

Impact Webinar

The fintech start-up way: An overview of the sector in India and UK

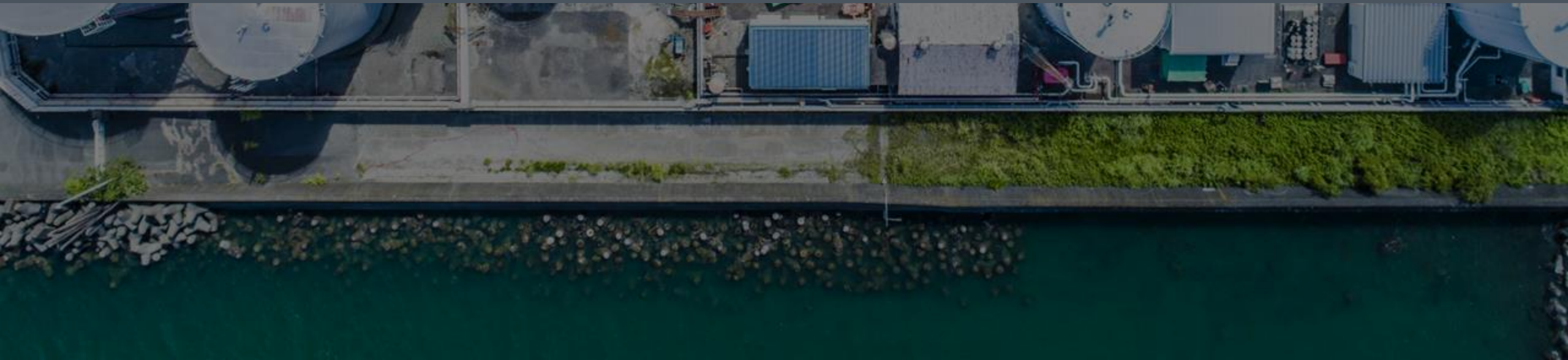
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UK, a frontrunner of fintech adoption



Start ups, an introduction

- How Companies use entrepreneurial management to transform culture and drive long term growth?
- Continuous Innovation
- Atomic unit of work
- Missing Function
- Second Founding
- Continuous transformation
- Fintech startups



Key takeaways

- From Deloitte's grassroots analysis of the UK FinTech Landscape (a part of the Kalifa Review)
- UK's Fintech landscape – 2,500 FinTechs
- Broad categories –
 - Banking (13%)
 - RegTech (10%)
 - InsurTech (6%)
 - Lending (13%)
 - Payments (19%)
 - WealthTech (37%)
 - Business banking (8%)
- WealthTech and payment technology, accounting for more than 50% of all UK FinTechs.



Banking

- Constituting 13% of UK's fintech landscape
- Core banking products including personal current accounts, savings and mortgages. This category also includes banking platforms and operations FinTechs such as Railsbank and challenger banks such as Atom.
- Subcategories include: Banking Personal Current Accounts (PCA) and Banking Platforms



RegTech

- Constituting 10% of UK's fintech landscape
- This FinTech category focuses on companies with activities and technology focused on reimagining and streamlining risk, credit scoring and compliance software.



InsurTech

- Constituting 6% of UK's fintech landscape
- InsurTech includes companies selling insurance digitally or introducing new business models or (re)insurance specific software.
- Subcategories include: InsurTech – Commercial; InsurTech – Personal and Insurance Platforms and operations



Lending

- Constituting 13% of UK's fintech landscape
- Companies focused on innovating credit, from commercial to alternative and specialist lenders or platforms facilitating P2P.
- Subcategories include: Consumer Lending, Commercial Lending and P2P Lending



Business banking

- Constituting 13% of UK's fintech landscape
- Companies focused on innovating credit, from commercial to alternative and specialist lenders or platforms facilitating P2P.
- Subcategories include: Consumer Lending, Commercial Lending and P2P Lending



Payments

- Constituting 19% of UK's fintech landscape
- Businesses that provide underlying money transfer, remittance and foreign exchange services, from payments initiation (e.g. checkout.com) to EPOS systems (e.g. SumUp).
- Subcategories include: Payments, Foreign Exchange and EPOS



Quote aggregators

- Constituting 4% of UK's fintech landscape
- Companies providing online comparison engines for consumer quotes, originally for insurance but this has now extended into wider financial services such as mortgages.



