

**The Indian
FINTECH
INDUSTRY**



OVERVIEW

Industry Snapshot



USD 66 billion
of Fintech transactions in 2019

Growing at a CAGR of over **20%**



Source: 'Emerging technologies disrupting the financial sector' by PwC and ASSOCHAM



>2,000
Number of Fintech start-ups in India in 2019

Source: India Fintech Report 2019



10.8 billion UPI transactions in 2019, up from 3.7 billion transactions in 2018

Source: NPCI



USD 3.7 billion of VC funding in 2019

Source: Accenture

India is currently tied with China for the highest FinTech adoption rate globally at **87%**, which is significantly higher than the global average of **64%**

Source: EY Global FinTech Adoption Index 2019

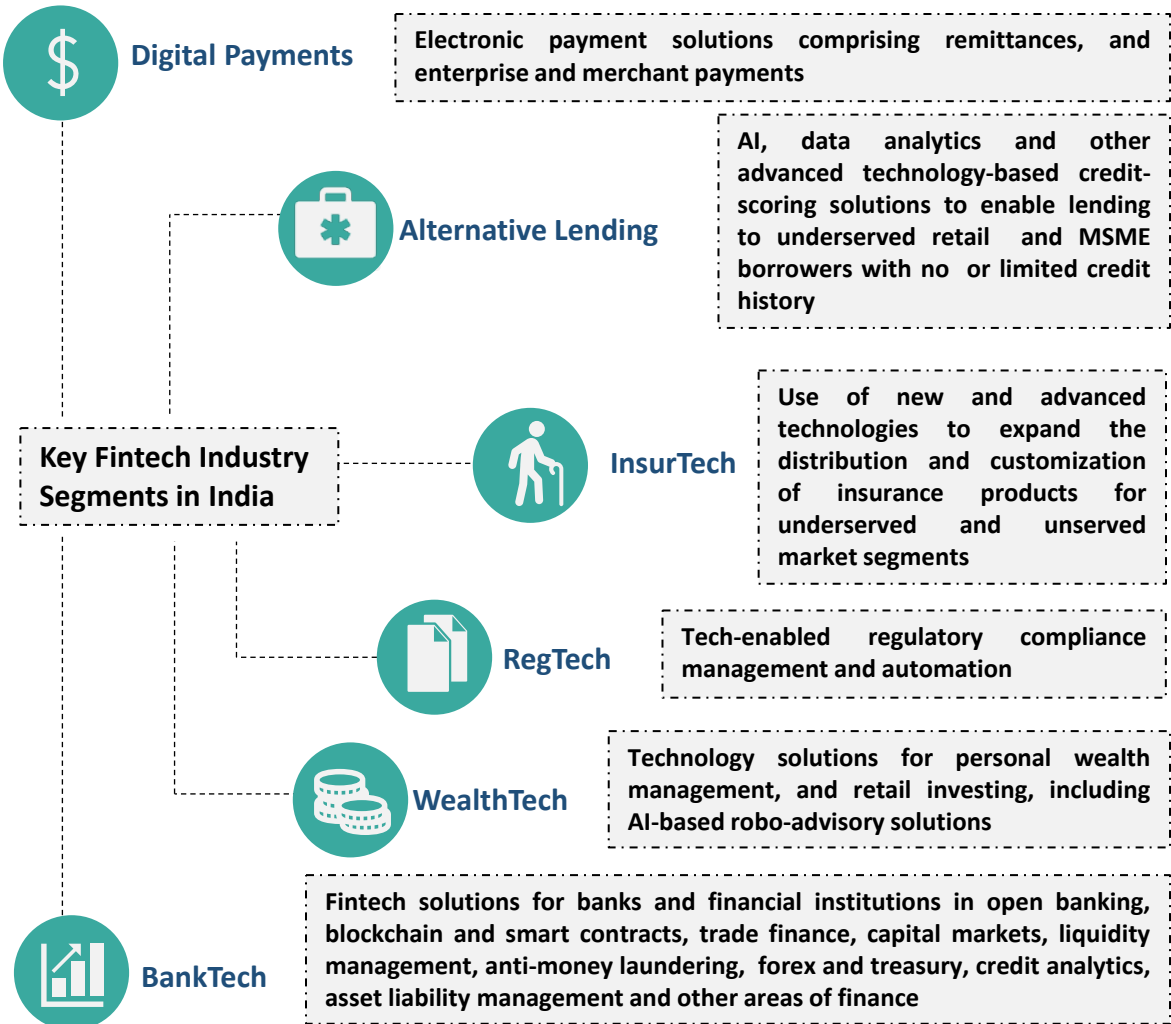
Funding Trends in the Fintech Sector in India

- VC Funding in India doubled from USD 1.9 billion in 2018, to USD 3.7 billion in 2019
- In total, 198 deal were made in the year 2019 as compared to 193 of 2018.
- The payments industry accounted for around 58% of the total funding raised in 2019
- The InsurTech industry accounted for around 14% of the funds raised
- 10.8 % of the funding went to Fintech lending startups

Source: Accenture



MARKET AND INDUSTRY SEGMENTS





INDUSTRY GROWTH DRIVERS

Changing Demographics



As the demographic landscape in the country evolves, so do the channels of communication with consumers, and modes of provision and consumption of financial services. With a median age of around 28 years, and a growing common internet and smartphone userbase, the average tech-savvy young professional in India seeks access to financial services and products on digital platforms. Both Fintech startups and financial service incumbents are competing and collaborating to meet the digital needs and expectations of the evolving demographics.

