

Fintech Companies in India: A Study of Financial Performance

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ABSTRACT

As of July 2022, India ranked fourth in terms of worldwide FinTech unicorn strength, with 37 listed Indian FinTech unicorns or firms valued at \$1 billion or more. Furthermore, there are currently close to 8,000 FinTech enterprises in India. A growing economy, a broad client base, an underserved population, an abundance of talent, helpful government policies, and large investments, all have contributed to its expansion. As a result, it is appropriate to investigate their financial performance. The current article investigates the financial performance of Indian listed FinTech companies during a three-year period, from 2018-19 to 2020-21, utilizing several financial ratios. In total, 100 FinTech businesses are listed on the NSE, but only 24 have complete data.

It has been found that the majority of FinTech companies use less debt since they have a relatively low debt-equity ratio. RONW, ROCE, ROTA, NPR, OPR, and Cash Profit Ratio were among the profitability ratios examined. A comparison of the cash profit ratio and the net profit ratio found that there were no significant variations between the two. This implied that FinTech firms did not incur significant non-cash expenses. This is encouraging news for investors and lenders. The Kruskal-Wallis test revealed that various financial ratios for different companies differed considerably (inter-company comparison), but no significant difference was discovered among these ratios for different years (intra-company comparison).

Keywords: Fintech, Financial Ratio, Profitability, Cash Profit Ratio

Introduction

The delivery of financial services via digital platforms is referred to as "financial technology", or "FinTech." In the FinTech industry, which offers services in the conventional branches of banking like payments, loans, and personal finance, a number of start-ups have arisen. Money has undergone various stages of growth, and opinions regarding its beginnings and various forms have changed over time. But what money accomplishes remains constant over time. Digital payment methods are becoming more and more popular worldwide because cutting-edge payment solutions with lower transaction costs are required by contemporary businesses. But even now, cash is essential to trade; it hasn't completely disappeared [1].

FinTech challenges the regulatory paradigm by enabling issuers, investors, and intermediaries to engage in communication, research, socialisation, sharing, cooperation, crowdsourcing,

competition, and trading in ways that are very different from the past. For instance, on social trading platforms, investors can follow a lead trader; on angel investment platforms, investors can follow a lead investor; on market data platforms, artificial intelligence and social media analytics support retail investors' decision-making in regards to trading securities and making investments. Various inventive business models and cutting-edge technologies that have the potential to revolutionise the financial services sector are referred to as presented financial technologies, or "Fintech," in the industry (IOSCO, 2017).

The global rivalry is changing as a result of the digital revolution, and firms are being given new opportunities to innovate in order to obtain a competitive edge. By exceeding customer expectations, digital banking and technology innovation have revolutionised the financial services industry, boosted service productivity, and improved people's lives [2].

Statement of the Problem

India ranked fourth in terms of global FinTech unicorn strength

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as of July 2022, with 37 listed Indian FinTech unicorns or enterprises valued at \$1 billion or more. Furthermore, India currently has nearly 8,000 FinTech businesses. An expanding economy, a diverse client base, an underserved population, an abundance of talent, beneficial government policies, and significant investments have all contributed to its growth. As a result, it's time to look into their financial performance.

Review of Literature

Collected literature was classified on the base of their objectives, tools used, geographical area of research and findings. A summary has been presented below: -

Objectives

Several researches around the globe aimed to assess the opportunity and challenges in the fintech industry, some researches aimed to give overview of FinTech while some studies sought to look at empirical data about the impact of FinTech on the long-term success of the Indonesian financial and banking industries, Employing a unique data set from a Peer-to-Business platform for which they had access to the universe of loan applications, they wanted to demonstrate how FinTech lending affects the credit market and actual economic activity to identify the factors that significantly affect financial technology adoption in rural India, as well as the effects of financial technology on the development objectives of financial inclusion in rural India, To examined the interaction of central and peripheral pathways in the adoption of novel services and technologies, to investigate whether the availability of loans to SMEs could be improved by alternate forms of financing, particularly P2P lending FinTechs, thorough examination using scientific mapping and bibliometrics, to explore internet usage patterns in the UK for finding jobs and educational resources connected to fintech, to examine the audit-related causes of financial scandals and recommend remedies for them using emerging technologies [1, 3-17].

