature review will focus on the evolution and characteristics of different digital financial services, FinTech adoptions, barriers, and opportunities for adoption in the context of the ASEAN and SAARC regions.

Different Types of FinTech: FinTech is an umbrella term that covers different financial services offered as technological solutions via the internet and/or via mobile apps, and its historical evolution can be traced to the early 1990s (Arner et al. 2016). There are several categories of Fintech services that can enhance the financial service experience of consumers by digitising financing, investment, money, insurances, and financial advice (Chinnasamy et al. 2021; Gomber et al. 2017; Pollari and Teper 2021).

Lending: Fintech companies in the lending industry simplified the way by which people borrow money. In the past, people turned to banks or credit unions to obtain loans. Today, many fintech companies offer consumer loans by merely going online to apply. And because these organizations’ processes and systems are automated, approval happens quickly.

Payments: Fintech companies specializing in payments let people send money to others without passing through banks. As such, they no longer need to pay exorbitant bank fees for simple peer-to-peer transfers. They typically use technologies like blockchain. Examples of organizations in this category include Circle and Venmo.

International Money Transfers: People used to pay a lot (as much as 8%) for internal money transfers. Worse, traditional transfers are slow. Fintech companies today, however, offer faster and less expensive international money transfers. An example is Ripple, which can send international money transfers in seconds.

Personal Finance: Traditionally, people need to talk to financial advisors in banks to get personal finance advice. To craft their budgets, they need to use spreadsheets or an envelope system. Today, many commercially available apps can offer advice and help with budgeting. Fintech company Mint, for instance, allows consumers with their budgets. Level Money, meanwhile, helps people save. Some organizations even provide retirement or investment advice.

Equity Financing: Fintech companies in this sector make it easy for business owners to raise money. Some of them connect accredited investors with vetted startups. Others use crowdfunding models and allow anyone to invest in new businesses. In sum, they simplify the business fundraising process.

Consumer Banking: In the consumer banking space, fintech companies provide consumers better options to banks, which usually charge high fees. People who can't get approved for credit cards or don't want one can get debit cards instead. Companies like Green Dot and Netspend are examples of fintech consumer banking companies.

Insurance: Fintech companies also ventured into the insurance market, but they mostly focus on distribution. They use apps to reach customers that don't have insurance coverage. As such, they let people who want to borrow a friend's car to buy insurance for just a few hours. But since insurance is a highly regulated sector, organizations in this category typically partner with traditional insurance companies.

III. Discussions:

Generally, Fintech services are extended by offering services such as mobile banking, microinsurance, micro-credits (Realini and Mehta 2015). Using mobile phones to be available for fintech services permits to shrug off limitations (Senyo and Osabutey 2020). To fill the gaps, fintech companies have pitched in and offer customers cheaper, easier, efficient, newer, and faster ways of transferring and storing money (Senyo and Osabutey 2020). Incumbent financial organizations also responded by redesigning their processes, products, strategic partnerships and new business models with fintech companies (Drummer et al. 2017). Fintech institutions have become part of financial eco-structures (Senyo et al. 2019) that involves tele companies, governments, conventional financial organizations, start-ups, merchants, and micro-enterprises and also people at grass root level (Oborn et al. 2019; Leonardi et al. 2016). This blend of latest technology, new ecosystems, new business models, have helped to remove deficits and help in scaling-up basic financial services in developing nations, which includes ICT innovations (Foster and Heeks 2013). Recent innovations provide profits to service providers, low and affordable cost to customers (Realini and Mehta 2015).

IV. Conclusion, Limitation and Future Directions for Fintech:

This study some few limitations it is only providing a qualitative analysis future researcher can add quantitative aspects to the current study. A limitation of this study, also is that it does not take into account endogeneity concerns. Scholar can quantify the real time impact created by fintech companies on the grow of the GDP of any nation. Further studies can also be taken up to compare the impact of fintech among different developing nations. There can also be a study to evaluate whether level of education level has any impact of the use of fintech services.

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