

AN ANALYSIS OF CREDIT GROWTH THROUGH TRADITIONAL BANKS AND FINTECH COMPANIES IN INDIA

Mr. Pankaj Kumar Jhariya

Research Scholar, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar, M. P.

Ms. Neetu Kushwaha

Research Scholar, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar, M. P.

Prof. G. L. Puntambekar

Professor, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar, M. P.

Abstract

The evolution of FinTech companies in banking sector has shifted the way of providing banking services. Utilizing the power of innovative technologies like machine learning, artificial intelligence, etc. these FinTech companies have captured the financial market. Now they are moving toward the core business segment of banks i.e., lending. Fintech lending covers all the credit activities performed over the internet via a digital platform or web. FinTech companies provide digital platforms to lenders for providing credit facilities. Recently, the credit through FinTech companies has shown rapid growth in terms of new loan accounts as well as amount disbursed. This paper has analysed the growth of FinTech credit based on the data of 119 companies from 2019 to 2021 and it was found that the both number of new loan accounts and credit disbursed have grown with 51% and 42% respectively. The FinTech credit portfolio outstanding was also 16% Y-o-Y growth. With rising trend, the FinTech has highest delinquency rate after Public sector banks. However, while comparing with the volume and value of credit through schedule commercial banks in India, FinTech credit is far behind the SCBs and it will take lot of times and support of regulatory authorities & government to come parallel to SCBs.

Keywords: *FinTech, FinTech company, Conventional lending, Fintech Credit*

INTRODUCTION

In the current era of a globalized economy, the financial market plays an important role in the growth of a nation and banks are universally recognized as the most significant institution in financial markets as they work for ensuring the smooth operation of financial resources and the stability of the financial system. Banks are intermediary institutions providing a variety of financial services to common people and most importantly banks are mobilizing funds from the lender to borrowers of different sectors. The Global Financial Crisis originated in 2007 severely hit the financial system of developing countries. The major cause of crisis was the transformation in financial system created by new model of securitization which is also an example of financial innovation (Helleiner, 2011). The crisis created instability in financial system of the whole world and it caused the destruction of financial assets of nearly \$20 trillion owned by U.S. households. Due to income and consumption decline in US, many countries saw a major decline in export and investment which leads to 2% decrease of global GDP (Farnsworth & Irving, 2012). The damage to global banks in advanced countries had directly impacted the liquidity of banks, consequently it has a direct transmission effect on the supply of credit and provoked a strong credit slowdown (Buch & Drages, 2018). But, the Indian banking sector was less impacted by the crisis because of two reasons. First, the Indian banking sector has limited off-balance sheet activities and securitized assets, and it has no direct exposure to subprime mortgage assets or the failing institutions. The second was that domestic consumption and investment have been the main drivers of the Indian economy (Subbarao, 2009). Other than the financial losses, it has other significant impact on human capital and public perception. The public's perception towards deteriorated and distrust of the traditional banking system developed among general public. Many financial professionals lost their jobs or their pay decreases (Arner et al., 2015). The unemployment rate was increased from 4.7% to 12.1% in 2009 and approximately, 9 million people lost their jobs (Farnsworth

& Irving, 2012). To handle these threats and to overcome the financial losses and unemployment, the financial institutions initiated several changes and adopted information technology and many innovative technologies to improve the service quality. The under-utilized educated workforce found a new industry, FinTech 3.0, in which to apply their skills. There is also the newer generation of highly educated, fresh graduates facing a difficult job market. their educational background has often equipped them with the tools to understand financial markets, and their skills can be applied to FinTech 3.0. (Arner et al., 2015). Recently, the term 'Fintech' has become the attention seeker among the academicians, regulatory bodies and other government organizations. According to CBINSIGHTS report, in the year 2008, the global investment on FinTech activities was \$3 Billion with 65 deals approximately and it increases in year 2014 to \$12 Billion with more than 700 deal volume (Dickerson et al., 2015). In year 2021, the global FinTech investment (venture capital, Private equity, M&A) was recorded to \$210 billion with 5684 deals counts but it falls to \$107.8 with 2950 deals in H1'22 (Reddenklau et al., 2022). The venture capital funding accounts for \$52.6 billion and M&A activity in Fintech accounts for value of \$49.1 billion and private equity accounts for \$6.1 billion till July 2022 (Reddenklau et al., 2022). In line with global trends, India's FinTech ecosystem has seen tremendous growth over the last few years. Earlier in 2020, India was top among Asia-Pacific (APAC) countries in FinTech investments (Goh, 2022). According to the Tracxn database, as of July 2022, the number of Fintech start-ups in India was over 7300. The total volume of Fintech funding till June 2022 has been approximately \$30.2 billion. In 2021, Fintech funding recorded a massive surge, clocking at \$7.8 billion. The FinTech investment has significantly captured the share in payment segment but recently these Fintech companies are moving towards the core business of banking institutions i.e., Lending. The Fintech companies provides digital platforms and act as mediator between the NBFCs providing funds and the population which is underserved by the traditional financial institutions. The growth of the business and diversified services of these FinTech companies has made revolutionary changes in the credit market around the world and therefore, it is important to analyse this new and emerging model of credit and the contribution of Fintech companies on Indian credit market. This paper is an attempt to understand the lending model of Fintech companies how these models are different from the traditional credit models. The study has analysed the credit disbursed through 119 FinTech companies and their contribution towards the credit market.