Wealth management

- Constituting 37% of UK's fintech landscape
- The largest category, covering investment and management platforms, sales and trading analysis tools, personal finance management & crypto exchanges.
- Subcategories include: Personal Finance Management (PFM), Investment Data and Information Services, Trading and Investment Platforms, WealthTech Operations, Distributed Ledger Technologies & Cryptocurrencies and Robo Advisors



Deep dive in UK startups

UK Fintech startups	Total funds raised	Operation
Revolut	£690M	Unicorn, Revolut.challenger bank, mobile ap based financial services.
OakNorth Bank	£637M	fast, flexible and accessible debt finance solutions to fast-growth businesses, as well as a range of deposit accounts.
Atom	£482M	App based financial services, including mortgages
Monzo	£444M	Mobile banking account through the Monzo app
iwoca	£401M	support small businesses with short term loans
Paymentsense	£329M	Fcae to face and virtual solutions to small business
Sumup	£317M	Payment processing system, allows sellers to process payments using smart devices.
Worldremit	£314M	Online money transferring services
Wise	£305M	allows individuals and SMEs to transfer money abroad using real exchange rates
Checkout.com	£297M	Allows businesses to process their payments online in multiple currencies.
Molofinance	£280M	Online mortgage lender
Zopa	£276M	global peer-to-peer lender, and has now launched a digital bank.
Starling Bank	£263M	fully licenced challenger bank
Market Finance	£240M	Fintech funder which provides quick and easy funding solutions for businesses
ezbob	£198M	lending-as-a-service (LaaS) provider, offering digital lending solutions to lenders such as banks and financial institutions
Capital On Tap	£164M	online service through which small businesses can receive access to credit
Clear Bnak	£163M	clearing bank by processing payments across major schemes, using cloud technology; core banking platform to FCA or PRA authorised financial institutions
Go Cardless	£162M	allows companies to make and receive recurring payments through direct debit
Liberis	£182M	small business finance in the form of a Business Cash Advance
Tandem	£157M	digital challenger bank that provides banking and money management services

Compiled from beaurost.com



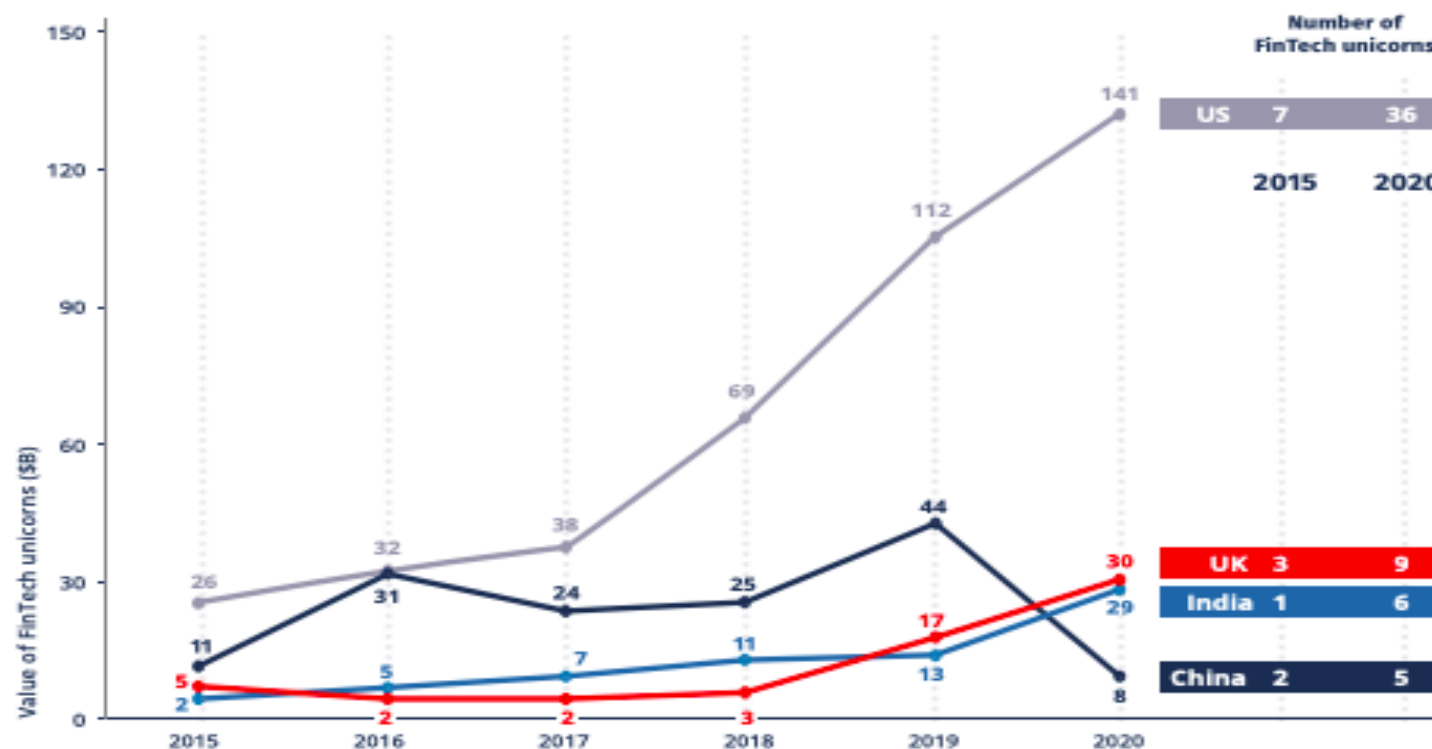
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Value and number of fintech unicorns, 2015-2020

