Industry Update

FinTech

WHAT IS FINTECH?

- India is an excellent market for entrepreneurs leveraging
- services system in our country.
- From wealth management and payments to crowdfunding and P2P lending, there is no area which they are leaving unexplored for innovation.
- At a point of time when disruption has happened in the retail and travel sectors, the financial sector looks set for the next big boom of the decade.



AREAS WHICH FINTECH IS TARGETING

Though the target areas are wide, these are some of the most important ones in which technology innovation is bringing about a change:

- 1. Payments: Companies like CitrusPay aim to enable online retailers and E-Commerce players receive payments from customers seamlessly. These companies also provide a host of features to the customer which include cash-backs, seamless payments and easy refunds.
- 2. Crowdfunding: Crowdfunding is one area which has caught the attention of the millennials. From raising money for exotic tours, to enabling start-ups raise capital for building resource-intensive products; crowdfunding platforms are making access to monetary resources simple for anyone who can sell their idea/requirement well.
- 3. Expense Management: Their focus is to empower users to become financially fit by manage their finances in a more prudent way. These companies track expenses, patterns, bill payments, and give tips and suggestions for saving money.
- 4. Lending: Credit is an essential component for the economy, especially for SMEs and people who face difficulties accessing credit. In India, credit is mostly asset-collateral based. This is a bottleneck which start-ups are trying to solve.
- 5. Wallets: Mobikwik and the like, add convenience and ease of use to a customer's lifestyle by allowing them to pay at multiple retail locations and online sellers through their wallet - thus centralizing transactions and refunds, and making the processes quicker than actual bank accounts.









WILL THIS AFFECT THE LARGER BANKS AND FINANCIAL CORPORATIONS?

The current crop of fintech start—ups, by disrupting sectors in the industry, are taking away customers and eroding margins of the larger banks. Existing larger players still hold an advantage in terms of financial strength, knowledge and trust that start—ups will never be able to match in the foreseeable future.

Most often only the cost of switching and inertia prevents a customer from changing service providers. In a situation where inertia is not the primary reason for sticking with their financial service providers, the market becomes bright for disruption by start-ups.

HOW DOES THE FUTURE LOOK LIKE FOR FINTECH COMPANIES?



- Mobile-based payments and services is one area which is set to expand vastly. With the introduction of NFC, payments become easy for customers through their mobiles through wallet providers.
- A large proportion of the un-banked population in developing countries like India can be brought under the banking umbrella through these companies.
- Regulators such as RBI will look to expand their purview and incorporate FinTech companies under a separate category.
- There'll be segmentation of industries not just by verticals but size of payments as well. According to the trend, small payment will be done mostly through smartphones.