Abstract:
We are witnessing a Fintech revolution in India with many new companies and products coming up. Some of these companies like Instarem are competing with the banks in the remittances space by providing low cost solutions, some companies like Mobikwik, Bankbazaar have developed apps that transfer money quickly, others have developed innovative peer to peer lending platforms. This could mean that the banking sector is under threat due to the disruption caused by Fintech companies.

There is also a possibility that this Fintech revolution will actually benefit the banking sector, who can ride on their superior technological platforms to deliver innovative solutions to the digital customers and also for deepening financial inclusion in India. Some of these companies are helping banks detect fraud and money laundering using artificial intelligence and machine learning.

This scenario has laid the ground for a kind of unique partnership between the traditional banks and Fintech disruptors with advantages for both partners. Banks can work together to deliver superior solutions for their digital customers and Fintech companies can leverage on bank’s large customer base, experience and their deep financial pockets.

The purpose of this paper is to analyse the emerging trends and impact of the Fintech revolution on the banking sector in India. It also suggests approaches which banks in India can take to deal with this situation, how can they learn and collaborate with these Fintech startups to develop a new face of banking in the coming years.

Keyword: Fintech revolution, banking, digital customers

Introduction
The banking sector in India has witnessed many disruptions in the past few decades which has led to its transformation in different ways. In this process, new technologies have been adopted and new products have been developed which are more customer centric. The most recent disruption is the emergence of Fintech companies. These companies are using technology and coming up with innovative products to serve the tech savvy digital banking customers. The expectations of Indian Banking customers have changed and now they expect high quality digital communication and interactive features. Triggered due to the changing consumer behavior, these Fintech startups are actually reshaping the financial services domain in India. Fintech companies have been more agile in their responses to changing customer expectations. This has resulted in these companies capturing a part of the market share of banks. But now with the emergence of enhanced technologies like cloud computing, innovations based on “Internet of things”, extensive use of data and analytics, Fintech companies will go beyond their current segments of payments, lending and personal finance and will move deeper into the middle and back office.
processes in a bank and create frictionless processes, new, richer propositions for end customers. This is the evolution to Fintech 2.0. It will result in major changes in the infrastructure and processes at the core of the financial services industry.

**Research Methodology and Objective**

The conduction of this study is primarily based on the use of secondary data. The data and information for this study has been collected from Live mint website, Lets talk payments website, V circle website, RBI website and from various business newspapers.

The objective of this research paper is to analyse the emerging trends and impact of the Fintech revolution on the banking sector in India.

**Literature review**

Gauba (2012) in her Research Paper analyses the major transformational points in the Indian Banking Industry and the current level of banking in India. According to her, the banking industry have had stumbling blocks in the past but when ever encountered with such blocks in the past it has used them as a stepping stone & has always ‘Transformed’ itself (for the better) and ‘Evolved’ as a winner. The FIBAC (2015) report identifies and elucidates the practices, ideas and opportunities that banks in India can adopt to sustain their financial strength while pursuing the objective of financial inclusion, which requires extraordinary cost efficiency, productivity and innovation.

Mckinsey & Company (2014) report on Digital Banking in Asia presents the insights and winning approaches in this Digital Banking era. Carmen et al (2015) in their report on ‘The digital transformation of the banking industry’ have identified in their report the three successive stages in a bank’s digitization process: the first, where new channels and products are developed; the second, featuring adaptation of the technological infrastructure; and the last, involving far-reaching changes in the organisation, so as to achieve strategic positioning in the digital environment.

Infosys (2009) report on ‘Finsights, technology insights for the financial services industry, core banking transformation’ analyses core banking transformation, and the customer imperatives that would drive the new age banking requirements.

Accenture Report (2015) on ‘The future of Fintech and Banking: Digitally disrupted or reimagined’ analyses the impact of the digital revolution in financial services on the current banking players. Mariano et al (2015) in their paper ‘The Fintech 2.0 paper: rebooting financial services’ study the concept of FinTech 2.0 and the fact that it represents a far broader opportunity to re-engineer the infrastructure and processes of the global financial services industry.


**Expectations of the Digital Banking Customer**

Digital Banking is a new concept in the area of electronic banking, which aims to enrich standard online and mobile banking services by integrating digital technologies with a focus on user experience. The number of people doing digital banking is now 13 percent of the total banked population, this number is going to increase to 20-25 percent (Source: Inclusive Growth with Disruptive Innovations – The Boston Consulting Group, FICCI and IBA). Thus there will be a phenomenal increase in the number of tech savvy digital consumers. The digital banking customers expect a seamless service from banks, bank accessibility through different assisted and self-service non branch channels, simplified banking processes, protection of customer information, cheaper and easy to use banking products, social media interactions, innovative payment solutions and overall an enriched experience.

**Disruptions caused by Fintech Companies**

The Fintech companies emerged in the past few years have disrupted the financial services segment in many ways. They have used superior technologies to come
up with different innovative products. These companies are involved in various activities which can broadly be divided into three segments: payments, lending (business and consumer) and personal finance. In case of some companies, these three segments can overlap. 2015 has been a landmark year for these companies, out of over 750 fintech companies in India, 174 were launched in 2015 itself, according to Traxcn, a data analytics company.

