

The role of FINTECH in promoting NBFC's and contributing towards Indian Economy

Prof. Satyajitsinh Gohil¹, Nishit Parmar²,
PadhiyarVishnukumardevisinh³

¹Assistant Professor, Faculty of Management Studies, Parul University

²Student, Parul University

³Student, Parul University

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ABSTRACT: The Indian population's unbanked and underbanked groups rely heavily on the services provided by non-banking financial companies (NBFCs). Traditional NBFCs, however, confront a number of difficulties, including high operational expenses, a narrow reach, and a lack of technology infrastructure. Fintech's rise has created new chances for NBFCs to use technology to streamline their processes and broaden their reach. This study attempts to look into the contribution that fintech makes to the Indian economy and to the promotion of NBFCs. The paper will look at the many Fintech solutions that NBFCs can use to improve customer experience, streamline processes, and cut costs. Also, the effect of Fintech on India's underprivileged groups' financial inclusion will be examined. The findings of the research will provide valuable insights into the potential of Fintech to transform the NBFC sector and contribute towards the growth of the Indian economy.

Keywords: NBFCs, Fintech, Indian Economy

I. INTRODUCTION

The rise of Financial Technology (Fintech) has been one of the most significant changes to the Indian financial sector in recent years. Traditional financial services have been disrupted by fintech, creating new opportunities for financial institutions, particularly non-banking financial companies (NBFCs). The Indian economy greatly benefits from the financial services provided by NBFCs to the unbanked and underbanked populations in India. However, NBFCs struggle with issues like high operational expenses, a narrow reach, and a lack of technology infrastructure, which has hampered their ability to expand. Fintech provides a solution to these issues by empowering NBFCs to use technology to

streamline their processes, improve the client experience, and cut costs.

Fintech integration can promote financial inclusion, increase credit availability, and support the expansion of the Indian economy. In order to better understand how Fintech may support NBFCs and the Indian economy, this research paper will look into this topic. The study will look at several Fintech approaches that NBFCs can take and evaluate how they affect India's disadvantaged communities' access to financial services. The report will also include recommendations for how policymakers, NBFCs, and Fintech businesses should cooperate and use Fintech solutions to promote financial inclusion and economic development in India.

II. LITERATURE REVIEW

"Goldsmith (1969) was the first author who realised and identified the need and role of financial institutions in development process." ("THE ROLE OF NBFC IN DEVELOPMENT OF INDIAN ECONOMY: A CASE STUDY") He has given priority in the role of such financial institutions in the process of mobilising the funds from the investors as deposit to the borrowers as loan for the productive and operational activities.

"Gurley and Shaw (1960) developed a financial concept that described the activities of financial intermediaries and the theoretical concept of financial institutions." ("THE ROLE OF NBFC IN DEVELOPMENT OF INDIAN ECONOMY: A CASE STUDY") They basically classified the intermediaries into two categories which are monetary and non-monetary by nature. Monetary institutions like banks which help in generating money and thereon monetary sectors which do not help in generating money.

Levine et. al, (1999) pointed out that the growth of economy is very high where the financial institutions were developed. In this study he defined that the Non-banking Financial Companies have increased their investment percentage in private sectors and which leads to enhancement real per capita GDP of about 0.6% points every year.

Shollapur (2005) realised that the NBFCs are playing a very adequate role in the system of finance and are known as the complimentary sectors of commercial banks of India. The healthy and productive financial services of NBFCs lead to retain large numbers of customers which also includes small borrowers. (“THE ROLE OF NBFC IN DEVELOPMENT OF INDIAN ECONOMY: A CASE STUDY”)

Sundaram (2010) realised that NBFCs have been developed in their financial performance, profitability aspects. The researcher here advised that the RBI should fully regulate the NBFCs like commercial banks because these companies are developing rapidly and expanding their operational activities to the possible extent. (“THE ROLE OF NBFC IN DEVELOPMENT OF INDIAN ECONOMY: A CASE STUDY”)

"Khalil (2011) described the NBFC’s performance in financial aspects which include the services like investment and leasing finance, management of asset, consulting services in case of investment which are not efficiently provided by the Banking"

