

FinTech Evolution to Revolution in India - From Minicorns to Soonicorns to Unicorns

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Abstract The trendy discussion in India these days is the creation of a cashless economy. The effective execution of demonetization has driven the economy towards digital transactions. This innovation is absolutely embraced with quick adoption of systems like IMPS, RTGS, NEFT, E-wallets, Aadhar Pay, Debit Cards and UPI.

We find ourselves in a virtual wonderland, wherein an ice cream vendor accepts wallet payment with delight, a person buys a book worth Rs. 100 using a credit card, a milkman gives his Paytm number without a fuss and the vegetable dealer makes use of QR code. The modern era of digitalization has given a kick to completely new dimensions.

The Prime Minister, Mr Narendra Modi gave, “Make in India” and “Digital India” schemes which are new buzzwords contributing towards economic development of India. Digitalization provides answers for short term and long-term business and technological requirements. In the current scenario, elements like improving customer satisfaction, best customer experiences, faster output, big data, operational efficiencies etc. are being sought through digital technology.

To digitally empower India, “Digital India campaign” was launched to promote India towards self-reliance and sustainable development. Faceless, paperless, cashless are buzzwords in Indian economy. This research paper talks about evolution of financial services to the FinTech revolution in India to the emergence of FinTech companies like Paytm, BillDesk, PhonePe, PolicyBazaar, RazorPay as unicorns.

Keywords: Digital India, FinTech, Digitalization, Unicorns, Soonicorns, Minicorns, Digital Banking

I. INTRODUCTION

FinTech is the latest financial technology used. It is offering services that substitute the banking related and non-

banking financial transactions. FinTech is an upcoming concept in the financial arena, which has offered more security to the end users. Operational cost has come down to a substantial level as an outcome of adopting and implementing FinTech. In India, the FinTech services are growing at a faster pace than ever imagined and are changing the habits and behaviour of the Indian financial sector.

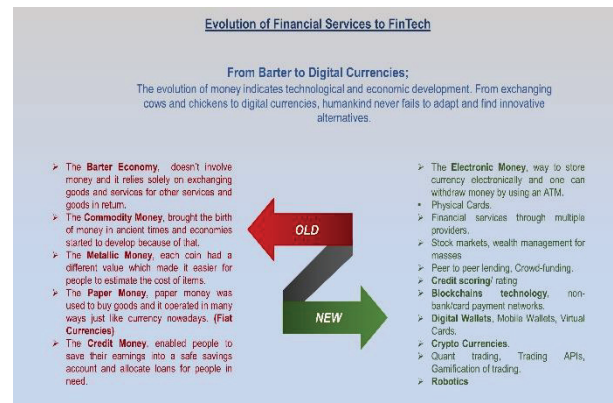


Fig. 1. Evolution of Financial Services to FinTech

In the era of digital advancements, FinTech includes offering innovative products and services. FinTech has impacted the financial institutions, markets, and all financial services as it is serving novel products and is giving financial space to new business models, products, financial services, and processes.

In developing countries like India, which is transforming into a diverse ecosystem, FinTech is offering a platform to Unicorns for growth and development. India is no doubt growing at a faster pace in FinTech by exploring new markets and new segments. The FinTech industry has shown maturity with the adoption of diverse models and substantial investments done by the investors. As of now, India has five FinTech Unicorns which are: PayTm, Razorpays, PhonePe, BillDesk, and PolicyBazaar

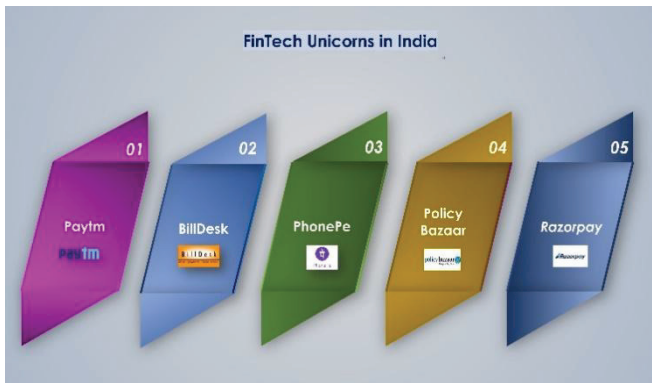


Fig. 2. FinTech Unicorns in India

A unicorn has valuation of minimum \$ 1 billion and is a privately owned startup. As of February 2021, there are more than 500 unicorns around the world. As per National Association of Software and Services Companies (NASSCOM) latest annual report on start-up and global management and strategy consultancy Zinnov, India is on track to have 50+ strong unicorn club in 2021. Amid pandemic, a record number of Indian startups crossed \$ 1 billion in valuation to become unicorns. In India, a total of 11 unicorns emerged in the last 12 months, and 2021 saw its first unicorn already. The current total stands at 37, a growth of 33% over 2019. In 2020, 11 Indian startups became unicorns —Zerodha, Razorpay, Cars24, Unacademy, Pine Labs, FirstCry, Zenoti, Nykaa, Postman, Dailyhunt and Glance.

