

FinTech Companies: Role and Implications in Indian Economy

Dr. P. Gnaneswari¹, Dr. M. Sravani²

¹Assistant Professor(c), Department of Commerce and Business Management, Krishna University, Machilipatnam.

²Assistant Professor, Department of Commerce and Business Management, Krishna University, Machilipatnam.

Abstract

This evolution of technology allows consumers to go online & see their transactions, offer apps that enable users to pay friends, and tools that will allow the financial institutions to make quick lending decisions. The combination of terms “financial” and “technology”, FinTech is a new entrant that often applies to any emerging technology that assists consumers/financial institutions in delivering financial services in more unique and faster ways than what was traditionally available. Earlier, while people were required to go to the bank to request their balance, now they can get this information in real-time on their phones. In recent years, the financial technology (fintech) sector in India has undergone a transformative revolution that has had a profound impact on the country's economic landscape. Paytm, Lendingkart, MoneyTap, Instamojo, Razorpay, Shiksha Finance, Pine Labs, ZestMoney, etc. are some of the examples of fintech companies. Fintech companies have played a pivotal role in driving financial freedom in India through their innovative approaches, technological advancements, and disruption of traditional financial models. Fintechs have effectively democratised finance in India by providing equal access to financial services, regardless of geographical location or socioeconomic background. Now, the present study is an attempt to know the role and implications of Fintech companies in Indian context.

Keywords: Fintech companies, technology, transformative, democratised, disruption, etc.

1. Introduction:

FinTech, short for financial technology, encompasses businesses utilizing technology to revolutionize financial services for individuals and businesses. Examples include peer-to-peer payment platforms (such as Cash App, Venmo), mobile banking apps, robo-advisors (like Betterment, Wealthfront), and trading platforms like Robinhood. It also extends to the development and trading of crypto currencies like Ether, Dogecoin, and Bitcoin.

These companies integrate technologies like Blockchain, data science, and AI into traditional financial sectors, enhancing speed, security, and efficiency. FinTech is the rapidly growing sector where innovation touches various financial domains, from loans and payments to stock trading and credit scoring.

In the past, checking account balances required a visit to the bank; now, real-time updates are accessible via smart phones. FinTech enables online transactions, peer-to-peer payments, and swift lending decisions. This technological evolution empowers consumers to manage finances online, facilitating seamless transactions and enabling financial institutions to make rapid lending assessments.

2. Growth of UPI Transactions in India (2019–2024)

Table 1 presents the year-wise growth of UPI transactions in India in terms of volume and transaction value. The data reflect the rapid expansion of digital payment systems following regulatory support and technological innovation. This table captures the scale and acceleration of digital adoption across the country.

Table 1: Growth of UPI Transactions in India (2019–2024)

Year	Volume (Billion Transactions)	Value (₹ Lakh Crore)
2019	12.5	21.3
2020	22.3	41.0
2021	38.7	71.5
2022	74.0	126.0
2023	117.6	182.8
2024*	131+	200+

Source: National Payments Corporation of India (NPCI), UPI Statistics (2019–2024); RBI Digital Payments Report.

The table 1 indicates nearly a tenfold increase in UPI transaction volume between 2019 and 2024. Both transaction volume and value show consistent upward trends, reflecting increasing consumer trust and system penetration. The sharp rise post-2021 suggests accelerated digital adoption in semi-urban and rural regions, strengthening the role of FinTech in financial inclusion.

The rapid increase in UPI transaction volume and value indicates a strong and expanding digital payment ecosystem. For FinTech companies, this growth reflects increasing customer acceptance, scalability potential, and revenue opportunities. High transaction frequency enhances data availability, enabling firms to improve credit scoring, personalized services, and risk assessment models. The consistent upward trend also signals investor confidence and long-term sustainability of digital financial platforms.

3. Objectives

- To study and understand the concept of FinTech companies.
- To know about trends in FinTech companies.
- To study about challenges and offer suggestions to FinTech companies.