OBJECTIVE OF THE STUDY

- To find how Fintech is helping the NBFC grow
- To find how NBFC is promoting Indian Economy
- To find how fintech is helping NBFC grow
- To understand the importance of NBFC in providing solutions that increase the consumer spending.
- To understand how NBFC have changed the way people consider loans as a easy way to purchase things which was not the case in the past

III. RESEARCH METHODOLOGY

- **Research design:** Descriptive search
- **Method Of Data Collection:** Primary data
- **Population:** The sample size of 101 respondents has been selected
- **Sampling method:** Random sampling
- **Data representation:**The data collected is represented in form of Table, graph, pie charts

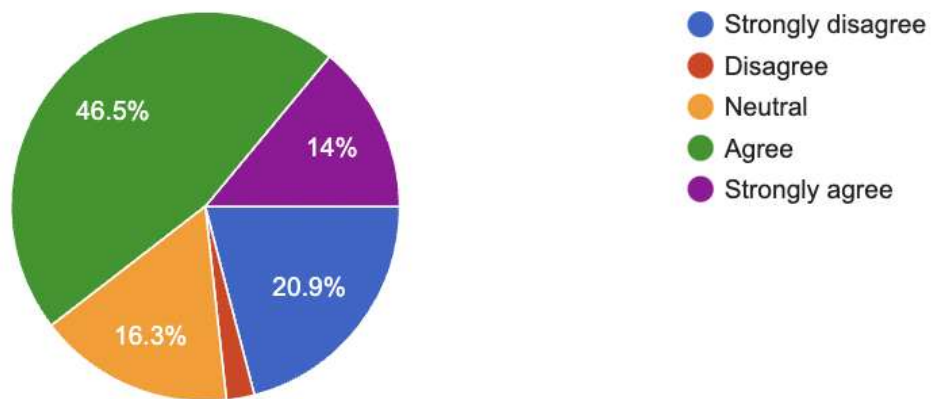
Sampling design	Non-probability sampling
Sampling technique	Simple random sampling
Sampling Unit	Discrete
Sampling Size	101 responses
Data analysis method	Descriptive research

Fig: Sampling frame

IV. DATA ANALYSIS AND INTERPRETATION

1. To what extent do you agree that fintech has played a role in promoting non- banking financial companies (NBFCs) in India?

Sr. No	Particulars	Number of Respondents	Percentage %
1	Strongly agree	12	14%
2	Agree	40	46.5%
3	Neutral	14	16.3%
4	Disagree	2	2.3%
5	Strongly disagree	18	20.9%
Total		86	100%



Analysis: The information portrayed from the data above we completely understand that around 46.5% of respondents have mentioned that they agree to the fact that Fintech has helped NBFC to grow on the financial ecosystem. If we do a bit more

digging on the part of fintech we would get to know that fintech is the technology which is helping financial services to grow and thus it not wrong to say that fintech is helping NBFCs to grow.

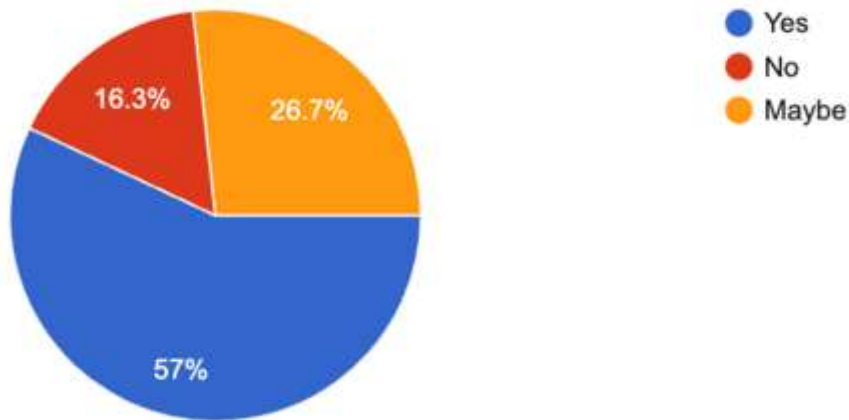
2. Would you be willing to take a loan from NBFC over Bank?