II. LITERATURE REVIEW

Flow of e-commerce and penetration of smart phones has outperformed the traditional cash-driven Indian economy (Neeta Baporikar [12], 2021). Yousif Abdullatif Albastaki, Anjum Razzaque and Adel M. Sarea [17], (2021) focused upon novel strategies for implementation of FinTech from the perspective of including research, theories, and technology inclusion both at the global level and national levels of the financial sectors. Financial inclusion leads to sustainable economic development (James Guild [6], 2017). D. Gozman, J. Liebenau, J. Mangan [3] (2018) emphasized that FinTech is a critical development keeping in mind its disruptive nature which has changed the way firms use to operate earlier. Demonetization has brought a major change in the financial sector all over the world and was introduced in India in 2016, making it shift towards becoming a cashless economy which has further pushed it towards adopting FinTech. In recent times Government of India with the help of technology driven companies have reached out to rural areas to make them aware and adopt financial products so that they get good returns and become financially literate (Vinay Kandpal, Rajat Mehrotra [7], 2019).

Jasveen Kaur and Manu Dogra [8] (2019) elucidates on the Indian FinTech top ten firms keeping in mind the statement of their vision and mission along with the analysis of their fund-based growth. Varga, Dávid [15] (2017) threw light on FinTech being a facilitator and a supporter of innovation in the financial sector which holds beneficial effects for all the problems related to the rural masses. Gagan Kukreja, Divij Bahl and Ruchika Gupta [5] (2021) focused on the benefits offered by adoption of FinTech keeping in mind the profits, level of penetration and affordability attached to latest technology such as smartphones at nominal

prices and above all government support in the form of policy introduction like Make in India, Digital India, Start Up India and so on. Priyadharshini Muthukannana, BarneyTana, Daniel Gozmana, Leben Johnson [10] (2020) introduced FinTech ecosystem dynamics that helps in adopting cultural changes in the organization and the transformations required at the financial space. Vinay Kandpal and Rajat Mehrotra [7] (2019) explained the benefits of having FinTech ecosystem especially in a developing country like India where government is offering tax benefits to both businesses and consumers for using online platforms for payments. Government has further extended its support in the form of policy introduction which is promoting speed of innovation in the Indian financial sector which is leading to FinTech firms achieving a unicorn status.

FinTech firms are giving tough competition to 83% traditional players in the financial market as they are not up to date and needs to work on their technological adoption and execution to stay competitive (PwC, 2016).

Saroj Vats [14] (2018) focused upon the business strategy adopted by MobiKwik which is moving towards acquiring the status of unicorn and for the same has won an award in 2014 under the mobile business category in South Asia. In India, the first e-commerce company to attain the status of unicorn was Flipkart (Casanova, L., Cornelius, P. K., & Dutta, S. [1], 2018).

Dasheng Lee, Kuan-Chung Lin [2] (2020) suggested a sequential framework to be followed for converting the status of a FinTech into a unicorn which incorporates the following steps: (i) examining the available resources, knowledge, experiences of the firm. (ii) key values needed to apply for patents. (iii) having patent values more than the rival companies in the same industry. (iv) developing patent profile for global level competitiveness. (v) to get funds based on growth in patent number. In relation to the above five step indices which are being used to introduce and supervise a startup firm which includes cross correlation coefficient, ThemeScape, PPCI, PPI, technology category and personal experience.

III. RESEARCH METHODOLOGY

The study has been conducted using both primary data and secondary data. Primary data is collected in the form of survey through questionnaire filled by 200 respondents. In the initial pages of the report, evolution of financial services in India is studied and then how digitalization and FinTech has brought revolution in India. The main purpose of this research is analyzing adoption of digitalization in India and the future of FinTech through Sentiment Analysis.

Objectives

- To understand the current scenario of digitalization in India, FinTech evolution to revolution from FinTech Minicorns to Soonicorns to Unicorns
- To analyze adoption of digitalization in India and future of FinTech through sentiment analysis.

