

A low-angle photograph of a modern glass skyscraper reaching towards a bright blue sky with scattered white clouds. The building's glass facade reflects the sky and clouds, creating a sense of height and modernity.

2021 Fintech Report



Y ACCEL

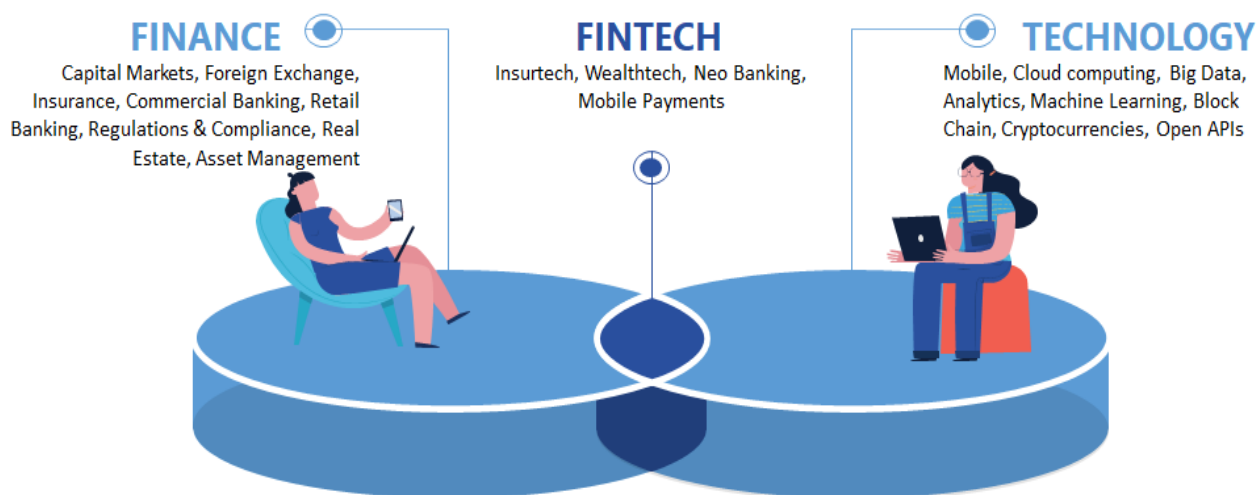
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INTRODUCTION

The term Fintech (Financial Technology) refers to software and other modern technologies used by businesses and people that provide automated and improved financial services, like investment decisions, wealth planner, and personal finance. The fast and innovative progresses such as Mobile Payments changed the way we manage our finances. Tech-savvy customers, especially millennials, expect money transfer, lending, loan management and investing to be effortless, secure and scalable, ideally without the assistance of a person or the visit of a bank.



HISTORICAL TRENDS

The housing bubble, which caused the 2008 financial crisis, shattered the confidence of those who were affected by it; the highlight of this occurrence was the bankruptcy of Lehman Brothers, which revolutionised the banking industry and marked the end of fintech 2.0 in that year. Lack of confidence in banks, combined with regulatory changes, has opened the market to new providers in the aftermath of the financial crisis.

In 2009, Bitcoin was launched, followed by other blockchain-based cryptocurrencies. The age of the start-up has arrived, with investors and customers both hungry for fresh ideas, resulting in a slew of new products and services.

Another important factor that encouraged the industry of fintech is the mass-market penetration of smart phone that has enabled internet access for millions of people across the globe. Smartphone also became

the primary means by which people access the internet and different financial services.

1. Inception Startups are in decline

- ❖ We have noticed that startup growth was stable from 2008 to 2010, but in the following two years the total number of companies entering the market doubled.
- ❖ After two more years of much sluggish growth, analysis confirms that the things started going negative in 2015, and sharply declined the following year with a 62 percent drop in startup
- ❖ Not all fintech categories have generated the same number of startups
- ❖ Within banking and capital markets, payments is the clear leader, followed by deposits and lending and financial management.
- ❖ In Investment management fintechs, growth in robo-advisors is large in number.
- ❖ In real estate fintech startups focusing on property development and management have increased.

- ❖ In insurance, the number of startups providing support in insurance customer acquisition (such as online platforms for insurance sales, and lead generators) are running neck and neck with those in insurance operations.

2. Fintech investment is on the rise

The number of startups versus the dollar amount of investments made since 2008 tells two very different stories about the history and state of fintech development.

While new fintech company formations may be on a downturn in some areas over the past few years, the amount of money being raised in three of the four industry sectors remains robust right through the current year.

- ❖ Fintechs in banking and capital markets are on track to at least come close to leveling its 2018 investments in dollar terms, 141 billion dollars which was a record with the “legacy” categories of payments and deposits and lending still drawing significant amounts of capital.
- ❖ The exception is insurance, where investments soared in 2015, only to decline by half the following year. However, insurance-related investments appear to be leveling off this year rather than continuing their decline.
- ❖ So while the pace of new fintech formations may have slowed down, the investment money flow remains robust.

GLOBAL vs DOMESTIC TRENDS

Global Trends

- ❖ Global Fintech revenues in 2018 were about €92 billion in 2018 and are expected to grow to more than €188 billion in 2024 (pre-COVID-19 forecast).
- ❖ Currently the largest fintech markets are in the Americas and Asia Pacific regions having around 40% of the global market share. Though the Europe Middle East Asia region is significantly smaller, it has around 20% of the total market share. The Fintech market in the APAC region is projected to be the fastest growing.

- ❖ The digital payments market is the largest segment within the Fintech spectrum and accounts for more than 80% of global Fintech revenues.
- ❖ The way mobile phones have changed consumer behavior and how people access the internet is the reason people differentiate between the developed and developing countries. As of today, the countries with the highest Fintech usage are China (69%) and India (52%).
- ❖ China, India and other emerging markets never had time to develop Western levels of physical banking infrastructure, which has left them more open to new solutions. In the case of China, the fintech penetration is well above the average global adoption (33%) as well as that of the average adoption across emerging markets (46%).
- ❖ Global fintech investment in 2019 fell just shy of 2018 results, with \$137.5 billion invested across 2,693 deals. Despite the slight drop, fintech investment remained more than double every year prior to 2018 – highlighting the potential of exponential growth of the global fintech market. Two deals drove a very significant proportion of this investment: the \$42.5 billion acquisition of Worldpay by Fidelity National Information Services (FIS) and the \$22 billion acquisition of First Data by Fiserv.

Domestic Trends

Since India is the largest consumer market in the world it is expected that their fintech market would be growing at the CAGR of 22% in the next five years as per NASSCOM. The growth drivers for this great fintech adoption rate can be attributed to quick internet penetration, highest population of Unbanked category.

Research has shown exponential growth in new Indian startups across lending payments, wealth and others. This was evident due to the following steps implemented by government

- ❖ **Solving the problem for Identity Crisis**
People were hesitant in opening bank account due to many bank formalities and huge paperwork, it was much easier for educated people to open bank account but not for the illiterate people, thus government came up with Aadhaar Card in 2009, which is the one

stop solution for opening bank accounts less cumbersome and time consuming.

❖ **Introduction of Government Schemes**

In the last decade the government came up with many schemes for encouraging people to open bank account, such as PMJDY (Pradhan Mantri Jan Dhan Yojana)

It is a financial inclusion program open to Indian citizens, that aims to expand affordable access to financial services such as bank accounts, remittances, credit, insurance and pensions. These schemes acted as baby steps to shift from a traditional payment approach to a digitalized payment system.

Another scheme, Digital India, which provides digital empowerment to native Indian people by making Government's services available to citizens electronically by improving online infrastructure and by increasing internet connectivity or making the country digitally empowered in the field of technology.

❖ **Building platforms like UPI, IMPS, and BBPS**

BHIM UPI, the initiative of NPCI (National Payment Corporation of India) which is the single platform mobile app, has some key features which gives it a differential edge in the clutter of mobile wallets, mobile banking, and net banking.

❖ **Green flag from Government**

The government allowed the banks, fintechs and wealth/insurance/ lending players to access the platforms like UPI GSTN and Digilocker.

With UPI, real-time transfer of money happens between bank accounts using smartphones. Instead of installing multiple apps for different banks, UPI brings it all under one umbrella.

