

The role of FinTech in building Viksit Bharat

January 2025

■ ■ ■
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In our united pursuit of India's ambitious Viksit Bharat 2047 vision, FinTech has become a fundamental element of transformation in financial services space, fostering inclusivity and innovation throughout the country. This report titled "The role of FinTech in building Viksit Bharat," from EY and the Digital Lenders Association of India (DLAI), examines the transformative impact of FinTech on the Indian financial environment. It emphasizes significant accomplishments, prospects and the future trajectory.

India's FinTech business has experienced significant growth, with projections indicating income generation of US\$180 billion to US\$200 billion by 2030. The country has established itself as a global hub of innovation, leading in digital payment volumes and ranking third worldwide in the number of FinTechs. These companies are not only improving access to financial services but also promoting economic empowerment for marginalized groups, utilizing initiatives such as Digital Public Infrastructure (DPI) and government-supported frameworks.

This research provides insights into four essential domains: worldwide benchmarks and India's leadership, the development of India's FinTech environment, regulatory frameworks, and future directions. It underscores the necessity for collaboration among FinTechs, the government, and other stakeholders to tackle concerns, including financial literacy, cybersecurity, and digital infrastructure in rural regions.

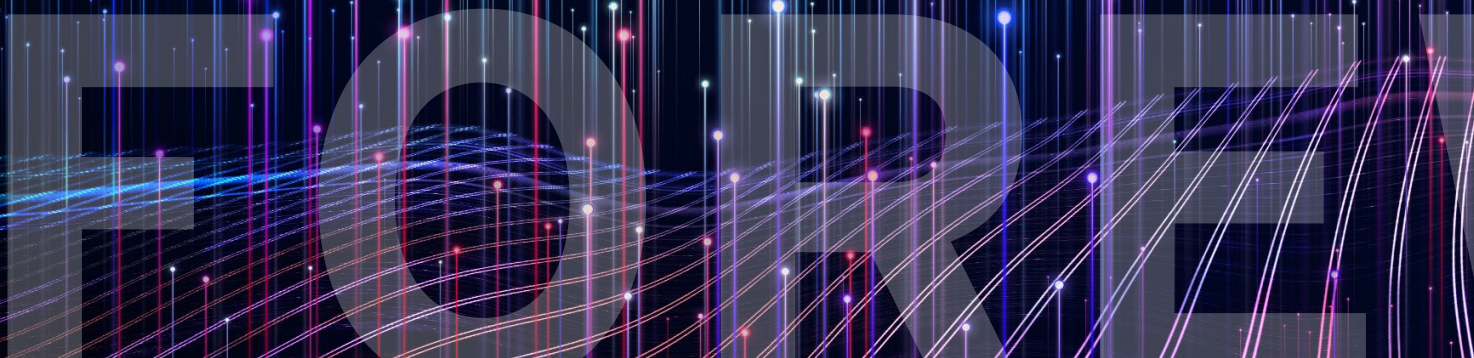
Anticipating the future, digital financing, novel underwriting for marginalized demographics, and phygital solutions emerge as crucial catalysts for inclusive growth. By promoting innovation-oriented legislation and enhancing collaborations, FinTechs can accelerate India's progression towards becoming a developed nation.

This study exemplifies the collaborative ambition of EY and DLAI in supporting and fostering a sustainable and inclusive FinTech ecosystem. I urge all stakeholders to seize the opportunities presented in this report and collaboratively advance India's development.



Jatinder Handoo

CEO, DLAI



As India continues its journey towards becoming a US\$5 trillion economy, financial inclusion remains a crucial enabler of economic growth and development. The Government of India's vision of Viksit Bharat - an empowered India - is built on the pillars of accessibility, affordability, and innovation.

FinTechs have emerged as key catalysts in this journey, leveraging technology to democratize access to financial services, enhance user experience, and drive financial literacy in a secure and cost-optimal way. By harnessing the power of digital public infrastructure for data, identity, and payments, FinTechs are bridging the financial inclusion gap and empowering millions of Indians.

The Indian FinTech sector is pacing towards becoming one of the global leaders, fueled by our unwavering entrepreneurial spirit, government focus, regulatory support, technological solutions, and our well-earned ability to attract investments. This sector has evolved over the years and is gracefully maturing to be a self-regulated, responsible player, driving India towards operational and service excellence at global standards.

This paper explores the transformative impact of FinTechs across sectors, tracing the evolution of FinTech over time, examining how regulators are nurturing this sector to be a more inclusive, scalable and sustainable player. It highlights success stories, innovative business models, and the enabling regulatory landscape that is shaping the ecosystem to realize the Viksit Bharat vision.

Aarthy Rangarajan

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WORLD



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FINTECH



Global
benchmarks and
India's leadership

01

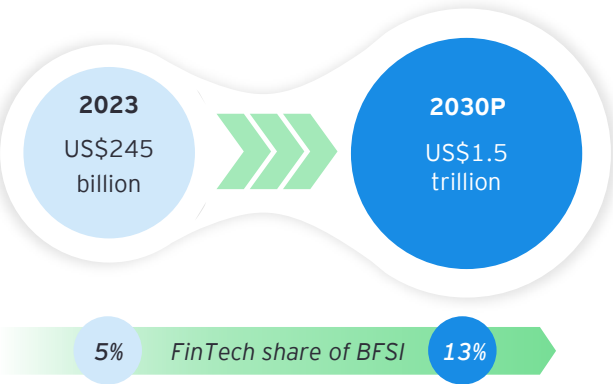
Global benchmarks and India's leadership

The evolving leadership in FinTech space

India is the third-largest globally in the number of FinTech companies and leads the world in digital payment volumes

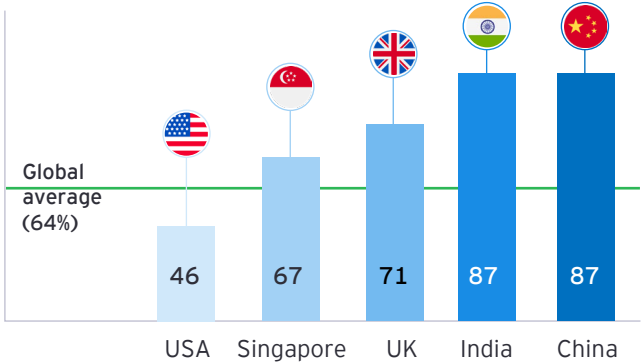
The global FinTech market has evolved rapidly, driven by technological advancements, consumer demand for convenience and regulatory support. Innovations like AI, mobile payments and blockchain have revolutionized financial services.

Global FinTech market revenue



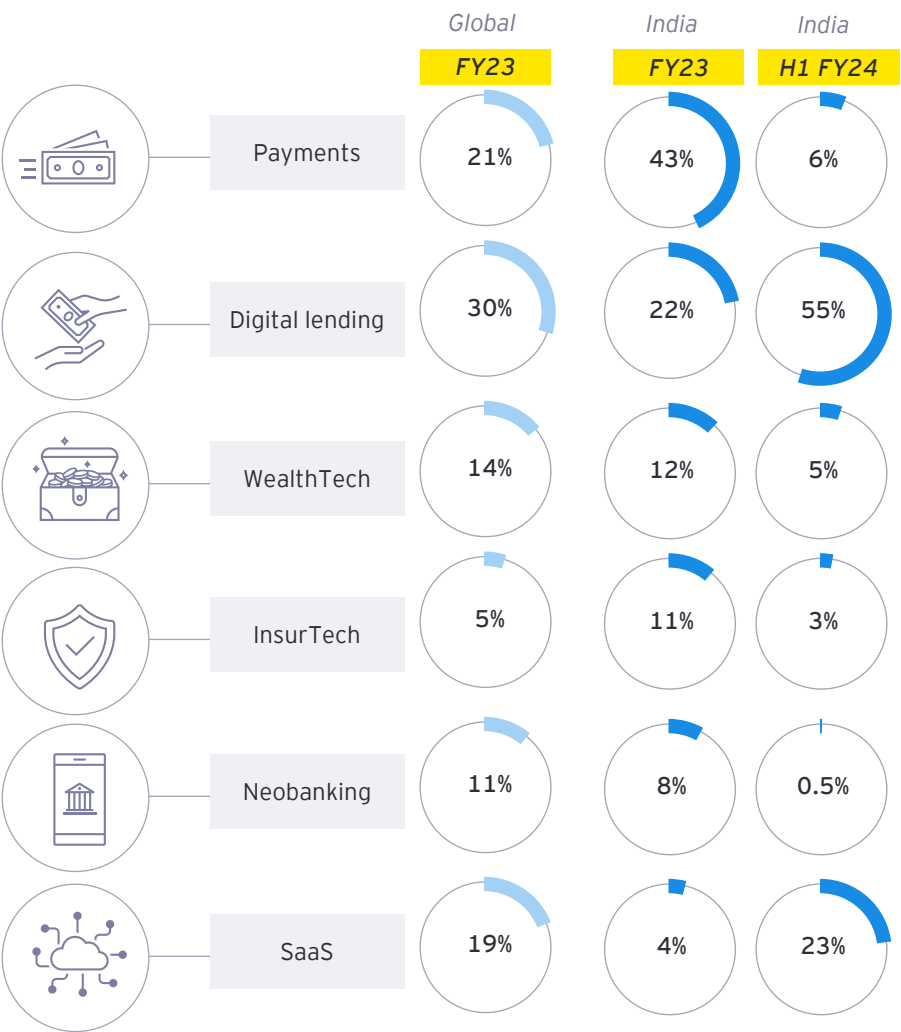
Source: JM Financial, EY Analysis

FinTech adoption rate



Source: Press articles

FinTech funding split by segments (%)



Source: Tracxn, Capital IQ, RBI Hub, the H1FY24 figures do not add up to 100 as remaining is in RegTech and others.