Sr. No	Particulars	Number of Respondents	Percentage %
1	Yes	53	61.6%
2	No	17	19.8%
3	Maybe	16	18.6%
Total		86	100%

Analysis: When the respondents were asked that if they are willing got take a loan from the NBFC over the bank a lot of the respondents agreed to that which is also telling us how these NBFCs are growing popularity in today's date, but it is also

important to remember that these NBFC's are providing the loans to us easily only when they are charging higher interest rates when compared to the banks.

3. Do you think Banks should come with their own NBFC and Fintech firms to cater the needs of the economy?

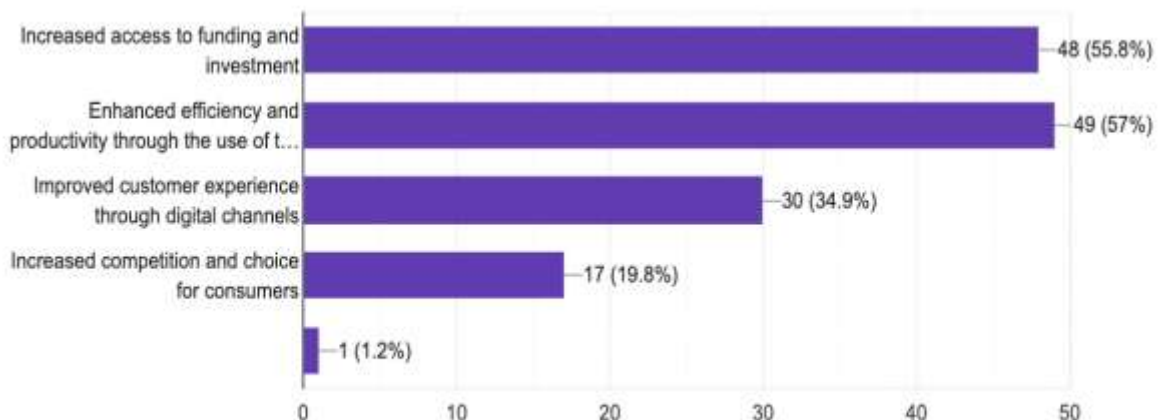


Analysis: According to most of the respondents it is advised that the banks should have their own branch of NBFC, which is a very good prospect that every bank should notice because a lot of banks have already stepped their foot into these sectors like HDFC bank and it is better to have more players to have a healthy competition in the market.

Analysis: When the respondents were asked about how FinTech's have helped NBFCs the most common reply from the respondents was "Enhanced efficiency and productivity through the use of technology" which is very correct because the use of fintech is to provide technological expertise to the financial sector and it is able to provide this for the sustainable growth of NBFC in the country.

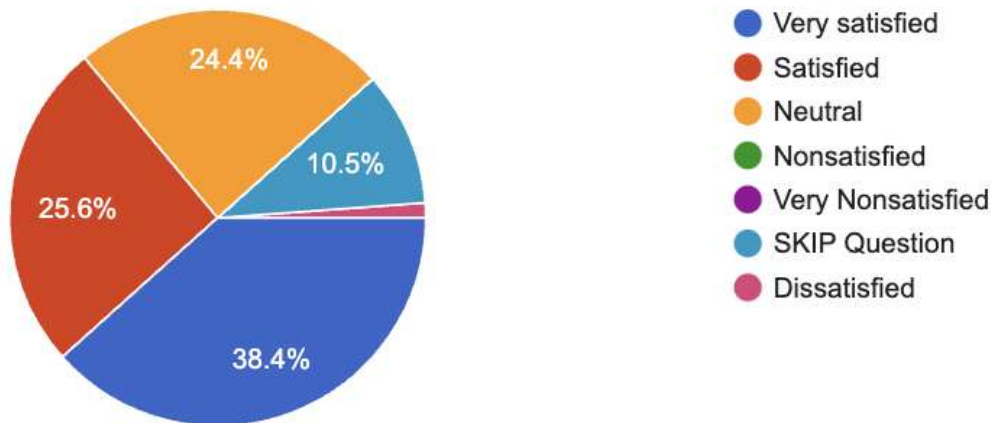
4. In your opinion, what are the main ways in which fintech has helped NBFCs in India?