Figure 15: Value and number of fintech unicorns, 2015-2020⁹⁹

Source: CB Insights



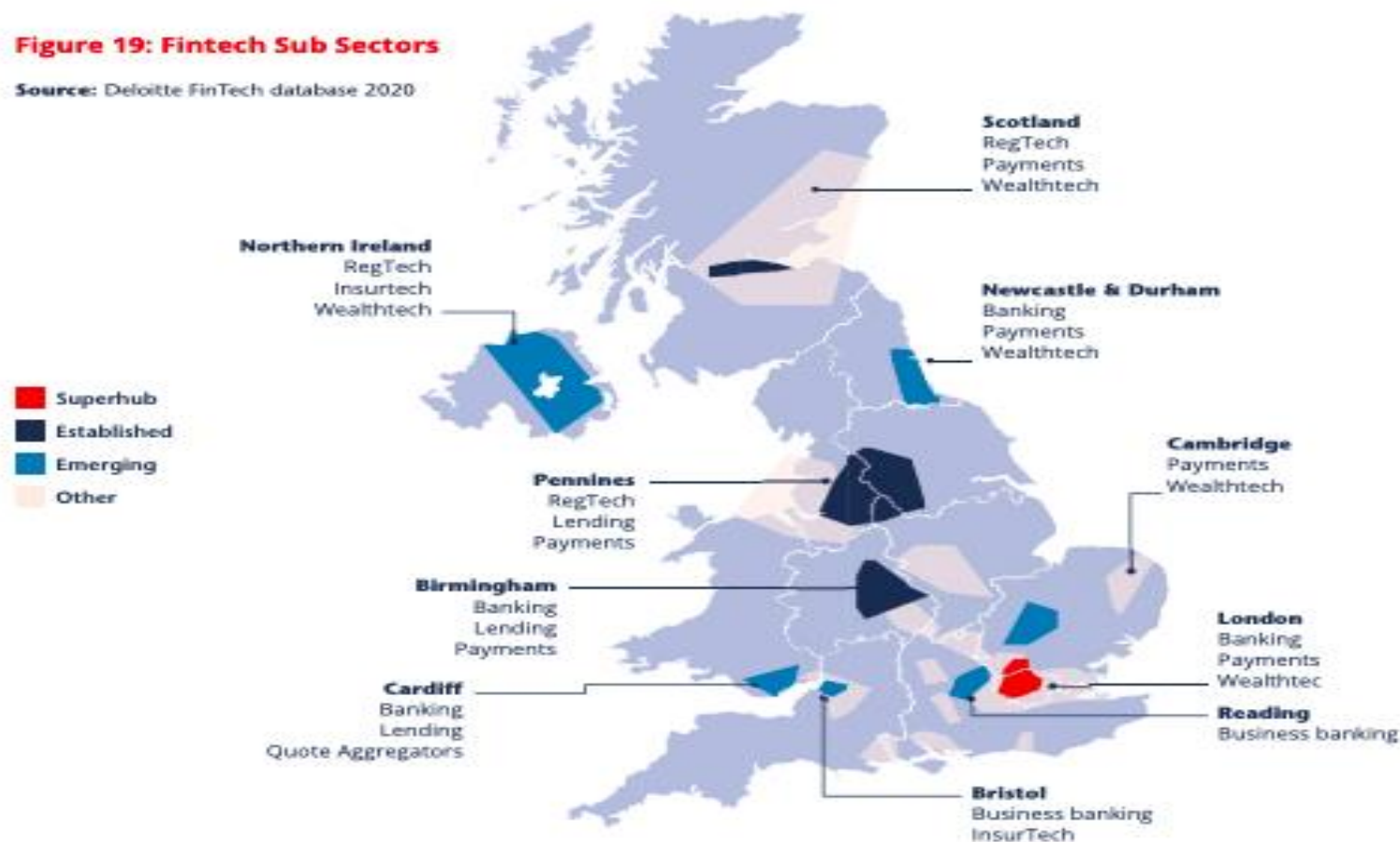
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UK fintech sub sectors (1/2)