GST allows vendors to self-file their compliance-related documentation online, encouraging businesses in the country to adopt the digital medium. Thus businesses will start to adopt digital payments tools in their day-to-day operations, thereby giving the entire fintech ecosystem a big boost.

❖ **Demonetisation**

Demonetisation brought about a springboard effect in terms of growth for Fintech in India. In a country which was primarily cash dependent, the pre-demonetisation period

witnessed slow adoption of digital payments," said Sampad Swain, chief executive officer and co-founder of payment gateway firm Instamojo.

The government's move to create a cashless economy and encourage adoption of digital payments opened the doors for fintech startups like Paytm, Mobikwik, etc. Before 2016, debit cards were mainly used to withdraw cash from ATMs but immediately after the note ban there was a surge in debit card payment at merchants.

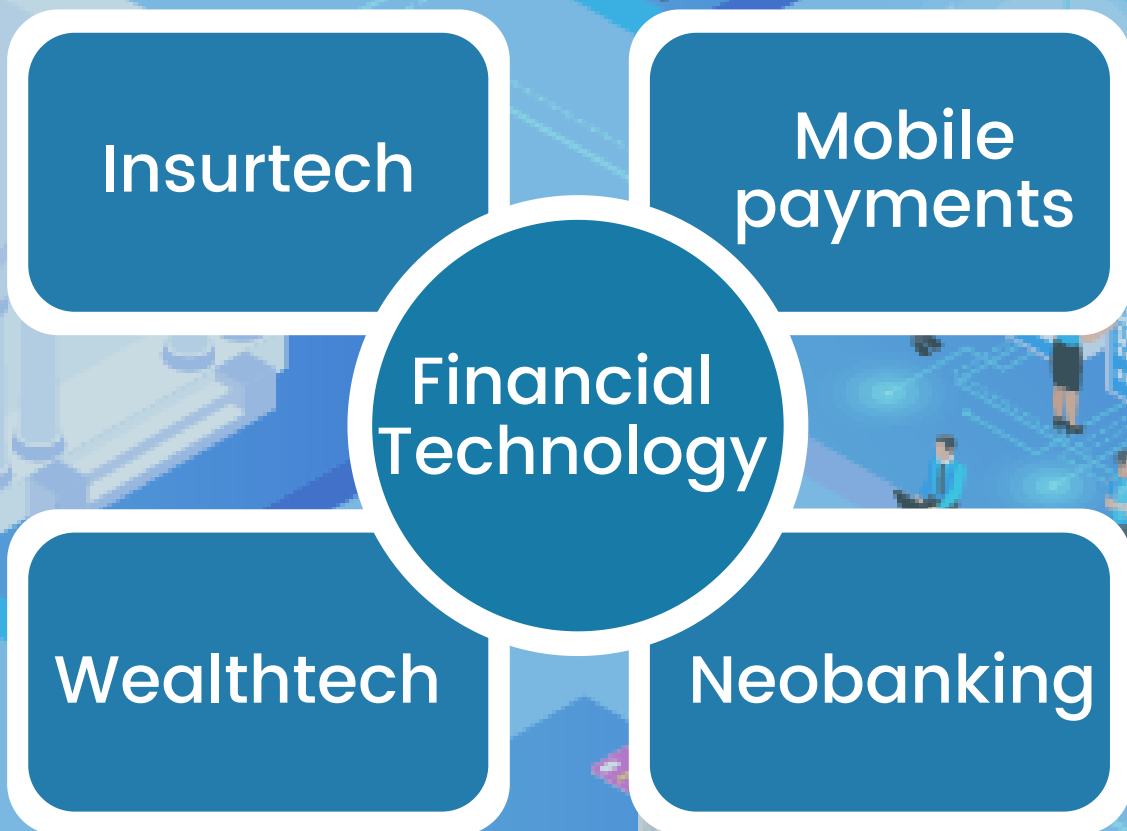
❖ **BlockChain**

Niti Aayog has launched IndiaChain14, a blockchain project similar to Unified Payments Interface. It is an interoperable platform for both the government and private entities to build scalable blockchain solutions. An aim of the project is to develop a system that minimises frauds, speeds up enforcement of contracts and increases transparency.

❖ **Government as a Regulator**

The RBI has been proactive in examining and setting up regulatory frameworks across various FinTech verticals such as digital payments, P2P lending, and more.

SUB SECTORS



INSURTECH

It is the combination of insurance and technology solutions for enrollment, insurance claims processing, underwriting, policy administration, data insights, fraud detection and more. Insurtech is disrupting the insurance industry by providing cost saving solutions and better customer experience of insurance companies. Insurtech, also known as “insuretech” and “instech,” was developed to bring disruption and innovation to the insurance industry. Initially, the trend was expected to imitate what fintech had done for the banking industry. As compared to the rest of the tech environment, both industries have a lot in common, as they focus less on developing new products and more on leveraging technology to reach new customers and reduce costs.

The InsurTech landscape is quite nascent in India. The current insurance penetration is quite low, i.e., 2.76% in life insurance and 0.93% in non-life insurance compared to the global average of 6.5%. The key challenge for the Insurtech segment has been ‘Lack of customer trust’ and so far, industry players have found it as a hard nut to crack. The current InsurTech space in India is being dominated by few new-age insurers like Toffee, Digit, and Acko with their ability to attract and popularity among millennials.

Top funded insurtech startups in India:

1. Policy Bazaar
2. Acko
3. Digit
4. Cover Fox

MOBILE PAYMENTS

Mobile banking refers to the service that banks and other financial institutions provide to their customers by allowing them to conduct a range of transactions using an app. The app allows the customers to access and transact with their accounts remotely. With mobile banking, you can open a new account; check your balance, transfer funds and pay bills from the comfort of your house.

Digital payments has been the flag bearer of the Indian FinTech space. In recent years, we have witnessed a plethora of exciting innovations like UPI, biometric payments, e-wallets initiations by banks, BharatQR code, and sound-wave-based payment technologies. One of the primary reasons can be attributed to the forward-thinking of central & state governments and the Reserve Bank of India for successfully bringing a digital payment revolution in India.

Government-led Initiatives

The Indian payments landscape has been revolutionized by the regulators and the central bank's proactive initiatives, e.g., IndiaStack and UPI. This is a major reason that India has emerged as one of the most exciting markets for digital payments across the world. Last year, home-grown payment networks (RuPay and UPI) took the significant share of the total digital transactions, i.e. 65%, showcasing how their efforts have been in the right direction for achieving targets.

RBI's Newest Proposal

The Reserve Bank of India (RBI) has proposed setting up of a new pan-India umbrella entity (NUE) for retail payment systems, which will be responsible for setting up, managing, and operating new payment systems, especially in the retail space, including ATMs, white label PoS, Aadhaar-based payments, and remittance services. The RBI has floated a framework for establishing the new entity and has invited comments on the draft framework by February 25, 2020. The new entity will also have to develop new payment methods, standards and technologies, and monitor related issues in India as well as abroad. The central bank said it would have to operate clearing and settlement systems and manage risks such as settlement credit.

Top Funded Digital Payments Startups in India:

1. Paytm
2. Phonepe
3. Razorpay
4. Khata book
5. Bill desk

WEALTHTECH

WealthTech, a short form of wealth technology and a subset of Fintech, refers to technology that aims to make wealth management and investment services and their delivery more efficient and automated, reducing the need for human intervention.

WealthTech comprises specialized software and algorithms available on computers and smartphones that aligns wealth management. Companies are exploring WealthTech as a potential access for multiple other businesses including money transfers, investment management, and robo-advising, which utilizes algorithms and machine learning to offer personalized investment consultancy and management.

Robo-advisory in India is rapidly evolving. We are seeing startups going beyond Mutual Fund distribution to offering digitized, long-term financial planning. They are using algorithms and artificial intelligence to understand the goals and aspirations of users better and provide them with personalized advice rather than just offering a generic portfolio. As more and more millennials pick up stock market investing and other investment avenues, financial literacy is also improving, leading to a mature outlook towards aspects such as financial life goals and retirement planning. The services of these platforms range from automated plans, goal-based asset allocation, and end-to-end advisory based on information taken from the client. Today, not only startups but also established financial advisory services, such as Birla, Bajaj Capital, ICICI Securities, and Sanctum Wealth Management, are optimistic about the future of robo-advisory. The competition in robo-advisory is resulting in the expansion of the WealthTech market.