REVIEW OF LITERATURE

Various empirical studies have been conducted from time to time to understand and examine the different aspects of the growth pattern and performance of Fintech throughout the world; important studies are reviewed below in chronological order:

(Group Committee on the Global Financial System (CGFS), 2017) has defined Fintech credit as all credit activity made possible by online platforms that pair borrowers and lenders directly is referred to as "FinTech credit." These organizations are also known as "marketplace lenders," "peer-to-peer (P2P) lenders," or "loan-based crowd funders." A variety of credit responsibilities, including secured and unsecured lending as well as non-loan debt funding like invoice financing, can be facilitated through such electronic platforms.

(Wolfe & Yoo, 2017) have analysed the peer to peer lending considering the unsecured consumer loan market and found that P2P lending represents as an emerging competitor to traditional depository lenders such as commercial banks. Further, they also investigated whether banks respond to P2P lending by changing loan interest rates but they did not and find any change in loan pricing.

(Omarini, 2018) has studied the importance of peer to peer lending as a platform business model and suggested online peer-to-peer lending is a developing market with great potential for attracting clients from traditional financial institutions, generating a new benchmark for loan requests, and opening up new investment opportunities. FinTech companies can be benefited when they will have a robust business strategy to draw a large number of lenders as well as borrowers.

(Thakor, 2020) has analysed the various theories of financial intermediation and the impact of FinTech on banks focusing on P2P lending. They suggested modification in existing theories so that it can reflect both the economic function of financial intermediation embedded in existing theories and capture what FinTech firms can do. Further, he mentioned that P2P lenders will not replace banks anytime soon, but they will take some market share away from banks.

(Bazarbash & Beaton, 2020) has examined the evolution of marketplace lending in the business and consumer segment across 109 countries using data from 2015 to 2017. The total marketplace financing in 2017 reached \$400 billion USD. They also reveal that the FinTech industry is still too small to pose a threat to financial stability. Additionally, marketplace lending is more prevalent in nations with more developed financial systems. This suggests that marketplace lending is better able to close the credit gap in credit markets with more experience and where financial imperfection is rising.

(Disemadi et al., 2020) has highlighted the problems with respect to Fintech P2P lending business activities and they found that the unethical invoicing practices by the FinTech providers had developed as a result of rising consumer default rates and late payments. Additionally, they also reveal that the FinTech P2P lending providers misused personal data to build a billing medium because the organiser finds it challenging to bill on time. As a result, many borrowers suffer from insignificant losses.

(Le et al., 2021) have examined the relationship between the development of FinTech credit and the efficiency of banking system in 80 countries from 2013 to 2017 and found that there was a negative relationship between bank efficiency and FinTech credit growth. FinTech credit is more developed in countries with less efficient banking systems. Further, the findings also highlighted that FinTech credit serves

underbanked regions and it is more developed in nations with explicit FinTech regulations. As a result, the implementation of a legal framework regarding FinTech credit is crucial for the growth of FinTech credit.

(Frost et al., 2022) have examined the impact of FinTech lending on access of finance to small businesses in the US. The findings of the study suggest that FinTech lenders have been able to expand credit access to those underserved small business owners who are not likely to receive funding from traditional lenders. They have suggested that the alternative data about the small businesses and their owners could play an important role in allowing FinTech platforms to expand credit access.

RESEARCH GAP

While reviewing the available literature, it is found that the concept of FinTech is still in emerging stage and due to its novelty, it has not got a proper definition yet. The term FinTech lending has recently gained the attention of researchers as well as regulators. There has been found large research gap in this segment. Most of the research work has focused on studying and describing the functionality and behaviour of FinTech companies while performing credit activities. Few international case studies are also available which has tried to analyse the growth of FinTech credit on the basis of one or two Fintech companies. In the case of India, very few pieces of literature are available on FinTech which has studied the growth, challenges and opportunities in FinTech but there has been no study which has focused on the Credit segment of FinTech companies.

RESEARCH METHODOLOGY

The study is analytical in nature and based on secondary data collected from reliable sources i.e., report of SIDBI, which contains the credit data of 119 FinTech companies in India from September 2020 to September 2021. It is a national-level study and only the lending pattern of Fin-Tech companies is analysed. Financial variables are measured from the financial reports of different organizations. The collected data was processed as per the objectives of the study and with simple statistical tools and techniques. Time Series Analysis was used to analyse the prospective growth of credit through Fintech companies.

OBJECTIVES OF THE STUDY

1. To study the difference between Fintech lending and the conventional lending approach.
2. To analyse the credit growth through FinTech companies in India.

INTRODUCTION TO FINTECH LENDING

The term “Fintech lending” includes all the credit activity facilitated by electronic platforms whereby borrowers are matched directly with lenders. The lending business is based on digital platforms or mobile-based applications. In the last five years, the FinTech credit companies have shown tremendous growth in a number of new fintech startups as well as funding raised by them all over the world. According to a report, the global FinTech lending market size was valued at \$449.89 billion in 2020 and is projected to reach \$4957.16 billion by 2030 (Goswami, Borasi, & kumar, 2021). During Q1’2022, the lending segment received the highest VC funding i.e., \$5.02 billion in 170 deals (Gudla, 2022). Lending is one of the fastest-growing FinTech segments in India. Despite challenging macroeconomic conditions like Covid-19, the lending segment continues to have the maximum traction. The segment saw the highest number of startups funded and the funding raised. According to a report by FACE (FinTech Association for Consumer Empowerment), FinTech lending companies have increased their credit disbursements in 2021-22 and provided 2.66 crore loans amounting to ₹18,000 crores (Livemint, 2022). FinTech lending contributes ₹35.5 thousand crores to the total retail portfolio outstanding which recorded a portfolio outstanding of ₹81.1 lakh crore as on 31st march 2021 in India.