FinTech Companies-Meaning

"FinTech," a fusion of finance and technology, encompasses various financial technologies. According to the Merriam Webster dictionary, FinTech includes products and companies utilizing newly developed digital and online technologies in banking and financial services. While often associated with startups, FinTech includes prominent companies today. PWC categorizes FinTech into four ecosystems:

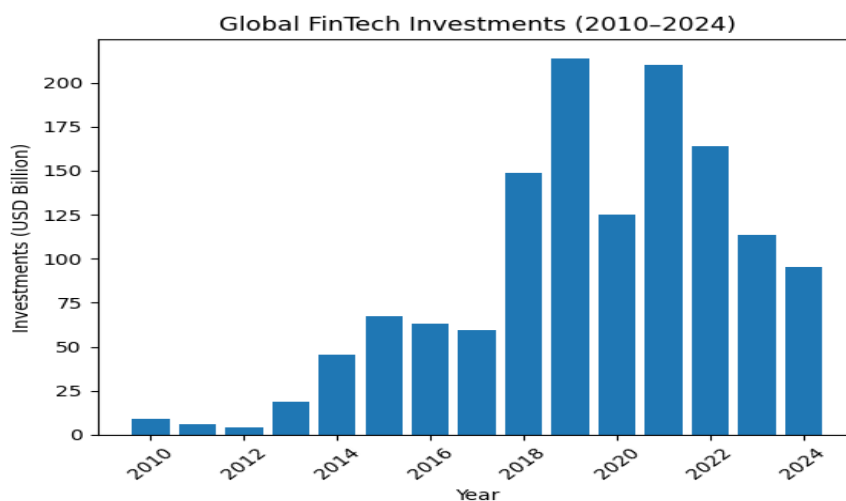
Category A: Established financial institutions like Bank of America or Wells Fargo.

Category B: Major tech companies like Apple, Facebook, or Google, potentially active in financial services.

Category C: Companies providing infrastructure or technology, such as MasterCard or First Data.

Category D: Disruptors focusing on innovative technology like mobile payments, automated investing, or insurance.

FinTech isn't entirely new; technology has always influenced finance, from credit cards in the 1950s to modern innovations like electronic trading, ATMs, and personal finance apps. Today, FinTech leverages cutting-edge technologies like blockchain, machine learning, and data science for processes such as credit card transactions and hedge fund management.



Source: Statista. (2024). Global FinTech investment value from 2010 to 2024 (in billion U.S. dollars).

FinTech, a blend of finance and technology, revolutionizes financial services, promoting financial literacy and empowerment. FinTech companies leverage advanced technology, offering several advantages:

Customized Service: FinTech firms gather consumer data to enhance customer experiences, tailoring services based on interests and preferences.

Faster Processes: FinTech accelerates procedures, completing tasks five times faster than traditional methods due to lean structures and transparent, technology-driven processes.

Safety and Convenience: FinTech ensures data security through certificates, allowing users to handle multiple currencies conveniently and conduct transactions anytime, anywhere via mobile devices.

Growth of Financial Inclusion and Digital Access Indicators

Table 2 below highlights key financial and digital infrastructure indicators that support FinTech expansion in India. It presents the growth in PMJDY accounts, internet users, and smart phone penetration between 2018 and 2024. These variables represent the foundational ecosystem enabling digital financial services.

Table 2: Growth of Financial Inclusion and Digital Access Indicators

Indicator	2018	2024
PMJDY Accounts (Crore)	31	52+
Internet Users (Million)	480	820
Smartphone Users (Million)	350	750

Source: Ministry of Finance (PMJDY Dashboard, 2024); TRAI Reports (2024); RBI Annual Report.

Interpretation:

The steady increase in bank account penetration and digital connectivity indicates significant improvement in financial access. The expansion of PMJDY accounts provides formal banking entry points, while growth in internet and smart phone usage facilitates digital transaction capability. Together, these indicators demonstrate that infrastructure and financial inclusion have played a complementary role in driving FinTech adoption in India.