Top Funded WealthTech Startups in India:

1. Bank Bazaar
2. IND Wealth
3. Zerodha

NEOBANKING

Over the last decade, the Indian FinTech ecosystem has witnessed a plethora of innovations. Digital payment startups led the first wave of disruption in financial services, and then came the digital lending, wealth management, and InsurTech startups. However, the second wave, "FinTech 2.0," is led by Neobanks that aim at redefining customer-centric consumer and business banking experiences. It has helped in addressing problem statements like fully digitized account opening, free debit cards, instant payments, personal finance advisory, cash flow analysis & projections, GST-compliant invoicing, and accounting integration. As of publishing this report, there are about 17 neobanks in India, several of them under development or in beta stages.

Over The Top Neobanks

These are stand-alone digital platforms that do not have their own banking licenses. They offer either niche products or a bouquet of products in partnerships with FIs, banks, and FinTech firms but at a cost quite lower than that of traditional banks. Highly tech-driven and an overlay over licensed banks, they differentiate themselves by offering unique features/VAS and better banking experiences. In the absence of differentiated digital banking licenses, this is currently the most sought-after model in India.

Top Funded Neobank startups in India:

1. Niyu
2. Finin
3. Neo
4. Wixely
5. Razorpay

Detailed Analysis

NEOBANKING & WEALTHTECH



What is a Neobank?

A Neo bank is a kind of digital bank without any branches which is entirely online as compared to the physical banks at a specific location. They are also called “challenger banks”

It provides a wide array of financial services and is highly demanded by today’s tech-savvy customers.

By facilitating services like money transfers, money lending, digital and mobile-first financial solutions payments, Neobanks can be called fintech firms. Neobanks don’t have their bank license but rely on bank partners to provide bank-licensed services.

Since the customers demand good experience and satisfaction when financial services are being offered to them, Neobanks are trying to shift the financial landscape with a shift from traditional banks to Neo banks.

Most traditional banks are entangled in their legacy-based infrastructure. So, aiding SMEs with financial services like providing invoicing software, multiple views of cash management, a payment gateway, etc becomes difficult for them. Due to this disparity, it is considered better to combine banking services with other financial services now more than ever due to the explosion of mobile technology.

How does a Neobank work?

Neo-banks are all 100% digital and use mobile technology solutions to reduce fixed overhead costs, and hence offer a simple and enjoyable user experience.

They offer different approaches In terms of operating models with an amalgamation of three main structures.

1. Partner Model

It is the most common way for Neobanks to operate. Here, the banking partner is involved in providing the overall platform for managing customer accounts, holding customer funds, and the rails for interbank payments and

settlements. Whereas, the Neobank is responsible for product distribution and managing the end-to-end customer journey from customer acquisition to servicing.

It helps fintechs to benefit from the reduced compliance costs and also helps banks to target a wider partnership proposition.

The ICICI-Open partnership can be cited as a case in point. This partnership has allowed freelancers, SMEs & startups to integrate end-to-end business banking functions like invoicing, reconciliation, payouts expense management etc in a single platform.

2. Traditional banks

These banks provide physical banking services. They have complex, lengthy, and manual approval processes. These banks provide telephonic, in-person, and online customer support. They have tried to become Neobanks by launching digital initiatives of their own.

3. Licensed neo-banks

They offer digital banking by obtaining licenses from countries where they operate. They tend to target specific customer segments, especially those which have been underserved by traditional banks such as MSMEs or young millennials.

Why Neobank?

There has been a massive drift in the financial landscape. The underlying evidence is the occurrence of over 2000 fintech players in the country. Apart from it, the large-scale acceptance of digital payments and shift from physical payment methods to digital transactions is also a veritable truth.

The fact that Neobanks provide the fluidity which traditional banks don’t, make them a sustainable and profitable alternative.

Advantages of Neobanking

❖ Hassle-free account creation

Opening accounts in traditional banks is cumbersome and time-consuming. However, in Neobanks, we don't have to go anywhere to create an account. It takes place in a couple of simple steps on our phone and even in the comfort of our home.

❖ Plethora of services

Neo banks offer a wide range of services that traditional banks fail to do, some of them are Low cost structure, no monthly fee or withdrawal cost, Higher interest rates on savings and Fixed deposits, customized budgeting and Investment and money Tracking tool, 24*7 support, advanced chatbots, high security features such as locking and freezing at any time through the app. Neo Banks also provides seamless International payment. In the case of traditional banks, we need to have an international debit card by asking for an upgrade and making a request. But at Neobanks, we can use our card to make purchases, or transact while we are abroad, with current exchange rates.

❖ User-friendly interface

Instead of going through a glitchy net banking site or an unresponsive mobile app of a traditional bank, Neobanks provide an excellent customer experience. They are very crisp, clean, and user-friendly. They're highly responsive and well-designed to suit the needs of a customer.

❖ Transparency & Smart reporting

Neo banks are very transparent and strive to provide real-time notifications and explanations of any charges and penalties incurred by the customer. When viewing cash status, you can compare your financial balances automatically with your accounts. Your entire banking operations are reported with an up-to-date balance on our account. receipts, payments and transactions – 24x7 in real-time,

Neo banks are AI-driven and incorporate the entire financial portfolio onto a single platform. The neo-app also provides us with an expense

overview and a customizable feature of creating a savings goal that can best suit our needs. This helps in managing our finances in a much better, efficient and informed manner.

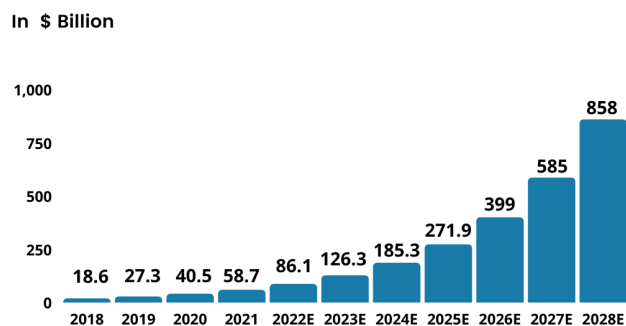
❖ A boon for MSMEs

The process of disbursements to MSME owners is long, tiresome, and sometimes a bit tedious. Neo-banks bring in simplicity, simplifying the entire process by reducing the manual efforts required, and by providing unified platforms to supervise the fund movement. Not only this, other services such as taxation, budgeting, and accounting are also rendered at a minimal cost to MSMEs.

Neo Banks Globally

Globally, the Neo Bank segment is a decade old. The global neo banking market size was valued at USD 34.77 billion in 2020. It is expected to expand at a compound annual growth rate (CAGR) of 47.7% from 2021 to 2028. The global neo banking market size is expected to reach USD 722.60 billion by 2028.

Global Neo Banks value (2018-28)



Source: Grand View Research

Neo-Banking in India

Neo-banking is the new hot topic in the Fintech Industry. Banking scenario is changing rapidly with the consumers' new expectation of enhanced services. Unlike traditional banks, neo banks are not focussing on the entire customer base but a small segment of it, i.e, millennials. India, a youth centric country, has millennials who have demands that traditional banks cannot fulfil, this has created a gap between the expectations of modern customers and what Traditional players have to offer, to fill in the gaps Neo banks are gradually making their presence felt.

Moreover ,The COVID-19 pandemic has accelerated digital acceptance among customers for their banking requirements as they are wary of visiting bank branches with social distancing being the current norm. India too is in the race of changing the fintech landscape with many Neo banking startups budding in this new industry over the last few years.

The year 2021 has been quite good for Neo Banks , they managed to raise around \$ 66 million dollars in 8 deals so far

Neo Banks in India are rising slowly but they will be able to show huge growth after 2-3 years, as reports suggest that the gestation period of Neo Banks is around 18 months.

Regulatory framework for Neobanks in India

Globally, neobanks are entirely digitised. But, in India, regulations don't permit 100% digitised banks, this restricts Neo banks to go branchless and to have a physical entity. RBI's regulatory policies half-heartedly agree with the credibility of fully digitised online banks that means in India, neo banks are not completely digital.