➤ **FinTech credit Market: Size and structure:**

India has not lagged behind either. Now, it is one of the largest FinTech markets with the highest adoption rate of 87 percent. Along with some of its international rivals, recently India has experienced remarkable growth in the FinTech sector, particularly after the Covid-19 pandemic. According to the recent report titled “India Fintech: A USD 100 Billion opportunity,” by Boston Consulting Groups (BCG) and FICCAI, India’s FinTech industry is expected to grow from its current worth of USD 50-60 billion to USD 150-160 billion by 2025. Since 2014, more than \$22 billion has been raised by Indian FinTech startups. According to a recent report, lending was the most preferred segment among all other Fintech segments. out of ₹1.7 billion in funding in the FinTech sector, the FinTech lending segment has raised ₹892 million with a total of 29 funding deals, which is almost 50% of total funding raised and 40% of total deal counts respectively by the Fintech sector during the first quarter of 2022.

➤ **FinTech credit Distribution by Value & Volume:**

The consumer market in India is complex in terms of geography, cultural preferences, and consumer behaviour. According to the needs of the consumer, there is a variety of credit products like consumer loans, business loans, auto loans, home loans, and education loans, available in the financial market. But these products can be categorized mainly in two broad categories i.e., business loans and personal loans. FinTech companies have focused especially on personal loans. Due to regulatory restrictions on FinTech lending, FinTech companies cannot lend money more than ₹50 lakh at a time from all digital platforms. So, they provide small ticket-size personal loans. The table below is presenting the volume in terms of the number of active loan accounts in different types of loans disbursed by FinTech companies.

Table No. 1
Number of active Fintech loan accounts

| Products | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Y-o-Y Growth |
|------------------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Business loan | 11,000 | 14,000 | 32,000 | 14,000 | 17,000 | 55% |
| Consumer Loan | 15,12,000 | 16,04,000 | 14,32,000 | 11,45,000 | 11,64,000 | -23% |
| Personal Loan | 26,43,000 | 48,78,000 | 2324000 | 40,34,000 | 50,05,000 | 89% |
| Rest of Product | 1,81,000 | 4,39,000 | 5,73,000 | 3,71,000 | 3,95,000 | 118% |
| All products | 43,47,000 | 69,35,000 | 43,61,000 | 55,64,000 | 65,81,000 | 51% |
| Q-o-Q growth | - | 60% | -37% | 28% | 18% | - |

Source: SIDBI

Note* Rest of the products: Auto Loan, Commercial Vehicle Loan, Credit Card, Education Loan, Gold Loan, Housing Loan, Lease Loan against Shares/Securities, Loan on Credit Card, Loan to Professional, Manufactured Housing, Micro Finance Business Loan, Micro Finance Housing Loan, Micro Finance Personal Loan, Other, Overdraft, P2P Personal Loan, Pradhan Mantri Awas Yojana -Credit Link Subsidy Scheme MAY CLSS, Property Loan, Tractor Loan, Two-wheeler Loan, Used Car Loan.

The above table shows the number and growth of Fintech credit loan accounts categorized as business loans, consumer loans personal loans, and the rest of the products. The personal loan category has the highest number of loan accounts during the whole year. It was 26,43,000 in September 2020 and at the end of September 2021, it was recorded as 50,05,000 with Y-o-Y growth of 89%. The consumer loan segment has the second highest ratio in total active accounts but during the year it decreased by 23%. The business loan category was having the lowest share in total active accounts and it was 11,000 in September 2020 which increased to 17,000 in September 2021 with Y-o-Y growth of 55%. At last, the Rest of the products category showed the highest growth rate of 118%. It is clearly indicating that the different kinds of loans other than business, consumer, and personal loans are also growing at a fast pace and contributing to the portfolio of FinTech credit accounts. Overall there was a growth of 51% i.e., from 43,47,000 to 65,81,000 between September 2020 to September 2021 in active loan accounts of FinTech companies.

➤ **Quarterly FinTech credit disbursement trend**

Most of the FinTech companies in India are not completely regulated. For example, for regulation of Companies, there is The Companies Act 2013, and for partnership, there is The Partnership Act 1932. There is no such regulating act in the case of FinTech companies. However, recently the RBI has issued guidelines for digital lending platforms to bring them into the regulatory boundary. RBI issued “master Directions- Non-Banking Financial Company- Peer to Peer lending Platform (Reserve Bank) Directions in 2017 and it was updated in October 2021. According to the guidelines the aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of ₹50,00,000 provided that such investments of the lenders on P2P platforms are consistent with their net worth. The table below shows the quarterly credit disbursed by FinTech companies.

