



BEAMS FINTECH FUND

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FRAGMENTED OR FORTIFIED?

THE RISE OF A LAYERED FINTECH LANDSCAPE





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Foreword: Beams Fintech Fund

India's fintech journey is among the most remarkable stories of digital transformation globally. Over the last two decades, policy innovation, public digital infrastructure, and entrepreneurial energy have together enabled the creation of one of the world's most vibrant financial services ecosystems. With over 10,000 fintech companies today, the natural question arises: is there still room for more players, or are we heading towards consolidation?

India's financial services landscape has been shaped by a succession of structural reforms and digital milestones from the IT Act and Aadhaar to the creation of the India Stack and the rise of UPI, each wave of policy innovation and public infrastructure has not only deepened financial inclusion in the country but also dramatically lowered the cost of innovation for private players. What began as a push for digital access and paperless transactions has now evolved into a mature ecosystem of programmable finance, where payments, lending, insurance, and investments operate seamlessly on shared digital rails.

Yet as this ecosystem has matured, new structural dynamics have emerged. The same open architecture that enabled thousands of fintechs to flourish is now giving rise to natural concentration in certain value pools. Scale, data, and compliance complexity are creating strong incumbents in some areas, while other segments continue to encourage innovation and diversity. This duality of coexistence and oligopoly defines the next chapter of the Indian financial services' evolution.

This report, prepared in partnership with Alvarez & Marsal, attempts to answer that question by examining key sub-segments across financial services through the dual lens of coexistence and oligopoly. The exercise has been revealing. We see clear signs of oligopolistic structures emerging in some segments, while others remain open and competitive, demonstrating that India's financial services sector is not defined by a single trajectory but by a layered and dynamic landscape.

In Payments, large players dominate the merchant side, while the consumer side remains structurally open to vertical specialists, enabled by interoperable rails like UPI. In Banking, decades of coexistence continue, even as technology infrastructure providers are enabling newer banks to scale further, and digital-first licensed banks. The Digital Lending market, by contrast, will likely remain structurally fragmented given the heterogeneity in the borrower landscape in the country and the credit requirements of each, with rising credit penetration supporting parallel scaling by multiple players.

On the infrastructure side, AI/ML-driven SaaS and infrastructure providers are powering domain-specific solutions across onboarding, underwriting, monitoring, collections, analytics and workflow automation enabling many Financial Institutional players to coexist and thrive as complementary enablers. Insurance on the other hand is evolving into a mixed structure, where manufacturing opens up to niche entrants while distribution remains oligopolistic in nature. In Wealth, the market has consolidated into an oligopoly, though newer opportunities persist around customer income profiles, advisory as a focus, personalization and alternatives, even as super-apps tilt the balance against standalone platforms.

What becomes clear through this research is that India's Fintech or for that matter, overall Financial Services future will not be defined by either coexistence or consolidation, but by a layered interplay of both. As our digital infrastructure becomes more uniform, opportunities will shift towards specialization and as scale advantages intensify, concentration may emerge in certain pockets. There remains a "right to win" for innovators across niches, provided they align with the structural realities of their segment, regulations, leverage open infrastructure, and build durable moats around trust, technology, and distribution.

We hope this report serves as a valuable guide for policymakers, incumbents, entrepreneurs, and investors seeking to navigate India's next phase of financial services innovation.

Foreword: Alvarez & Marsal

India's financial services landscape has been reshaped over the past decade into one of the world's most dynamic fintech ecosystems. Policy innovation and open, digital public infrastructure such as UPI, the Account Aggregator framework, and OCEN have lowered friction, broadened participation, and built trust. Payments now anchor digital commerce and new business models.

What is striking today is not only the scale of adoption, but also the diversity of themes shaping the sector's evolution. Payments have become the backbone of digital commerce, driving inclusion and enabling new business models. Lending is being reimagined through partnerships between fintechs, NBFCs, and banks, balancing agility with balance-sheet strength. Insurance is shifting from distribution to data-driven underwriting and prevention-oriented claims, while wealth tech platforms are deepening the financialization of savings. Across these segments, a new spine of technology providers across compliance, risk, data, and embedded finance is enabling scale and resilience.

This report, *Fragmented or Fortified*, frames this journey as a duality. On one track, interoperable infrastructure and regulatory foresight have enabled broad participation across payments, lending, banking, insurance, and wealth management. On the other, scale and network effects are creating natural concentration, particularly in areas such as merchant payments, compliance infrastructure, and wealth distribution. This duality captures the essence of India's fintech story: a market that is open, vibrant, and inclusive, yet one where consolidation at key nodes is inevitable.

The first section of the report sets the context by tracing the evolution of India's fintech ecosystem, its structural drivers, and the policy and digital infrastructure that have enabled its growth. The following sections examine six major segments: payments, lending, banking, banking and lending infrastructure, insurtech, and wealth tech, highlighting emerging business models, regulatory and technology-led shifts, and the evolving role of both incumbents and challengers. The report also explores investment trends, consolidation dynamics, and critical enablers of scale, before distilling implications for continued growth and long-term value creation.

This report has been prepared in partnership with Beams Fintech Fund, reflecting a shared commitment to fostering a deeper understanding of the ecosystem and supporting its continued evolution. Through this collaboration, we aim to provide insights into India's fintech landscape; identifying key trends, highlighting opportunities, and examining the potential for collaboration across stakeholders.

As India's fintechs move beyond disruption to embed themselves as essential partners for banks and NBFCs, the sector is maturing into a more interconnected ecosystem where innovation coexists with stability, and inclusion drives growth alongside profitability. The next decade will likely see Indian fintechs not only strengthen their domestic leadership, but also export their models globally, in payments, compliance technology, and embedded finance.

It gives me great pride to present this report, developed in partnership with Beams Fintech Fund for the Global Fintech Festival. We hope it offers a comprehensive view of India's fintech ecosystem, its achievements, its challenges, and the opportunities that lie ahead as the country cements its place as a global fintech powerhouse.