Neobanks offer services that are built on top of traditional banking service, and in collaboration with. In India they have emerged as a comprehensive aid for banking and financial services, as well as for small and medium-sized businesses. But, Back in 2018, RBI kicked all forms of cryptocurrency to the curb, with an explanation that crypto transactions would be a threat to security. Also, other tech innovations like online currency and associated banking services appear to have come to a halt, and Neo banks are based on the similar concept of cryptocurrency. This has hampered the growth on the grip of new business models since regulatory guidelines are not in favour.

However, in August 2019, RBI ushered in a new regulation for the testing of new fintech innovations in a restricted ecosystem, which is motivating for emerging fintech companies. 2019 year proved to be a boon for neo banks , combinedly neo banks raised around \$110 million dollars in 13 deals.

ICICI Bank, India's largest private bank has emerged as a leader in the Neo Banks segment while partnering up with three Neo Banks: Open, Instant Pay, and Yelo. Companies like Niyo, Jupiter

and Epifi (Fi) have partnered with incumbent banks offering more solutions to customers. Others like Open and Razorpay X are servicing SMEs and MSMEs. A few others are creating customer offerings over a prepaid product,".

Major NeoBanks in India

Neo Bank	Service	Partner Bank	Latest Funding
Razorpay X	Payments, current account, Credit Card, Payroll and compliance management	Ratnakar Bank Limited	\$206.6M Series D funding
Niyo	Salary Account, Savings account, Foreign exchange card, employee benefits system, travel loans, early salary advance, mutual fund investments	DCF First, DCB, Yes Bank	\$49.3M Series B funding
Open	Automated account,current account, Payment gateway, credit cards, Cash-flow management Tax	ICICI (primary), Yes Bank, SBI, Axis, HDFC, Kotak, PNB, Union IDFC, Citibank, Standard Chartered	\$37.2M Series B funding
Instant Pay	Savings or current account prepaid cards , Bill payments and collection, Travel Insurance, loans and investment	Federal, ICICI, HDFC	\$5M
PayZello	Virtual Debit Cards, Forex Cards, Expense management loan, Money transfer	Laxmi Villas & Yes Bank	Undisclosed seed funding and \$0.11M total funding
Yelo	Banking Credit, Payment Solution and Remittance, Goal-Based Savings, Consumer Durables, Gold, Healthcare and Government Benefits	Federal Bank, ICICI	Undisclosed seed funding, acquired by Jugnoo
Jupiter	Money tracker, saving tools, Smart Cards, Legal, accountancy, auditing activities, tax consultancy ,	Federal Bank & Axis Bank	\$26M Venture Round
Epifi	Online and mobile - First financial services payment solutions , money transfers and lending services	Not disclosed	\$13.2M Seed funding

BEST 4 INDIAN STARTUPS

1. InstantPay

InstantPay is the undoubtedly the largest Neo bank of India, processes a million transactions daily, have 10 million active monthly users, offering instant activation, money tracking, and cash deposit features by providing personal, business, and inclusive banking solutions and has a super scalable cloud platform. InstantPay provides 24*7 customer support throughout the year. It also offers basic banking, insurance, and travel booking facilities, through The InstantPay Digi Kendra service.

The founders were being asked about the revenue model, stating that the company makes its revenues through an annual fee and commissions on transactions made through their card. NiYO charges an annual fee of Rs 200 for using their card and takes a commission of 0.75- 1 percent on every transaction made through their platform.

Further, for transactions in corporate food courts, the company can make a commission of two percent on every transaction made through their card.

Niyo has partnered with IDFC First bank, they provide an account, an app, and a card. Its features include:

- The interest rate on a savings account,
- Zero percent commission on mutual funds investments
- Zero percent on forex

Individuals open a digital account with InstantPay and startups and SME businesses open a Smart Bank Account. InstantPay has a vision expanding towards delivering mainstream banking for the next 500 million consumers and over 50 million MSMEs in India with its full-stack approach to banking and a big bet on Digital India.

InstantPay has raised \$5Mn from Kaleden Holdings, RB Investments Pte. Ltd in seed round

in 2017. InstantPay's Indian banking partners are ICICI Bank, Axis Bank, IndusInd Bank, and Yes Bank.

2. Niyo

Niyo was founded in 2015, with a vision of catering to the needs of blue-collared sectors and Indians traveling globally. NiYO Solutions is funded by 5 investors - Horizons Ventures, JSCapital, Tencent Holdings, Social Capital and Prime Venture Partners. NiYO Solutions has raised a total of \$49.2M in funding over 3 rounds. Their latest funding was raised on Jul 9, 2019 in Series B round.

It raised \$1Mn from Prime Venture Partners in Seed Round, \$13.2Mn from Prime Venture Partners and Social Capital in Series A and \$35Mn from Horizon Ventures and Tencent Holdings in Series B. NiYO Solutions had acquired Goalwise on Jul 29, 2020.

3. Open

Open is a Bengaluru-based FinTech company started in May 2017. It is Asia's first neo bank for SME businesses offering them a one stop solution for online bank account creation and a credit card that combines banking, payments, and accounting services. They have solved the pain points that SME business goes through. Businesses can also integrate Open's payment gateway API on their websites where customers can pay during the checkout process.

Open has raised a total of \$37.4M in funding over 5 rounds wherein it has 13 investors but its lead investors and their fundings are: \$250K from Amrisha Rau and Jitendra Gupta in Angel Round, \$150K from ISME ACE - Fintech Accelerator in Pre Seed Round, \$2M from Unicorn India Ventures in Seed Round, \$5M from 3one4 Capital, BEENEXT and Speedinvest in Series A and \$30Mn from Tiger Global Management in Series B. Moreover, Open has acquired Optobizz on Feb 18, 2021 for \$5M.

4. RazorpayX

RazorpayX is the Neo banking platform of India's one of the prominent Payment gateway, Razorpay. It has served over 10,000 businesses – processing their payroll through Opfin, paying for expenses through Corporate Card, and paying the vendors of businesses in real-time, disbursing billions of dollars through the underlying payouts layer.

Customers can open and operate fully-functional current accounts on Razorpay. They are also provided with features like cheque books, debit cards, and account statements.

Razorpay has raised a total of \$206.6M in funding over 6 rounds. Razorpay is funded by 30 investors wherein its lead investors and their funding are: \$2.6Mn in Seed Round, \$9Mn and \$20Mn in Series A and in Series B respectively from Tiger Global Management, \$75Mn from Ribbit Capital and Sequoia Capital India in Series C and \$100Mn from GIC and Sequoia Capital India in Series D. Razorpay has acquired 2 organizations: Opfin, a payroll and HR software company on Nov 23, 2019 and ThirdWatch on 5 Aug, 2019.

Challenges for Neo Banks in India

The journey for Neo Banks in India is not a bed of roses, Cyber Crime has been continuously evolving with the progressing technology era. Digital Banks and NeoBanks have been gaining attraction slowly but at the same time, they need to be extremely conscious about the security and the threats associated with it. Although they provide a wide range of facilities to the customers, they also bring an immense risk of exposing people's financial data and hard-earned money to external threats. So, the neo-banks should ensure a proper security infrastructure.

1. Inability to tap the Rural market

Neo Banks have an easy time to acquire customers from the urban areas because of their tech savvy nature, but the challenge of tapping the vast rural market will remain a utopia for them. Despite offering ease of access and better service, the majority of the rural population have a tendency to visit physical banks. They look for assistance from personal relationship managers.

The rural population also lacks financial literacy and largely remains unaware of the upcoming neo-banks and digital platforms. Furthermore the concept of banks which have no physical existence is a hard nut to crack for the rural population due to its nature. This could be the biggest hurdle for neo banks while expanding.