Table No. 2
Fintech credit disbursement (September 2019-September 2021)
(₹ crore)

| Year | Business loan | Personal loan | Rest of Products | All products |
|---------------------|---------------|---------------|------------------|--------------|
| Sep-19 | 5416 | 9713 | 9999 | 25128 |
| Sep-20 | 3135 | 9638 | 15329 | 28102 |
| Sep-21 | 3755 | 15928 | 20182 | 39865 |
| Y-o-Y Growth | 20% | 65% | 32% | 42% |

Source: FinTech Pulse, SIDBI

The table above shows that the total credit given through FinTech companies was ₹25,128 Cr in September 2019 and it was recorded ₹39,865 Cr in September 2021 with 42% Y-o-Y growth. The amount of business loans was recorded ₹5,416 crore in September 2019. In September 2020 it was ₹3135 Cr and with 20% Y-o-Y growth it was recorded ₹3755 Cr in September 2021. The personal loan segment was ₹9713 Cr in September 2019 and September 2020 has shown a little dip but again it rises to ₹15,928 Cr with Y-o-Y growth rate of 65% in September 2021. The credit disbursement under ROP segment was ₹9,999 Cr in September 2019. In September 2020 it was recorded ₹15329 Cr which reached to ₹20,182 Cr in September 2021 with Y-o-Y growth of 32%.

➤ FinTech Credit Portfolio Outstanding

Portfolio outstanding in respect of loan is the remaining balance on borrower's loan accounts on any particular day or it is the amount payable by borrower on future date. The below table has shown the credit portfolio outstanding.

Table No. 3
FinTech credit portfolio outstanding
(₹ Crore)

| Year | No. of Companies | Business loan | Personal loan | ROP | All segment |
|---------------------|------------------|---------------|---------------|-----------|-------------|
| Sep-19 | 78 | 5653 | 7951 | 9850 | 23455 |
| Sep-20 | 96 | 4555 | 10305 | 17522 | 32382 |
| Sep-21 | 119 | 5432 | 11337 | 18669 | 37497 |
| Y-o-Y Growth | 20% | 19% | 10% | 7% | 16% |

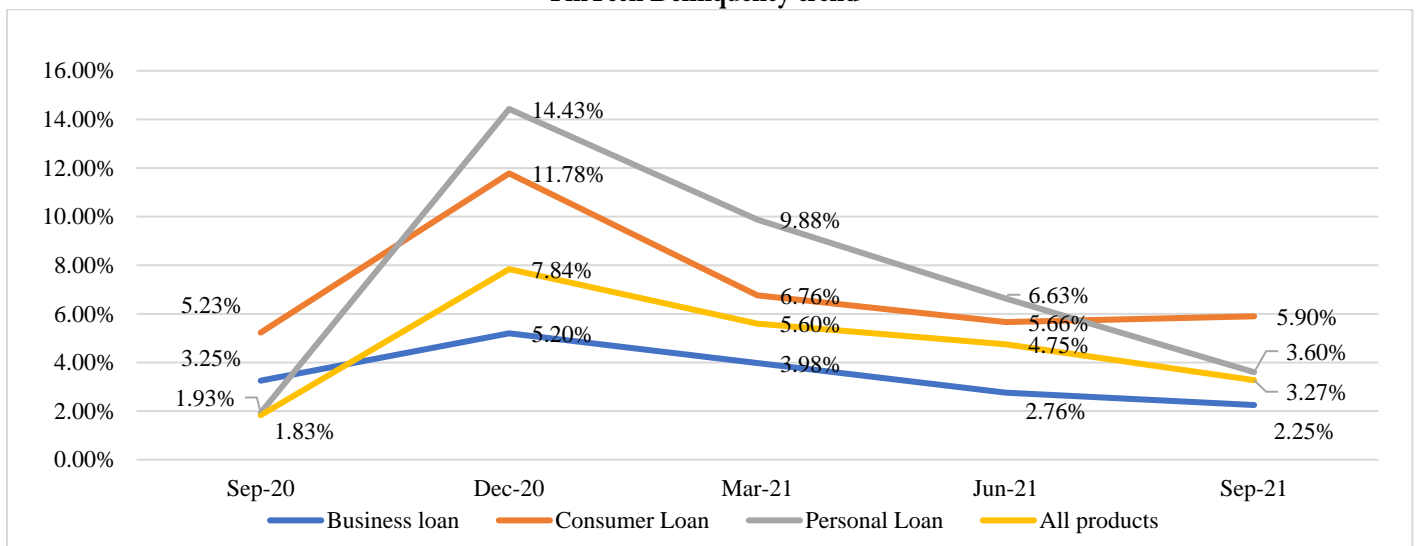
Source: FinTech Pulse, SIDBI

The above table reveals that, on the basis of data provided by 78 companies, the total credit portfolio was ₹23,455 Cr in September 2019. In September 2021 the number of Fintech company increased to 119 with Y-o-Y growth of 53% and the credit portfolio outstanding was ₹37,497 Cr with Y-o-Y growth of 16%. Out of total portfolio, the business loan segment held smallest share and it was ₹5653 Cr in September 2019. In September 2020, it declined to ₹4,555 Cr but in September 2021 it again increased to 5,432 with Y-o-Y growth of 19%. The portfolio outstanding in personal loan was recorded ₹7,951 Cr in September 2019. In September 2021, it was ₹11,337 Cr with Y-o-Y growth of 10%. In overall portfolio outstanding, the largest share is held by ROP which includes all the loan products except business and personal loan. It was ₹9,850 Cr in September 2019. In September 2020, it was ₹17,522 Cr and till September it was recorded ₹19,669 Cr with Y-o-Y growth of 7%.