Figure 19: Fintech Sub Sectors

Source: Deloitte FinTech database 2020



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UK fintech sub sectors (2/2)

- Power of Clusters (Khalifa Review, 2021)
- Connection
- Innovation opportunities
- Employment
- Global recognition and collaboration
- 25 clusters in the UK- Super hub (London), Established Clusters (Birmingham, Manchester, Leeds, Edinburgh, Glasgow), Emerging Clusters(Northern Ireland, Durham, New Castle, Cambridge, Wales, Reading, Bristol) and Other



Challenges

- Legal aspects
- Selection of investors
- Understanding 'Money'
- Competitors





India, an ecosystem for fintech startups

Definition of startups in India

- An entity is considered as a start-up, provided
- It has completed less than 10 years since the registration/incorporation under the Companies Act 2013 or the Partnership Act 1932 or the Limited Liability Partnership Act 2008 in India.
- The turn-over of the entity has not exceeded INR 1000 million (US\$13 million approx.) in any of the financial years since the incorporation/registration.
- The entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with high potential of employment generation and wealth creation.
- An entity formed by splitting up of or reconstruction of existing business will not be considered as a start-up (DPIIT 2019).



Global Startup Ecosystem Index 2021 (by StartupBlink)

Country	Rank	Global Start-up Ecosystem Index			
		Quantity	Quality	Business Environment	Total Score
US	1	19.45	101.17	3.80	124.42
UK	2	8.16	16.86	3.70	28.72
China	7	1.33	11.46	2.34	15.13
Singapore	10	3.22	7.69	2.84	13.75
India	20	1.83	4.40	2.61	8.83



Fintech overview

(GSEI 2021, StartupBlink)

Start-up ecosystem of India

- Start-up ecosystem shifted focus to digital solutions and fintech.
- US is the main source of investment and focus of investment is fintech and new models of banking, like neobanking.