2. Regulatory Hurdles

Indian regulatory framework does not allow Neo Banks licenses. RBI, through its 2015 Master Circular on "Mobile Banking Transactions in India – Operative Guidelines for Banks", has mandated the requirement for Neo Banks to have some physical presence. The growth path of Neo Banks is expected to be ambiguous. There is uncertainty whether they will be allowed to lend and raise deposits as an independent entity or not. Till then, they will have no other alternative but to continue partnering with the traditional banks

Furthermore, Neo-banks are also obligated to comply with data protection laws since they facilitate a number of services between the consumer and the banking institutions by providing an online platform. The Indian data privacy regime is set out in the IT Act and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 (SPDI Rules)

As per the SPDI Rules, an entity that collects or processes sensitive personal data (including bank account information and payment

instrument details) pertaining to an individual must establish a privacy policy. These are some of the regulatory hurdles which Neo Banks are facing in India , and the reason why customers are not being able to utilise the full potential of Neo Banks.

3. Operational Governance

Neo banks have to adopt the partnership model due to regulatory challenges in India. Thus they have to face operational governance hurdles to bring everyone in a partner bank on the same page. There are very few banks that have set up a one-stop-shop for neo banks or FinTech partners to work with them. These one-stop-shops make it easy to bring people from various departments such as business, security, legal, IT, and others on the same page. In the absence of it, neobank partners feel like they are engaged in a never-ending run between various departments.

4. Difficulty in deciding the right target market

Emerging Neo banks face the difficulty of choosing the right target market for their service, arriving at the right product-market fit for addressable customer segments, making decisions relating to partnering with traditional banks, and adapting to regulatory requirements of the region to be followed. They are unable to decide whether to tap millennials or generation Z or SMEs or corporate or blue-collared workers etc.

Targeting a specific set of consumers is an extremely important decision, one which has to be taken after an intense research of the economy of the region. For example, in India, when Open was to decide on its addressable segment they chose SMEs, whereas Niyos target market was blue-collared workers.

Future for Neo-Banks in India

Some of the driving factors for neo banking in the future in India are:

- Accessibility
- Security and Trust among users
- All financial functionalities under one umbrella
- Personalization
- Increased focus on finding solutions for blue-collar workers and MSMEs.

The Neo-banks use Application Programming Interface (API) which is expected to be the future growth driver of these platforms in India due to its three prolonged benefits:

1. **Inheriting Users** - Expansion of user base by providing their services on a third-party platform or by offering third-party services on their platform.
2. **Monetizing Financial Data** - Potential for data monetization through access to a significant amount of financial data.
3. **Earning commission** - Increase in Commission income by expanding their transaction activity and sign-up rate, contributing towards profitability.

The recent reports of 2020 have suggested that every 3 in 5 customers will be adopting digital banking in the coming five years in the Asia Pacific region. NeoBanks are likely to become a 395 billion USD market by 2026 globally. Hence, India is going to be a favourite destination for the NeoBanking market, with the second-largest unbanked population in the world standing at 190 million people, according to World Bank's Global Findex Data 2020. Small businesses are expected to be a massive market for Neobanks. With 63.3 million MSMEs in India, they might look to get financed digitally in the future. Other potential customers include millennials and gig economy workers.

Reports have also suggested that 71% more companies will hire more contract workers in the next two years because of the fact that India has the largest market share in the online labor market globally, with a 24% market share.

All this data has further been validated by investors who are funding millions of dollars into startups in this space despite the current economic instability because they believe

NeoBanks have the potential to create a groundbreaking difference in the market.

Conclusion

There are over 42.5 million small and medium-sized businesses throughout India, constituting nearly 95% of the total industrial units in the country. But, only 47% of these businesses have been able to access tools for payments, disbursements, and other vital processes. Furthermore, about 23% of SMEs use ERP software and CRMs. This means, there's a huge market opportunity for neobanks, especially since they have a lot to offer.

In India, many niches are largely unserved or underserved by traditional banks. These banks are not able to address the unique customer needs of several customers adequately. This is where neo-banks come into play by disrupting the banking space in India, in areas such as MSME current accounts and lending, payroll, and forex payments.

In 2020, neo-banks matured in a wide range of business operating areas, such as digital salary accounts for the unbanked and underbanked sectors, SME payment accounts, and cross-border travel cards. 2020 also saw new entrants emerging in the neo banking space apart from existing players strengthening their dominant market position by venturing into new business segments, such as lending and wealth management.

However, the new players are trying to differentiate themselves on product and service offerings. They are tapping tech-savvy customers such as millennials, teenagers, and students.

In a nutshell, the coming year is expected to bring a lot of cheer and optimism for the fintech industry in general, and neo-banks in particular.

RBI and NPCI have shown some progressive moves like the introduction of video KYC services, expanding the scope of UPI with UPI 2.0, increasing limits for contactless cards and UPI

auto pay mandates, as well as the introduction of NBFC-account aggregator model through the Sahamati platform.

Traditional banks are embracing technology and digital disruption like never before, and their partnerships with neo-banks are expected to grow stronger and deeper. According to the EY Fintech Adoption Index 2019, India along with China has the joint highest fintech adoption rate in the world with 87%.

The Indian neo-banking space currently looks like a sunshine sector, and we expect strong growth, maturing of business models, and increased customer adoption in 2021 and beyond.

But India is still at a point where the public interest in private financial institutions or private corporations of any kind can raise very quickly. The Yes Bank fraud, for example, has done a lot of damage on this front. People, hence, are reluctant in adopting new technologies. This creates a bad reputation for the banks and for the Neo-banks, which are associated with it.

So for Neo Banks to thrive in a country like India is a task. With the population that are favouring the concept of Neo Banks but it's the responsibility on the side of them to build goodwill and Transparency among the customers by ensuring cyber security, once this is achieved there is a scope of exponential growth waiting for investors to profit on.

WEALTHTECH

Introduction

Wealthtech refers to the involvement of High-end technologies in managing the wealth and channelizing savings in a more efficient and automated way with minimum human involvement. WealthTech includes specialized technologies such as AI, Machine Learning, big data, Advance Analytics, SaaS and algorithms that streamline wealth management. The entire range of services within Wealthtech includes online Investing tools, Investment platforms, savings tools, robo-advisors, digital brokerages and financial services software.

Objective of the Research

India's young and tech savvy demographic who are more financial literate and conscious of their personal finance management is the main reason for Fintech attaining exponential growth in the last 5 years. One of the most tremendous advances in the sector is attained by Wealthtech. Being one of the emerging subset industries of Fintech in India, Wealthtech addresses the problems of personal finance management among individuals and institutions.

The report aims at exploring and studying the growth aspects of such an emerging industry. Over the years, there has been a steady growth in the Indian equity markets, MF Folios & Demat accounts. During the pandemic the growth of the same aspects has been exceptional. This strong performance of Equity & MFs has led to strengthening and entry of several Wealth management models, with 'Wealthtech' generating a momentum in the last few years.

Industry Overview

Global Trends

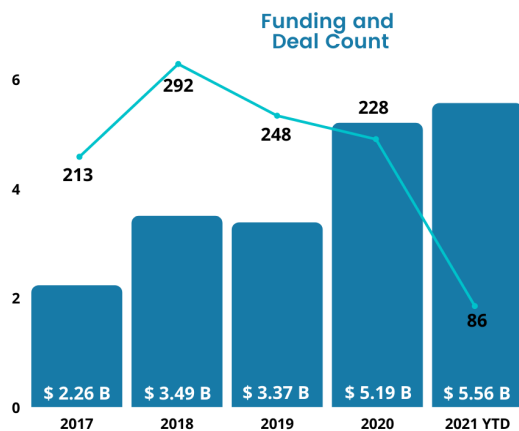
Q1 '21 funding to wealthtech companies has already set an annual record with \$5.6B raised, exceeding 2020's total year-end wealth tech funding (\$5.2B). A total of 86 wealth tech deals

took place in Q1 '21, the highest ever level of deal activity in a single quarter.

The adoption of retail investing apps increased significantly during the pandemic, drawing a flood of first-time investors to the market. Personal finance & investing apps leveraged the growing demand to raise new funding rounds in Q1'21, accounting for 6 of the top 10 deals raised in the quarter. Among them, Robinhood raised a total of \$3.4B, making up over 60% of all Q1'21 wealth tech funding.

Wealth techs based in Asia saw a 2,893% increase in funding between Q4'20 and Q1'21, having raised a total of \$449M in Q1'21. North America-based wealth techs raised \$4.7B in Q1'21, marking a 562% jump from Q4'20. Europe-based wealth techs raised \$316M in Q1 '21, marking a 170% QoQ increase.