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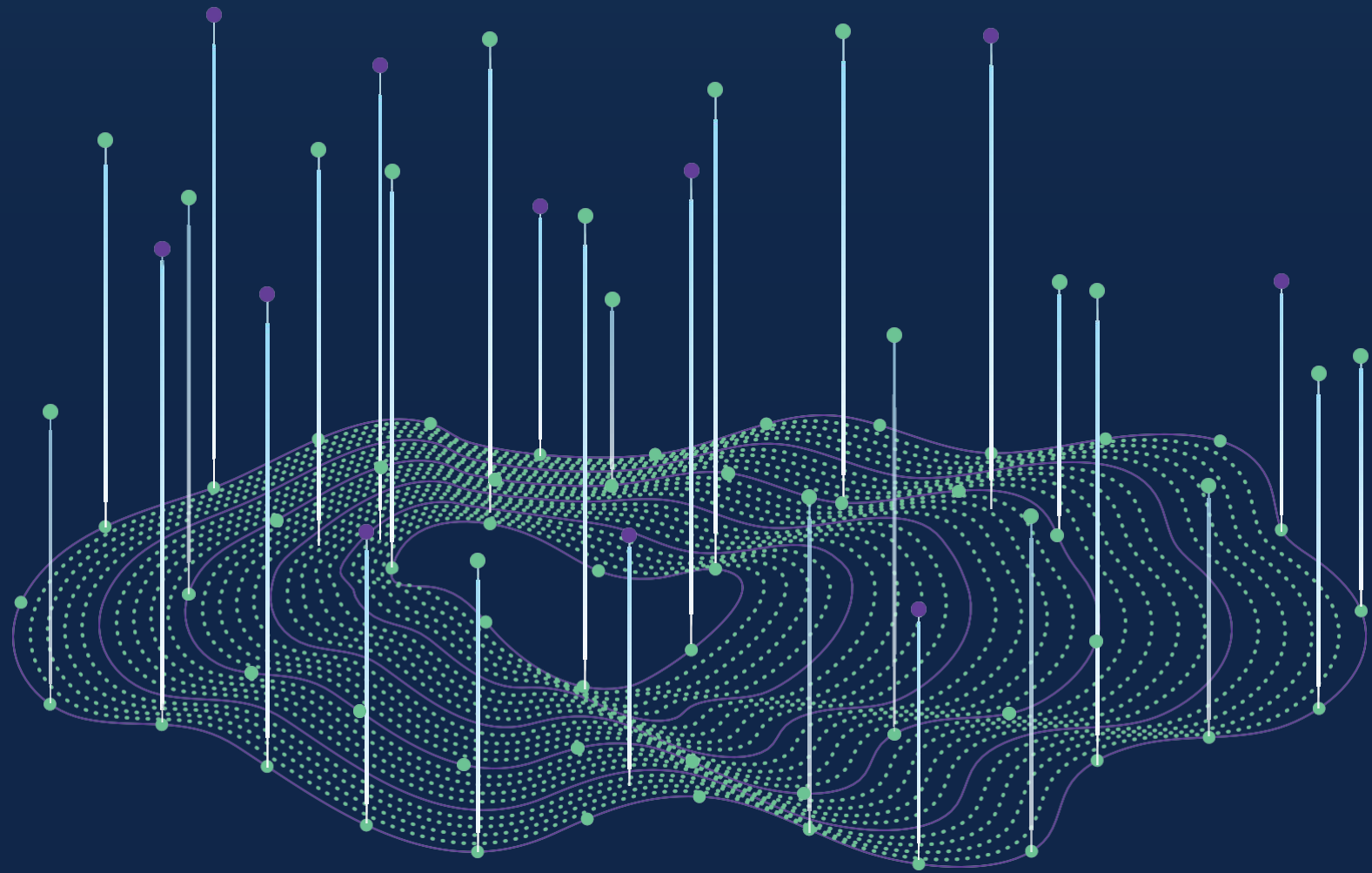


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Sector Overview



India's Financial Services Digital Transformation: Macro Trends and Strategic Implications

India's financial services sector has undergone one of the most profound digital transformations globally, powered by a unique interplay of policy innovation, public digital infrastructure, and private sector adoption. The trajectory, mapped across two decades, highlights how foundational reforms and technology rollouts have reshaped the structure, efficiency, and inclusiveness of the non-banking and banking, financial services, and insurance (BFSI) ecosystem

- The IT Act, Aadhaar, and National Payments Corporation of India (NPCI) built secure foundations...
- DigiLocker, Pradhan Mantri Jan Dhan Yojana (PMJDY), Jio's 4G, and demonetization drove early adoption..
- UPI then became the breakout platform, enabling low-cost, API-driven payments and spawning innovation in lending, wealth, and insurance..
- Post-2020, ONDC, Account Aggregators, CBDC pilots, and UPI internationalization pushed India from digital rails to programmable finance..

Together, these shifts created a digital-first, inclusion-led financial ecosystem



India's Financial Services Digital Transformation: Macro Trends and Strategic Implications (1/2)

	Timeline	Impact on BFSI
Foundational Decade (2000–2010): Building Digital Infrastructure	<ul style="list-style-type: none"> • 2000 Regulatory Reform Policy/Tech IT Act 2000 gives legal recognition to electronic records and digital signatures, enabling online transactions 	<ul style="list-style-type: none"> • IT Act enabled legal digital contracts and secure online transactions, creating the foundation for e-KYC and digital lending • Aadhaar reduced duplication in banking records, enabled direct benefit transfers, and lowered KYC and onboarding costs • RTGS/NEFT enabled reliable digital fund transfers, reducing cheque dependency and improving efficiency • NPCI built central payments infrastructure with IMPS, RuPay, and UPI, reducing reliance on global card networks
	<ul style="list-style-type: none"> • 2008 BFSI Shift Payments infrastructure NPCI incorporated (RBI/IBA initiative) with a focus on retail utility payments 	
	<ul style="list-style-type: none"> • 2009 Regulatory Reform Identity UIDAI established to issue Aadhaar; foundational digital ID rollout begins 	
	<ul style="list-style-type: none"> • 2010 BFSI Shift Payments IMPS live (24x7 real time), India's first mass real-time retail digital payment solution 	
	<ul style="list-style-type: none"> • 2010 BFSI Shift Invest-tech Zerodha founded – discount broking, tech-led DIY investing arena opens up 	
Acceleration (2010–2015): Pre-UPI Digitization	<ul style="list-style-type: none"> • 2013 BFSI Shift Invest-tech Direct mutual-fund plans introduced by SEBI, enabling low-cost direct platforms later 	<ul style="list-style-type: none"> • DigiLocker enabled faster digital onboarding and reduced fraud through verified documents • Mobile-first apps and wallets-built customer comfort with digital payments, paving the way for prepaid instruments and digital-first banking • IMPS established real-time retail payments, serving as a precursor to UPI • RuPay provided a low-cost domestic card alternative, boosting rural penetration • PMJDY expanded financial inclusion with 400+ million new accounts, strengthening the digital finance base and direct benefit transfers
	<ul style="list-style-type: none"> • 2014 BFSI Shift Inclusion PM Jan Dhan mass account opening sets base for digital transactions 	
	<ul style="list-style-type: none"> • 2014–2016 BFSI Shift Payments BBPS (bill-pay) build-out under NPCI; NACH replaces ECS; e-mandate systems emerge 	
	<ul style="list-style-type: none"> • 2015 BFSI Shift Cards RuPay at scale, domestic card scheme momentum 	
	<ul style="list-style-type: none"> • 2015 Regulatory Reform Government Tech DigiLocker launched for paperless KYC docs 	
	<ul style="list-style-type: none"> • 2016 Regulatory Reform Telecom Penetration Reliance Jio launch catalyzes cheap mobile data and 4G adoption, supercharging app economy 	
	<ul style="list-style-type: none"> • 2016 Regulatory Reform Macroeconomic Shock Demonetisation accelerates consumer digital adoption through cards/wallets 	