➤ FinTech Delinquency trend

In Financial terms, delinquency is a term used when in case any borrower is overdue on any payment. It may be repayment of loan, credit card bills, taxes, etc. but not all overdue payment is categorized as a delinquent account. On the basis of 90+ days past due balances, the figure below is showing the delinquency level of FinTech companies.

Figure No. 1
FinTech Delinquency trend



Source: FinTech Pulse, SIDBI

According to the above-mentioned figure, the percentage of personal loans with 90+ days past due increased annually from September 2020 to September 2021 by 1.67% and decreased quarterly from June to September 2021 by 3.03%. From September 2020 to September 2021, consumer loan growth was 0.67% annually, and from June 2021 to September 2021, it was 0.24% quarterly. Business loans experienced a 1% annual and 0.51% quarterly drop.

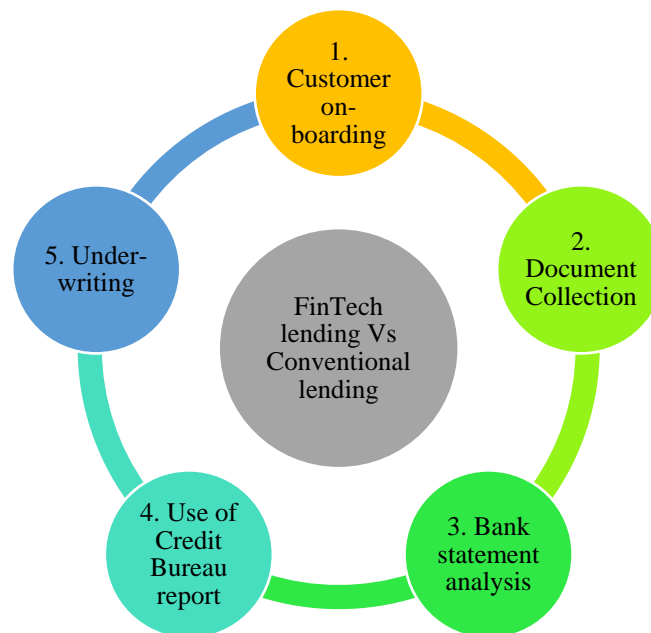
ANALYSIS & INTERPRETATION

To fulfil the first objective of the study i.e. *“to study the difference between Fintech lending and the conventional lending approach”* a comparison between the two has been carryout and certain conclusion has been drawn through it, which are as follows:

Fintech lending and the conventional lending approach:

Fintech companies have largely transformed the conventional lending process and provide loans by utilizing unconventional data and technology. Conventional lending which is also known as the traditional lending approach is a practice in which the consumers must have to visit physically the branch of a bank to avail the loan facilities. This approach involves human interaction and basically, it works on the basis of the bank-customer relationships. Recently FinTech companies have brought technology-enabled alternative ways to engage with customers by providing lending facilities. observing these innovations in the lending landscape, many traditional lending institutions, especially banks have started to implement some of the techniques and alternative credit approaches in the lending process. Both institutions are working to meet the financial need of individuals as well as Business consumers. But there is some difference in their business models. “A business model is the rationale of how an organization creates, delivers, and captures values” (Osterwalder & Pigneur, 2011, p.14). The below figure has shown the basis of the difference between FinTech lending and conventional lending.

Figure No. 2



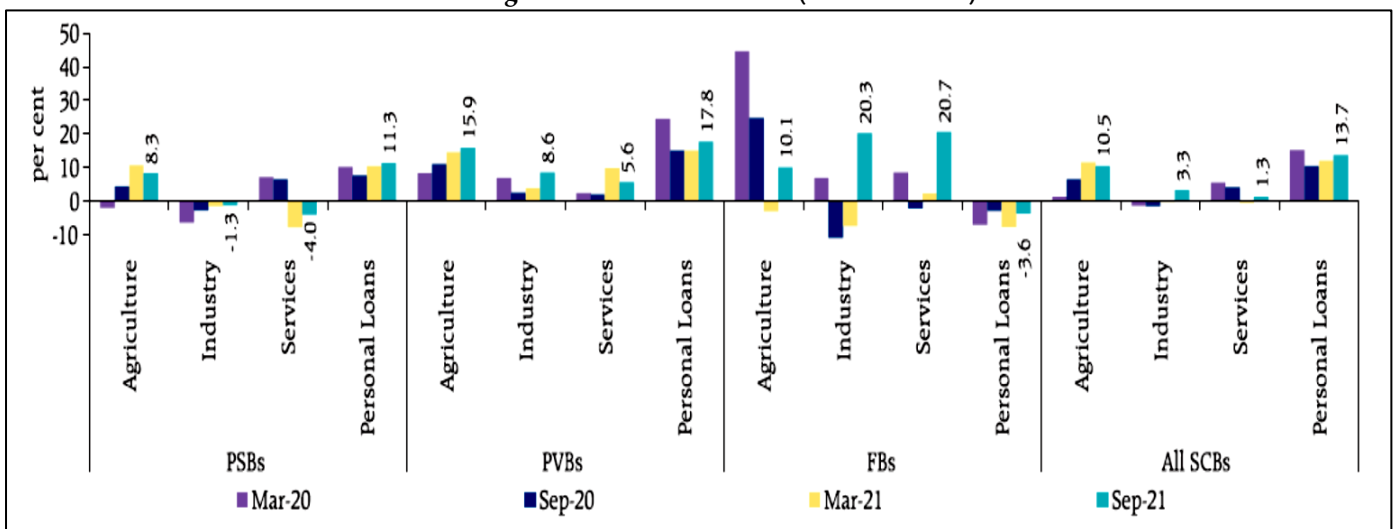
Source: Shaji, A. (2020). *Fintech Lending and Conventional Lending: A Comprehensive Outlook*. [online] Enterslice. Available at: <https://enterslice.com/learning/outlook-on-fintech-lending-and-conventional-lending/>