Global WealthTech Investments Trends (2017-21)



Source: CB Insights

Global High-Net-Worth Individual (HNWI) wealth has increased tremendously over the last decade. The rate is expected to grow at an average annual rate of 7.7%. Total investment in WealthTech is expected to reach \$24B in 2023 from \$930M in 2014. WealthTech companies focus on transforming the industry by identifying inefficiencies along the value chain. Benefits include more effective portfolio management, better asset liquidity, improved customer experience, cost transparency, improved advice,

easier transaction technologies and opening the market for alternative investments including private equity and hedge funds.

Market Trends

1. Regulations due to recession

Since the global financial crisis of 2008, the wealth management industry has faced a more stringent regulatory environment. Various developments are driving the current and future wealth management markets, exerting margin pressure on wealth managers and altering the traditional wealth management framework.

2. Firms see digital experience as a foundation for innovation

Consumer reviews show that future client experiences will be increasingly digitally interactive and on demand. Firms anticipate that technological advancements will lead, but they must be more varied in order to appeal to a worldwide client base. As history has shown, a period of transition follows a period of disruption; thus, businesses must work now to strengthen their marketing and branding in order to be ready for the shift, or risk being left behind.

3. Firms fixing many problem areas to improve project execution

There have been a variety of reasons why project execution has fallen short of expectations, which vary by firm size. With poor training and adoption being the main of them. Communication and transparency between tech and business groups, according to firms, are also crucial to enhancing project execution. In addition, only 14 percent of firms fund tech projects within two weeks and 47 percent take more than three months, causing a major delay in execution.

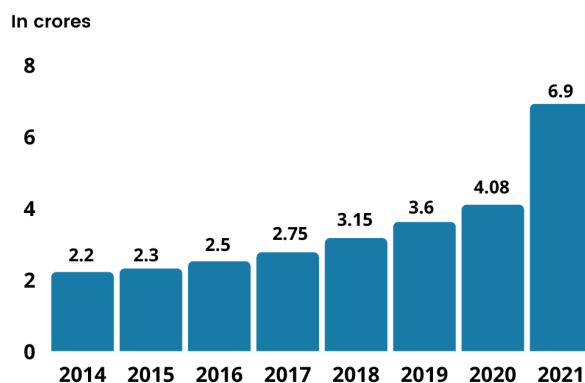
Domestic Trends

With an exponential increase in the wealthy population over the last few years, India has witnessed many advancements in the wealth

management industry. Wealth managers are now leveraging technology to offer low-cost investment advisory to mass segments.

Only 2% Indians invest in stock markets at present, resulting in stock market capitalization at 76% of the country's GDP. Comparing this with developed economies, such as the US, 55% Americans invest in stocks, resulting in stock market capitalization at ~150% of the GDP. This shows a significant gap between India and developed countries, and therefore presents a significant growth opportunity in the sector.

Number of Demat Accounts in India (2014-21)



Source: Livemint

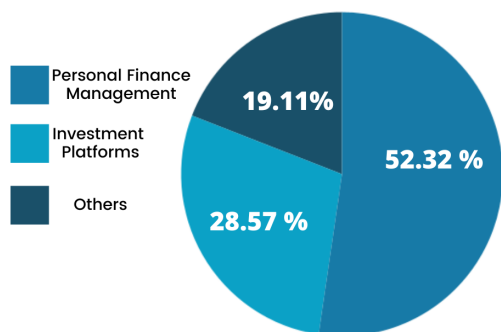
Despite Covid-19 making a detrimental impact, Indian stock market indices have been resilient and bounced back to pre-Covid level in October 2020 and is expected to continue its bullish trend.

Currently India has 4 million wealth-tech investors who are expected to grow to 12 million by FY25. Moreover the Indian wealthtech market is expected to grow from \$20Bn to \$63Bn by FY25. One key factor to note is that the major rise in investors in India is from Tier-2 cities owing to the increasing financial literacy and adoption of technology.

India's financial inclusion mission could very well be assisted significantly by emerging wealthtech platforms. The countries' smartphone penetration is rising exponentially and access to cheap data

has opened up several possibilities. It is predicted that by 2025, 97 crores users in the country would use a smartphone, up from 76 crores in 2021. This growing penetration of internet and smartphone combined with the rising number of disposable income and increasing number of people coming into the formal economy, gives this Fintech sub-sector much promise for the future.

Investment in Wealth tech Startups In India (2020)



Opportunities for Wealthtech

❖ Lack of Investment advisors

Retail and small investors do not have access to experienced investment advisors (for example Motilal Oswal) and are underserved due to high costs and very high minimum investment limits, which can be afforded only by HNI and Institutions. Robo-advisors by using algorithms and machine learning can give investment advisory after knowing the customer's goal and risk appetite. This can hugely decrease the cost of advisory service and proper guidance reaching to the large segment of investors would definitely be perceived by potential investors as a safe play.

❖ High fintech adoption rate

As per EY Global FinTech Adoption Index 2019, Fintech adoption in India has grown to 87% in 2019 as compared to 52% in 2017. People between 25 and 44 are highest adopters of FinTechs at around 94% while globally in the

same age bracket FinTech adoption is seen at around 73%.

The key drivers for the rise in FinTech adoption, apart from young demographics of India is due to Govt.'s initiatives such as Digital India and policy measures like Demonetization, Aadhar, UPI. Money transfer and payments are the major drivers for fintech adoption at 94%, followed by Insurance at 76%, savings and investment at 67%, financial planning at 63% and borrowing around 61%. India has the second highest fintech adoption rate at 87% which could highly impact the growth rate of Wealthtech startups in India.

❖ Huge underbanked population

20% of the individuals in India do not have a bank account while a majority of transactions take place through cash, this would create a potential market for wealth tech as the GoI is on their way to prompt more and more people to open the bank account by initialising various schemes. As having a bank account is the first step towards getting into Wealth tech, so in future these startups can tap this large chunk of customer base into adopting investment as a way to grow their wealth.

❖ Right Target Market

Over the years, education and awareness among the millennials have encouraged households to make genuine investments and not fall for ponzi schemes. Increase in financial literacy over the past few years can surely be a good opportunity for new age wealth tech startups to make use of. This awareness among people has made the work for Wealth tech startups easy as many customers find these services genuine, so setting up the credibility in the minds of the consumer is not difficult.

Sub Sectors

❖ Robo- Advisory

Robo-advisors are digital platforms which offer financial advice or investment management online. It can build a diversified portfolio based on the preferences and does this with little to no human interaction. Because artificial intelligence replaces human intervention almost entirely, costs for these services are reduced to a minimum. This has opened a door to the world of new investments for people that can't afford a traditional investment advisor.

The total AUM (Asset Under Management) for robo-advisors has reached \$980m this year. In addition, there has been a 75% increase in users to around 45,000. This is a sector that is seeing some significant growth in both B2B and B2C sectors.

Examples: 5paisa.com, Scripbox, My Universe, ET Money

❖ Micro Investing

Micro investing platforms allow users to invest small sums of cash, allowing them to get return little by little. It's possible to both automate the process, allowing the platform to manage your portfolio based on your preferences, or to choose your own ETFs and stocks. Given this option, micro-investing allows for a more hands-on experience than using a robo-advisor along with a significantly lesser fee. This has levelled the playing field as more people are able to take part in investment opportunities. Micro-investing platforms aim to help users to not only get in the habit of saving and investing but also to learn about investing. The platform might teach them how to choose an ETFs based on their goals, risk tolerance, interests, and beliefs.

Examples: Groww, 5paisa.com

❖ Digital Brokers

Digital broker platforms vary in target audience and can supply and analyse a variety of investment instruments (sell, options, futures etc.) for experienced investors. On the other hand, there are also digital brokers that are tailored for beginners.

Examples: Zerodha, Upstox

Market segmentation

Wealth management companies segment their clients through an asset-based approach or through linear segmentation. In order to deliver cost-effective service offerings to various levels of wealth management customers, asset management companies need to have a well-defined and executable segmentation plan.