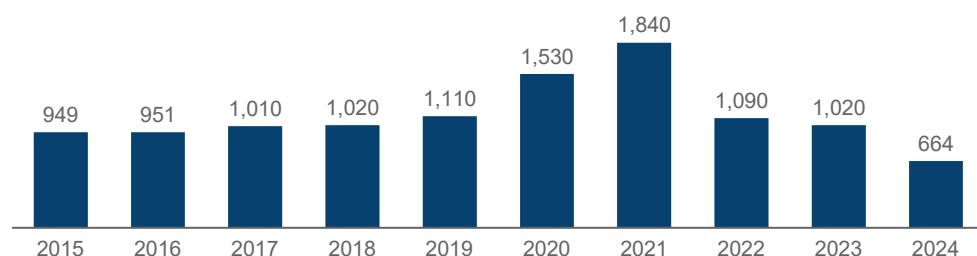


India's Financial Services Digital Transformation: Macro Trends and Strategic Implications (2/2)

	Timeline	Impact on BFSI
Breakout Phase (2016–2020): Post-UPI Innovation	<ul style="list-style-type: none"> 2016 BFSI Shift Payments UPI launch, offering instant mobile-based open API payments 	<ul style="list-style-type: none"> Mobile internet expansion extended BFSI access into Tier-2/3 cities
	<ul style="list-style-type: none"> 2016 BFSI Shift Lending Tech eNACH / e-mandates standardized; automated collections for EMLs/SIPs 	<ul style="list-style-type: none"> Demonetisation accelerated digital payment adoption and built lasting consumer habits
	<ul style="list-style-type: none"> 2017 BFSI Shift Invest Tech Zerodha Coin sparks zero-commission direct MF trend 	<ul style="list-style-type: none"> GST digitized supply chains, improving MSME underwriting and enabling SME-focused lending
	<ul style="list-style-type: none"> 2017 Regulatory Reform Tax infrastructure GST rollout formalizes supply chains and digitizes invoices, aiding digital payment infrastructure 	<ul style="list-style-type: none"> UPI created a low-cost, interoperable backbone for wallets, neo-banks, and P2M payments
	<ul style="list-style-type: none"> 2017–2019 Regulatory Reform Identity Documents Aadhaar penetration rises; e-authorization and e-KYC use cases expand across sectors 	<ul style="list-style-type: none"> eNACH streamlined recurring collections, scaling digital lending and insurance payments
	<ul style="list-style-type: none"> 2019 BFSI Shift Regulation RBI Regulatory Sandbox opens for fintech experimentation 	<ul style="list-style-type: none"> RBI Sandbox enabled controlled fintech experimentation under regulatory oversight Aadhaar-enabled e-KYC supports seamless lending and wealth onboarding, anchoring consent-based frameworks like Account Aggregator; critical for remote banking and lending growth
Platformization (Post-2020): Open Ecosystem and Data Economy	<ul style="list-style-type: none"> 2020 BFSI Shift KYC/Banking Tech Video-KYC or Video-based Customer Identification Process (V-CIP) permitted by RBI, enabling fully-digital onboarding 	<ul style="list-style-type: none"> BFSI sector gained embedded finance opportunities via buy now, pay later (BNPL) and SME credit on open commerce solutions
	<ul style="list-style-type: none"> 2020 BFSI Shift Open Credit OCEN concept announced 	<ul style="list-style-type: none"> Digital Lending Guidelines strengthened consumer trust and formalized digital lending models
	<ul style="list-style-type: none"> 2020 BFSI Shift Lending Tech RBI Co-lending Model aligns Banks and NBFCs for digital origination 	<ul style="list-style-type: none"> Central Bank Digital Currency (CBDC) pilots tested sovereign digital currency, showcasing potential for programmable money
	<ul style="list-style-type: none"> 2021 BFSI Shift Capital Markets UPI for IPOs mandated for retail, tightening invest-tech and payments loop 	<ul style="list-style-type: none"> UPI internationalization through corridors (Singapore, UAE, France) took India's payment solutions global
	<ul style="list-style-type: none"> 2021 BFSI Shift Data Infrastructure Account Aggregator framework operationalised; Banks see considerable adoption 	<ul style="list-style-type: none"> T+1 settlement cycle boosted capital market efficiency and enhanced India's global attractiveness
	<ul style="list-style-type: none"> 2022 Regulatory Reform Open Commerce ONDC incorporated, building open, interoperable e-commerce systems that mirror the India Stack approach beyond finance 	
	<ul style="list-style-type: none"> 2022 BFSI Shift Payments Deepening UPI 123PAY for feature phones; UPI Lite for small-value transactions 	
	<ul style="list-style-type: none"> 2022 BFSI Shift Regulation RBI Digital Lending Guidelines raise bar on loan service providers (LSPs), first-loss default guarantee (FLDG), disclosures, fund-flow 	
	<ul style="list-style-type: none"> 2022 BFSI Shift CBDC Digital Rupee pilots 	
	<ul style="list-style-type: none"> 2023–2025 BFSI Shift Markets infrastructure T+1 equity settlement fully implemented; optional T+0 expansion in 2025 	
	<ul style="list-style-type: none"> 2023–2025 Regulatory Reform Identity at Scale 1.42 Bn+ Aadhaar IDs issued and Aadhaar authentications hit hundreds of millions monthly; a ubiquitous, low-cost trust layer for any cross-sector fintech UX 	

India's Fintech Sector Today Is Characterized by Fewer Entrants, Deeper Cheques: India Holds Third Position Globally With 25 Unicorns