India's FinTech funding landscape

#2 in terms of global FinTech deal volumes

#3 in terms of global FinTech funding

Source: JM Financial



Indian payments and InsurTech ecosystem developed faster than the global average, while lagging in the other sectors when compared to the rest of the world.

The emerging trends and projections hint towards increased share of funding for lending and SaaS FinTechs.

India is leading the world with a share of 48.5% in global real-time payments volume

Source: RBI

Global benchmarks and India's leadership

India's evolving leadership in FinTech space

ranked 3rd globally, in number of FinTechs and is the Global Leader in digital payment volumes

FinTechs driving financial inclusion at scale



Hong Kong

Octopus Card

Easy-to-use digital payments solution, bridging gaps for unbanked and enhancing access to financial services

98% of people in Hong Kong aged 15 to 64 possess Octopus Cards



Kenya

M-Pesa

SMS-based mobile money service launched in 2007, financial inclusion rose from 26% in 2006 to 84% in 2021

No user is more than 3 km away from an M-Pesa agent



Ghana

Mobile Money (MoMo)

Fueled by FinTech innovations, young population, increasing mobile phone penetration, and government support

Mobile money accounted for ~83% of electronic transactions in first half of 2024

Source: Press articles, EY Analysis



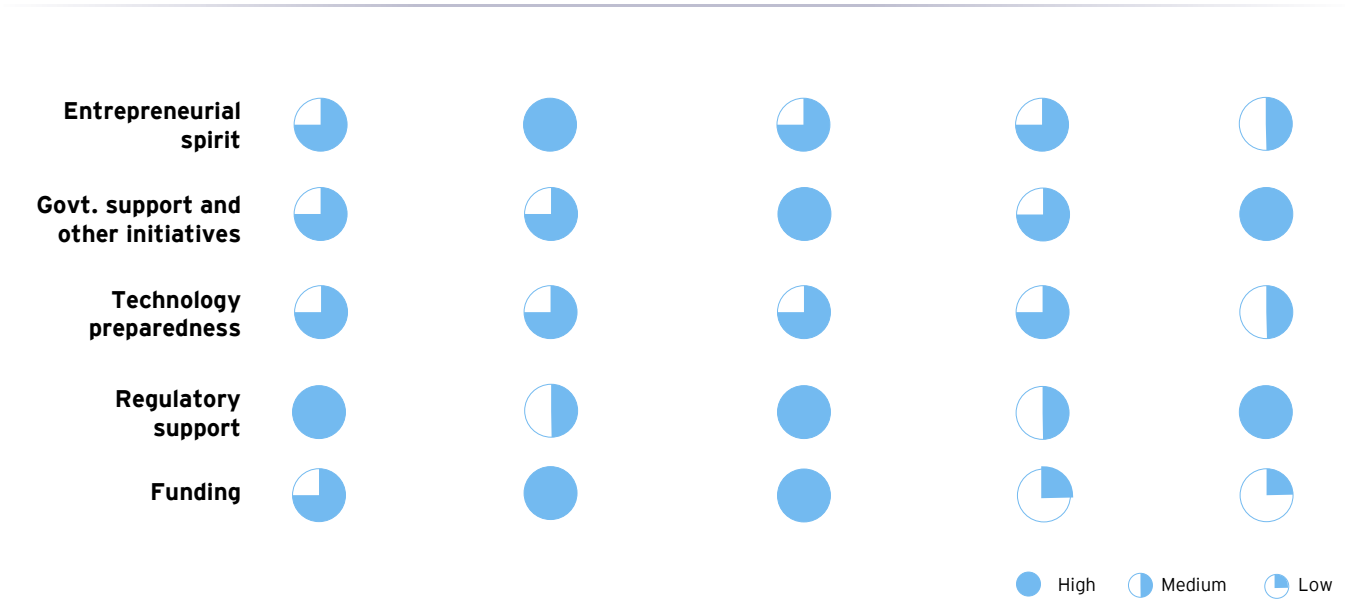
Global benchmarks and India's leadership

India has positioned itself as a competitive FinTech hub globally

The number of registered FinTech start-ups has grown ~fivefold in the past three years, from 2,100 in 2021 to 10,200 in 2024



Source: Ministry of Finance, Tracxn



- Presence of FinTech hub offices, policy focus, start-up support initiatives, grants, tax and other incentives, positive messaging from government/ ministries (IT, FM)
- Regulatory authorities' proactive support to create hubs, sandboxes and licensing
- FinTech entrepreneurship score is a weighted score based on the countries' start-up ecosystem ranking (CEO world 2021), #FinTechs in the country, #FinTech unicorns, and the ratio of unicorns to total FinTechs
- Other factors considered: UNCTAD ranking, overall FinTech funding

Source: EY Analysis

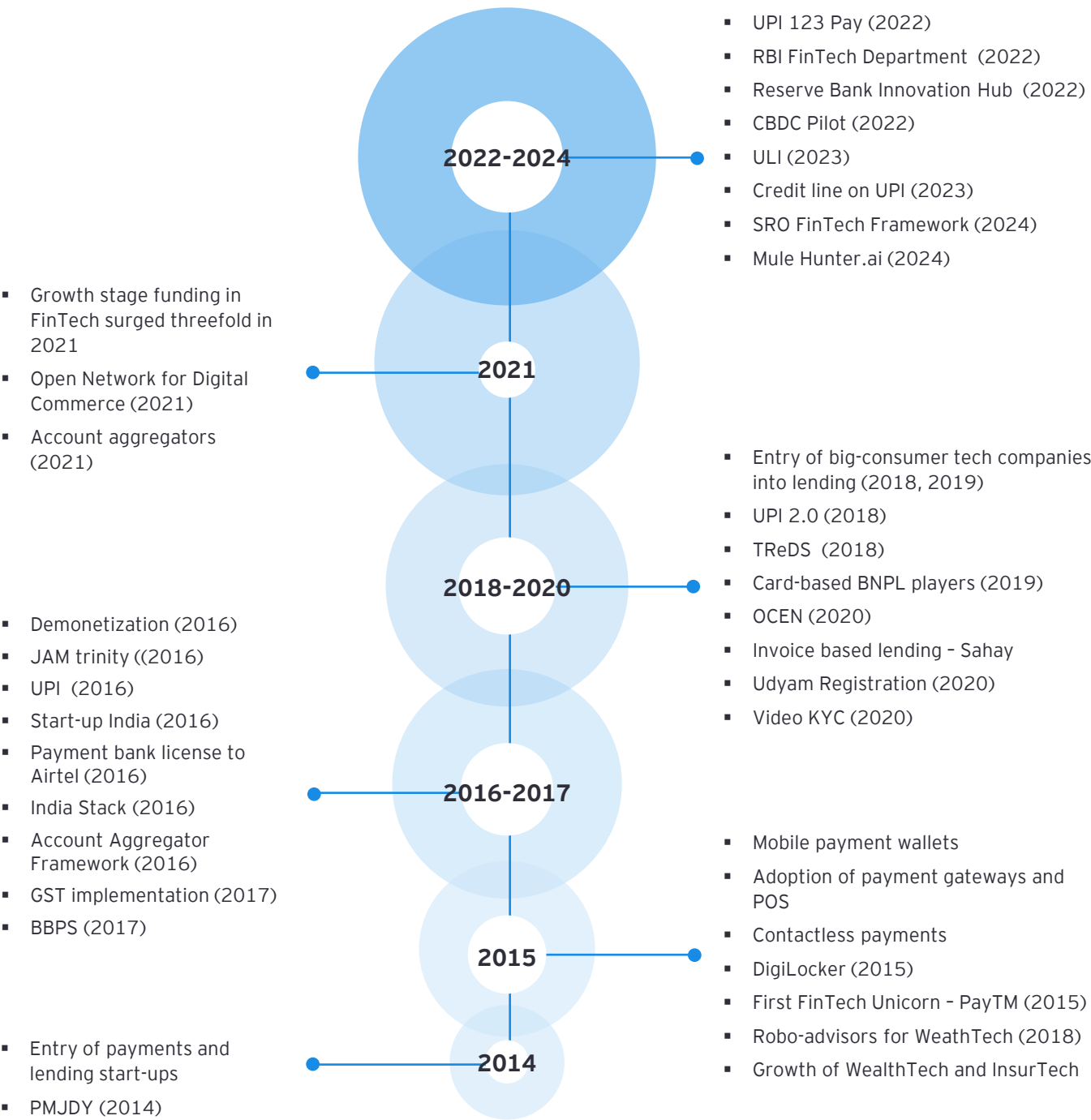


FinTech landscape
in India: evolution
and present

02

FinTech landscape in India: evolution and present

After a decade of rapid innovation and growth, the Indian FinTech ecosystem is now focused on inclusivity, scalability and sustainability