The expansion of PMJDY accounts, internet users, and smart phone penetration provides a broader customer base for FinTech services. Increased banking penetration ensures more individuals are integrated into the formal financial system, facilitating digital onboarding. Rising smart phone and internet access enable FinTech firms to deliver app-based services efficiently in Tier-II and rural markets. These indicators collectively highlight untapped growth potential and support market expansion strategies for FinTech companies.

Trends in FinTech (2023)

Mobile Banking: FinTech facilitates easy digital access to bank accounts, with neo-banks like Varo, Simple, and Chime offering mobile-based services without physical branches.

Blockchain & Cryptocurrency: FinTech pioneers blockchain and cryptocurrency technologies, essential for innovative apps. Companies like Circle and Coinbase drive this trend.

Savings & Investment: FinTech introduces apps like Acorns, Stash, and Robinhood, combining savings and automated investing strategies to engage consumers in financial markets.

Trading & Machine Learning: Machine learning analyzes vast data, aiding banks, companies, and consumers in understanding investments and risks early in the process.

Payments: FinTech companies like Venmo, PayPal, and Square simplify digital payments, revolutionizing transactions globally.

Lending: FinTech streamlines credit processes, making loans accessible via mobile devices, benefiting underserved groups. Firms like Credit Karma and Tala are prominent players.

Insurtech: FinTech collaborates with insurance companies, automating processes and expanding coverage. Innovations like wearable health insurance are transforming the sector.

AI and Machine Learning: AI and ML enhance banking operations, improve customer service, and boost efficiency.

Challenges faced by FinTech companies:

1. Data Security: Ensuring virtual data security is crucial, with discreet vulnerabilities impacting users' money and personal information.

2. Compliance with Regulations: Financial sectors face rigorous regulations, requiring FinTech companies to align with governmental policies.

3. Lack of Mobile and Tech Expertise: Fintech mobile apps need to be user-friendly and capitalize on mobile device features, often requiring expertise in app development.

4. Big Data and AI Integration: The integration of big data and AI demands careful handling of user information, ensuring data privacy while optimizing banking processes.

5. Blockchain Integration: While blockchain offers potential, traditional institutions are cautious, hindering its rapid adoption in FinTech.

6. User Retention and Experience: Striking a balance between user experience and security is challenging, requiring seamless and secure mobile banking solutions.

7. Effective Marketing Tactics: Understanding target audiences and effective marketing strategies are essential for FinTech companies to overcome traditional banking service loyalty.

8. Personalized Services: Offering personalized, narrowed options is vital, ensuring customers feel supported and not overwhelmed by the array of choices.

Suggestions for FinTech Companies:

Stay Compliant: Adhere to regulations and seek legal counsel for compliance.

Prioritize Security: Implement robust cyber security measures to build trust and protect customer data.

Educate Customers: Provide clear information and financial literacy programs to enhance customer understanding.

Forge Strategic Partnerships: Collaborate with established institutions for mutual innovation and benefits.

Build Scalable Infrastructure: Invest in scalable, cloud-based technology to meet growing demands efficiently.

Attract and Retain Talent: Recruit skilled professionals, foster a positive work culture, and provide growth opportunities.

Diversify and Monitor: Diversify services and customer base, monitor economic trends, and maintain a healthy cash flow for stability.

4. Implications of FinTech Companies to Indian Economy

The rise of FinTech companies in India has brought about significant implications for the country's economy. First and foremost, these innovative financial technology firms have substantially enhanced financial inclusion in India. By leveraging digital platforms and mobile technology, FinTech companies have reached underserved and unbanked populations, providing them with access to various financial services such as payments, savings, lending, and insurance. This increased accessibility to financial resources has empowered millions of Indians, fostering economic growth and stability at the grassroots level. Furthermore, the streamlined processes and reduced operational costs offered by FinTech have made financial services more affordable, enabling individuals and small businesses to participate actively in the formal economy, thereby stimulating economic activity and entrepreneurship.