Fintech Entrants Over The Past Decade

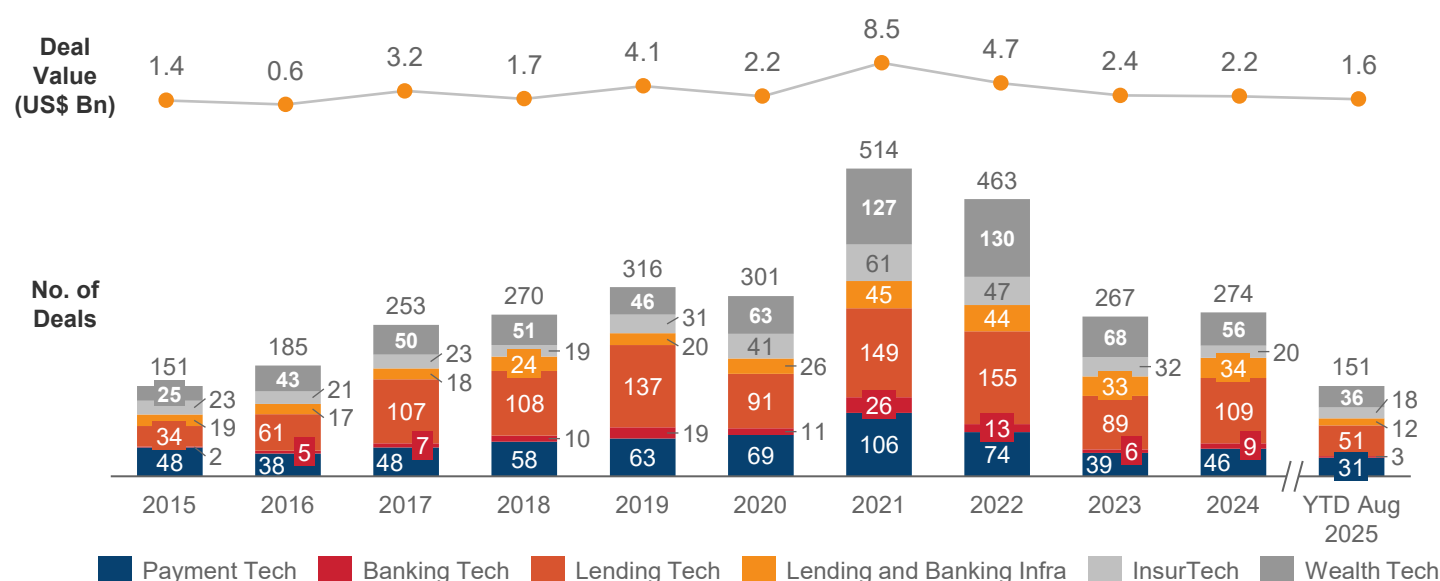


Total fintech entrants over the last decade | ~11,000

Fintechs that have received funding | ~800

New entrants peaked in 2021, with funding increasingly moving towards fintechs with better unit economics.

Fintech PE-VC Funding Deals Landscape In India (2015-25)



	No. of Deals (2015-25)	Total Fund Value (2015-25)	Key Deals
PE-VC	3,145	~US\$ 32 billion+	
M&A	170	~US\$ 2.6 billion+	

Post COVID pandemic, PE-VC funding surged in 2021, with Wealth, Payments, and Lending attracting the largest shares. India ranked third globally that year, accounting for 5% of total funding trailing behind the United States (52%) and the United Kingdom (13%). By 2025, India is home to 118 unicorns, including 25 fintechs, and the fintech ecosystem also counts 110+ soonicorns.

- **Payments** – Strongest early growth, rising from 54 deals in 2015 to 115 in 2021, driven by UPI adoption
- **Lending** – Largest subsegment by deal volume, with explosive growth from 40 deals in 2015 to 186 in 2022; investor interest has been concentrated on digital-first lenders which continue to see strong traction despite tighter regulatory scrutiny
- **Banking** – Deal activity has remained relatively stable with 10-20 deals annually and a peak of 41 in 2021; the larger investments have primarily flowed into neo-banks and Banking-as-a-Service platforms
- **Insurance** – Experienced steady growth until 2022 with major funding rounds raised by companies such as ACKO and Digit Insurance
- **Wealth** – Among fastest-scaling segments, growing from 25 deals in 2015 to ~130 deals in 2021–22; B2C broking platforms (Eg: Angel One, Upstox, Groww) and wealth SaaS providers witnessed significant funding activity in value terms

Coexistence vs. Oligopoly: In the Contemporary Financial Services Context

- Coexistence and oligopoly – are two parallel but sometimes competing forces – both dynamics are visible across sectors in India, the interplay of digital infrastructure, regulatory design, consumer behavior, and industry drivers creates a fascinating duality
- On the one hand, coexistence signals a plural, open market where legacy institutions and new-age innovators are both able to participate, often through collaboration; on the other, oligopoly reflects market concentration, lifecycle control, and the emergence of networks with outsized influence
- Understanding these twin forces is critical for policymakers, investors, and institutions alike

Defining the Two Paradigms

Coexistence

Plural, open market where interoperable application programming interfaces (APIs) and proportionate regulation let incumbents and challengers operate side-by-side and partner without owning proprietary pipes.

What does coexistence look like?

- This structure allows space for diverse participants – large, specialized, regional institutions, startups - to collaborate
- It fosters experimentation, niche innovations, and tailored solutions
- Entry barriers are lowered by open platforms, and value is distributed across a broader ecosystem

Open Commerce Networks (ONDC)

Large marketplaces and local kirana sellers transact on the same protocols via multiple buyer/seller apps



Effect: Discovery, logistics, and payments are unbundled so small merchants can compete without building a marketplace



Regional Challengers With National Giants

Havmor and Vadilal thrive alongside national brands by winning on regional distribution and pricing



Effect: Local strengths coexist with scale, expanding consumer choice

Oligopoly

Concentrated market where a few companies or networks (3-5) command outsized share and control key lifecycle nodes - distribution, data, settlement—allowing them to set terms and standards.

What does oligopoly look like?

- Oligopolistic structures emerge from scale advantages, access to capital, and the ability to create platform lock-ins
- These firms control market lifecycles, set standards, and dominate consumer mindshare
- While oligopoly provides stability and efficiency, it can limit innovation, entrench incumbents, and reduce the diversity of consumer choices

Ecommerce GMV in India

Amazon and Flipkart equal to 70–75% share despite many niche companies

Effect: Platform rules (search ranking, ads, logistics rates) shape seller margins and consumer choice



Digital Advertising and Search Engine

Google holds > 80% market share in many markets

Effect: Sets ad formats, auction rules, and discoverability economics for the web



Determinants of Coexistence: What Primary Determinants Underwrite The Persistence of Coexistence?

Regulatory Encouragement of Digital Innovation and Competition

Interoperable standards, pilot programs and fair-access rules lower entry barriers, enabling incumbents and new digital providers to both compete and collaborate. By streamlining market entry and partnerships, they keep the market contestable even as volumes scale and core infrastructure centralizes.

Examples:

- Recurring e-mandates / UPI Autopay for EMI and subscriptions, cutting friction in collections
- Ayushman Bharat Digital Mission enabling common IDs and APIs connect hospitals, telemedicine apps, labs, and wearables; any provider can plug in without owning the patient pipe



Open Architecture, API-First Innovation, and Democratized Financial Infrastructure

Standardized API specifications, and clear grievance or portability norms reduce compliance uncertainty and time-to-market and broadens participation from incumbents and challengers can scale on common platforms.