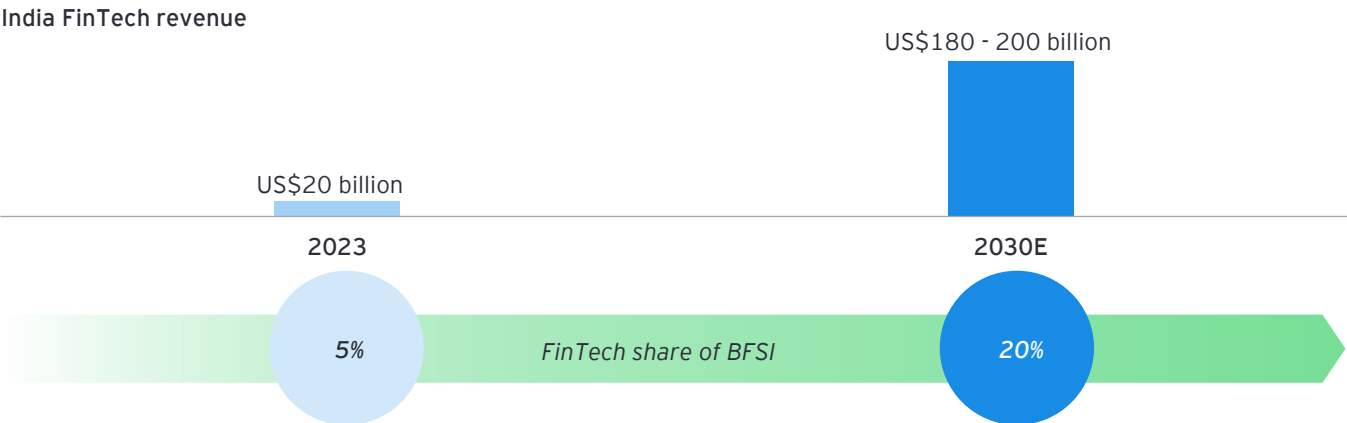
Source: Press articles, EY Analysis

The Indian FinTech ecosystem continues to evolve, with new players entering the market and established ones diversifying their offerings. There is immense opportunity to tap both in urban and rural areas. However, there are challenges to address, including regulatory concerns, data security and ensuring financial literacy among users. As the industry continues to mature, innovations will probably revolve around blockchain, artificial intelligence, machine learning and deeper financial inclusion.

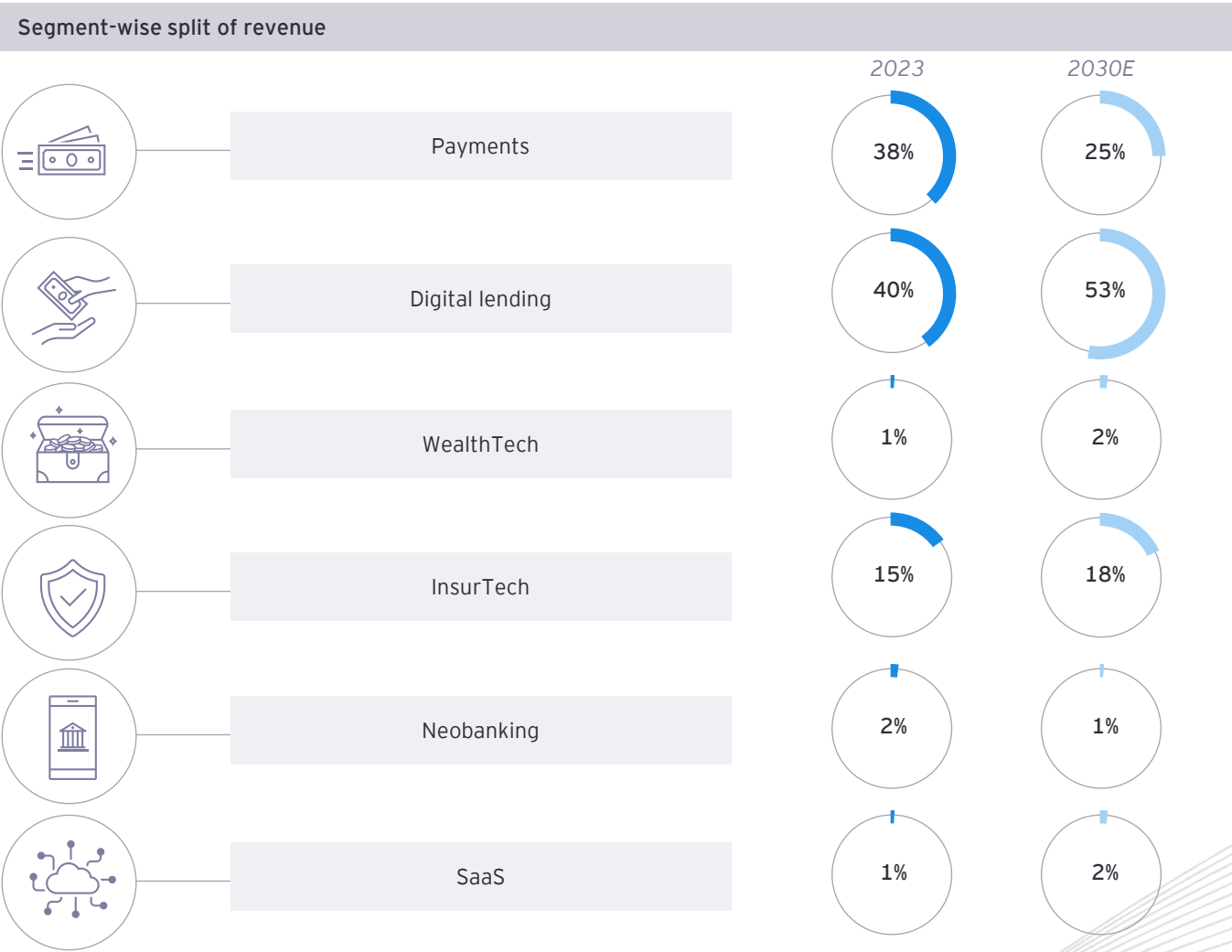
FinTech landscape in India: evolution and present

The India FinTech market is expected to expand by 30% by 2029, fueled by rising income, awareness, and digital infrastructure

India is home to ~10,000 FinTechs with 26 FinTech unicorns, including one Decacorn with a combined market value of US\$90 billion



Source: JM Financial



Source: Statista, EY Analysis

Digital lending is expected to have the largest share of the FinTech revenue pie by 2030

FinTech landscape in India: evolution and present

India FinTech market is projected to grow at 30% by 2029 driven by increasing income levels, awareness and digital infrastructure

Key drivers of FinTech growth



1

Rising disposable income

- The rapid growth of India's middle has played a significant role in the growth of the Indian FinTech market
- Middle class and beyond constitute 33% of the total population



2

Financial Inclusion

- Government schemes like PMJDY and India Stack led India's progress in financial inclusion
- The current RBI Financial Inclusion Index for March 2024 stands at 64.2



3

Internet and smartphone penetration

- 62% of urban and 37% of rural adults use the internet
- Smartphone penetration in surpassed 50% in 2024, with a 2.5x growth in the last seven years



4

Digital public infrastructure

- Digital Public Infrastructure (DPI) integrated identity, payments, and data layers to enable secure, paperless, cashless, and presence-less transactions across India



Data

- Account aggregator framework
- GST
- Digilocker
- Public credit registry
- Public data protection
- Consent and data authentication layer



Identity layer

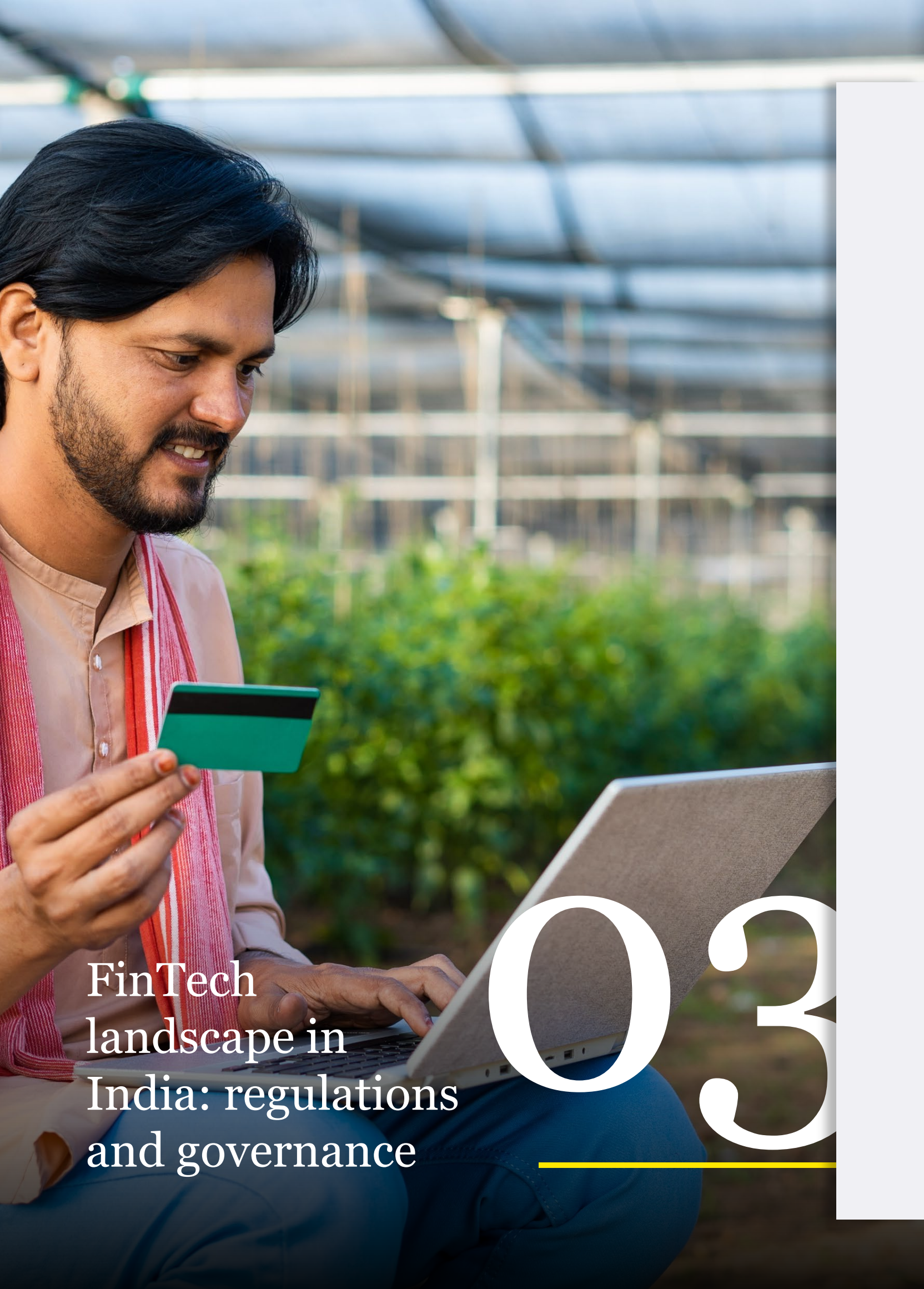
- UID (Aadhaar)
- CKYC
- eKYC
- GSTN
- eSign