The firms categorize their clients into four segments: the mass market, mass affluent, high net worth individuals (HNWIs) and ultra high net worth individuals (UHNWIs). The mass market segment comprises individual households with a moderate income and property which need only basic banking and investment services. The mass affluent segment includes households with an above average income and assets which require comprehensive wealth management services. HNWIs are the households with substantial assets that have intricate wealth management requirements and UHNWIs are extremely wealthy families which may require private banking and family office services to satisfy their wealth management needs.

Private banks and wealth managers have developed sector specific strategies to tap into groups of high net worth individuals and families through their personal interests.

Wealth management organizations also target foreign traditional providers by highlighting the experience and goodwill of the company as an established banking player across the borders.

KEY STARTUPS

GLOBAL

1. Acorns

Acorns is a wealthtech startup based in the USA and offers a software application for micro investing in the United States. The company provides a Robo-advisor solution that takes users' spare money and allocates it into computer managed investment accounts. Additionally, the company also operates Grow, an educational platform for addressing financial concerns of users.

2. Active Asset Allocation

Active Asset Allocation is a provider of advisory and consultancy services intended to make appropriate investment allocation. The company provides institutional investors, pension funds and asset managers with asset allocation techniques based on risk management for investment services, enabling clients to make informed decisions about their investments.

3. Coinbase

It is a digital currency wallet service. Coinbase has two core products: a Global Digital Asset Exchange (GDAX) for trading a variety of digital assets on its professional asset trading platform, and a user-facing retail broker of Bitcoin, Bitcoin Cash, Ethereum, Ethereum Classic, and Litecoin for fiat currency. It also offers an API for developers and merchants to build applications and accept payments.

4. DriveWealth

DriveWealth operates a mobile investing platform offering digital brokerage solutions to broker-dealers, advisors, and online partners worldwide.

The company developed a comprehensive suite of APIs that enables partners to digitally deliver trading, investing, retirement, and rewards products to millions of customers, enabling clients to launch quickly with scale, ease and focus on strategy and core business

DOMESTIC

1. Zerodha

Zerodha Broking Ltd. is an Indian financial services company that offers retail and institutional broking, currencies and commodities trading, mutual funds, and bonds. Founded in 2010, the company is headquartered in Bengaluru and has physical presence in several major Indian cities. In June 2020, Zerodha entered the unicorn club with a self-assessed valuation of about \$1 billion.

As of Dec 2020, Zerodha is the largest retail stockbroker in India by active client base, and contributes more than 15% of daily retail volumes across Indian stock exchanges.

2. Groww

Groww is an online investment platform which allows investors to open an account electronically and transact in mutual funds and stocks online.

Groww provides a mutual fund explorer with information including past performance and stocks held, educational content on investing and mutual fund portfolios for various goals and profiles. It does not provide recommendations and expects users to choose their portfolio based on the information available.

It also has a SmartSave feature, aimed at saving account holders, where the money is stored in a liquid fund with an instant redemption option.

As of Sep 2020, the company has raised \$59 million in venture capital with 8 million users.

3. Amigobulls

Amigobulls provides solutions to wealth management-related problems and provides daily stock analysis in the form of short, personalized videos. This fintech company offers investment advice and news to stock market investors through a patent-pending video generation technology.

4. Cube Wealth

Cube Wealth provides comprehensive portfolio management solutions to help busy professionals achieve their goals through

investments. The app helps individuals to invest in multiple asset classes including equities, mutual funds, P2P lending, gold, and even charitable investing to build a well-rounded portfolio. It is a subscription-based automated wealth technology application that works on the concept of disciplined long-term wealth creation.

5. Wealthy

Wealthy is a Bengaluru based robo advisor for investing in tax-saving mutual funds. It offers tools for investing & managing portfolios, tracking the performance of investments, and developing financial goals. It also provides solutions for accessing insights, trends, news updates, risk management, and compliance solutions.

GLOBAL INVESTMENT TRENDS

Technological advancements and regulatory decisions are driving unprecedented levels of M&A activity in the wealthtech industry.

M&A transactions have remained healthy since 2015, but deal volume and overall dollar value for disclosed deals increased dramatically in 2018-2020 YTD.

In addition, the \$26 billion acquisition of TD Ameritrade by Charles Schwab and the \$27 billion acquisition of Refinitiv by the London Stock Exchange made 2019 a year to remember. Strategic buyers acquiring firms in North America and Europe drive the majority of M&A operations.

MERGERS & ACQUISITIONS

❖ Goldman Sachs / Folio Financial – May 2020

Folio, a boutique wealth management custodian and technology company, was purchased by Goldman Sachs, a global financial services firm, for an undisclosed amount. Folio was Goldman's second WealthTech acquisition in two years, following United Capital in 2019, which has now placed the bank as a direct custody rival to the

industry's leading players, Charles Schwab, Fidelity, and BNY Mellon's Pershing.

❖ Coinbase / Tagomi – May 2020

Tagomi, an innovative cryptocurrency trading platform aimed at professionals and institutional investors, was purchased by the cryptocurrency exchange business, Coinbase, for an undisclosed all-stock contract.

❖ Franklin Templeton / Advisor Engine – May 2020

Franklin Templeton, a multinational investment management company, paid an undisclosed sum for AdvisorEngine, a company that provides integrated wealth management technology to 1,200 advisory firms.

❖ SoFi / 8 Securities – April 2020

SoFi, a digital personal finance firm, paid an undisclosed sum for 8 Securities, a consumer stock trading app located in Hong Kong and Tokyo. This is SoFi's first acquisition outside of the United States, allowing the company to expand internationally.

VALUE CHAIN ANALYSIS

Client profiles are one of the drivers of disruption in today's environment. Many organizations are still looking to optimize services to existing clients. Wealth managers shouldn't ignore the fact that future clients will look dramatically different. Other key drivers of disruption are technology, competition and regulatory scrutiny.

When looking at FinTech entrants to the wealth management industry one could roughly say that most of them are focused on the investment side of the value chain. There is a significant FinTech opportunity ahead of us to specialize across other aspects of the value chain (e.g. onboarding, customer engagement or service delivery).

Solutions delivered by FinTech's are efficient and are offered at lower cost than existing services delivered by traditional wealth managers. Traditional players could remain competitive in the market addressing the operational efficiency across their broader operations, improving experiences

delivered to clients and focusing human efforts to the areas where they are most valued.

TECHNOLOGICAL TRENDS

1. Data and Service as an Integration Layer

Data management and controls, continuous business intelligence, and business situation understanding are the pillars of a data strategy. Creating tools for advisors and support teams that provide previous client experiences through all platforms and business processes is one of the wealth management applications.

2. Distributed Ledger Takes Further Prominence

Blockchain is a development of existing technology rather than a revolution. It allows virtually everything of value to be transparently exchanged, registered, and validated as a purpose-built distributed ledger. Smart contracts, customer data and interests, and trade processing are all examples of wealth management applications.

3. Digital Identification (ID)

The use of digital IDs from a single repository is justified by the need for stability, convenience, and scalability with minimal interaction.

Know Your Customer (KYC): It is a requirement to check the client's identity in order to prevent financial fraud and theft. Before every purchase, it evaluates the risk profile of the potential client.

In India, Electronic Know Your Customer or Electronic Know your Client or eKYC is a process wherein the customer's identity and address are verified electronically through Aadhaar authentication.

However, due to increasing maintenance costs and obsolete software, a risk-free completely digitised KYC method remains a challenge for the wealthtech industry firms.

FUTURE OF WEALTH TECHNOLOGY

The use of predictive analytics has been applied to get additional insights into client behaviour and improve firms delivery to their added products and services. Advisors can apply the use of predictive technology to anticipate the clients needs and then offer additional products and services.

When it comes to new business models, the key strategic focus needs to be on how to attract customers and then how to trigger the demand-side economies of scale that can deliver high quality services at increasing scale. Making more intelligent use of customer data is a good place to start, but to truly capitalize on data network effects means operating as a part of an ecosystem, aggregating third party services or embedding parts of the offering into channels with a broader reach and deeper engagement.