Examples:

- EV-charging standards (OCPP or Open Charge Point Protocol/Bharat specs) – Interoperable chargers allow multiple charge point operators and apps to serve the same vehicle/fleet
- TRAI (Telecom Regulatory Authority of India) number portability allows consumers to switch telcos without changing numbers – keeps networks contestable and enables MVNO (Mobile Virtual Network Operator)/niche plans



Diverse Consumer Base Enabling Niche Solutions and Vertical Innovation

Heterogeneity across income, geography, language, and occupation makes one-size-fits-all weak while vertical innovation with segment-specific product design become defensible moats and supporting multiple winners.

Examples:

- E-commerce- Eg: Flipkart and Amazon (mass e-commerce), Myntra (fashion focused), Nykaa (personal care focused), Meesho (social commerce)



Collaboration Between Incumbents, Big Tech, and Startups

Incumbents bring strong balance sheets and prudential governance, while technology players add superior UX, data, and distribution; together they separate manufacturing from distribution and enable orchestrated customer journeys.

Examples:

- Kirana stores onboarded as last-mile partners by large marketplaces such as JioMart and Amazon
- Mobility/EV fleets: auto OEMs partner with ride-hailing and fleet startups (Uber/Ola/BluSmart) plus charging networks—manufacture, demand, and infrastructure split across players



Forces of Consolidation: Which Structural and Strategic Factors Are Inducing Consolidation?

Scale-driven Data/AI Advantages

Large networks accumulate richer transaction and behavioral data, which materially improves fraud controls, underwriting precision, and personalization. Model advantage compounds with scale, raising the minimum efficient scale for challengers and making catch-up increasingly costly.

Examples:

- Leading UPI apps and large acquirers run graph-based fraud engines on billions of transactions to cut false positives while keeping risk loss low
- Uber/ Ola and Swiggy/Zomato use demand forecasts and dispatch/route batching to cut estimated times of arrival (ETAs) and unit costs



Accelerating M&A and Capital Depth

Abundant capital and tight timelines to capability/license acquisition drive inorganic expansion and roll-ups across adjacencies, compressing time-to-scale. Control of licenses, teams, and distribution consolidates into fewer platforms that can span the full product lifecycle.

Examples:

- Zomato's acquisition of Blinkit (quick-commerce), Swiggy's acquisition of Dineout (dining out) to own multiple demand occasions, Flipkart's acquisition of Myntra and Jabong (fashion e-commerce) consolidated leadership across fashion and lifestyle, strengthening its share of discretionary spending categories



Incumbent Distribution Muscle

Dense branch or point of sale (POS) networks, captive payroll and merchant bases, and default placements confer top-of-funnel access and lower acquisition costs—making incumbents the de facto first choice. Distribution advantages convert to share and data, which in turn enhance pricing power and model performance.

Example:

- Jio/Airtel package data with over the top (OTT), music, and cloud—tilting usage toward partnered apps



Platform Playbooks

Control of critical interfaces and standards - onboarding flows, default options, ranking, proprietary taxonomies plus selective exclusivities raises switching costs and can tip markets toward a few dominant nodes.

Example:

- Large commerce and mobility apps default to in-house wallets/UPI handles or preferred co-brand cards in checkout flows



Current Macro Trends Within Fintech And BFSI Ecosystem: Drivers For Both Coexistence and Oligopoly

Dimension	Coexistence	Oligopoly
What Could Potentially Lead To This Structure	<ul style="list-style-type: none"> Regulatory encouragement of digital innovation and competition: Open public digital infrastructure (Aadhaar, UPI, ONDC, Account Aggregator), RBI sandbox, differentiated licenses (Payments Banks, Small Finance Banks (SFBs)) allow multiple models and reduce infrastructure barriers and enable collaboration Open architecture, API-first innovation, and democratized financial infrastructure: Interoperable, modular APIs let multiple companies plug in, embed services, and compose offerings Diverse consumer base enabling niche solutions and vertical innovation: Diverse needs (tier-2/3, language, use-case) allowed vertical SaaS and niche players solve targeted problems reward focused products rather than one-size-fits-all Collaboration between incumbents, Big Tech, and startups: Banks, SFBs, NBFCs, fintechs, and Big Tech co-create via APIs, co-lending, and distribution tie-ups 	<ul style="list-style-type: none"> Network Effects (Scale-driven data/AI advantages): Platforms get stronger with scale, often garnering 50%+ market share Capital Intensity (Accelerating M&A and capital depth): Heavy capex (cloud, logistics, spectrum, content, AI) deters new entrants and allows Big Tech to acquire startups and expand capabilities Trust & Brand Moats (Incumbent distribution muscle): Incumbents convert distribution and reputation into durable preference Ecosystem Lock-in (Platform playbooks): Closed Proprietary interfaces, bundles, and data gravity raise switching costs
Benefits	<ul style="list-style-type: none"> Diverse innovation across segments and use-cases Resilience from multiple providers Faster diffusion of new ideas via open standards and APIs Better fit for niche/underserved customers; higher inclusion Lower systemic risk from avoiding single-point concentration Pricing discipline as rivals constrain rent-seeking 	<ul style="list-style-type: none"> Standardized experience at large scale Large-scale investment in infrastructure, security, and AI Interoperability enforcement when a few leaders push de-facto standards Lower unit costs through scale efficiencies and dense networks Faster execution on capex-heavy bets (e.g., logistics, networks) Stronger consumer protection capacity (fraud ops, safety teams) when supervised well
Challenges	<ul style="list-style-type: none"> Fragmentation causes duplicated effort, uneven quality across long-tail players Inconsistent protection for consumers if standards/compliance vary Integration overhead for partners dealing with many small vendors Difficult scaling for startups without capital or distribution Coordination taxes on shared rails (governance, versioning, dispute handling) Data silos and analytics gaps compared to scaled incumbents 	<ul style="list-style-type: none"> Over-dependence on a few platforms; single-point failure risk Innovation slowdown as gatekeepers ration access or copy features Higher take-rates/fees Vendor lock-in through proprietary APIs, bundles, and data captivity Regulatory capture risk via lobbying and compliance complexity Reduced contestability for new entrants despite open rails


The following sections in this report evaluate India's BFSI and fintech landscape through the dual lenses of coexistence and oligopoly, applying evidence of the above trends across major segments. We then position each segment on a coexistence-to-oligopoly spectrum and derive the implications for policymakers, incumbents, and entrants.