Tools Used

Majority of researchers for their study did not use statistical tools and the studies were found descriptive in nature [3, 4, 6, 8, 9]. Several researchers used research tools like Descriptive Statistics, Panel Regression, Univariate Comparison and Ratio Analysis, Factor Analysis and Structural Equation Model, Elaboration Likelihood Model, Correlation Analysis, Robustness Test, Content Analysis, Outer Model Test, Chi-Square, N-Perron Approach, Regression Analysis, ADF Test, Granger Causal Relation Test and Error Correction Model [1, 7, 12, 14, 10, 11, 13, 16, 17, 19].

Area

After reviewing research papers on the basis of geographical area, several of researches were found from China, some researches from UK other from European Union, South Korea, Switzerland, Jordan, Saudi Arabia, SAARC and ASEAN Countries, Pakistan, Middle East & North Africa, India and Indonesia etc.

Research Gaps Identified

Thus, the synthesis provided that FinTech, being a nascent concept, was less chosen as research subject. Researcher could not find any research which studied financial growth of FinTech

companies in India. Majority of researches already done, were based on conceptual knowledge about FinTech companies. With 37 listed Indian FinTech unicorns – or startups valued at \$1 billion more - as of July 2022, India ranks fourth in terms of global FinTech unicorn strength, after the United States, UK and China. Further, there are close to 8,000 FinTech firms in India currently .

The Indian Fintech business is anticipated to increase by ten times to reach \$200 billion in revenue and \$1 trillion in assets under management (AUM). The report released by Chiratae Ventures in collaboration with Ernest and Young (EY), highlighted that much of the growth will be driven by the digital lending market, which is expected to grow at \$515 Bn in book size by 2030 . So, the researchers decided to examine the financial performance of Indian FinTech companies.

Research Methodology

Following research methodology has been adopted for the study:

Research Design

The study is empirical in nature. It attempts to examine the financial performance and growth of Indian FinTech companies.

Objectives of the Study

The study has following objectives:

- To explore the financial position of FinTech Companies with the help of key financial ratios.
- To make an intra-company and inter-company comparison of key financial ratios.
- To analyse the differences between cash profit and net profit of FinTech Companies.

Hypotheses

Following hypotheses were formulated for the study:

- There is no significant difference among key financial ratios of FinTech Companies for different years (intra-company comparison).
- There is no significant difference among key financial ratios of different FinTech Companies (inter-company comparison)

Sample and Data Collection

For the sample, Indian FinTech companies have been taken for the study, which have published their financial statement for three financial years, 2018-19 to 2020-21. 100 FinTech businesses are listed on the NSE, complete data of 76 companies could not be found for all the three years. Hence the sample size reduced to 24 companies. The companies taken as a sample for the study have been listed in Appendix 1. Some ratios were directly available and remaining ratios have been calculated based on the formulae given in Appendix 2. Data were collected from ProwessIQ database software. All data were collected from standalone annual financial statements of sample companies.