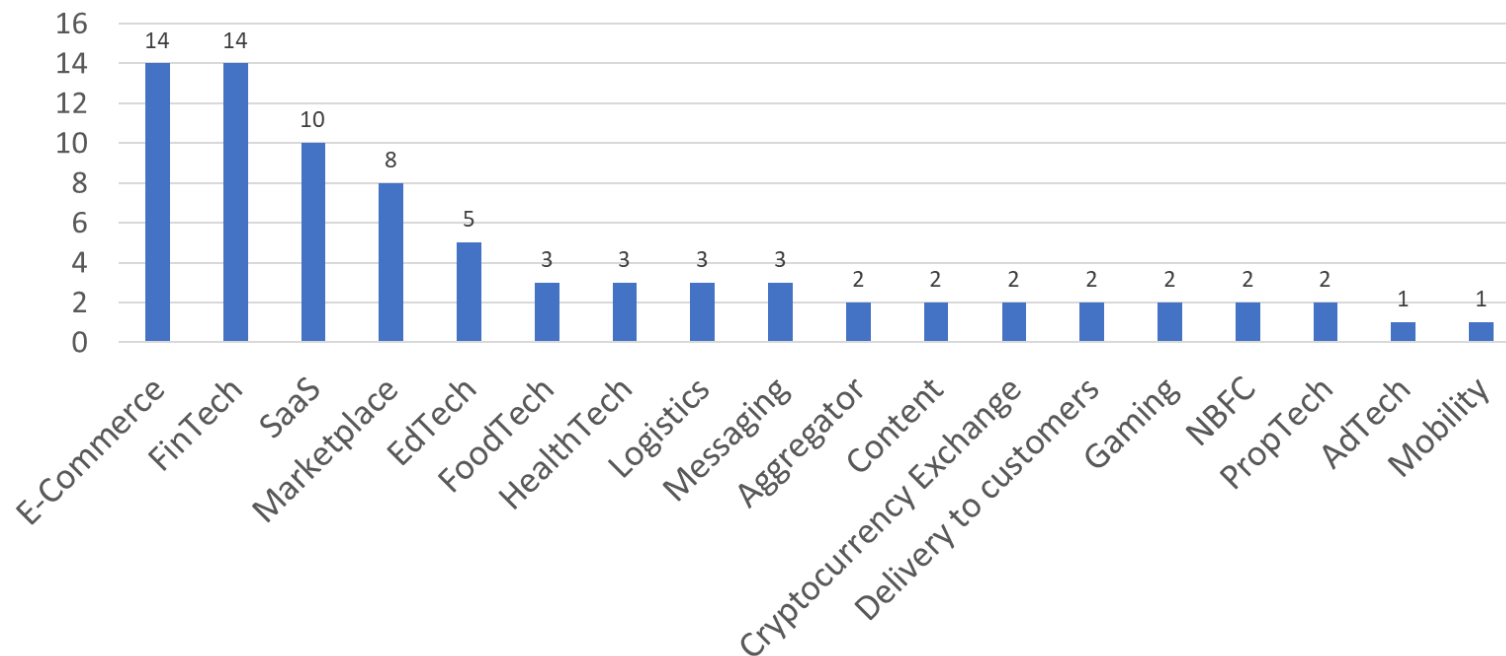
Fintech Ranking - Cluster

Start-up Cluster	Ranking	Score
San Francisco Bay	1	80.14
London	2	54.89
New York	3	36.89
Singapore City	4	23.62
Bangalore	7	16.09
Mumbai	10	15.06
Hong Kong	11	17.78
New Delhi	16	--



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Unicorns in India (Total-79) (Venture Intelligence)