Sentiment Analysis Conceptual Framework

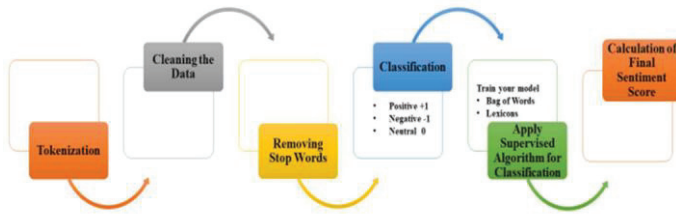


Fig. 3. Edureka Sentiment Analysis Methodology

IV. ANALYSIS AND INTERPRETATION

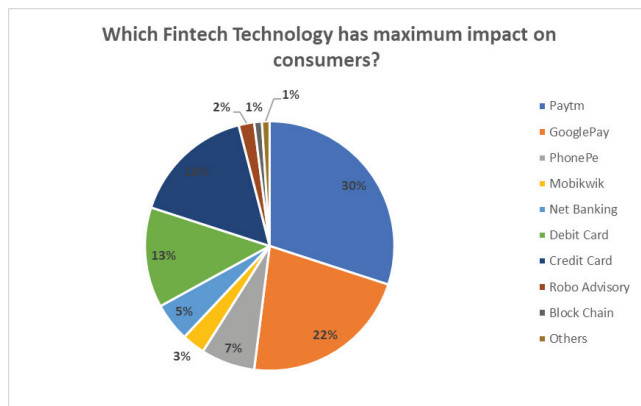


Fig. 4. FinTech Technologies and Their Impact on Consumers

Paytm these days is impacting the consumers most as it is offering both the wallet as well as UPI facility along with the benefit of making payment through credit card, debit card and net banking. In GooglePay one doesn't get wallet facility, so the money gets deducted directly from the bank account while making payments.

How FinTech has impacted you after breakdown of Covid 19?

Sentiment Analysis

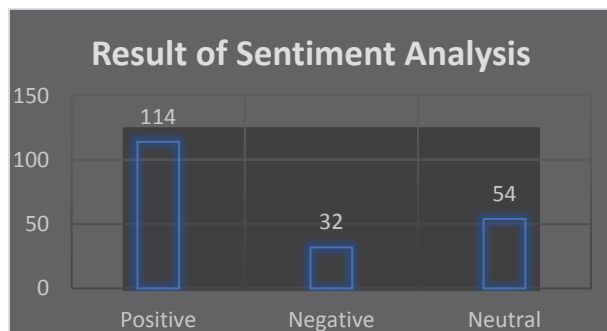


Fig. 5. Result of Sentiment Analysis

TABLE I. SENTIMENT ANALYSIS

Classification of Response	Confidence
Neutral	44.10%
Neutral	45.28%
Positive	46.10%
Positive	85.60%
Positive	62.90%
Positive	65.20%
Neutral	50.00%
Positive	98.50%
Positive	80.21%
Neutral	50.20%
Positive	60.10%
Positive	63.70%
Positive	89.10%
Neutral	78.10%
Positive	62.90%
Positive	65.20%
Positive	98.60%
Neutral	55.20%
Positive	72.30%
Neutral	59.90%
Neutral	54.90%
Neutral	50.86%
Positive	84.80%
Neutral	44.70%
Positive	90.90%
Positive	59%
Positive	73.00%
Negative	69%
Positive	56%
Neutral	50.20%
Neutral	51.50%
Positive	69%
Negative	72.10%
Positive	68.30%
Neutral	52.40%
Positive	82.10%
Positive	74.40%
Positive	78.60%
Positive	84.30%
Neutral	54.90%
Negative	83.30%
Positive	71.30%
Neutral	51.20%
Positive	74.60%
Positive	79.90%
Positive	72.40%
Positive	74.10%
Neutral	54.60%
Negative	79.30%
Positive	73.60%
Negative	64.90%
Positive	69.10%
Positive	73.60%
Positive	81.40%