Sub-Industry Deep Dive



Payments

Payment



Owner CVV

Card Number

Expiration Date

Sector Evolution: India's Digital Payment Ecosystem Has Rapidly Scaled With Deepening Smartphone and Internet Penetration, Surging UPI Adoption

Foundation (1990s – 2010)

Formation of digital payment infrastructure and increasing penetration of credit and debit cards paved the way for further innovation in digital payments

- **Digital rails** were laid with **RTGS** (2004) and **NEFT** (2005), allowing faster e-transfers beyond cheques. Between FY05 and FY09, NEFT transaction volumes grew **10x** from **~3 Million** to **~32 Million**.
- **Credit** and **debit cards** gained traction; **POS** infrastructure crossed **0.6 Million** terminals by 2010
- **Global card networks** such as Visa and Mastercard dominated retail payments, while banks such as SBI, ICICI, and HDFC drove adoption of internet and early mobile banking.
- **NPCI** was formed in 2008 to unify retail payment systems, which piloted **IMPS** in 2010, enabling instant interbank payments and setting the stage for large-scale digital payments.

Early Adoption (2010 – 2015)

Government and RBI-led measures and innovations by NPCI drove early adoption of digital payments

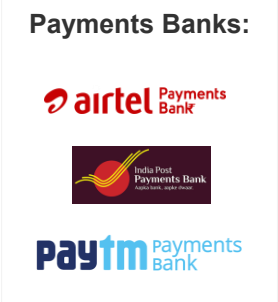
- RBI's **PPI guidelines** (2010) triggered the rise of **wallet startups** while telcos launched **Airtel Money** and **Vodafone mPesa**; Banks also introduced mobile apps such as **SBI Anywhere** and **HDFC MobileBanking**.
- NPCI held a pivotal role, launching **RuPay** in 2012 and rolling out **Aadhaar-enabled payments** and **DBT** in 2011, integrating digital identity with banking.
- **JAM** (Jan Dhan, Aadhaar, Mobile), combined with **India Stack** and government pushes like **Digital India** and **BharatNet**, enabled frictionless authentication, technology-driven payments and mass-scale account penetration, with **PMJDY** (2014) adding **~147 Million** accounts by FY15.



UPI Revolution (2016 – 2019)

UPI's prominence in payments strengthened on the back of merchant digitization and tailwinds such as demonetization

- **Payments Banks** entered the ecosystem in this period, but with limited success due to regulatory caps.
- **UPI** was launched in 2016 as an interoperable, real-time payment system with zero-MDR, on the back of IMPS.
- NPCI also launched the **BHIM app** and **BharatQR** to scale merchant digitization.
- Although banks integrated UPI, apps such as **PhonePe**, **Google Pay**, and **Paytm** dominated the front-end distribution on account of good CX.
- **Demonetization** accelerated digital payment adoption, and by FY18, UPI transaction volumes had crossed **900 Mn** and transaction values had crossed **~US\$ 12 Billion**.

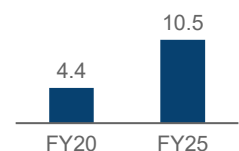


Consolidation and New Frontiers (2020 – Present)

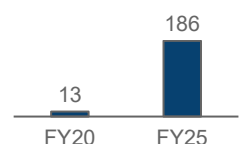
UPI continues to dominate the Indian market and forays into foreign markets, while new solutions such as UPI Lite and CBDC are piloted

- Evolution of **POS systems** allowed for the acceptance of UPI/QR in addition to cards.
- Regulation and partnerships matured, with RBI's **PA-PG framework**, **wallet interoperability**, **market-share caps**, and **AA framework** (2021).
- **CBDC pilots** (2022) introduced digital rupee use cases for wholesale and retail.
- UPI expanded to **7 countries**, and **UPI Lite** was launched in 2022 for small value transactions.
- UPI became the dominant payment mechanism, handling **~186 Billion** transactions worth **~US\$ 3 Trillion**, accounting for **~84%** of retail payment volumes in FY25.
- Credit card usage is also growing rapidly, with spending reaching **~US\$ 240 Billion**; RuPay accounts for **~16%** of total credit card transactions as of FY25.

Adoption of POS Terminals in India, FY20-25 (Mn)



UPI Transaction Volume, FY21-25 (Bn)



Regulatory Reforms: India's Digital Payments Ecosystem Has Matured From Foundational Systems to UPI-Led Real-time Scale and Platform-led SaaS

Phase and Timeline	Key Developments	Industry Impact / Themes
Pre-2010 Foundations	<ul style="list-style-type: none"> • RTGS launched by RBI (2004) • NEFT launched by RBI (2005) • Payment and Settlement Systems Act notified, giving RBI statutory oversight (2008) • NPCI incorporated under RBI/IBA to operate retail payment systems (2008-09) • National Financial Switch migrated to NPCI (2009) 	<ul style="list-style-type: none"> • Digital payment systems were laid, creating the foundation for a structured digital ecosystem
2011-15 Infrastructure Build-Out	<ul style="list-style-type: none"> • IMPS made live for 24x7 bank transfers by NPCI (2010-11) • Aadhaar Enabled Payment System (AePS) launched by NPCI (2011) • RuPay domestic card scheme launched by NPCI (2012) • National Automated Clearing House (NACH) launched by NPCI (2012) • Bharat Bill Payment System (BBPS) framework issued by RBI (2013-14) • Payments Banks guidelines and in-principle approvals released by RBI (2014-15) 	<ul style="list-style-type: none"> • Real-time payment infrastructure scaled up and e-commerce acceptance accelerated
2016-20 UPI-Led Acceleration	<ul style="list-style-type: none"> • UPI launched by NPCI (2016) • BHIM app launched by MeitY/NPCI (2016) • BBPS went live for interoperable bill payments (2016-17) • BharatQR interoperable QR standard launched (2017) • UPI 2.0 released by NPCI (2018) • NEFT made 24x7 (2019) and RTGS made 24x7 (2020) • Payment Aggregator/Payment Gateway licensing framework introduced by RBI with Video-KYC permissions (2020) 	<ul style="list-style-type: none"> • UPI adoption accelerated significantly, and reconciliation SaaS solutions became central to transaction transparency
2021-23 Diversification and Platformization	<ul style="list-style-type: none"> • Payments Infrastructure Development Fund (PIDF) operationalized by RBI to expand acceptance (2021) • e-RUPI digital voucher launched by GoI and NPCI (2021) • Card-on-file tokenization framework implemented by RBI (2021-22) • UPI123PAY for feature phones launched by RBI/NPCI (2022) • Central Bank Digital Currency (CBDC) retail and wholesale pilots launched by RBI (2022) • UPI Lite launched for small-value transactions (2022) • RuPay credit card on UPI enabled (2022-23) • UPI-PayNow linkage with Singapore made live (2023) 	<ul style="list-style-type: none"> • Ecosystem shifted from infrastructure enablement to productization and customer engagement

Regulatory Reforms: Continued...