Payments layer

- UPI
- UPI Lite
- RuPay
- AePS
- APBS
- IMPS

FinTechs in India have leveraged the Digital Public Infrastructure for on-boarding customers at a reduced cost and acquiring new customers with robust checks



FinTech
landscape in
India: regulations
and governance

03

FinTech landscape in India: regulations and governance

Robust regulatory and governance framework to build a resilient FinTech ecosystem

While FinTechs are accelerating financial inclusion, the rise in sophisticated fraud schemes poses a threat to this progress. In response, regulators are enforcing stringent cybersecurity measures to foster a secure ecosystem that safeguards innovation while ensuring governance and trust.

	Cybersecurity	Data protection	Consumer protection
Monetary impact	<ul style="list-style-type: none">12 lakh cyber fraud complaints in 2024INR27,914 crore since 2021	<ul style="list-style-type: none">US\$ 2.18 million in 2023	<ul style="list-style-type: none">Cybersecurity incidents 15.9 lakh in 2023
Current regulatory guidelines	<ul style="list-style-type: none">Regulatory sandboxes for real-time monitoring systemVulnerability assessments and penetration testingReporting cybersecurity incidents within six hrsGuidelines for account aggregatorsCybersecurity framework	<ul style="list-style-type: none">DPDP ActPCI-DSS (Payment Card Industry Data Security Standard) complianceGeneral Data Protection Regulation	<ul style="list-style-type: none">Digital lending guidelinesPayment RBI Aggregator/gateway guidelines for settlementSelf-regulatory organizations (SROs)Guidelines for prevention and regulation of dark patterns
Role of technology	<ul style="list-style-type: none">The ASAG leverages ML for social media analytics, KYC compliancePRAVAAH streamlines and enhances the efficiency of regulatory approval processes	<ul style="list-style-type: none">ICMTS and CIMS to enhance data management	<ul style="list-style-type: none">DAKSH: digitize supervisory processesRIH launched Hunter.ai

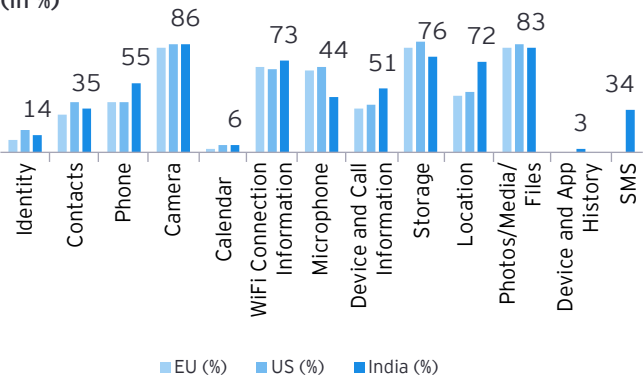
Reg-Tech
SupTech
RBI innovation hub

Need for self-regulation

- India’s thriving FinTech market—third largest globally with over 10,000 players – growing at 18% CAGR- expands access and sparks innovation yet faces mounting ethical concerns.
- To address this, the RBI’s new Self-Regulatory Organisation guidelines provide structured oversight and scenario-specific standards, ensuring robust governance without stifling growth.

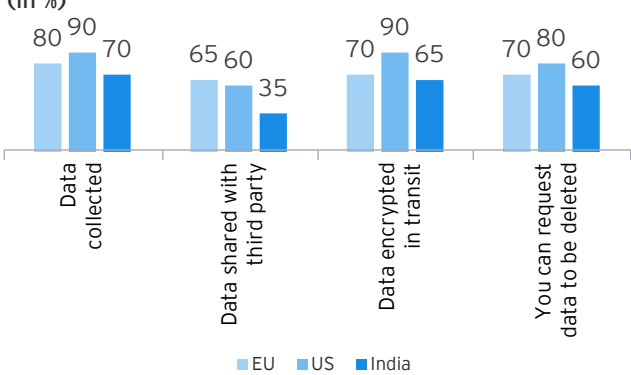
Indian apps collect more personal data, such as location, identity, and call information, than their EU and US counterparts. RBI’s digital lending guidelines emphasize minimal data access, explicit consent, and responsible data management, urging compliance and stronger app store privacy standards in comparison to India’s counterparts.

Comparison of data safety practices of FinTech apps (in %)



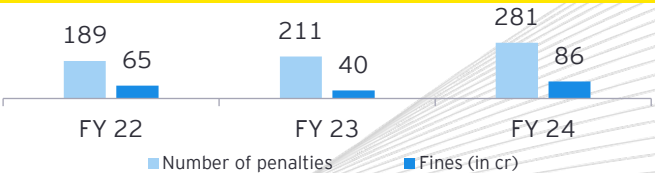
Source: RBI

Comparison of data safety practices of FinTech apps (in %)



Indian FinTechs fined ~INR3 to INR4 crore last year

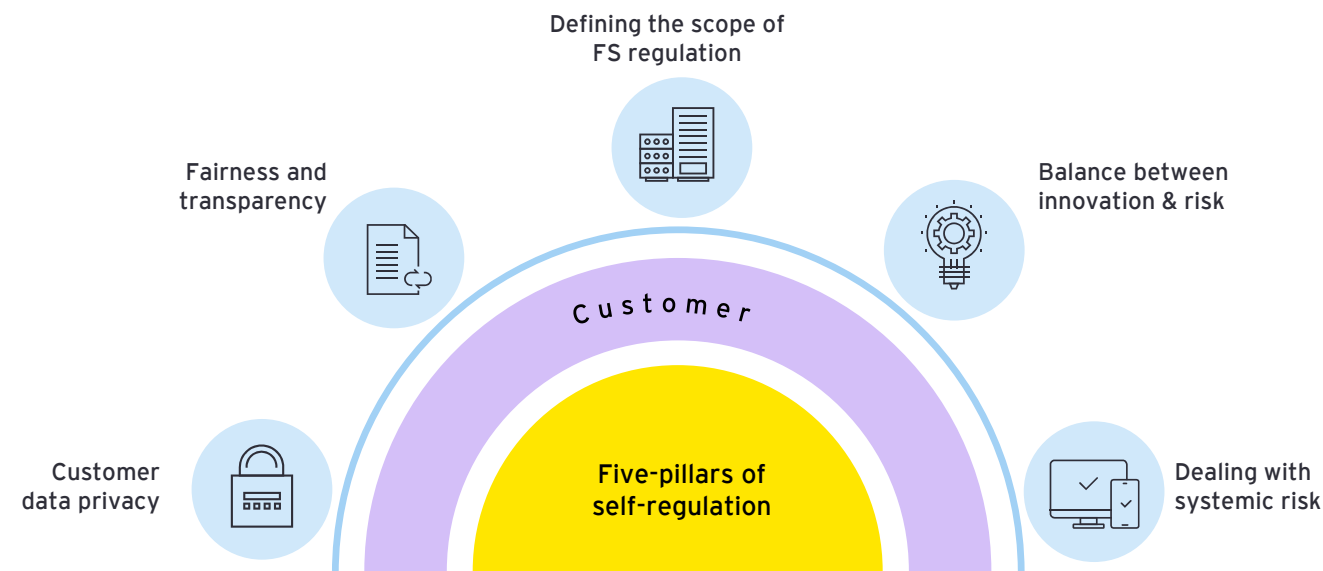
Over the last three years, the number of penalties imposed by RBI to the FS sector increased by 49% (from 189 to 281), while fines rose by around 32% (from INR65 crores to INR86 crores).