In the banking sector, customer onboarding is an essential part of starting a relationship with a customer. In place of old rule of physically onboarding, the Fintech companies offers digital onboarding which reduce the processing time and paperwork and offer the ultimate convenience. The various tech-based innovations like AI, ML, block chain technology and big data which have the capacity of storing and analysing the large data set has brought a major change in document collection and verification process. Recently, the RBI has allowed the FinTech companies to access the credit reports of authorised credit bureau. Along with CIBIL score, with FinTech companies it has become possible to have a different and more accurate alternative credit scoring approach that is based on alternative data collected from various electronic sources like mobile apps, web and online shopping records, bills payment, etc.

Credit growth through schedule commercial bank

Traditional banking institutions always have been at the forefront in providing to all sectors of the economy and banks are the most trustable and reliable source for getting business loan as well as personal loans. The government of India has also issued priority sector lending rules for MSMEs. But due to strict regulatory environment in banking sector, large credit gap is still existing. Traditional banking institutions always have been at the forefront in providing to all sectors of the economy and banks are the most trustable and reliable source for getting a business loans as well as personal loans. The government of India has also launched many schemes to provide funding especially to MSMEs through banking institutions and also issued priority sector lending rules for MSMEs. But due to the strict regulatory environment in the banking sector, a large credit gap is still existing. on the other hand, FinTech companies are not strictly regulated in India. however, the RBI has issued a regulatory framework to regulate credit activity through digital platforms. In recent years, FinTech credit has shown significant growth in the credit market as revealed in the above tables. Hence it is important to compare with banks' credit. The figure has shown the Y-o-Y per cent credit growth of selected sectors.

Figure No. 3
Credit growth of selected sectors (Y-o-Y Per cent)



Source: Financial stability report 2021. RBI

In the above figure, as on September 2021, in case of public sector banks, the credit to industry and service sector has decline by 1.3% and 4% respectively. The credit to agriculture and personal loan has increased by 8.3% and 11.3% respectively. While in case of private sector banks, the highest growth 17.8% has been seen in personal loan followed by 15.9% growth in agriculture loan. The credit to industry and service was recorded as 8.6% and 5.6% respectively. The total credit growth of all schedule commercial banks (PSBs, PVBs and FBs) has reveals that the highest growth of 13.7% was seen in personal loan. The credit to industry and service sector has increased by 3.3% and 1.3% respectively. The credit to agriculture was increased with 10.5%.

Credit growth through FinTech companies and Scheduled Commercial banks: Comparative analysis

While comparing the credit growth through FinTech companies and schedule commercial banks, the highest growth through SCBs have shown by personal loan segment which was 13.7% in September 2021. On the other hand, in case of fintech companies, there was 65% growth in personal loan segment from September 2020 to September 2021. There was 3.35 growth in credit to industry sector and 1.3% in service sector in SCBs. While in case of FinTech companies, there was 20% growth in credit to business and 32% growth in Rest of the products from September 2020 to September 2021. Overall, the total credit growth was recorded as 42% in case of FinTech companies. The credit growth through SCBs have been lagging behind the FinTech companies. However, when comparing the value in terms of amount of credit disbursed, the Fintech companies are far behind the SCBs.

Comparative Delinquency trend

The delinquency trend based on repayment due for past 90 days, in banking it is classified as Non-Performing Assets (NPAs). The table below consist the comparative delinquency trends of schedule commercial banks, NBFCs and FinTech. The below chart is the prediction of future delinquency trends.

Table No. 4
Comparative Delinquency trend

| Year | PSB | PVB | NBFC | FinTech |
|--------|------|------|------|---------|
| Sep-20 | 5.48 | 1.56 | 2.53 | 1.82 |
| Oct-20 | 5.38 | 1.55 | 2.45 | 1.94 |
| Nov-20 | 5.1 | 1.93 | 2.9 | 2.87 |
| Dec-20 | 4.94 | 2.49 | 3.39 | 5.88 |
| Jan-21 | 4.87 | 2.66 | 3.76 | 6.6 |
| Feb-21 | 4.54 | 2.61 | 3.43 | 6.22 |
| Mar-21 | 4.89 | 2.01 | 3.04 | 3.14 |
| Apr-21 | 4.92 | 2.03 | 3.95 | 3.56 |
| May-21 | 5.69 | 2.48 | 5.09 | 4.69 |
| Jun-21 | 5.88 | 2.67 | 4.59 | 3.7 |
| Jul-21 | 5.6 | 2.8 | 4.58 | 4.74 |
| Aug-21 | 5.54 | 2.66 | 4.21 | 4.93 |
| Sep-21 | 5.03 | 2.23 | 3.77 | 4.56 |

Source: Financial stability report 2021 (RBI)

In September 2020, 1.82 percent of loans approved by FinTech companies were delinquent. They had climbed to 4.56 percent by September 2021. Private banks have 2.23 percent of delinquencies as of September 2021, compared to NBFCs' 3.77 percent. Public sector banks had a 5.03 percent delinquency rate, a decrease from the 5.48 percent in September of last year. This reveals that fintech and digital lending are the only sectors where late repayments or defaults have surged the most—up roughly 2.5 times in a year.