Appendix 1: Sample of FinTech Companies

S. N.	Company
1	A G S Transact Technologies Ltd. (A G S Ltd.)
2	Coverfox Insurance Broking Pvt. Ltd. (C I B Ltd.)

3	Freecharge Payment Technologies Pvt. Ltd. (F P T Ltd.)
4	Hero Fincorp Ltd. (H F Ltd.)
5	Incred Financial Services Ltd. (I F S Ltd.)
6	Infrasoft Technologies Ltd. (I T Ltd.)
7	Jana Small Finance Bank Ltd. (J S F B Ltd.)
8	L & T Mutual Fund Trustee Ltd. (L & T Ltd.)
9	Lendingkart Finance Ltd. (L F Ltd.)
10	Mswipe Technologies Pvt. Ltd. (M S Ltd.)
11	Multi Commodity Exchange of India Ltd. (M C E Ltd.)
12	National Stock Exchange of India Ltd. (N S E Ltd.)
13	Neogrowth Credit Pvt. Ltd. (N C Ltd.)
14	Nirmal Bang Securities Pvt. Ltd. (N B S Ltd.)
15	Paytm Payments Bank Ltd. (P P B Ltd.)
16	Payu Payments Pvt. Ltd. (P P P Ltd.)
17	Phonepe Pvt. Ltd. (P P Ltd.)
18	Pine Labs. Pvt. Ltd. (P L Ltd.)
19	Razorpay Technologies Pvt. Ltd. (R T Ltd.)
20	Saksoft Ltd. (Sak Ltd.)
21	Satya Microcapital Ltd. (S M Ltd.)
22	South Indian Bank Ltd. (S I B Ltd.)
23	Suvidha Infoserve Ltd. (S I Ltd.)
24	Zerodha Broking Ltd.(Z B Ltd.)

6	Profit Before Interest and Tax Ratio	PBIT Ratio	PBIT*100/ Total Revenue
7	Operating Ratio	Operating Ratio	Operating Expenses*100/ Total Revenue
8	Operating Profit Ratio	OP Ratio	Operating Profit*100/ Total Revenue
9	Cash Profit Ratio	Cash Profit Ratio	Cash Profit*100/ Total Revenue

Variables of the Study

This study explores the financial performance and financial growth of the Indian FinTech companies. This study uses profitability ratios, namely, RONW, ROCE, ROTA, NP Ratio, PBIT Ratio, Cash Profit Ratio and Operating Profit Ratio along with Debt-Equity Ratio.

Tools and Techniques

In the beginning, descriptive statistics were created to comprehend the main characteristics of the data. Then Kolmogorov-Smirnov (K-S) normality test was used to determine whether parametric or non-parametric test is to be used. When normality was rejected, Kruskal Wallis H Test was used to explore any significant difference among financial ratios of all the sample companies for different years (both intra-company and intra-company comparison). MS-Excel and SPSS-21 were used for data compilation and analysis.

Results and Discussion

The collected and calculated financial ratios of the companies for three years have been displayed in Appendix 3. Financial ratios are instruments that are used to evaluate a company's relative strength by conducting simple calculations on items on income statements, balance sheets, and cash flow statements. Ratios assess a company's operational efficiency, liquidity, stability, and profitability, providing more meaningful information to investors than raw financial data. Using the highly popular, and perhaps indispensable, approach of ratio analysis, investors and analysts can acquire profitable advantages in the stock market. Section I presents the ratio analysis of FinTech companies; Section II displays comparison of Cash profit and Net profit through butterfly charts and Section III presents hypothesis testing results for inter-company and intra-company comparison.

Appendix 2: Ratios' Name and Formulae

S. N.	Ratios	Symbol Used	Formula
1	Debt-Equity Ratio	Debt-Equity Ratio	Directly available
2	Return on Net Worth	RONW	Directly available
3	Return on Capital Employed	ROCE	Directly available
4	Return on Total Assets	ROTA	Directly available
5	Net Profit Ratio	NP Ratio	PAT*100/ Total Revenue

Ratio Analysis

Appendix 3 reveals the following findings:

Appendix 3: Data Sheet of Companies

Company	Year	Debt to equity ratio (Times)	RONW (%)	ROCE (%)	ROTA (%)	NP Ratio (%)	PBIT Ratio (%)	Operating Ratio (%)	OP Ratio (%)	Cash Profit ratio (%)
A G S Ltd.	2019	0.94	7.11	3.41	2.41	2.69	8.99	171.69	18.56	9.40
A G S Ltd.	2020	1.87	15.22	6.31	4.55	6.05	15.87	147.39	35.53	19.62
A G S Ltd.	2021	2.36	9.41	3.01	2.27	4.96	31.38	133.14	-12.14	18.73
C I B Ltd.	2019	0.00	-1335.25	-1335.25	-316.53	-306.64	-300.84	804.60	-696.34	-305.20
C I B Ltd.	2020	0.00	-776.85	-776.85	-143.47	-174.64	-168.97	538.87	-432.59	-175.66