Source: RBI

FinTech landscape in India: regulations and governance

SRO-FT as an enabler for building a sustainable FinTech ecosystem



As per RBI guidelines, the SRO-FT will operate under regulatory oversight, ensuring sustainable FinTech growth and guiding phased regulatory compliance when needed.

Standard-setting for

- Consultative processes
- Code of conduct
- Industry benchmarks and technology standards for transparency, disclosure, and data privacy
- Improving compliance culture, etc.
- Responsible advertising and market practices
- Developing governance standards
- Consequences for violations

Oversight and enforcement for

- Structured oversight and enforcement functions
- Monitoring the sector and identify exceptions proactively
- Restrictive or unhealthy practices

Developmental initiatives for

- Regulatory requirements
- Expertise-sharing and conduct training programs
- Information on developments and best practices
- Research and development
- Offer guidance and support to smaller entities

Grievance redressal and dispute resolution for

- Fair, transparent, and efficient grievance redressal and dispute resolution frameworks
- Customer education for FinTech products

SRO-FT as an enabler for building a sustainable FinTech ecosystem

SRO-FTs play a critical role in driving FinTech innovation by addressing barriers such as threats, regulatory challenges, and lack of standardization. By uniting industry participants, guiding emerging FinTechs, and influencing sensitive, industry-relevant policies, SRO-FTs can establish global benchmarks and foster sustainable growth.

How SROs Can drive innovation by addressing key challenges in FinTech



Threats like data breaches, phishing and ransomware

- SROs consolidate expertise, set data security benchmarks, and enable proactive monitoring
- Facilitate industry-wide information sharing, best practices, and timely interventions
- Act as a bridge between the sector and RBI to ensure effective, relevant regulations



Lack of high-quality data access

- SROs define ethical guardrails to ensure responsible and secure data usage



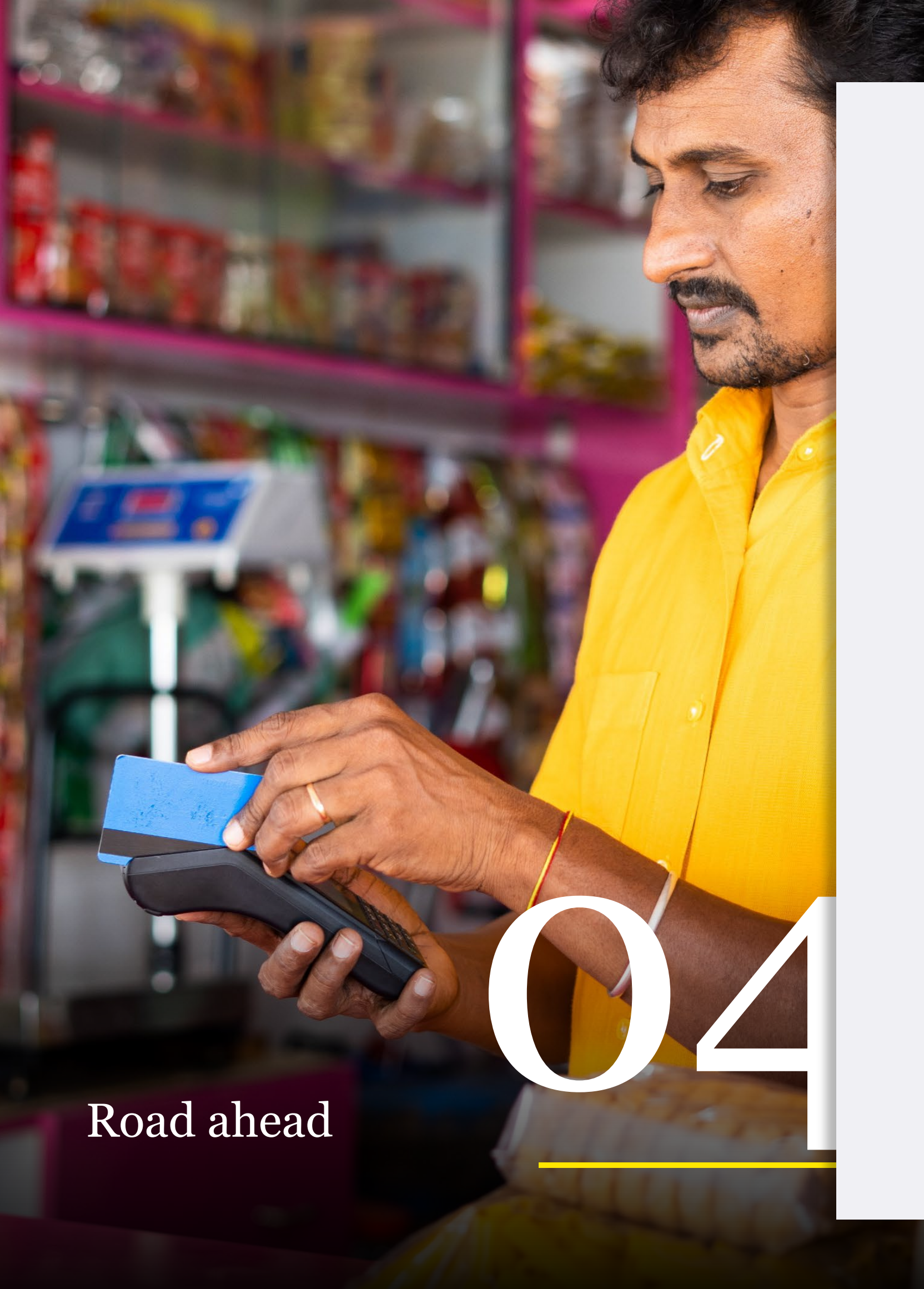
SROs monitor AI development, prevent misuse, and foster awareness and training.



Adherence to complex regulations

- SROs assist FinTechs in staying compliant with evolving regulatory requirements





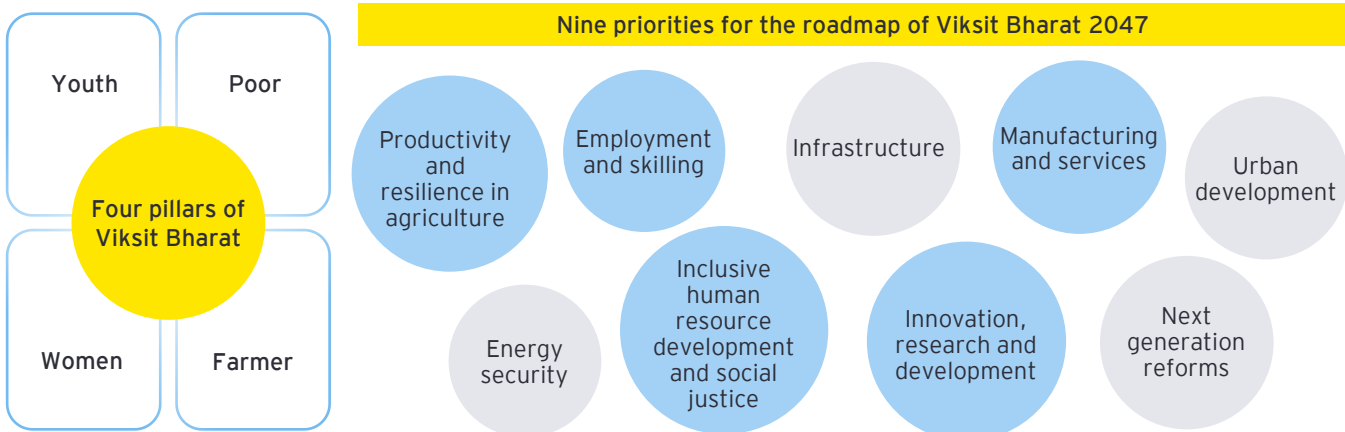
04

Road ahead

Road ahead

FinTechs can contribute to the Viksit Bharat mission by simplifying access to financial services and empowering the underserved segments of society

Viksit Bharat 2047 envisions a transformative economic surge aiming for inclusive, sustainable growth. The agenda prioritizes technological innovation, infrastructure expansion, and skill development to propel India into a global economic powerhouse. The mission targets eradicating poverty, boosting GDP, and enhancing living standards, with the objective of establishing India as a self-reliant, high-income nation by 2047.



Source: Union Budget, PIB

Factors which FinTechs can directly influence

By addressing key challenges like unemployment, credit gap, financial literacy, and access to technology, FinTechs have the potential to catalyze economic growth and social progress. Continued collaboration between FinTechs, the government, and other stakeholders to create a more inclusive and technologically advanced financial ecosystem ultimately contributing to India's transformation into a developed nation.

FinTechs driving priorities of Viksit Bharat



Expanding access to financial services

A significant barrier to economic development is the lack of access to financial services, particularly for underserved segments like MSMEs and the agri-community.



Attracting investments

India's thriving FinTech ecosystem has attracted significant investments, signaling global confidence in its potential. This inflow of capital can fuel innovation and growth within the sector, further contributing to India's economic development.



Driving technological advancement

Using blockchain, AI, and data analytics to improve efficiency, transparency and customer experience.



Promoting financial inclusion

Leveraging technology to offer accessible and affordable products tailored for diverse needs.



Empowering women and youth

FinTechs are creating significant employment opportunities, with a focus on quality employment and upskilling. This focus on youth and women is crucial for a thriving economy, as it harnesses the potential of a large and diverse workforce.



Supporting government initiatives

FinTechs play a complementary role in government initiatives aimed at financial inclusion and digitalization.

