

## Setting Up a FinTech Company in India

written by Abhishek Bagga | November 16, 2022



Ever wondered how India has successfully managed to become one of the world leaders in digital markets? India has not only reached an 87% adoption rate of the FinTech industry as opposed to the global average of 64% but has also managed to receive funding worth \$10 Bn till the year 2021.<sup>[1]</sup> After demonetization, the usage and circulation of digital payments, net banking, and digital banking promoted a much more easy and more open banking system. Although the impact that this industry has had on the economy seems significant, knowledge about a FinTech company amongst the masses is yet negligible.

This article gives the readers a broad outlook on the legal procedures that answer questions such as; How to register a FinTech Company, how to start a FinTech company, what the procedures and steps taken to start a FinTech business in India, setting up a FinTech company in India and so on?

The FinTech space in India has seen tremendous growth despite the global pandemic which setback the global economy. Well, the reason for this success story can be directly accredited to the country's enabling policies, digital architecture and government action. India has been an incubator for FinTech and is house to 23 FinTech unicorns, estimating the total digital investment market in India to be worth \$150 Bn by the year 2025.

India is the third largest ecosystem nurturing the start-up culture and has gained recognition by Department for Promotion of Industry and Internal Trade ("DPIIT") and several FinTech companies have already become unicorns with a valuation exceeding \$1 Bn. Over the years, the RBI with the help of governmental programs like Jan Dhan Yojana has a successful FinTech Department which has regulatory sandboxes.<sup>[2]</sup>

How to start a FinTech Company: A FinTech start-up business plan

Since FinTech is a relatively new concept, most companies which commence a business incorporate their vision through a start-up.

For the purpose of setting up a FinTech company in India and to encourage businesses to have a FinTech start-up business plan, "The Start-up India Hub" launched by the Indian government acts as an enabling platform that connects companies and investors and helps in raising funds, recruiting talent, organizing and restructuring among many other benefits. [3]

Such benefits can be availed when a start-up company is registered under this initiative. The official website helps with user-friendly registration, however, the registered office is required to be in India. Registration can be done by visiting the start-up India website and clicking on "register", wherein it redirects to the "MyGov" platform, directing the user to input details and set up login credentials.

The website enables you to connect with relevant stakeholders as per the industry and stage preferred and selecting on a "connect/apply" option against enablers.

This platform has seen tremendous registration and engagement in recent times and continues to gain traction.

Our expertise in setting up a FinTech Company

Manufacturers, developers, lenders, financial institutions, and governmental entities frequently receive assistance from King Stubb & Kasiva (KSK), one of the top law firms in India, regarding all aspects of FinTech Laws and regulations in India. The team aggressively pursues a solution-based strategy to address current concerns regarding jurisdiction, patenting inventions, and the associated challenges brought on by the digitalization and digitization of e-commerce and the Fintech industry at large. In order to prevent legal restrictions from impeding the process of protecting IPR, a diligent research team makes sure that nothing is overlooked.

KSK has served as a consultant for a number of start-ups with a variety of interests, including fin-tech, ed-tech, e-commerce, etc., where IPR regulations may be game-changing. In addition, the team has extensive knowledge of RBI, SEBI and IRDAI guidelines and regulations, and KSK could assist FinTech companies in familiarising themselves with the MD-PPI of RBI, UPI circulars, Circulars on Mutual Funds and various other commercial laws. In addition to this, KSK can extend its assistance to start a FinTech business in India and help from incorporation, setting up, registration of a domain, licensing, setting up the business processes, and funding to winding up.

How to Start a FinTech Company in India - Steps to proceed with

With discussion brewing around the new digital currency released by the FinTech department of the RBI and various other prospects of growth in the financial sector via the implementation of machine learning, IoT, and Blockchain, calls for industry expansion. Thus, understanding the financial-legal ecosystem, which facilitates the budding of the FinTech industry, becomes important. In order to set up a FinTech company, there is a set legal course.[4]

1. Implement the most suitable business model: After a FinTech start-up plan has been made, the question arises of how to register a FinTech company in India? To answer this, The Companies Act, 2013 lays down three major business models and depending on the size, vision, and mission of the organization, a

person who is looking to start their own business needs to evaluate whether they want to start a sole proprietorship, a Limited Liability Partnership, (LLP), or a Private Limited Company (PLC), which would rightly help them to raise the funds and keep the company at its most profitable, and then incorporate and register the business as per legal requirements.

2. Mandatory GST Registration: A question often arises on how to register a FinTech company's GST ID. This compliance for having a Goods and Service Tax registration is completed when the company obtains a unique GSTI, which plays a vital role in tax identification generated by a TIN, allowing the authorities to register the company in the indirect taxation system. This is a mandatory obligation for FinTech companies since they generate bulk data related to consumer payments and sales.

3. Following Due Diligence: The legal documentation involved in FinTech would help the company to handle the legal concerns in the best possible way. Some of the documents required during the time of incorporation may include:

- Partnership agreement / AOA (Depending on the company size)
- IPR Licensing Agreement which consists of the FinTech's intellectual rights owned by the firm
- Data Privacy- As per the SDPI Rules under the IT Act, 2000, collection, storage, transfer and disclosure of sensitive information includes financial information. FinTech which would mainly deal with business operations in private data of consumers and their financial data, the company would be required to comply with the abiding of such laws. Thus, a company's privacy policy would ensure such requirements.
- Terms of services: FinTech's business operations are carried out on online platforms, which would mainly require their services to come with a disclaimer and acceptance of their terms contract.
- Vendor Contracts and NDAs
- Employment agreements

4. Intellectual property: A company's intellectual property viz. patent/copyright is given protection under the IPR laws governing the country. This becomes a very valuable asset to the company because it promotes the innovation of novel technology in the growing industry.

5. Licensing: The financial setup of a company, based on the service they provide, take up licenses. The services they provide may be those of payment, P2P service, retail service, financial investment, and management service. This will dictate the type of licence that they are required to obtain.

6. Domain Registration: The online presence of a FinTech company with proper engagement is established by registering and having a domain name which is unique to its business operations, which dictates the terms on which the company's finances are managed.

The FinTech industry's growth is expected to reach many folds more in the upcoming generation with the implementation of advanced technology like blockchain and cloud computing. Due to all the legal complexities involved in such a commencement operation, a good legal team with prior experience could make the whole process seamless.

[1] <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1781857>

[2] <https://www.investindia.gov.in/sector/bfsi-FinTech-financial-services>

[3] [https://www.startupindia.gov.in/content/sih/en/about\\_startup\\_portal.html](https://www.startupindia.gov.in/content/sih/en/about_startup_portal.html)

[4] <https://insidetelecom.com/an-in-depth-guide-to-start-a-fintech-startup-in-india/>