Phase and Timeline	Key Developments	Industry Impact / Themes
Post-2023 Emerging Horizons	<ul style="list-style-type: none">• Credit Line on UPI framework announced and expanded by RBI; banks began go-lives (2023-24)• UPI cross-border corridors expanded: Sri Lanka and Mauritius live, UAE tie-ups, and France acceptance pilots (2023-24)• Payment Aggregator – Cross-Border guidelines issued by RBI to streamline international transactions (2024)• Non-bank PA-CB license introduced with a minimum net worth requirement of US\$ 1.7 Mn (to be increased to US\$ 2.8 Mn by 2026)	<ul style="list-style-type: none">• SaaS innovation and regulatory initiatives are driving the next wave of growth

Evolution of India’s Payment Stack:

Growth Engines:

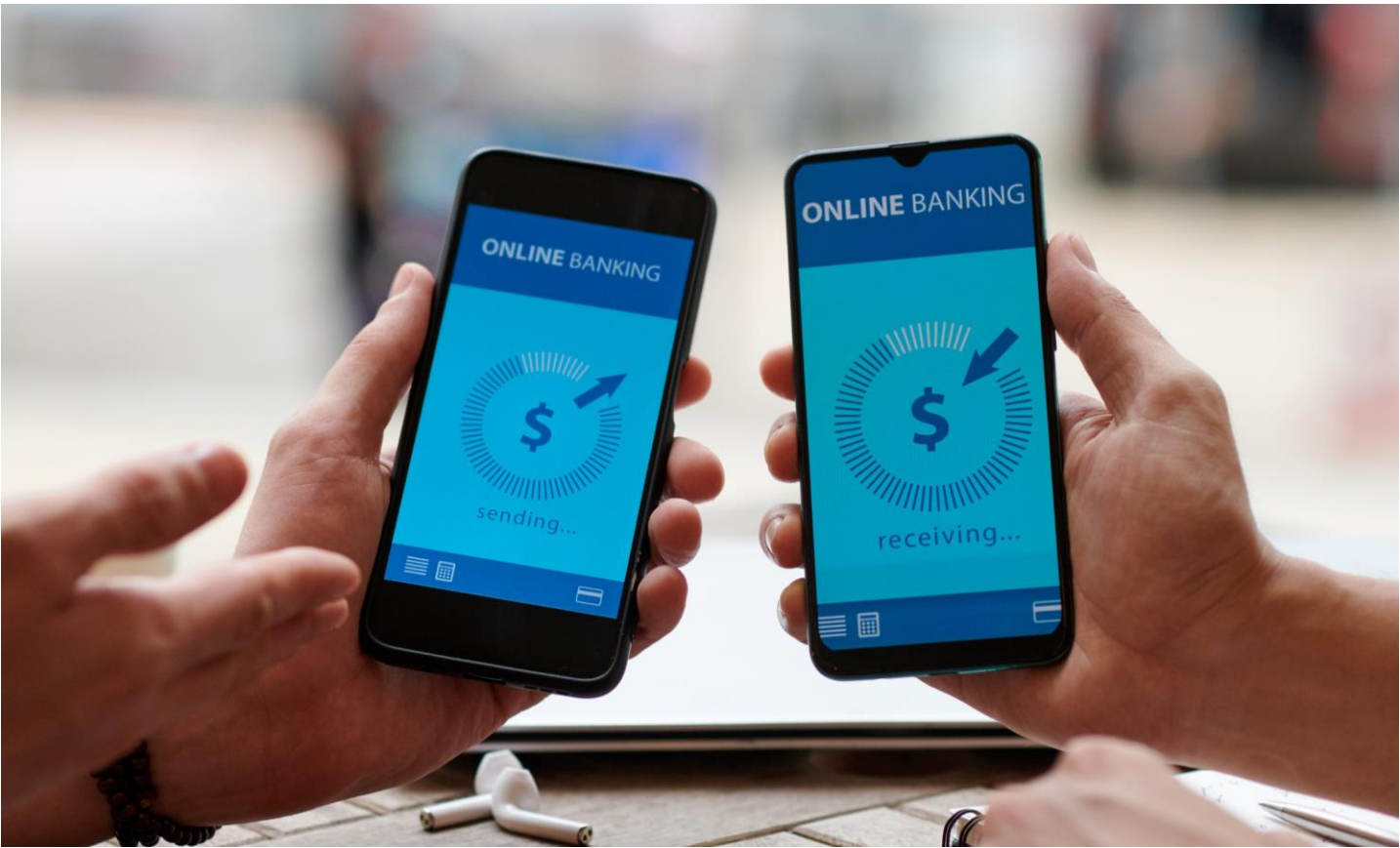
UPI, BBPS, NACH/e-NACH, FASTag, Cross border, PA-PGs

Stable Mechanisms:

IMPS, RuPay, NEFT, RTGS

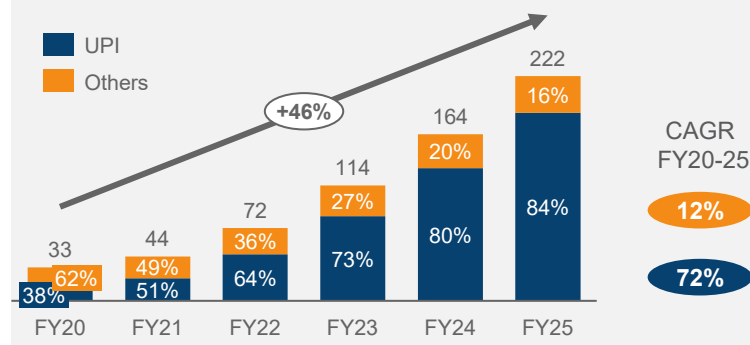
Experimental Stage:

e-RUPI, RBI’s CBDC/Digital Rupee



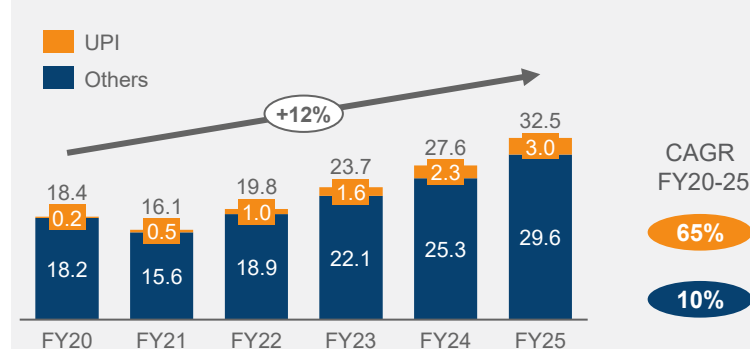
Sector Overview: Retail Digital Payment Volumes Have Witnessed High Growth With UPI and Credit Cards Being Key Drivers