C I B Ltd.	2021	0.00	-225.52	-225.52	-38.92	-72.17	-68.42	336.34	-230.07	-70.04
F P T Ltd.	2019	0.00	1.02	1.02	0.89	-0.09	-0.07	191.94	-2.35	2.00
F P T Ltd.	2020	0.08	24.84	23.70	20.63	24.51	-4.71	201.62	-8.93	-2.01
F P T Ltd.	2021	0.03	17.46	16.57	14.39	15.43	21.45	147.67	47.33	24.28
H F Ltd.	2019	4.47	9.18	1.64	1.51	10.77	74.01	93.32	6.41	16.58
H F Ltd.	2020	4.52	7.67	1.40	1.28	8.38	67.18	83.33	16.10	24.87
H F Ltd.	2021	4.36	1.00	0.18	0.17	1.71	52.22	74.70	24.07	35.06
I F S Ltd.	2019	2.10	0.68	0.21	0.21	1.30	50.66	129.84	-30.43	9.48
I F S Ltd.	2020	1.29	1.20	0.46	0.44	0.83	38.45	115.03	-18.81	21.26
I F S Ltd.	2021	1.83	1.05	0.41	0.39	2.61	42.64	104.67	-7.50	24.29
I T Ltd.	2019	0.00	24.57	24.57	18.88	18.93	23.99	147.48	44.03	20.93
I T Ltd.	2020	0.00	23.69	23.69	18.51	18.24	22.71	151.45	39.09	20.40
I T Ltd.	2021	0.00	13.62	13.62	10.76	11.33	15.85	164.36	32.45	13.98
J S F B Ltd.	2019	8.09	-190.82	-28.07	-20.40	-141.95	-82.69	209.54	-117.38	-34.40
J S F B Ltd.	2020	3.41	-19.56	-3.19	-1.18	1.24	41.58	128.56	-39.13	15.47
J S F B Ltd.	2021	5.08	3.47	0.66	0.20	3.07	48.02	115.18	-20.12	19.70
L & T Ltd.	2019	0.00	-8.11	-8.11	-7.77	-66.67	-53.33	306.67	-220.00	-80.00
L & T Ltd.	2020	0.00	-8.76	-8.76	-8.36	-100.00	-100.00	400.00	-300.00	-125.00
L & T Ltd.	2021	0.00	-34.98	-34.98	-32.91	-300.00	-261.54	761.54	-661.54	-261.54
L F Ltd.	2019	2.24	8.92	2.67	2.58	12.71	71.27	117.50	-18.74	29.48
L F Ltd.	2020	2.22	4.93	1.53	1.46	6.36	77.58	110.72	-12.20	33.31
L F Ltd.	2021	2.23	2.51	0.78	0.71	3.73	84.67	106.79	-8.58	36.80
M S Ltd.	2019	0.05	-17.57	-16.22	-13.61	-22.32	-19.63	203.31	-25.68	-2.52
M S Ltd.	2020	0.23	-41.94	-37.50	-30.75	-39.82	-38.25	231.69	-55.24	-16.38
M S Ltd.	2021	0.24	-37.34	-30.35	-24.17	-40.86	-37.04	210.56	-47.14	-7.17
M C E Ltd.	2019	0.00	10.78	10.78	6.03	34.54	46.98	96.87	-0.95	21.98
M C E Ltd.	2020	0.00	13.86	13.85	8.43	43.28	61.46	81.40	15.36	34.38
M C E Ltd.	2021	0.00	12.01	12.00	7.27	38.05	64.33	80.32	15.69	47.39
N S E Ltd.	2019	0.00	22.68	22.64	17.31	45.87	76.56	48.21	48.42	52.03
N S E Ltd.	2020	0.01	23.76	23.67	18.04	47.74	73.59	52.96	43.20	53.70
N S E Ltd.	2021	0.00	24.70	24.58	17.44	32.32	48.01	38.94	57.05	59.52
N C Ltd.	2019	2.52	-6.90	-2.14	-1.91	-7.18	23.41	123.02	-27.40	17.05
N C Ltd.	2020	3.43	-0.17	-0.04	-0.04	-0.90	37.24	99.53	-2.73	28.24
N C Ltd.	2021	4.66	-13.76	-2.75	-2.52	-13.34	25.95	105.96	-9.54	24.20
N B S Ltd.	2019	0.24	-1.33	-1.18	-0.68	-1.86	39.58	155.56	-57.59	1.15
N B S Ltd.	2020	0.00	-2.50	-2.23	-1.12	7.38	43.80	139.61	-51.67	10.42
N B S Ltd.	2021	0.46	11.05	8.85	3.62	11.53	57.88	122.83	-26.06	12.39
P P B Ltd.	2019	0.00	5.54	5.54	0.67	1.15	2.83	185.51	-90.09	6.01
P P B Ltd.	2020	0.00	7.79	7.79	0.73	1.35	2.64	188.76	-92.14	4.25
P P B Ltd.	2021	0.00	8.65	8.65	0.67	1.69	4.50	189.51	-91.39	3.84
P P P Ltd.	2019	0.05	-13.08	-12.72	-10.47	-13.40	-13.05	218.81	-23.26	-9.68
P P P Ltd.	2020	0.08	-8.23	-7.73	-5.48	-8.08	-7.48	208.10	-11.88	-4.35
P P P Ltd.	2021	0.11	-12.24	-11.19	-6.85	-8.10	-7.49	211.73	-16.13	-6.17
P P Ltd.	2019	0.00	-371.04	-371.04	-159.55	-774.91	-739.65	1690.17	-1590.57	-763.26