5. If you have used fintech services offered by NBFCs in India, how satisfied were you with the experience?



Sr. No	Particulars	Number of Respondents	Percentage %

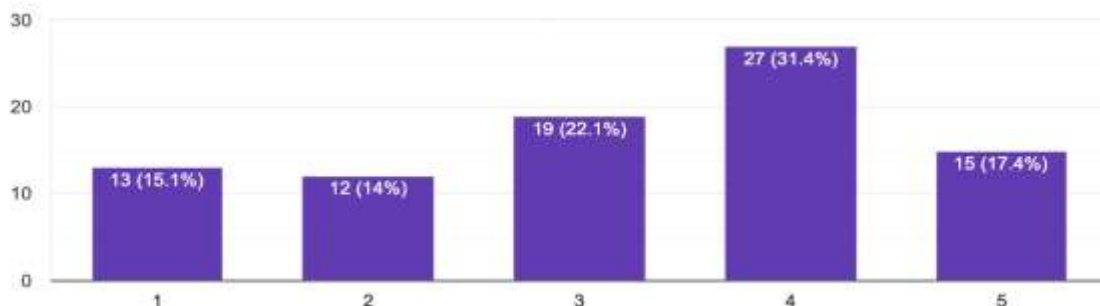
1	Very satisfied	33	38.4%
2	Satisfied	40	25.6%
3	Neutral	14	24.4%
4	Non satisfied	0	0%
5	Very Non satisfied	0	0%
6	Skip	9	10.5%
7	dissatisfied	1	1.2%
Total		86	100%



Analysis: The respondents were first asked that if they have used any fintech services or not for which they were very progressive and had mentioned that they had used these services in the past and now when they are asked if they were

satisfied with the service or not 38% of responded that they are very satisfied with the product and it also tells us that the fintech and NBFC services are going in the right path.

6. In your opinion, how has the growth of fintech in India impacted the overall economy?



Analysis: On the scale of 5, Around 31% of respondents have mentioned 4 and that they believe the fintech has actually impacted the growth of India, and on top of that if we look into the journals and the success of Digital India we can get to know that fintech have played a very special role in the

growth of the economy, there were instances when there were economic difficulties which led to strong selling by FII and DII but it was because of the easy of fintech that the retail investors could easily invest in the stock market and saved the index from falling sharply

7. Do you believe that fintech has had a positive or negative impact on the overall Indian economy?

Sr. No	Particulars	Number of Respondents	Percentage %
1	Negative	42	48.8%
2	Positive	44	51.2%
3	Negative	0	0%
Total		86	100%

Analysis: It is clearly seen that the respondents are understanding the impact of fintech on the overall Indian economy but there is also a neck-to-neck comparison as many respondents have marked “Negative”.

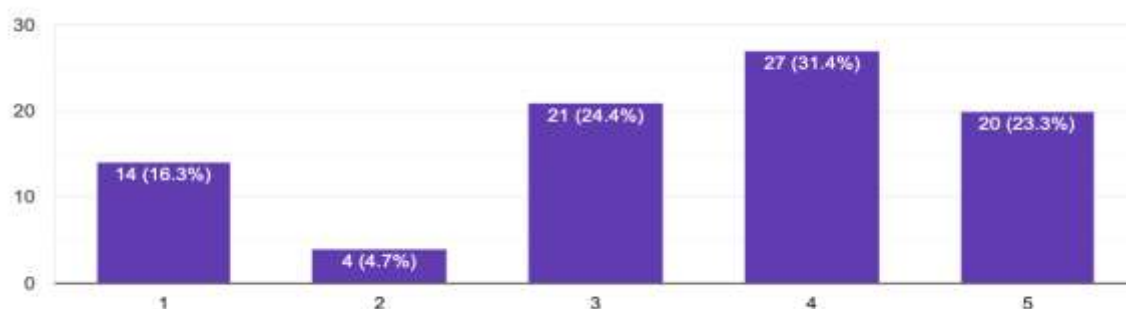
8. Do you believe that the government should do more to support the growth of fintech in India?