❖ The Adoption of Cloud Computing Platforms in Wealth Technology

Cloud-based derivatives post trade processing services help wealth managers to effectively and efficiently maintain compliance. This aligns with the changing global regulatory environment. It also leads to market end-to-end post-trade services. Cloud computing platforms also increase productivity of client advisers. Wealth management firms integrate mobile as a key for their customers for valuable service provision and engagement on a personal level. The growth in cloud computing budgets will enable them to sustain the changing trends in wealth management. Cloud services help capital markets and financial sectors to save almost 30 per cent of their information technology budget.

❖ The Dawn of the Quantum Computing Age

It involves the use of composite algorithms and systems that use physics and quantum phenomena as the solution to the most

complicated mathematical problems. Most business models are too simple. Besides, the assumptions made from being unrealistic, there is a need to analyse such complex systems using sophisticated mathematics. The need for multiple testing also portrays quantum computing as a more useful method.

The problems include putting money into a set of property over a time horizon that gets divided into multiple steps. The manager or wealth management firm must, therefore, decide how much to invest in each asset at each level while taking into consideration the account transaction as well as the market-impact costs.

❖ **The Use of Blockchain Technology in Wealthtech**

Blockchain technology is changing the face of wealth management. This commonly decentralised distributed ledger technology is under research & development by most investment companies and property management companies around the world. This allows the transactions to be verified electronically over an established network of computers. In the long term, adoption of blockchain techniques in the asset management sector is highly inevitable. Furthermore, blockchain technology will create multiple new classes of assets.

❖ **Adopting AI in Asset management**

Due to the rapid growth of technological advances, arises the establishment of better crime detection mechanisms, automated chatbot, and compliance handlers..

With the incorporation of artificial intelligence and asset management, especially for firms which are highly investing in cyber-security, companies could analyse the amount of sensitive data. AI systems could be optimised across multiple data centres and servers to ensure high-level blockchain security and crime detection measures.

Most asset management sectors incorporate artificial intelligence into their research &

development. Artificial intelligence could thus help managers make effective decisions for their clients by automatically researching the data in collaboration with quantum computing and providing the best results each time.

CONSUMER BEHAVIOUR

Technology & People are transforming faster than ever before. The pandemic has forced consumers to change their attitudes, lifestyle, purchasing habits and created a desperate need for new products and solutions to help bridge the gap caused due to the massive shift in behavioural changes.

Companies are realising that their defined vision statement, the “why, how and what” and their product goals have completely changed. According to a research report by Accenture “42% of their respondents rated financial security as their top 3 priorities and over 60% said that safety and personal health were their priority”, suggesting that consumers are now focusing back on the basics: health, safety, hygiene and financial security. There is a new wave of consumers who were otherwise wary of digital solutions for communication but are now more comfortable using these technologies. For the companies that are ready to make the technology change, there are a plethora of opportunities waiting to be conquered.

❖ **Personalised customer experience with AI**

Most companies have a ton of data on their customers but are missing the analysis that provides insights to help predict consumer behaviour. It’s critical for them to focus on consolidating & standardising their customer data to capture that 360 degree view, enabling them to have a deep understanding of their customers needs, associations, life events etc. Bots can predict customer behaviour & help sell products at the right time that would empathise with the customer as it would be tailored to their personal and financial situation.

❖ **Cash is quickly becoming obsolete**

With concerns about physical cash potentially spreading the virus, the use of cash has declined faster than expected. Digital wealth management companies can capture the market opportunity by offering solutions like UPI, NEFT/RTGS, Net banking & Wallets for investments. Digital on-boarding, e-reports, e-mandates, and digital KYC verification can also encourage a new set of consumers who previously used offline methodologies for managing their investments.

❖ **Customer Support has evolved to an Intelligent assistant**

There has been a massive social impact on the consumer as people are embracing technology for emotional support and communication. Chatbots can provide 24x7 support and with natural language technology (NLU) they can be trained to have meaningful conversations. Emotions play a big part in buying and selling due to sentimental value, a phenomena called “ego-involvement” as termed by Carol Dweck and Ellen Leggett. Having a bot that is accessible to consumers all the time could help prevent irrational decisions that have historically led to boom, busts and bankruptcies. Additionally, as companies begin cutting down on their call centre resources, it is more efficient to get bots to resolve client issues and provide automated intelligent assistance at the right time. In a country like India, where we have over 720 dialects, using voice assistants to help the consumer becomes challenging as well as a dire need.

❖ **Low cost alternatives are the need of the hour**

Lastly, as companies cut back on salaries and bonuses, everyone is looking to save. Low cost investment options like Direct Plans of Mutual Funds vs Regular plans, coupled with AI

advisory that is cheaper than the fees paid to distributors through regular plans of mutual funds, will gain popularity.

Conclusion:

A Further Look into Future Technologies in the Wealth Management Sector

Wealthtech has transformed how advisors and consumers approach wealth management. In the nation which is one of the fastest growing economies, there is a huge potential of investment in WealthTech as it focuses mainly on the middle class segment, which consists of most of the population of India so there is a great scope of making a huge consumer base. Wealth Tech has brought new challenges, but also new opportunities to the market. For wealthtech startups, this means coming up with fresh ideas to apply technology while focusing on data security and predictive analytics. For financial advisors, it involves providing value that goes beyond the capability of algorithms.

We can conclude that the future of WealthTech holds an exponential growth, where people are getting aware day by day. With the right efforts of people, digital brokers like Zerodha, Groww, ET money, Upstox have made it to the mainstream of the established startups in India which has led to the foundation of a robust presence of the Wealth tech culture. The level of flexibility, accuracy and transparency they have brought to the table has attracted a major chunk of the population who were hesitant to invest or put money anywhere else apart from their bank account. This attractive set of services has created a substantial market and investors are running to invest in the right kind of players. With the right support and regulations by the government, this sector possesses a booming future and return.

Investment Rationale

Finance can be pinpointed as one of the first sectors in society that has benefited from technological innovations. When the pandemic hit, there was an abrupt turn of events that harmed many traditional businesses, as people's movement was strictly halted to avoid the spread of the deadly coronavirus. As a result, the incremental trending of fintech innovation shifted into high gear when people started turning to the Internet en masse to avoid disrupting their existing flow of life and living, as well as the ensuing services needed to sustain lives, social connections, and business transactions.

Fintech is assisting banks in being more agile, smart, and digital. Customer, employee, and provider relationships are being redefined as disrupted and processes that were once obsolete can now be simplified and consolidated into effective software applications. Some of the driving forces for Neobanks worldwide are its attributes and offerings such as simplicity, cost-effective multiple banking and financial functions under one umbrella, and personalization. Secondly, FinTechs are building niche solutions which is the way forward. With limited goals initially, neobanks could broaden by integrating more functionality and resources over time. While digital payments and neobanks are gaining traction, the majority are yet to demonstrate long-term viability. Nonetheless, they have a lot of ability to change banking and financial services, and convincing traditional banks to invest in new-age technologies and re-engineer processes to deliver smooth and fast consumer offerings will be the path to becoming productive organisations.

Wealthtech is rapidly establishing itself as India's next great fintech frontier. There is a lot of activity in the market, both in terms of players and investments, as more Indian investors become aware of the benefits of going digital. Strong equity and mutual fund success has contributed to the strengthening and entry of many wealth management models, with the term wealthtech attracting a lot of interest in recent years.

Furthermore, COVID-19 has proven to be a blessing in disguise for digital platforms, as it has resulted in a rise in new buyers as well as an increase in average investments and usage. COVID-19 has served as a major driver, resulting in a large amount of organic onboarding across wealthtech channels. Many of these factors point to the market's continuing expansion.

Fintech's golden age has arrived. It is clearly determining what the current standard will be, and it is difficult to envision conditions returning to as they were prior to the epidemic. There is also a collective desire to focus on the future without losing the values that have transformed our cultures and markets into what they are today. They will act as stepping stones for us to travel into the future, armed with fintech's resources. With the in-depth analysis of 2 major sub sectors of fintech that is Neo Banking and Wealthtech, both appear to be good sources of returns for the investors. A clear distinction as to which is better would be difficult as both offer lucrative opportunities for the investors. Wealthtech focusses on investment management and Neo Banking focuses on providing easy banking solutions. Since, both these segments are going to be in demand in future due to increased penetration rate, shift to digitalised transactions, rapidly evolving investment and portfolio analysis etc, it is a favourable time for the investors to get their game on and start investing in these two segments.

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