P P Ltd.	2020	0.02	-159.08	-157.08	-86.53	-414.70	-373.35	939.36	-860.04	-390.83
P P Ltd.	2021	0.02	-164.64	-160.99	-71.42	-237.04	-222.32	621.77	-541.19	-218.43
P L Ltd.	2019	0.36	1.01	0.77	0.52	-0.67	1.96	162.69	17.95	16.02
P L Ltd.	2020	0.18	-4.83	-3.95	-2.83	-4.90	-3.95	174.06	7.15	11.03
P L Ltd.	2021	0.17	-5.70	-4.85	-3.33	-12.89	-13.15	175.60	-5.78	9.32
R T Ltd.	2019	0.00	-28.26	-0.28	-35.91	-800.00	-800.00	1800.00	-1644.44	-800.00
R T Ltd.	2020	0.00	-35.50	-35.50	-18.96	-303.70	-303.70	807.41	-792.59	-303.70
R T Ltd.	2021	0.00	-21.02	-21.02	-17.17	-3400.00	-3525.00	7250.00	-7150.00	-3525.00
Sak Ltd.	2019	0.46	19.48	13.03	12.27	16.32	25.31	152.18	41.52	16.99
Sak Ltd.	2020	0.29	29.38	21.50	20.17	22.92	31.18	135.20	52.05	25.55
Sak Ltd.	2021	0.21	15.74	12.61	11.62	14.89	22.09	151.74	44.57	17.36
S M Ltd.	2019	8.58	-0.50	-0.05	-0.05	-0.26	58.96	127.65	-29.94	5.19
S M Ltd.	2020	5.48	5.92	0.79	0.77	3.61	60.91	120.41	-21.72	9.83
S M Ltd.	2021	2.79	3.71	0.81	0.77	3.82	53.56	118.24	-19.44	13.94
S I B Ltd.	2019	0.97	4.71	2.49	0.27	3.24	70.68	103.38	-11.09	15.51
S I B Ltd.	2020	1.34	2.02	0.93	0.11	1.18	66.79	102.24	-9.46	18.75
S I B Ltd.	2021	0.75	-1.78	-0.87	-0.10	0.71	57.79	99.89	-10.23	19.63
S I Ltd.	2019	0.06	25.43	18.58	8.40	7.00	7.72	178.32	17.57	10.46
S I Ltd.	2020	0.07	1.38	1.30	0.75	1.36	1.83	188.26	5.81	4.90
S I Ltd.	2021	0.04	-12.42	-11.87	-8.03	-5.09	-4.86	175.56	-7.32	4.62
Z B Ltd.	2019	2.53	115.02	94.03	10.93	54.39	74.97	50.62	11.10	54.39
Z B Ltd.	2020	0.02	128.34	87.31	10.14	38.75	55.01	91.34	8.16	40.93
Z B Ltd.	2021	0.01	101.72	100.76	11.73	41.12	53.86	91.08	8.31	38.67