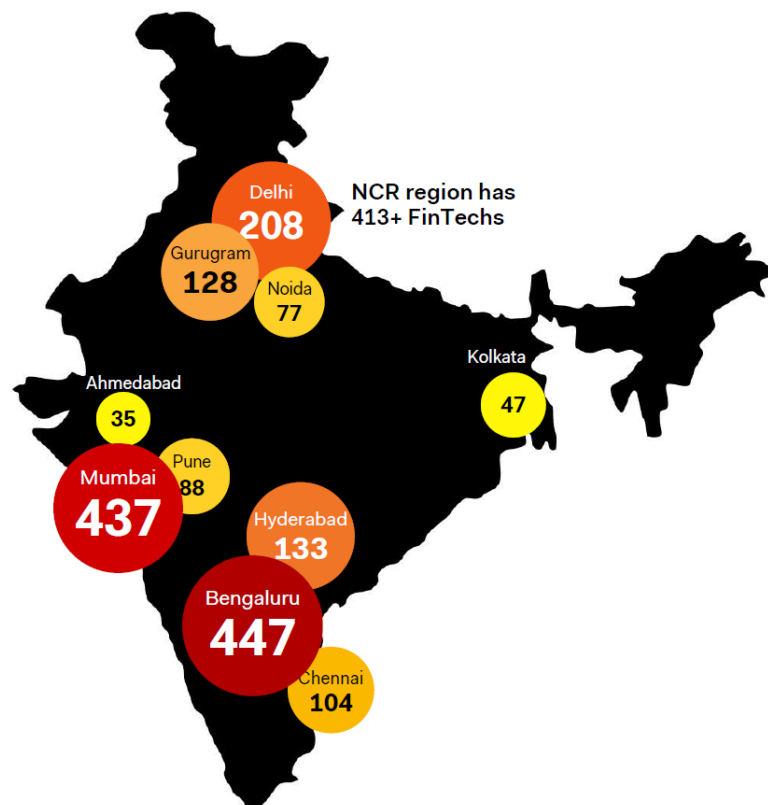


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Snapshot

CITY-WISE BREAKUP (TOP 10 CITIES)