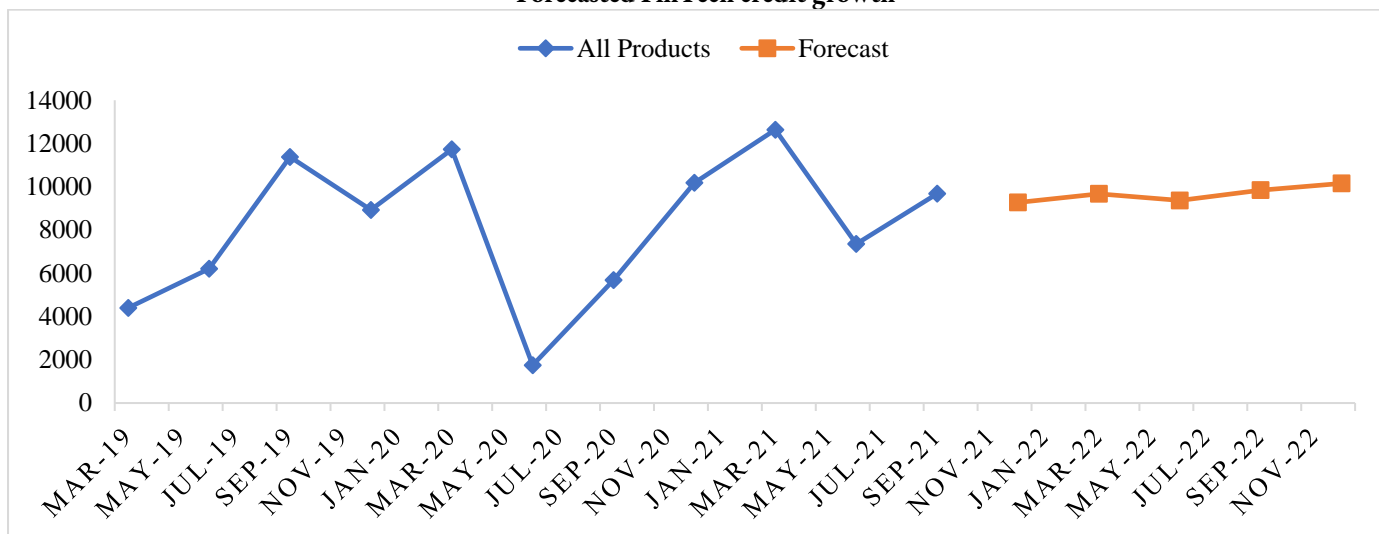
To fulfil the second objective of the study i.e. *“to analyze the credit growth through FinTech companies in India”* time series analysis has been used to forecast the perspective growth in credit disbursed. The below mentioned table shows the outcome of the forecast:

Table No. 4
Forecasted FinTech credit
(₹ Crore)

| Quarters | Year | Business Loan | Personal Loan | ROP | All Products |
|----------|------|---------------|---------------|------|--------------|
| Q1 | 2019 | 1522 | 1673 | 1204 | 4399 |
| Q2 | 2019 | 1350 | 2103 | 2758 | 6211 |
| Q3 | 2019 | 1305 | 4957 | 5119 | 11381 |
| Q4 | 2019 | 1224 | 2062 | 5644 | 8930 |
| Q1 | 2020 | 1012 | 5786 | 4935 | 11733 |
| Q2 | 2020 | 280 | 314 | 1156 | 1750 |
| Q3 | 2020 | 619 | 1476 | 3594 | 5689 |
| Q4 | 2020 | 917 | 4380 | 4889 | 10186 |
| Q1 | 2021 | 1087 | 3466 | 8086 | 12639 |
| Q2 | 2021 | 589 | 3532 | 3238 | 7359 |
| Q3 | 2021 | 1162 | 4550 | 3969 | 9681 |
| Q4 | 2021 | 760 | 3729 | 4784 | 9273 |
| Q1 | 2022 | 600 | 4093 | 4981 | 9674 |
| Q2 | 2022 | 638 | 3965 | 4763 | 9366 |
| Q3 | 2022 | 680 | 4283 | 4880 | 9843 |
| Q4 | 2022 | 735 | 4226 | 5195 | 10156 |

Source: MS-Excel Output

Figure 2
Forecasted FinTech credit growth



Source: MS-Excel Output

The above table shows the forecasted amount of credit through Fintech companies by the end of 2022. The credit amount includes the total of business loan, personal loan and ROP. Though the data of fintech credit is available quarterly basis and that too only till September 2021, therefore the forecasting includes the duration from December 2021 to December 2022. The forecast clearly shows that the total credit disbursed amount could increase to ₹9843 Cr in September 2022 and ₹10156 Cr in December 2022. The FinTech credit market may show much more growth if there will be proper support from governments.