Debt-Equity Ratio

It is found that majority of companies are working at zero or near to zero debt-equity ratio. JSFB and SM Ltd. are the companies using highest debt among its peers. But over the years their debt-equity ratio is declining. Out of 24 sample companies, 7, 8 and 7 companies had a debt-equity ratio more than 1 in the three years respectively. This shows that FinTech companies are using lesser amount of debt than equity. This also supports the fact that majority of FinTech companies are equity funded to a great extent.

Return on Net Worth (RONW)

Results showed that only 11 companies had positive return on net worth in all the three years. Negative RONW in all the three years was shown by CIB Ltd., L & T Ltd., MS Ltd., PPP Ltd., PL Ltd. and RT Ltd. it is further found that CIB Ltd. is the highest loss generating company whereas ZB Ltd. is earning highest RONW among its peers as high as 101.72 in 2020-21.

Return on Capital Employed (ROCE)

It is found that 11 out of 24 companies had positive ROCE in all the three years. In the year 2018-19 only 5 companies had ROCE more than 5, In the year 2019-20 only 7 companies had ROCE was more than 5 and in financial year 2020-21 only 8 companies had ROCE more than 5 but few companies had high ROCE. Again CIB Ltd. is the highest loss generating company followed by PP Ltd. whereas ZB Ltd. is earning highest ROCE among its peers. It can be decided that majority of FinTech companies are showing increasing trend in ROCE.

Return on Total Assets (ROTA)

Results showed that as compared to RONW and ROCE, ROTA has smaller values for all the companies. This shows that huge

amount of assets are being used by FinTech companies. But exactly similar results have been obtained for ROTA as for RONW and ROCE. CIB Ltd. is the highest loss generating company and ZB Ltd.

Net Profit Ratio (NPR)

Surprisingly, 8 companies had negative net profit ratio in all the three years and 7 companies had negative trends and 4 companies had positive trend in net profit ratio and majority companies had no trend exists in net profit ratio. PPP Ltd. and RT Ltd. are generating highest losses but their losses are declining drastically. FPT Ltd., MCE Ltd., NSE Ltd. and ZB Ltd. are earning high NPR among FinTech companies.

PBIT Ratio

Profits before Interest and Taxes together with NPW reveals that almost all the companies are having high PBIT but financial and tax expenses lower the net profit ratio. Earlier it was found that majority of companies are using less debt, so it can be concluded that companies are paying high taxes owing to high returns. 6 companies had negative PBIT ratio in all three years and 7 companies had increasing trend in PBIT ratio.

Operating Profit Ratio (OPR)

Operating Profit Ratio shows relationship between operating profit and revenues. It is found that majority of FinTech companies are showing increasing trend in OPR; even the companies which are showing negative OPR are also showing decreasing trend. It implies that either the revenues are increasing or operating costs are decreasing. This is encouraging for investors for brighter future of these companies. L & T Ltd., PP Ltd. and CIB Ltd. is incurring huge losses.

Cash Profit Ratio

Cash profit ratio considers only cash expenses and cash revenues. Cash profit may reveal real financial performance of the companies as the time period taken for the study included Covid-19 pandemic which adversely affected various businesses. It is found that 12 companies had increasing trend in cash profit ratio in all the three years; 6 companies had negative cash profit ratio and remaining companies had fluctuating trends. It can be said that majority of FinTech companies are generating good cash profit and their cash profit also shows increasing trends.