Positive	82.40%
Neutral	54.70%
Negative	88.10%
Positive	77.10%
Negative	74.70%
Positive	79.10%
Positive	82.30%
Neutral	53.40%
Positive	73.30%
Positive	77.30%
Neutral	51.20%
Positive	82.30%
Positive	84.30%
Neutral	56.60%
Positive	78.10%
Neutral	57.40%
Positive	73.20%
Positive	77.20%
Positive	74.40%
Negative	81.40%
Positive	79.80%
Positive	76.30%
Positive	84.10%
Neutral	54.10%
Negative	84.10%
Positive	81.80%
Negative	76.10%
Negative	71.20%
Neutral	54.60%
Positive	90.10%
Negative	73.30%
Positive	86.90%
Neutral	51.40%
Positive	76.40%
Negative	81.10%
Positive	73.70%
Positive	62.30%
Neutral	57.20%
Positive	48.50%
Negative	72.40%
Neutral	56.60%
Negative	71.50%
Positive	67.90%
Negative	64.60%
Positive	81.10%

Which Fintech tool, are you looking forward for in the near future?

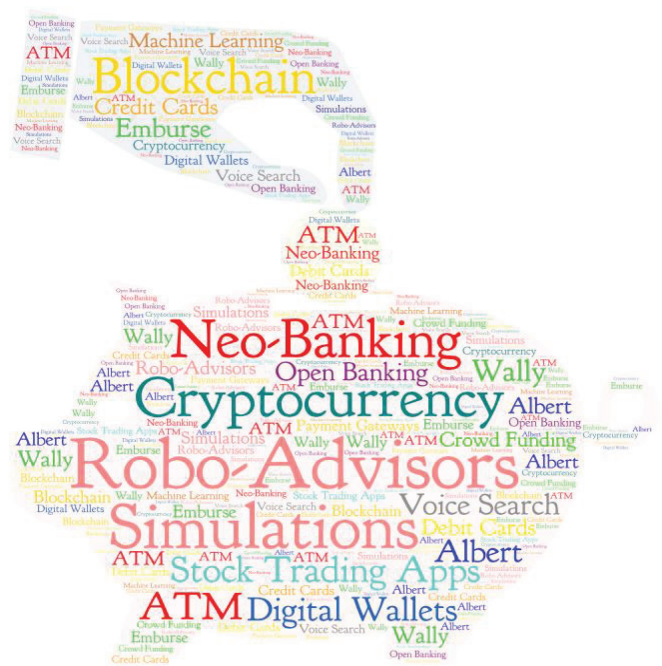


Fig. 6. FinTech Tools

TABLE II. TOP 10 GLOBAL UNICORNS 2020 (INDIAN)

TOP 10 GLOBAL UNICORNS 2020 (INDIAN UNICORNS)				
RANK	NAME	VALUATION (US\$bn)	HEADQUARTERS	SECTOR
1	Paytm	16	NOIDA	FINTECH
2	OYO Rooms	8	GURGAON	E-COMMERCE
2	BYJU'S	8	BENGALURU	EDTECH
4	Ola Cabs	6	BENGALURU	SHARED ECONOMY
5	Swiggy	3.5	BENGALURU	ON-DEMAND DELIVERY
5	Zomato	3.5	GURGAON	ON-DEMAND DELIVERY
7	Paytm Mall	3	NOIDA	E-COMMERCE
7	ReNew Power	3	GURGAON	NEW ENERGY
7	Zerothra	3	BENGALURU	FINTECH
10	BigBasket	2.5	BENGALURU	E-COMMERCE
10	Udaan	2.5	BENGALURU	E-COMMERCE

Source : Hurun Research Institute

TABLE III. TOP INDIAN CITIES FOR UNICORNS

TOP INDIAN CITIES FOR UNICORNS				
RANK	CITY	NO. OF UNICORNS	CITY'S MOST VALUABLE UNICORN	VALUATION US \$bn
1	BENGALURU	8	BYJU'S	8
2	GURGAON	6	OYO Rooms	8
3	NOIDA	2	Paytm	16
4	PUNE	1	First cry	1.2
5	NEW DELHI	1	Hike	1
5	AHMEDABAD	1	Billdesk	1
7	FARIDABAD	1	Lenskart	1.5
7	MUMBAI	1	Dream 11	1

Source : Hurun Research Institution

Praxis Global Alliance has prepared an exclusive list of 17 Soonicorn in the FinTech space. Soonicorn term is used for those startups which have the potential to become Unicorn.