CONCLUSION

The technology-based innovations in Financial sector has changed how the people perceived the banking services. Recently, the sector responsible for such innovations popularly known as ‘FinTech’ is trying to enter into the core business of traditional lending. With their new business approach, they served the unbanked and underserved population by traditional banks. Every innovation has the lot of advantages but it also brings risk in financial stability. This paper has studied the growth trend of FinTech credit and compared it with credit by SCBs in India. The analysis and result of this study have shown that there was 38 FinTech credit companies in December 2018 who have submitted the credit data to SIDBI. Till September this number has grown up to 119. The FinTech credit disbursement value was ₹25128 Cr in September 2019 and it grows to ₹39865 Cr with 42% growth rate. The number of new loan accounts have also increased by 51% from September 2020 to September 2021. In the comparative analysis of credit growth, it is found that the value of loans given by financial companies is much less than the loans given by commercial banks and it will take a lot of time and government support for the FinTech companies to come on par with the banks. But if we talk about growth, then the new loan account, credit disbursed, and portfolio outstanding all have seen very good growth from the bank. While talking about delinquency trend i.e., NPA in SCBs, the FinTech companies have the highest rate of Delinquent accounts after public sector banks which raise the question mark on efficiency of the credit risk assessment approach of FinTech companies. Further, while comparing with the business model of both, the FinTech companies have power to reduce to various operational costs incurred during the lending process with the help of new technology. The shifting from physical to digital mode can enhance the efficiency of traditional banks and the customer experience.

REFERENCES

- Arner, D. W., Barberis, J., & Buckley, R. P. (2015). *The Evolution of Fintech: A New Post-Crisis Paradigm?*. *Journal The HKU Scholars Hub, The University Of HongKong*. 1–45. <http://ssrn.com/abstract=2676553>
<http://ssrn.com/abstract=2676553>
- Bazarbash, M., & Beaton, K. (2020). Filling the Gap: Digital Credit and Financial Inclusion. *IMF Working Papers, 2020(150)*, 30. <https://www.elibrary.imf.org/view/journals/001/2020/150/article-A001-en.xml>
- Buch, C., & Drages, B. G. (2018). Structural changes in banking after the crisis. In *CGFS Papers* (Issue 60). <https://www.bis.org/publ/cgfs60.pdf>
- Dickerson, S. M., & J, S. (2015). *The Future of FinTech and Banking: Global Fin Tech Investment Triples In 2014*. CBINSIGHTS. <https://www.cbinsights.com/research/fintech-and-banking-accenture/>

- Disemadi, H. S., Yusro, M. A., & Balqis, W. G. (2020). The Problems of Consumer Protection in Fintech Peer To Peer Lending Business Activities in Indonesia. *Sociological Jurisprudence Journal*, 3(2), 91–97. <https://doi.org/10.22225/scj.3.2.1798.91-97>
- Farnsworth, K., & Irving, Z. (2012). Fiscal crisis, financial crisis, and the great recession. *The Routledge Handbook of the Welfare State*, 307–318. <https://doi.org/10.4324/9780203084229-38>
- Frost, J., Cornelli, G., & Frost, J. (2022). *The Impact of Fintech Lending on Credit Access*. 1041.
- Goh, C. (2022). *Record high APAC fintech funding in 2021 paves way for more M&A | S&P Global Market Intelligence*. <https://www.spglobal.com/marketintelligence/en/news-insights/research/record-high-apac-fintech-funding-in-2021-paves-way-for-more-ma>
- Group Committee on the Global Financial System (CGFS). (2017). *FinTech Credit* (Issue May).
- Helleiner, E. (2011). Understanding the 2007-2008 global financial crisis: Lessons for scholars of international political economy. *Annual Review of Political Science*, 14, 67–87. <https://doi.org/10.1146/annurev-polisci-050409-112539>
- Le, T. D. Q., Ho, T. H., Nguyen, D. T., & Ngo, T. (2021). Fintech Credit and Bank Efficiency: International Evidence. *International Journal of Financial Studies*, 9(3), 44. <https://doi.org/10.3390/ijfs9030044>
- Omarini, E. (2018). Peer-to-Peer Lending: Business Model Analysis and the Platform Dilemma. *International Journal of Finance, Economics and Trade*, 2(3), 31–41. <https://doi.org/10.19070/2643-038x-180005>
- Reddenklau, A., Adesman, L., Anhesini, R., & Burness, S. (2022). *Pulse of Fintech H1'22* (Issue September). <https://home.kpmg/xx/en/home/insights/2022/08/pulse-of-fintech-h1-2022-global-insight.html>
- Subbarao, D. (2009). *Impact of the Global Financial Crisis on India Collateral Damage and Response*. 1–14.
- Thakor, A. V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, 41, 100833. <https://doi.org/10.1016/j.jfi.2019.100833>
- Wolfe, B., & Yoo, W. (2017). Crowding Out Banks: Credit Substitution by Peer-To-Peer Lending. *SSRN Electronic Journal*, 716. <https://doi.org/10.2139/ssrn.3000593>
- Aarti Goswami, Pramod Borasi, & Vineet Kumar. (2021, October). *FinTech Lending Market Size, Share & Analysis | Trends - 2030*.