The role and importance of these companies has grown manifold. According to the Reserve Bank of India (RBI) as of October 2015, the total number of credit cards issued by 55 scheduled commercial banks in India is 22 million and the total number of debit cards issued is 625 million whereas Paytm alone has more than 100 million digital wallet users. Also as per Accenture’s latest report on the future of FinTech and banking, the global investment in FinTech ventures tripled to $12.21 billion in 2014, signifying a 201% global growth compared to the previous year.
Payments: The Fintech Companies in the payment space have developed new payment options and have worked towards building an ecosystem which has increased the acceptance of different types of non-cash transactions such as wallets, payment gateways, SMS based transactions and other payment solutions. Additionally, bringing in more and more customers, these companies are giving incentives such as discounts which benefit the customer as it is over and above the discount offered by the vendor site. There a number of companies in this space: Paytm, PayU India, Mobi kwik, M-Pesa and Citrus payments to name a few. RBI has granted payment bank license to M-Pesa and Paytm which clearly reflects the impact of disruption caused by these companies.

Lending: There are different types of products in this category such as P2P (peer to peer) lending, crowd funding, digital credit to merchants and individuals and loan marketplace. The P2P lending space is one important area, approximately 20 new online P2P lending companies were launched in 2015. One of the issues in India is that almost 60% of the population is still unbanked. While government has taken various measures such as opening bank accounts under the Jan Dhan Yojana scheme, there is tremendous potential in this segment which is a huge opportunity for P2P lending companies. These platforms also empower the borrower by providing many lenders which can give loan according to his/her requirement. Crowd funding has opened up new avenues for startups to raise finance. In the area of digital credit lending to merchants and individuals there is a possibility of active collaboration between the banks and fintech companies. For example Paytm, which has already partnered with eight financial institutions. Fintech 2.0 will lead to providing paperless KYC system and similar other paperless documentation solutions. Currently there is a lot of friction in the lending processes which Fintech should address by the use of superior technologies and thereby enhance the overall customer experience.

Personal Finance: The different categories under personal finance are insurance, investment and money management. The range of products include online insurance products without any manual intervention, digitization of KYC, robo advisory, insurance marketplace, innovative products which given one stop solution for all financial products required by an individual. The market share of these products is increasing, transactions of policybazaar.com, an insurance aggregator have doubled in 2015 to INR 560 crore; Rupeevest, an online personal finance products platform which has used technology to simplify financial decisions for an investor has currently AUM of INR 10 crore.

Fintech Revolution: Hope for India’s unbanked population

India has the largest share of the world’s unbanked population, nearly 60% of India’s population is unbanked. This has been a challenge for the banking sector for a long time. Due to the emergence of fintech companies, there is hope that this segment will be within the reach of organized financial services industry. There are 976 million people in India having Aadhar numbers backed up by factors such as increasing use of smartphones, favorable demographics, expanding internet user base, facilitating approach of the Indian government, all of which clearly indicates that India has the necessary infrastructure for Fintech startups who can encash this opportunity and thus expand financial inclusion by leveraging technology. One of the fastest growing areas is the mobile wallet, which enables digital transactions for everyday needs and various commercial transactions. According to a Tech Sci report, the mobile wallet market in India will touch $6.6 billion by 2020.

Way forward for Banks in India

Fintech companies have completely revolutionized the way banks have been traditionally conducting business. Traditional banks have a choice whether to get disrupted and lose the market share to these fintech companies who have the ability to provide innovative and cheaper financial solutions to the customers or reimagine their capabilities by
collaborating with fintech companies, embrace superior technologies and emerge as a winner. Some agile banks have accepted the challenge posed by Fintech companies. This is a unique scenario where banks and fintech companies both benefit by partnering with each other. Banks can get the benefit of superior technologies, innovative and efficient solutions for better customer service. Banks have large customer base who trust the banks and fintech companies can leverage on bank's large customer base, experience and their deep financial pockets. Banks also have an ability to scale up.

In this age of Fintech revolution, following approaches can be taken by banks

1. Act Open: Instead of looking at fintech startups as a threat, banks should embrace them with open arms. An example on this front is Customer XPS, a startup founded by a team that was earlier part of the products division at Infosys. This company has built a software product based on artificial intelligence and psychology which helps banks detect and avert fraud before the online banking transaction is completed and takes necessary action to prevent any damage.

2. Stay Agile and Innovate: Being Agile is a cultural change for these traditional banks. Banks especially public sector banks are used to a certain way of operation, dealing with customers with focus mainly on compliance of regulations. This digital revolution has completely changed the banking landscape with customer centric technologies. Banks need to realize this and respond accordingly. Some of the banks like Axis Bank, SBI, ICICI have realized this and developed innovative products like mobile wallet, social payment app etc.

3. Collaborate: In 2015, Paytm has tied up with Axis Bank, Yes Bank, Bank of Maharashtra and ICICI Bank. This kind of collaboration has benefitted both the partners

4. Invest: Banks need to follow procedures and comply with various local and global regulations. Innovations need an environment of creativity and the work culture in various banks is very different from the work environment required for creative entrepreneurship and innovation. A feasible option in this scenario is banks should invest in fintech companies. Globally six major banks - Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo - have made strategic investments in 30 financial tech (fintech) companies since 2009, according to CB Insights data. A similar approach can be followed by banks in India where banks are witnessing a fintech revolution. Banks can also invest in terms of time, mentoring the fintech entrepreneurs and thus be a part of the innovation process.

Conclusion

The Fintech revolution in India has caused disruption in the banking sector in India. Banks need to acknowledge that this is changing the banking landscape and respond in an agile manner. Whether banks get threatened and lose out market share or whether they use this as an opportunity to improve their customer proposition depends on the banks' response. If the banks follow the approaches as suggested above then banks will be able to withstand this fintech revolution and emerge as a winner. Transition to FinTech 2.0 represents a far broader opportunity for banks and Fintech companies to collaborate, each providing the other with what it now lacks—be that data, brand, distribution or technical and regulatory expertise; this will lead to re-engineering of the infrastructure and processes of the global financial services industry.

In future, once we have a completely supporting ecosystem, we may have a completely virtual bank in India. We are moving in that direction.

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