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# FINTECH SECTOR IN INDIA

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**India's fintech industry has grown dramatically, and it now has one of the highest adoption rate in the world (87%), which is higher than the global average of 64%.**

India is poised to become a powerful economic growth engine: it has one of the fastest-growing economies in the world, the third-largest start-up ecosystem, and tech services, digital, and manufacturing sectors on track to become global powerhouses. **Fintech thrived during covid**, while other sectors suffered.

**Here are some figures to size the opportunity.**

So far, **over 2000 fintech start-ups have been registered** and recognised by the Department for Promotion of Industry and Internal Trade of the Government of India, placing it third in the world's fintech ecosystems. **Around 20+ fintechs** have already established themselves as **unicorns** in India, with valuations exceeding \$1 billion. As per a study conducted by Boston Consulting Group (BCG) in collaboration with the Federation of Indian Chambers of Commerce and Industry (FICCI), **India's Fintech industry could be worth \$150-160 billion by 2025**. According to the 'State of the Fintech Union 2022' report by the Boston Consulting Group (BCG) and Matrix Partners India, **India's CAGR in the fintech sector was 20%**, which was higher than the US, the UK, and China, which saw CAGRs of 16%, 15%, and 10%, respectively.

As per Invest India, the leading investment promotion agency of India, the South Asian country has the highest expected ROI on Fintech projects worldwide.

Payment Technology (PayTech), Lending Technology (LendTech), WealthTech, Digital Banking Personal Finance Management, Insurance Technology (InsurTech), Regulation Technology (RegTech), and other subsegments comprise the Indian Fintech industry ecosystem.

**India has earned the title of global fintech hub, with a variety of factors contributing to the promising fintech ecosystem.**

Some examples are provided below.

- **Government initiatives** that support favourable policies such as
  - *Jan Dhan Yojana* (establishes a platform for universal access to banking services, including at least one basic banking account for each household, financial literacy, and access to credit, insurance, and pension benefits)
  - Establishment of a *National Centre for Financial Education* and a *Centre for Financial Literacy*
  - Establishment of an *inter-ministerial Fintech committee* and the *International Financial Services Centre Authority*

- Initiating joint working groups with the UK and Singapore to enable knowledge transfer and sharing best practices
  - *E-RUPI* (allowing cashless payment solutions)
  - *India Stack* (A set of APIs that enable governments, businesses, start-ups, and developers to access a unique and shared digital infrastructure. Aadhar, Unified Payments Interface (UPI), Bharat Bill Payments, and other open API platforms fall into this category)
  - Programs such as *Startup India*, *Digidhan Abhiyaan* or other such Digital India initiatives (offering incentives such as tax exemptions for start-ups that meet specific eligibility criteria or assisting India in becoming a "digitally empowered society and knowledge economy" while closing the digital divide)
  - The Reserve Bank of India (RBI), IRDAI, and SEBI regulations have increased accountability and ensured the continuous availability of safe and inexpensive electronic financial systems.
- India had the **world's second largest Internet user market**, with over 795 million internet users as of December 2020. This figure is expected to rise to more than 1.5 billion by 2040
  - A **sizeable unbanked population** with rising disposable incomes
  - Fintechs' disruptive **technological innovations** using technologies like Machine Learning and Artificial Intelligence
  - **Shifting consumer and business preferences** in response to the need for inclusive financial services and lower costs
  - A **sizeable pool of talent**
  - A significant **increase in funding** has aided the rise of FinTech start-ups. In FY22, it received \$8.53 billion in funding via 278 transactions.

One notable development is that Fintech has helped to increase financial inclusion by achieving *gender parity*. According to studies, the savings and investment trend among Indian women has improved as their use of mobile apps and digital platforms has grown.

While regulations for various subsectors of the Fintech sector, pertaining to data and privacy, consumer protection, cryptocurrency, and so on, are evolving, it has an unrivalled exponential growth potential.

## CONTATTI



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