Road ahead

Case study: FinTechs revolutionizing widespread access to financial services

Some of the FinTechs enabling banks and NBFCs to rapidly onboard customers while keeping a check for risk

Customer acquisition

OneCard

- Founded in 2019, OneCard is outpacing several mid-sized banks with 2 million+* customers. Key partnerships include BOB Cards.

FI Money and Jupiter

- FI Money covers 85% pin codes, while Jupiter has ~2.5 million+* customer base. FI Money and Jupiter partnerships helped Federal Bank increase account sourcing by 2.5x

*Source: EY analysis - primary and secondary research (Customer base data - FY 24)

Underwriting

SATSURE

- Partners with leading financial and insurance firms for cost-effective remote farm monitoring enabled 2 million+ farm loan disbursements

A leading loan processing FinTech

- Offers credit assessment, e verification and fraud prevention across lending and insurance. Partnered with 90% + Indian FSP servicing 1billion+ transactions p.a.

Collections

Credgenics and Spocto

- Credgenics and Spocto cover 75% and 95% pin codes respectively for collections, partnering with 10+ banks and NBFCs to reduce bounce rate and increase resolution rates.

Compliance

- A mid-sized private bank deployed ML-AML solution from a RegTech provider, reducing false positives by 40% and enhancing compliance efficiency while cutting costs.

Large FinTechs creating impact at scale

Digital lending

Lending tech transitions to instant AI-powered decisions, targeting a US\$1.3 trillion market in FY30.

Leading digital lending platform

Founded in 2014

Business loan, working capital, loans for women and personal loans with focus on serving MSMEs

Covering 1300+ cities across India, Loan book of INR7,500 crore+

Disbursed over 70,000+ loans for 60,000+ small businesses pan-India.

InsurTech

InsurTech is evolving from agent-led, paper underwriting to AI-driven automation and usage-based insurance, with the market projected to reach US\$307 billion by FY30.

Leading insurance marketplace

Founded in 2008

Compares and manages insurance with personalized recommendations across Term insurance, health insurance, motor insurance, Business insurance

16+ million customers, 42+ million policies sold

90%+ market share among online marketplaces

Source: EY analysis, Company websites, Annual Report, inc.42, marketsandmarkets

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Road ahead

Case study: FinTechs revolutionizing widespread access to financial services



Payments

Shifting to mobile and digital wallets with instant payments, targeting a US\$253 billion market by FY30

Leading payments player

Founded in 2015

Safe and easy digital payments, lending and insurance products

Covered 19,098 postal codes and over 99% of Bharat

13.3 crore monthly active users, 80% of transactions from tier 2, tier 3, tier 4 cities



WealthTech

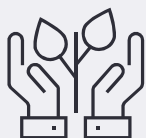
Evolved from broker-dealers to AI-driven personalization, targeting a US\$74 billion market by FY30.

Groww

Founded in 2016

Investments, alternative assets and trading covering products like Stocks, F&O, MT, ETF, credit and bill payments.

10 million+ active users, 60% of the users are from tier 2 and 3 cities, and 60% are first-time investors.



AgriTech

India's AgriTech has rapidly evolved from traditional farming to cutting-edge technology solutions, tapping into a US\$34 billion addressable market by FY27.

AgroStar

Founded in 2013

Farm advisory solutions, agri inputs, omni channel access, market linkage powered by Kisan Agri Doctor App and Saathi partners

9 million Indian farmers, 11+ languages in 11+ states, 10 million+ advisories provided

Crop yields increased by 27% and input costs declined by 17%



RegTech

With leveraging AI for faster, cost-effective compliance, RegTech market is expected to reach US\$ 1.03 billion by FY29.

Hyperverge

Founded in 2013

Age verification, document and address verification, deepfake and fraud detection, face validation, ID validation, KYC and background verification

1 billion customers, 750 million IDs verified, compatible with 100,000+ devices even on 2G networks

95% auto-approval rate, 40% increase in customer conversion rate

Source: EY analysis, Company websites, Annual Report, inc.42, marketsandmarkets

Road ahead

Case study: FinTechs creating powerful impact at the grassroots level

Credit provider to rural segment

Founded	2017
Focus Area	Financial inclusion for individuals and businesses in rural areas
Products	Digital financial services, starting with credit for rural commerce transactions
Coverage	10 states in India
Impact	Collaborates with over 700 entities, customer base exceeding 150,000 rural individuals, including farmers.

Sarvagram

Founded	2019
Focus Area	Financial inclusion for rural households
Products	Retail and farm loans, insurance
Coverage	20,000+ villages in India
Impact	100,000+ rural households served

Dvara SmartGold

Founded	2019
Focus Area	Promotes micro savings for women
Products	Gold savings and gold loans
Coverage	70,000 households. Aim to reach over 400 million underserved Indians
Impact	80% women clients, with average monthly savings INR560



Source: EY analysis, Company websites

Road ahead

Case study: FinTechs creating powerful impact at the grassroots level

Kashi Capital	
Founded	2018
Focus Area	MSME and self-employed customers in informal sector
Products	Semi-secured and secured loans for working capital, asset purchases, or business diversification
Coverage	16 under-developed districts in Uttar Pradesh
Impact	90% loans to customers from rural and semi-urban areas

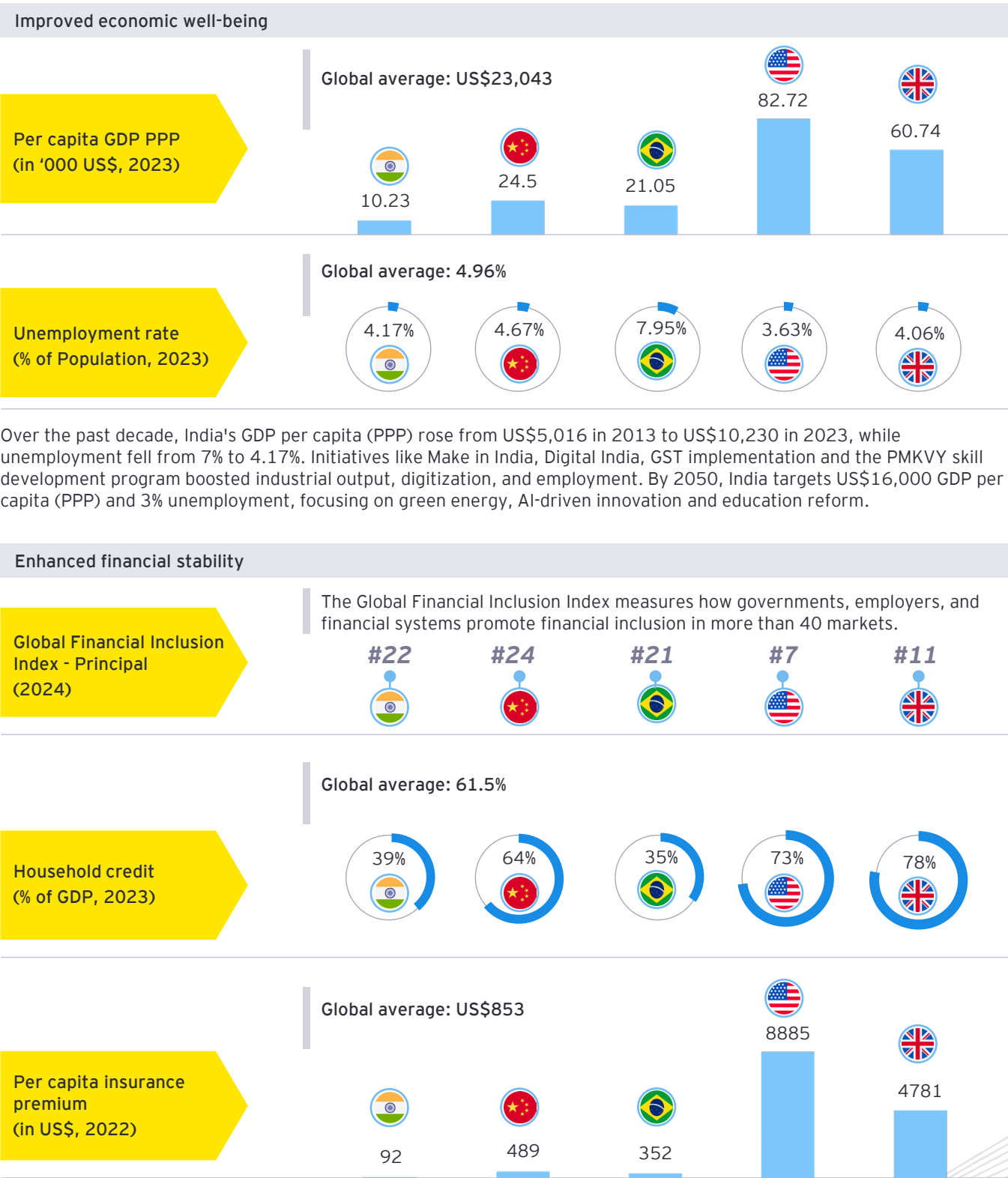
MAKSPay	
Founded	2020 (RBI innovation Hub incubated start-up)
Focus Area	Providing street vendors with access to credit through financial service providers
Products	Lending service provider to lenders
Coverage	Partnered with AU Small Finance Bank
Impact	Enabling straight through processing of PM Svanidhi loans within 30 minutes



Source: EY analysis, Company websites

Road ahead

While India has progressed well over the last decade, it still has a long way to go compared to its peers