Additionally, the proliferation of FinTech companies has catalyzed the modernization of India's traditional banking and financial sectors. With the adoption of technologies like blockchain, artificial intelligence, and data analytics, these companies have optimized operations, enhanced risk management, and improved customer experiences. This digital transformation has not only made financial services more efficient but has also contributed to the overall resilience of the Indian economy. The emergence of FinTech has encouraged traditional financial institutions to innovate and adapt, fostering healthy competition that benefits consumers. Moreover, the sector has become a hub for job creation and entrepreneurial opportunities, fostering a culture of innovation and technological advancement that further strengthens India's position in the global digital economy. Overall, FinTech companies have played a pivotal role in shaping a more inclusive, efficient, and dynamic financial landscape, making substantial contributions to India's economic progress.

5. Conclusion

In conclusion, the FinTech industry stands as a transformative force, empowering consumers and reshaping the financial landscape. Its rapid evolution, driven by innovative technologies, has led to personalized services, faster processes, and enhanced safety, fostering financial literacy and convenience for users worldwide. The industry's growth is fuelled by trends such as mobile banking, blockchain, and AI, revolutionizing how we handle transactions and investments. However, amidst its successes, FinTech faces challenges, from data security concerns to regulatory compliance and user retention issues. Overcoming these hurdles requires a delicate balance between embracing new technologies and adhering to stringent regulations. To thrive, FinTech companies must prioritize compliance, invest in

robust cyber security, educate customers, and foster strategic partnerships. Building scalable infrastructures, attracting top talent, and diversifying services are pivotal steps toward long-term stability.

Looking ahead, the integration of mobile technologies is poised to become even more prevalent, offering impactful and convenient solutions in the financial sector. With strategic planning, continuous innovation, and a commitment to meeting consumer needs, FinTech is well-positioned to revolutionize the way we manage our finances, ensuring a secure, efficient, and user-friendly future in the digital economy.

References

1. Adams, J., Hayunga, D., Mansi, S., Reeb, D., & Verardi, V. (2019). Identifying and treating outliers in finance. *Financial Management*, 48(2), 345–384.
2. Alt, R., Beck, R., & Smits, M. T. (2018). Fintech and the transformation of the financial industry. *Electronic Markets*, 28(3), 235–243.
3. Bertsch, C., Hull, I., Qi, Y. J., & Zhang, X. (2020). Bank misconduct and online lending. *Journal of Banking & Finance*, 116.
4. Campbell, D. T., & Cook, T. D. (1976). The design and conduct of quasi-experiments and true experiments in field settings. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology*. Chicago, IL: Rand McNally.
5. Fung, D. W. H., Lee, W. Y., Yeh, J. J. H., & Yuen, F. L. (2020). Friend or foe: The divergent effects of fintech on financial stability. *Emerging Markets Review*, 45.
6. Jagtiani, J., & Lemieux, C. (2019). The roles of alternative data and machine learning in fintech lending: Evidence from the LendingClub consumer platform. *Financial Management*, 48(4), 1009–1029.
7. Putri, W. H., Nurwiyanta, N., Sungkono, S., & Wahyuningsih, T. (2019). The emerging fintech and financial slack on corporate financial performance. *Investment Management and Financial Innovations*, 16(2), 348-354. [https://doi.org/10.21511/imfi.16\(2\).2019.29](https://doi.org/10.21511/imfi.16(2).2019.29).
8. Rosavina, M., Rahadi, R. A., Kitri, M. L., Nuraeni, S., & Mayangsari, L. (2019). P2P lending adoption by SMEs in Indonesia. *Qualitative Research in Financial Markets*, 11(2), 260-279.
9. <https://www.techtic.com/blog/fintech-industry-challenges/>
10. <https://www.emizentech.com/blog/what-is-fintech.html>
11. <https://wolf-wolf.net/blog/an-introduction-to-fintech/>