TABLE IV. LIST OF 17 FinTECH SOONICORNS BY PGA LABS

List of 17 FinTech Soonicorns by PGA Labs			
COMPANY NAME	VALUATION (US\$bn)	VALUATION DATE	FOUNDING YEAR
PAYMATE	975	23-APR-19	2006
DIGIT INSURANCE	870	21-JAN-20	2016
MSWIPE	439	8-MAR-19	2011
BHARATPE	425	28-FEB-20	2017
CRED	425	25-JUL-19	2018
CAPITAL FLOAT	400	7-APR-20	2013
ACKO	384	7-SEP-20	2017
MOBKWIK	375	10-MAR-20	2009
RUPEEK	317	28-FEB-20	2015
INCRED	307	26-APR-19	2016
LENDINGKART	280	8-AUG-19	2014
KHATA BOOK	275-300	19-MAY-20	2016
BANKBAZAAR	275	16-MAR-20	2008
OFBUSINESS	275	18-SEP-19	2015
FINO PAYTECH	270	26-MAR-18	2006
ZIPCASH	249	9-JAN-20	2007
VIVRITI CAPITAL	225	19-SEP-19	2017

Unicorn Status: The Bright and The Dark Side

The Brighter side of achieving the unicorn status:

- ✚ The title unicorn carries with it an extra layer of believability by recognizing that the company has an internationally acceptable and diverse model.
- ✚ This helps in uplifting the focus and the motivation across all teams in the company
- ✚ They are as popular and highly pursued as they are rare, so they draw attention and attract in eager investors as well as consumers.
- ✚ Unicorns manage to reach to consumers, target audiences, and external stakeholders faster.
- ✚ The status of unicorn helps in building the brand not just at the national level but also at the global arena.

The Darker side of achieving the unicorn status:

- ✚ People are looking towards unicorn label as more of a hype then something substantial.
- ✚ For super-fast growth of any FinTech company, unicorn is just a status.
- ✚ In a unicorn, if there is a change in the top-level management or flaw in the recently introduced feature, this will be highlighted and hyped and hence will bring bad impact on the goodwill of the firm.
- ✚ Since unicorns become very famous and are highlighted, so at times it gives additional unwanted pressure on management teams.
- ✚ For any healthy business, strong management teams and good performance of all functions of management, have pivotal role but unicorns are judged only on the basis of finance.

The FinTech Revolution – How Technology is Transforming Finance

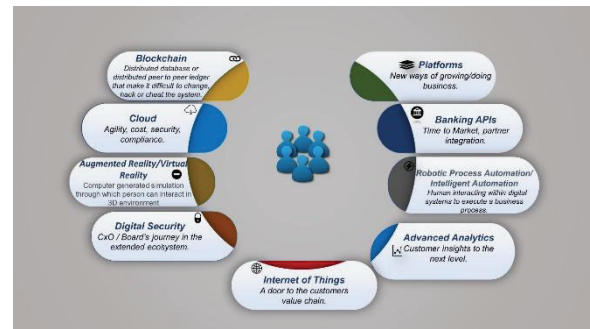


Fig. 7. How Technology is Transforming Finance

V. FINDINGS

- ✚ E-wallets especially Paytm has maximum impact on the consumers, after demonetization and today it certainly has come a long way. Paytm made a fortune post note ban. Demonetization has pushed people to move towards digital payments and gradually their attitude towards “cash first” has changed.
- ✚ Digital wallet operators were able to fetch more users especially during and post COVID scenario.
- ✚ Major schemes of Government of India like Demonetization, Aadhar, UPI, Self-Reliant India are some key drivers for making India financially literate and move towards online transactions.
- ✚ FinTech has impacted people during break down of COVID19, during pandemic people preferred fintech technologies for fulfilling their monetary requirements substituting their visits to the banks.
- ✚ There are 17 FinTech soonicorns which have potential to become unicorns (PGA Labs).
- ✚ As per mindset today, people are becoming more flexible and looking for ease in terms of bill payments, online shopping, ordering food etc. and hence are more inclined towards fintech for bringing comfort to their lives
- ✚ The most upcoming fintech tools which people are preferring to use soon are robo advisors, simulations, crypto currencies, neo banking, voice search, stock trading apps etc.

VI. CONCLUSIONS

As the requirements for monetary transactions are expanding, fintech has been advancing likewise constantly. The Indian FinTech companies have become a major contributor in worldwide businesses. With the growing need of digital transactions during and post COVID 19 scenario, FinTech firms are leading from the front in providing services. During pandemic online transactions grew up to 80% in India as compared to the previous year. Fintech world is undergoing a radical reformation. Invisible payments, communication, and consumer education, one platform; multiple services, block chain and big data, localization and regulations are key contributors that are shaping the future of FinTech. Whatever FinTech companies have performed so far is just the trailer to the big picture about to be seen in the times to come.

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