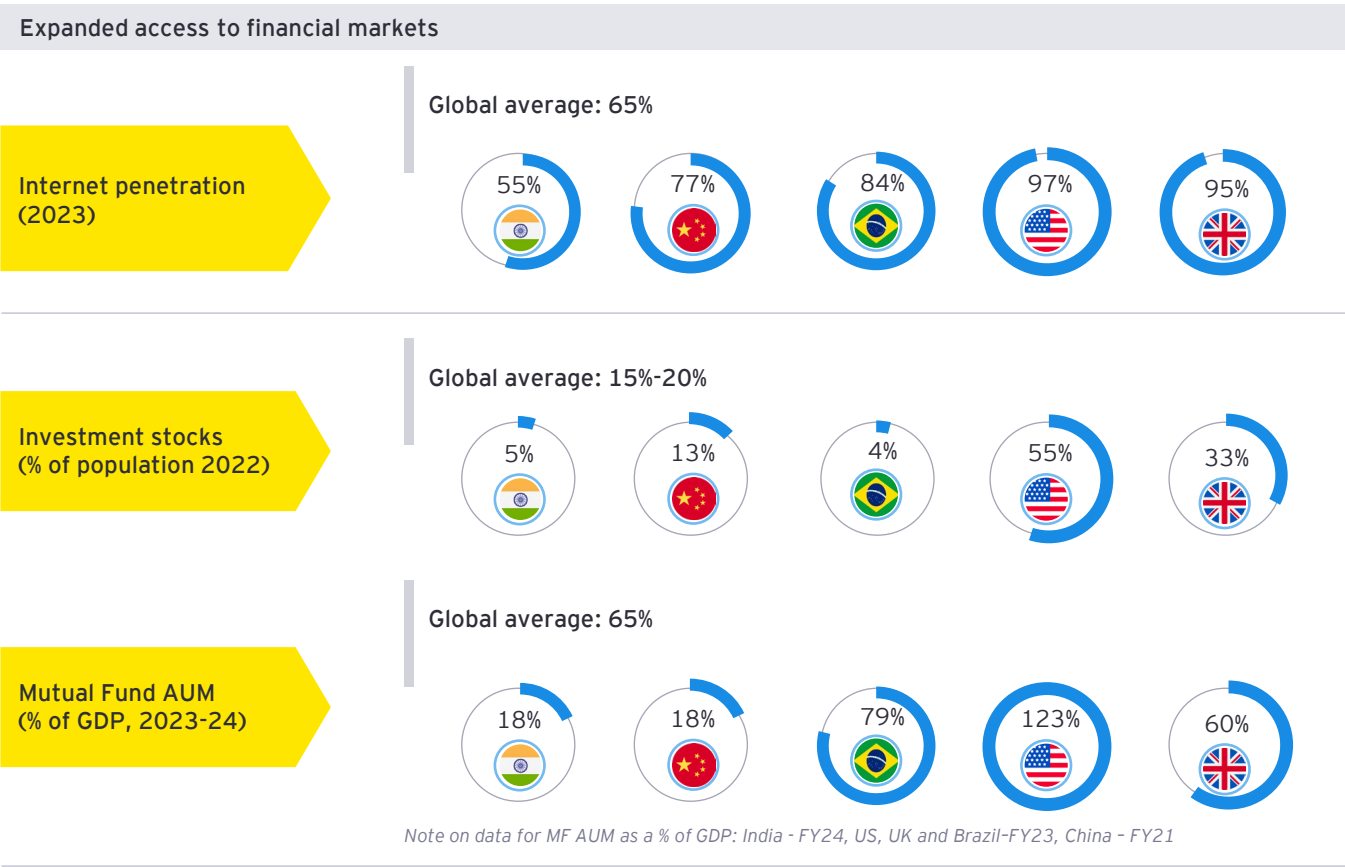


India has strengthened its financial stability, with household debt as a share of GDP rising to 39% in 2023, indicating expanded credit access. Per capita insurance premiums also grew, driven by initiatives like Pradhan Mantri Jan Arogya Yojana and insurance awareness programs. By 2030, India aims to further enhance credit accessibility and insurance penetration through digital infrastructure and policy reforms, fostering greater financial inclusion.

Source: World Bank, United Nations, IMF, IIF SEBI, RBI, Press articles

Road ahead

While India has progressed well over the last decade, it still has a long way to go compared to its peers



India’s internet penetration grew from 19% in 2013 to over 55% in 2023, driving financial inclusion and increasing individual investments. Initiatives like Digital India and UPI democratized market access. By 2030, India envisions 75% internet coverage, enhancing digital literacy and empowering rural investors through FinTech innovations.

Note on data for MF AUM as a % of GDP: India - FY24, US, UK and Brazil-FY23, China - FY21

Source: World Bank, United Nations, IMF, IIF SEBI, RBI, Press articles

Current challenges faced by FinTechs to drive financial inclusion can be solved through Government support and innovation

Government support required to tackle challenges			
Funding/ licensing	Cybersecurity	Financial literacy	Digital infrastructure in rural and remote
<ul style="list-style-type: none">Indian FinTechs have seen a decline in the funding from US\$8 billion in 2021 to \$3Bn in 2023	<ul style="list-style-type: none">Cyber frauds costed India INR177 Crores in FY’24	<ul style="list-style-type: none">Only 43% Elementary-level financial literacyDenmark, Sweden, Norway stand at 71%	<ul style="list-style-type: none">On an average, 37% of rural adults use the internetSmartphone penetration in rural is low, affordability being a key challenge

While key drivers have led to exponential growth, Indian FinTechs grapple with regulatory complexities, cybersecurity threats, and infrastructural challenges in rural and remote locations.

Government and regulatory bodies can support by streamlining regulations, offering infrastructural support and fostering innovation friendly policies. Thus, enabling FinTechs to thrive while ensuring consumer protection and financial inclusion.

Source: JM Financial, Press articles

Road ahead

Transforming challenges into opportunities through innovation

FinTechs play a critical role in tackling the issues of financial inclusion and increasing the overall access, usage and quality of financial services by providing innovative products and leveraging technological advancements.

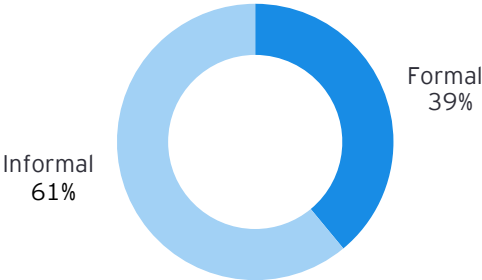
Gaps	Recommendations	Technology
Sustainable scale to increase access		
Digital Infrastructure in rural and remote areas needs improvement <ul style="list-style-type: none"> 50% smartphone penetration - affordability is an issue Internet usage - 37% rural adults 	<ul style="list-style-type: none"> Partnerships with Banks/NBFC to increase reach Enabling low-cost physical touchpoints like VLEs BYOD/Tab-based product journeys 	<div>4G/5G Internet</div> <div>API-enabled architecture</div>
Adoption of financial services		
Limited tailor-made products due to lack of identity data and collateral	<ul style="list-style-type: none"> Innovative product offering basis customer need: micro loans, byte sized insurance, sachet SIPs 	Artificial Intelligence
Underwriting of new businesses, MFIs due to lack of credit history and risk assessment methods	<ul style="list-style-type: none"> Alternate credit assessment methodology for gig-workers, small farmers, women-led business, etc. 	Machine Learning
		Blockchain
Limited adoption of Insurance and Wealth products	<ul style="list-style-type: none"> Drone surveillance-based crop insurance Digital persona based tailored and byte sized insurance products Doorstep demat account creation Mobile-native user-friendly solutions Low-cost portfolio advisory 	API-enabled architecture
<ul style="list-style-type: none"> 4% Insurance Premium (% of GDP) 18% Mutual Fund AUM (% of GDP) 		Digital and mobile solutions
		Satellite image analysis
Quality and customer experience		
Limited financial literacy	<ul style="list-style-type: none"> Education blogs, videos on streaming platform channels, digital pocket money apps for younger audiences, virtual trading simulators 	Gamification
<ul style="list-style-type: none"> 43% elementary financial literacy 		Digital & mobile solutions
Cybersecurity and fraud prevention	<ul style="list-style-type: none"> Robust tech architecture - preventing external threats like data breach, cyber security threats, etc. Build internal self-regulatory policies and checks Adherence to SRO guidelines Leverage RegTech services for enhanced fraud monitoring, data protection, consumer protections etc. 	Artificial Intelligence
<ul style="list-style-type: none"> Money lost in cyber frauds - INR177 crore 		API-enabled architecture
		Cloud computing

Source: JM Financial, Press articles

Road ahead

Digital agriculture mission: Government-led Innovative Tech ecosystem enabling FinTechs to provide credit and insurance to farmers

Farmers - access to credit



Source: Transunion CIBIL

Agri Stack will enable responsible and sustainable innovation while empowering farmers

- Access to affordable, timely finance from formal sources could potentially increase farmers' incomes by 40-60%
- 70% of the credit needs are currently serviced by public sector banks.
- FinTechs working on catering to small ticket loan requirements (1 lakh and below)
- Loan recovery remains a major challenge. NPAs ranging from 10 to 15%

Key pillars

Agri Stack

A farmer-centric Digital Public Infrastructure (DPI) to improve service and scheme delivery to farmers

Krishi Decision Support System (DSS)

This system will integrate remote sensing data on crops, soil, weather and water resources into a comprehensive geospatial system

11 crore farmers to be covered by FY27

Digital crop survey to be launched in all Indian districts by FY26



Employment opportunity for 2.5 lakh trained local youth and Krishi sakhis

Source: PIB

Agri Stack

Digital identity systems

- Farmer ID - unified digital profile accessible across govt schemes and services
- Crop sown registry - streamlines crop data collection and insights
- Support registries - 14 registries such as seed, fertilizer, irrigation, etc.