Descriptive Statistics and Normality Test

Table 1 shows the descriptive statistics and results of normality test of all the variables of the study.

Table 1: Descriptive Statistics and Results of Normality Test

Ratios	Descriptive Statistics				One-Sample Kolmogorov- Smirnov Test	
	Mean	Std. Deviation	Minimum	Maximum	Kolmogorov- Smirnov Z	p-Value
Debt-Equity Ratio	1.160	1.919	.000	8.583	2.497	.000
RONW	-38.714	191.803	-1335.251	128.338	3.361	.000
ROCE	-37.405	190.040	-1335.25	100.760	3.534	.000
ROTA	-11.113	47.580	-316.527	20.627	2.670	.000
NPR	-92.265	424.369	-3400.000	54.394	3.120	.000
PBIT Ratio	-70.966	441.834	-3525.000	84.673	3.074	.000
OPR	-215.306	888.618	-7150.000	57.054	3.221	.000
Cash Profit Ratio	-83.2780	439.2147	-3525.000	59.524	3.224	.000

Mean, standard deviation, minimum and maximum have been calculated for the period. Standard deviation and mean value of all variables are highly fluctuating. Variation in data is very high except in debt-equity ratio and ROTA. Minimum value of debt-equity ratio shows that some companies are working on zero debt while others companies are using 8-times debt than equity. All profitability ratios have minimum value highly negative, implying that some FinTech companies are incurring heavy losses. Maximum values of RONW and ROCE is more than 100 implying high profitability in some companies. NPR, PBIT Ratio, OPR and Cash profit ratio have maximum values more than 50, it indicates some FinTech companies are able to earn good returns.

Table 1 also displays results of Normality test done using One Sample Kolmogorov-Smirnov Test. Kolmogorov-Smirnov (K-S) normality test was used to determine whether parametric or non-parametric test is to be used. K-S Test value of all ratios is less than 0.05. Hence normality of data is proved and Kruskal-Wallis H Test has been used for inter-company and intra-company comparison.

Comparison of Net Profit Ratio and Cash Profit Ratio

Cash Profit assesses a company's capacity to convert sales into cash. The larger the percentage of cash profit, the more cash is available from sales to pay suppliers, dividends, utilities, service debt, and capital assets. Negative cash profit, on the other hand, means that even if the company generates sales or profits, it may still be losing money. In the case of a corporation with insufficient cash profits, the company may choose to borrow funds or acquire funds from investors in order to keep operations running. Hence it is imperative to explore the relationship between both the ratios looking at distinct nature of FinTech companies.

For this purpose, on the base of net profit ratio top five companies were identified and a comparison of their cash profit ratio and net

profit ratio has been done using butterfly charts. A butterfly chart (also known as a Tornado chart/Divergent chart) is a form of bar chart that is used to compare two data sets at the same time. The data is plotted as two horizontal bars with the same X-axis in the center, mimicking butterfly wings in this chart. Figure 1 displays the butterfly charts for three different years.