Unmet Financial Needs

Large swathes of the Indian population still have limited access to the formal financial services ecosystem in India, largely due to the lack of awareness of various financial services. Among the financially underserved population, and the inability of the traditional financial services sector to effectively reach out and cater to the underserved segments. This gap in the market has created an opportunity for Fintech startups to build innovative technologies and business models to profitably serve the underserved population in ways the incumbents could not.



Availability of Funding

The Fintech industry has been one of the biggest recipients of risk capital in India in the last few years, which has fueled continued innovation and growth in the sector.

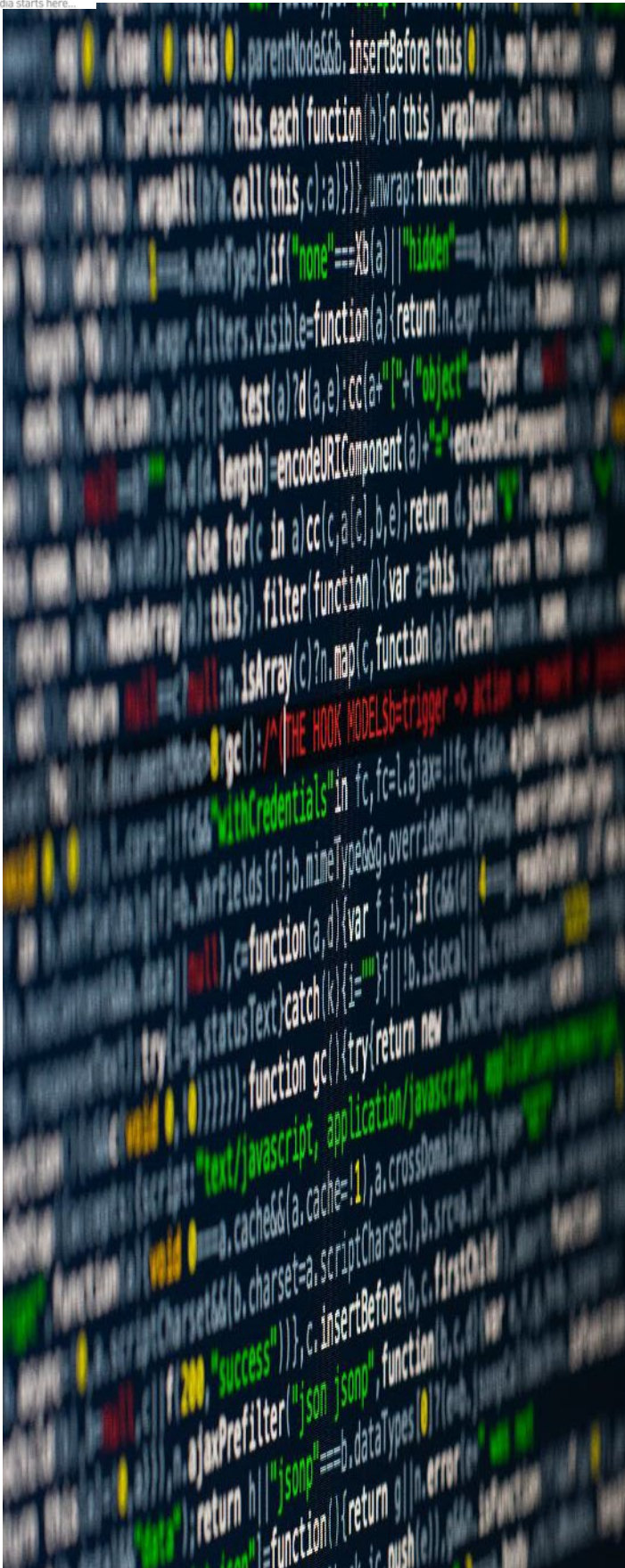
Government Policies and Initiatives

The Government of India has arguably been the biggest patron of the Fintech industry in India and has played a vital role in accelerating the growth of the sector. The Indian Government has not only adopted some of the more progressive regulations in the world with respect to the Fintech sector, but it has also actively created institutions and initiatives, such as the recently conceived Fintech sandbox, to further the development of the sector.



Collaborative Innovation

A telling feature of the Fintech ecosystem in India is the synergistic collaboration observed between financial service incumbents, such as banks and other large financial service providers, and the Fintech startups. Capital from the incumbents often support the innovation and efficiency of the Fintech startups, in developing new technologies, business models, and revenue streams, for mutual gains or for the common good of the industry.



T&A's POINT OF VIEW

The Fintech industry in India has three generic growth avenues ahead of it:

1. To reduce operating costs and improve efficacy of the traditional financial services, by replacing the legacy systems of the Indian banking and financial services sector, thereby both reducing service costs for the end-customers and improving profitability for the financial service providers.
2. To create and improve access to unbanked and underserved demographic segments in India, primarily through the development of advanced credit-assessment systems based on advanced machine learning, big data and alternative data.
3. To create new variants of traditional financial products or services to compete with incumbent financial service providers, thereby adding to the diversity, innovativeness and competitiveness of the financial services sector.

However, one area that the Indian Fintech industry currently lacks in, is niche technological expertise. In order to become a true world leader in Financial Technology, India might need to pivot from being a jack-of-all-trades to a technology specialist.