Electronic payment systems

- PMKISAN - Direct cash transfers
- PMFBY - Crop insurance claims
- KCC - digital loans
- MSP Procurement - payments for crops
- Price support system - payments for produce like sugarcane

Data exchange systems

- Federated Architecture with Unified Farmers Service Interface (UFSI) - allows consented, interoperable data flow through APIs (like UPI)
- Consent manager - Empowers farmers to control their data and grant consent before sharing information

Krishi Decision Support System

- Geo-spatial and weather satellite data
- Draught/Flood monitoring
- Groundwater /water availability data
- Modeling for crop yield and insurance

Soil profile mapping

- Detailed soil profile maps for about 142 million hectares of agricultural land, with 29 million hectares already mapped
- Digital General Crop Estimation Survey (DGCES): This survey will be used for crop-cutting experiments to generate precise yield estimates for enhanced agricultural production accuracy

Digital authentication for easier access to services and benefits

Improved efficiency and transparency in government schemes, crop insurance and loan systems

Crop map generation and monitoring for better disaster response and insurance claims

Development of digital infrastructure for optimized value chains and tailored advisory services

Key benefits

Road ahead

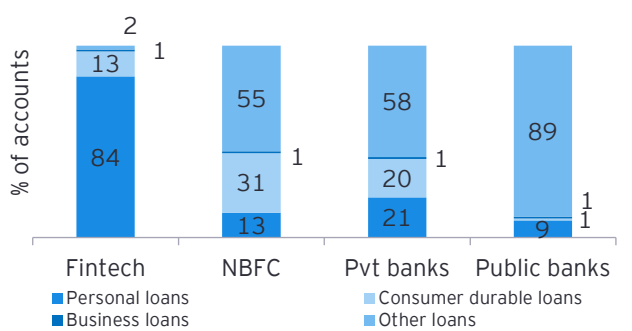
Lending: Need for a shift from personal loans; integrated platform approach catering to marginalized segments and their credit needs

Lending tech is expected to spearhead FinTech expansion in India by 2030. Indian FinTechs have played largely in the unsecured Personal and Consumer Durable loan category so far. Other sectors like Agri and MSME present a large untapped potential which can help FinTechs grow by leaps and bounds.

FinTechs can enable marginalised individuals and businesses by fulfilling their credit needs. Key requirements:







- Customer information available for single source
- Innovative underwriting techniques
- Tailored product offerings

Distribution of loan origination by lender type (2022-23)



Source: Transunion CIBIL

Focus needs to shift from personal loans: Catering to the needs of the under-penetrated segment

						
Segment	Cash salaried	Gig workers	Street vendors	Women led enterprises	Micro enterprises	Small and marginal farmers
Estimated credit gap	~ INR15000 Cr		~ INR7500 Cr	~ INR 1,00,000 Cr	~ INR7-9 Lakh Cr	~ INR1-2 lakh Cr
Primary lenders	PSBs/HFC	Family/peers	PSBs	PSBs	PSBs	RRBs
Ticket size	~ INR15,000-30,000 (PL) ~ INR15-20 lakhs (HL)		~ INR10,000	~ INR5 lakh	~ INR5 -7 lakh	~ INR1-3 lakh
Government schemes	PMAY		PM Svanidhi	PMMY		Collateral free limit - up to INR2 lakh
Key challenges	Unsteady income		Credit assessment			Dependency on monsoon
			Lack of documents/Collateral			Digitization of land records
Government enablers	Digitization of property documents					Crop insurance scheme
						Digitized land records in 13 states

Creating a digital lending platform backed by an integrated customer information layer

Products	Retail loans	Business loans		Supply chain finance	Agri loans
Customer information		ULI	OCEN	TReDS	Agri Stack
	India Stack				
FinTech intervention	Alternate/Tiered underwriting using AI/ML tools				
				Blockchain-based solutions	
	Digital literacy and awareness				
	Tailor-made products and collections solutions				

Source: EY Analysis

CONCLUSION

The Indian FinTech ecosystem is a thriving market experiencing rapid growth, projected to reach US\$180 to US\$200 billion in revenue by 2030. India has positioned itself as a competitive FinTech hub globally, ranking third in the number of FinTechs and leading in digital payment volume. Key drivers of this growth include rising disposable income, financial inclusion initiatives, internet and smartphone penetration, and a robust Digital Public Infrastructure (DPI).

FinTechs are playing a vital role in driving India's Viksit Bharat mission by promoting financial inclusion and empowering underserved segments. They leverage technology to offer accessible and affordable products tailored to diverse needs while supporting government initiatives aimed at financial inclusion and digitization. However, challenges remain, including cybersecurity threats, limited financial literacy, and the need for improved digital infrastructure in rural and remote areas. Government support and innovative solutions are crucial in overcoming these challenges.

Streamlining regulations, offering infrastructure support, and fostering innovation-friendly policies can enable FinTechs to thrive while ensuring consumer protection and financial inclusion. The development of SRO-FTs is crucial to drive innovation by addressing barriers such as threats, regulatory challenges, and a lack of standardization.

Collaboration between FinTechs, the government, and other stakeholders is essential to create a more inclusive and technologically advanced financial ecosystem. Digital Lending promises to be the next growth driver of the Indian FinTech ecosystem. There is a large existing FinTech ecosystem across customer acquisition, underwriting capabilities, collection, and compliance enablement that caters to the formal income segment. There exists a large untapped opportunity to cater to the marginalized segment of society through innovative underwriting techniques and the creation of a single platform of customer data through government support (by linking the various groundbreaking open networks made available by the government of India). Agri Stack is one such example of government-led innovation that can enable FinTechs to cater to the Agri segment. In addition to digital solutions, a hybrid support model (phygital) is much required with FinTech powering the technology. This will primarily help individuals and businesses in areas with low internet penetration and customers with lower trust and awareness of digital mediums.

Financial and digital literacy are areas where much work needs to be done to make the consumer aware of the technology platforms (as part of DPI) and schemes launched by the Government of India. FinTechs can play a major role in spreading awareness using innovative means to underserved segments and geographies.

By transforming challenges into opportunities through innovation, India can leverage its FinTech potential to achieve its Viksit Bharat 2047 vision of becoming a developed nation.

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EYIN2501-014
ED NONE

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Digital Lenders Association of India (DLAI)

DLAI is a national-level premier industry association of fintech firms which has over to 100 members, established in October 2016. Incorporated as section 8, not-for-profit company duly registered with Ministry of Corporate Affairs, Government of India, its registered office is in Bengaluru, Karnataka.

DLAI is committed to foster a regulatory compliant, pro-innovation, market friendly sustainable fintech ecosystem in India with strong focus on client protection and promoting stakeholders' interests. DLAI adheres to the highest standards of corporate governance. Of its total board strength, over 40% are independent directors and the Chairman of the board is an independent director.

DLAI is committed to represent voice of the sector to appropriate offices and platforms with an equally strong focus on consumer protection, and responsible innovations in the fintech space. DLAI represents a diverse set of financial institutions in fintech space - both non-regulated and regulated entities (Platform Lenders, LSPs, Payment firms, fintech firms, Digital Lenders (NBFCs), Technology Service Providers (TSPs) etc.). At present DLAI has more than 100 active members out of which over 90% are digital financial services providers and others being consulting and other ecosystem enabler institutions. DLAI members voluntarily adhere to Industry Code of Conduct and RBI regulations applicable to their respective business modes.

The primary objective of DLAI is to strengthen the fintech ecosystem in India and establish ethical and transparent customer engagement practices within the FinTech space. By developing and promoting an Industry Code of Conduct (COC), DLAI ensure that its members adhere to the highest standards of customer service, data privacy, fair lending practices etc. This commitment to responsible lending is instrumental in building trust among consumers and regulators alike.

DLAI actively engages with external stakeholders like policymakers, regulatory bodies, actors of civil society, customers of FinTech Services etc. to obtain and provide insights and recommendations that contribute to the formulation of policies which are conducive to the growth of digital lending while safeguarding the interests of borrowers. This collaborative approach helps in creating an environment that balances innovation with regulatory compliance, fostering a sustainable and inclusive financial ecosystem.

DLAI also serves as an educational hub which organizes workshops, seminars, and conferences to disseminate knowledge and insights about fintech trends, technologies, and regulatory developments. This emphasis on continuous learning not only benefits DLAI members but also contributes to the overall advancement of the digital lending sector in India.

As fintech continues to evolve, DLAI remains at the forefront of shaping the industry's development and represents customer centric and industry views. DLAI's commitment to fostering responsible lending practices, advocating for regulatory clarity, and promoting collaboration positions it as a key player in driving the positive transformation of India's digital lending landscape. In essence, DLAI serves as a cornerstone for the industry, championing ethical conduct, innovation, and inclusivity in the rapidly expanding domain of fintech in India.

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