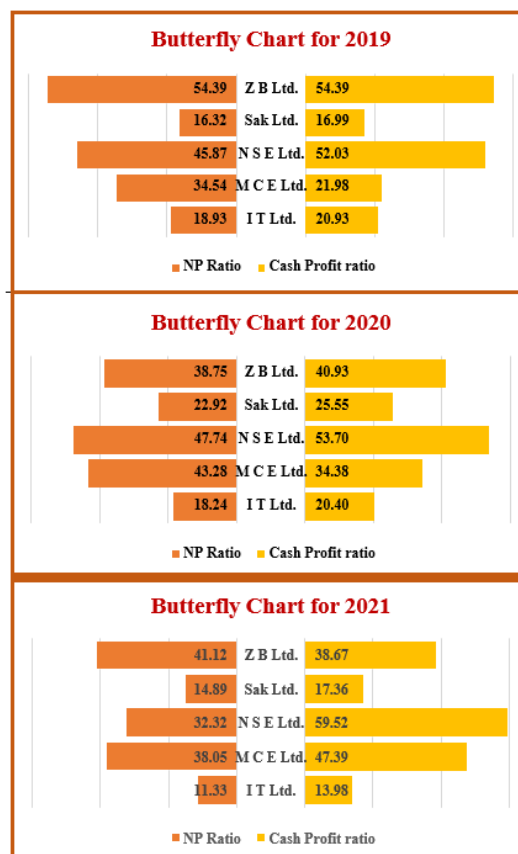


Figure 1: Butterfly Charts for Net Profit Ratio and Cash Profit Ratio of Top Five Fintech Companies

It is found that strong correlation is observed between these two ratios in all three years implying that FinTech companies are having very less amount of non-cash expenses. In 2019 all companies except MCE Ltd., are showing higher values for cash profit ratio than net profit ratio, hence some amount of non-cash expenses is there. But MCE Ltd. has lower cash profit ratio implying that there are some non-cash revenues. Similar results are obtained in the year 2020 which is the Covid-19 pandemic year. In the year 2021, cash profit ratio was higher than net profit ratio for all companies except ZB Ltd. further, the difference between these two was higher than those in previous years. ZB Ltd. is showing lesser cash profits in 2021.

Hypothesis Testing

Table 2 presents the results of Kruskal-Wallis test for inter-company comparison.

Table 2: Results of Kruskal Wallis H Test for Inter-Company Comparison

Ratios	Chi-Square	df	p-value
Debt-Equity Ratio	66.009	23	.000
RONW	61.781	23	.000
ROCE	63.335	23	.000
ROTA	64.623	23	.000
NPR	64.327	23	.000
PBIT Ratio	66.239	23	.000
OPR	66.186	23	.000
Cash Profit Ratio	63.338	23	.000

Table 2 displays the results of Kruskal-Wallis H Test. It is revealed from the results that the Chi-Square values of all ratios are more than 60 with significant p-values. It is very high Chi-Square value. Hence it can be concluded that there is significant difference among all ratios of different FinTech companies.

Table 3 displays the results of Kruskal-Wallis test for intra-firm comparison.

Table 3: Results of Kruskal Wallis H Test for Intra-Firm Comparison

Ratios	Chi-Square	df	p-Value
Debt-Equity Ratio	0.014	2	0.993
RONW	0.143	2	0.931
ROCE	0.137	2	0.934
ROTA	0.174	2	0.917
NP Ratio	0.380	2	0.827
PBIT Ratio	0.038	2	0.981
OP Ratio	0.229	2	0.892
Cash Profit Ratio	1.425	2	0.490

Table 3 displays the results of Kruskal-Wallis H Test. It is revealed from the results that the Chi-Square values of all ratios are very low with high p-values. P-values of all ratios are more than 0.05. Hence null hypothesis is accepted at 5% level of significance and it can be concluded that all ratios do not exhibit significant difference in their measures of different years.

Conclusions

While India's start-up ecosystem is only a decade old, it is a hotspot of financial industry innovation. The country currently has around 2000 FinTech enterprises, and this number is steadily expanding. This growth has been bolstered by a thriving economy, a vast client base, an underserved population, an abundance of talent, encouraging government policies, and large investments. Hence it is apt that their financial performance should be studied. Present paper attempts to explore financial performance of Indian listed FinTech companies for a period of three years from 2018-19 to 2020-21 using various financial ratios. In all 100 FinTech companies are listed in NSE but complete data were obtained for 24 companies only.

It is found that majority of companies are using lesser amount of debt as they are having very low debt-equity ratio. Various profitability measures such as RONW, ROCE, ROTA, NPR, OPR and Cash Profit Ratio were analyzed. Comparison of net profit ratio and cash profit ratio revealed that companies did not show any major differences between these two. This implied that FinTech companies are not having major amount of non-cash expenses. This is a good indication for investors and lenders. Kruskal-Wallis test showed that various financial ratios for different companies were significantly different (inter-company comparison) but no significant difference was found among these ratios for various years (intra-company comparison).

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