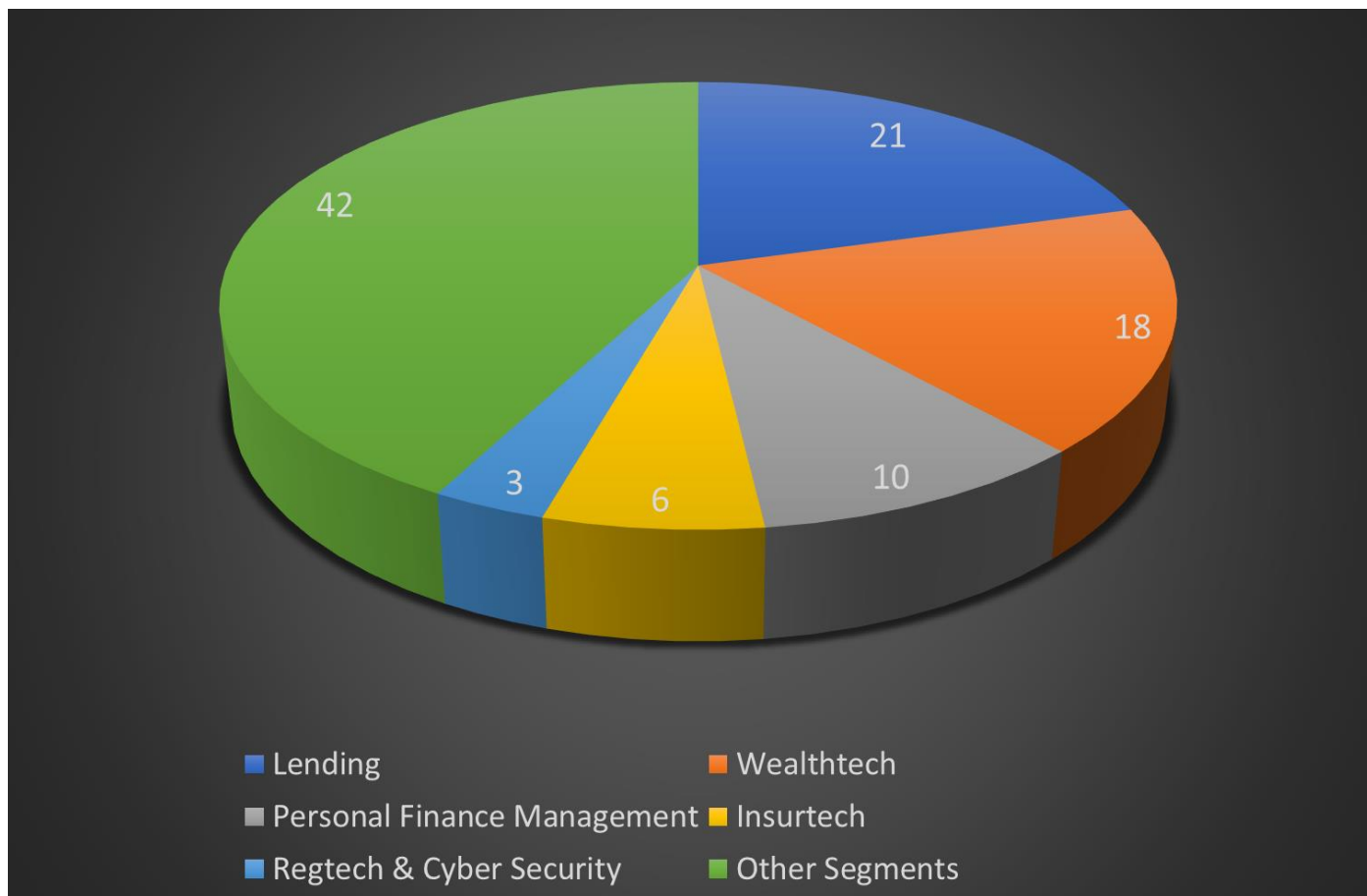


Source: Medici Report

- India currently has around 2174 FinTech startups.
- In 2014-15, There was a massive uptick in the number of new FinTech startups; the numbers grew from 210 in 2014 to 454 in 2015: a 116% increase in growth.
- Bengaluru and Mumbai lead the momentum in FinTech, and together, these cities represent 42% of the startup headquarters. Apart from the top five FinTech destinations, which include Mumbai, Bangalore, NewDelhi, Gurugram, and Hyderabad, the rest of India accounts for 738 FinTech startups.
- The period between 2015 to June end 2020 has seen phenomenal growth in new startups across Payments, Lending, Wealth, and others.



Fintech start-ups in India by segments (%)