Sr. No	Particulars	Number of Respondents	Percentage %
1	Yes	82	95.3%
2	No	3	4.7%
Total		86	100%

Analysis: The government is already doing a lot to increase the use of fintech and digital power in India and the respondents after looking the growth believe that the development is necessary because even if we can see a lot of improvement in the urban sectors of the economy the rural sector is still

to very high extent untouched which should not be the case because rural India is the backbone of Indian Economy as we are still getting a lot of contribution in our economy from agricultural sector.

9. On a scale of 5 do you think fintech will continue to shape the future of NBFCs and the Indian economy?



Analysis: On a scale of 1-5 where 5 being the highest most of the respondents have chosen 4 which depicts that they also believe that this financial inclusion from fintech's end is going to help the financial sector a lot and it is going to take India and help India to achieve greater heights.

V. RESULTS AND FINDINGS

According to all the data that has been collected by spreading the questionnaires and analysing the data we have come to the results which are presented here

- The data has been collected from a large group of audience which includes respondents from all the major background including students from colleges and professionals.
- The analysis has been done taking in consideration the responses collected which clearly signifies that fintech is playing a major role in the development of Indian economy and with the help of government initiatives like Digital India the potential growth of fintech is huge in the upcoming days.
- It was observed that not only the fintech is growing at a fast pace, but NBFC firms are also providing expertise to grow to the most rural parts of India and helping people of less income group to avail credit which has helped in the growth of rural India
- Fintech being the torch bearer has not only gained individual growth but is taking the growth of India to next level where they are also helping the NBFCs as well as the banks to be digitalized so that the services that need to be provided are not hampered because of poor infrastructure.
- NBFC has been working with the banks to help to cater to the needs of the rural sectors of the economy where the banks cannot reach and helping to enlighten the rural population with the importance of digitalization.

VI. LIMITATION OF THE STUDY

- The study relies on information gathered from just 101 respondents, which may not be typical of all people and businesses operating in the Indian NBFC and FINTECH industries as a whole.
- The sample of responders might not have been chosen at random, which could skew the results and make them less generalizable.
- Because respondents could give false or socially acceptable answers, self-reporting bias could affect the data obtained through questionnaires.

- The study may not have captured all the relevant factors and variables related to the role of FINTECH in promoting NBFCs and contributing to the Indian economy, which could limit the validity and reliability of the findings.

VII. CONCLUSION/SUGGESTIONS

NBFC firms being the limelight of the modern economy which is helping the banking institutions and the citizen of the country to grow to next level have a supporting backbone which very few of us know and talk about the fintech firms, these are the firms that truly support the NBFC firms in all their operations. The research of this study and the responses make it clear that the fintech firms are the ones who provide the infrastructure that is needed to carry out the operations done by the NBFC firms. Having done an intense study about the topic there were many instances where people have highlighted that fintech firms are the ones that are helping the NBFC to provide its impact in the Indian economy.

It is very clear from the study and after referring to all the responses and previously published journals that not only NBFC but fintech are also playing an important part in the upliftment of the Indian economy, the government also understands the mechanics behind it and has provided a lot of support through their schemes to help the fintech firms and is also motivating new startups which are expected to bring a new change in the Indian economy. NBFC firms backed by the fintech are helping the banks to reach to those internal areas of India where the banks could not reach and thus helps the economy.

Thus, we can conclude that a lot of fintech firms, Paytm, Bharat pe and many more are a pioneer in this growth and are also providing various ways to the citizen of India to grow by supporting the digitalization wave, the path that India is on right now is just a beginning of a greater future ahead.

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ANNEXURE

Name

Email

Contact number

Gender

- Male
- Female
- Prefer not to say

Age

- 18-25
- 26-35
- 36-45
- 46-55
- 56 and above



9. On a scale of 5 do you think fintech will continue to shape the future of NBFCs and the Indian economy?

Lowest				Highest
1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>