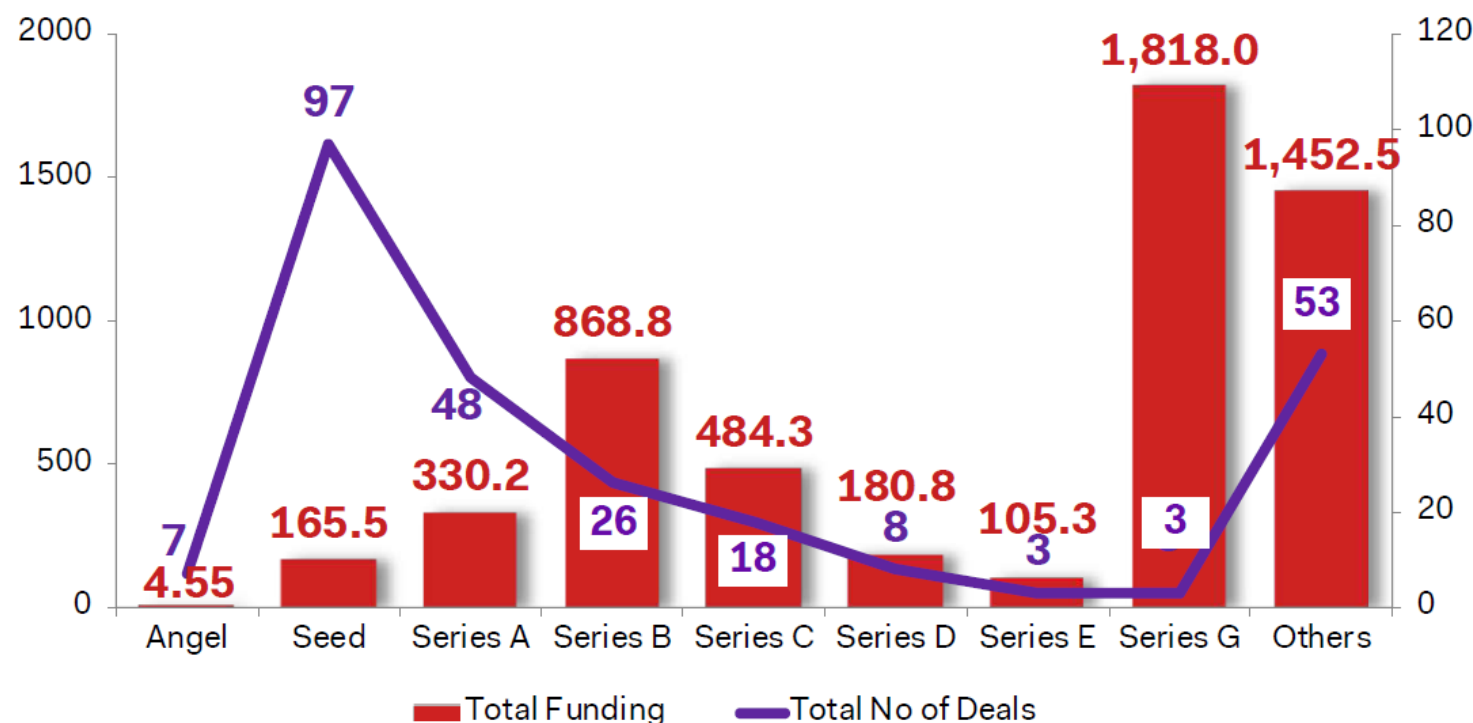


Source: Medici Report



India fintech investments trends (2019 –H12020)

STAGE-WISE BREAKUP OF TOTAL FINTECH FUNDING (\$5.4 BN) IN INDIA – 2019–H12020



Fintech in India (1/3)

(Qambar Abidi 2021)

- Financial assets in Indian economy lagged behind that of advanced countries and some of the advanced developing countries.
- Lack of reliable identification infrastructure and low of level of financial inclusion contributed to this.
- Setting up of unique identification authority of India (UIDAI) paved the way for a policy response to such infrastructural constrains.
- National Payment and Settlement Systems Act 2007 and National Payment Corporation of India 2009 – facilitated the growth of the payment sector. IMPS, UPI, Bharat Bill Pay, etc.
- Growth in the fintech sector during the period between 2006 and 2015 was driven by the payment vertical.
- Jan Dhan accounts facilitated financial inclusion.



Fintech in India (2/3)

(Qambar Abidi 2021)

- Measures to respond to emergence of fintech
- Trade Receivables Discounting System (TReDs) – electronic platform for facilitating financing and discounting of trade receivables of MSMEs.
- Open Credit Enablement Network (OCEN) Protocol – 2020
- With the objective of growing credit to MSMEs
- The loan service provider is responsible for handling the entire loan cycle flow, while the actual loan provider may be a bank.
- RBI approval of account aggregators in 2016.
- RBI regulatory sandbox and innovation hub for testing applications and APIs.
- Growth in the fintech sector post 2016 is driven by lenders and insurance verticals.



Fintech in India (3/3)

(Qambar Abidi 2021)

Key growth drivers of Fintech in India

- Underdeveloped traditional financial services ecosystem
- Rise of mobile usage
- Increase in internet penetration
- Rise of e-commerce
- Technology literate workforce
- Under-serviced customer segment
- High cost of delivery of traditional financial intermediaries



Global Fintech Adoption Index 2019 (EY)

Country	Index Score (%)
India	87
China	87
UK	71
Singapore	67
USA	46



Challenges facing fintech in India (1/2)

- Higher long term capital gains tax on investments in unlisted companies.
- Only 10% of capital invested in the start-ups during 2014-2020 is from India.
- Many start-ups have relocated their headquarters to foreign countries.
- Regulating digital lending service providers.
- More than 600 apps for lending. Some engage in predatory tactics for recovery in violation of privacy norms.
- RBI Working Group on regulating digital lending service providers.



Challenges facing fintech in India (2/2)

- In the West, financial service providers make money from high financial transaction charges.
- But in India, the transaction charges (MDR - Merchant Discount Rate) is zero for all UPI payments and transaction using RuPay cards. Other card providers charge MDR at 1-2.5%.
- Payment service in India will not survive without innovating.
- UPI platforms such as Paytm and Phonepe now provide services such as insurance booking, lending, mobile phone recharging, bill payments, etc.
- Will have to look into the proposed regulation on digitizing lending service providers on the fintech sector of India.





UK- India Trade in
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This project aims to contribute to the ongoing India-UK Economic and Financial Dialogue (EFD) by contributing to the development of the fintech sector and fintech-enabled services and trade between India and the UK. This project has enormous potential to deepening both countries' bilateral partnership.



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