Retail Digital Payments – Transaction Volume, FY20-25 (Billion)¹



% Split	By Volume		FY20-25 CAGR
	FY20	FY25	
UPI	37.9%	83.7%	72%
PPIs	13.8%	3.2%	9%
IMPS	7.8%	2.5%	17%
NEFT	7.1%	4.3%	33%
Debit Cards	15.3%	0.7%	(20%)
NACH	7.3%	1.7%	9%
Credit Cards	6.6%	2.2%	17%
RTGS	0.4%	0.1%	17%
NETC	0.2%	0.1%	27%
Others	3.6%	1.5%	23%

Retail Digital Payments – Transaction Value, FY20-25 (US\$ Trillion)¹

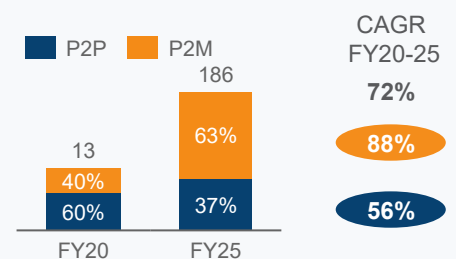


% Split	By Value		FY20-25 CAGR
	FY20	FY25	
UPI	1.3%	9.1%	65%
PPIs	0.1%	0.1%	0%
IMPS	1.4%	2.5%	25%
NEFT	14.2%	15.5%	14%
Debit Cards	0.4%	0.2%	(7%)
NACH	1.1%	1.4%	17%
Credit Cards	0.5%	0.7%	23%
RTGS	80.9%	70.4%	9%
NETC	0.0%	0.0%	58%
Others	0.0%	0.2%	49%

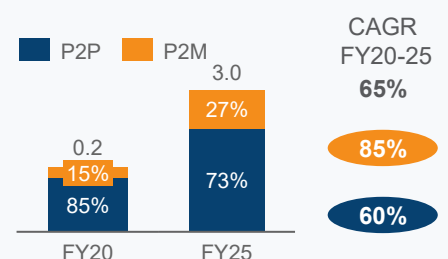
Growth in UPI

- UPI continues to widen its lead in retail payment volume, accounting for roughly **~84% of transactions** by volume in FY25, driven by frequent everyday use. The number of live banks has increased from **148** in FY20 to **661** in FY25.
- P2M payments** account for **~63%** of all UPI transaction volumes in FY25, up from **~40%** in FY20. As QR acceptance deepens, low-ticket spends at kiranas, mobility and food delivery are shifting from cash to UPI, replacing small-ticket PoS and expanding digital acceptance in long-tail categories.
- P2P payment volumes** grew at **56%** CAGR from FY20-25, continuing to be the **largest flow by frequency** and onboarding users into digital habits. Regular rent transfers, reimbursements and peer splits sustain high activity, which then spills into merchant payments.
- Product upgrades** are compounding usage across both P2P and P2M. Credit lines on UPI, RuPay credit on UPI, UPI Autopay, UPI Lite and tap-and-pay have moved UPI into use-cases historically owned by cards and improved success rates for small-value and offline scenarios.

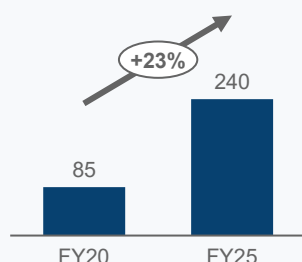
UPI Transaction Volume, FY20-25 (Bn)¹



UPI Transaction Value, FY20-25 (US\$ Trillion)¹



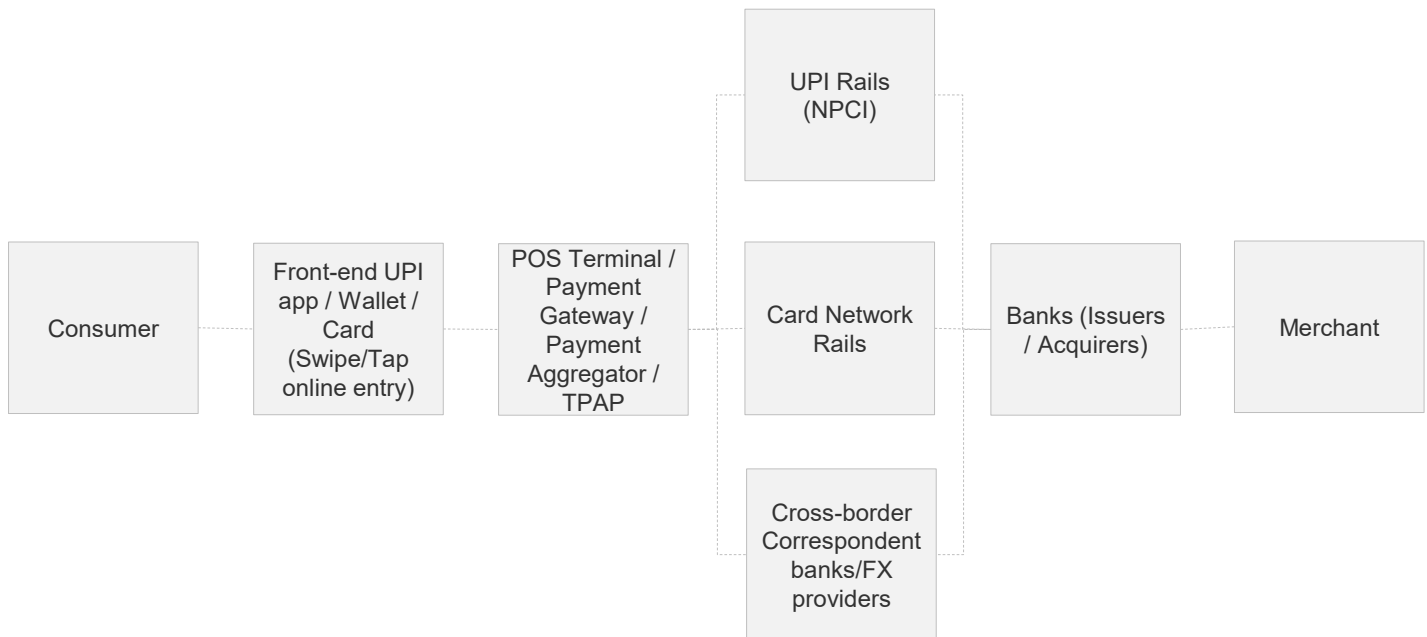
Growth in Credit Card Transaction Value, FY20-25 (US\$ Bn)



- Credit cards are powering **high-value retail spending**. Spends grew at a **23% CAGR** between FY20-25, reaching **~US\$ 240 Billion**, supported by e-commerce, rewards and the enablement of RuPay credit cards on UPI, while debit cards are used more for cash withdrawals than for purchases

Sector Overview: The Payments Ecosystem Requires Multiple Companies to Enable a Seamless Digital Payment Experience, Leading to Emergence of Various Models

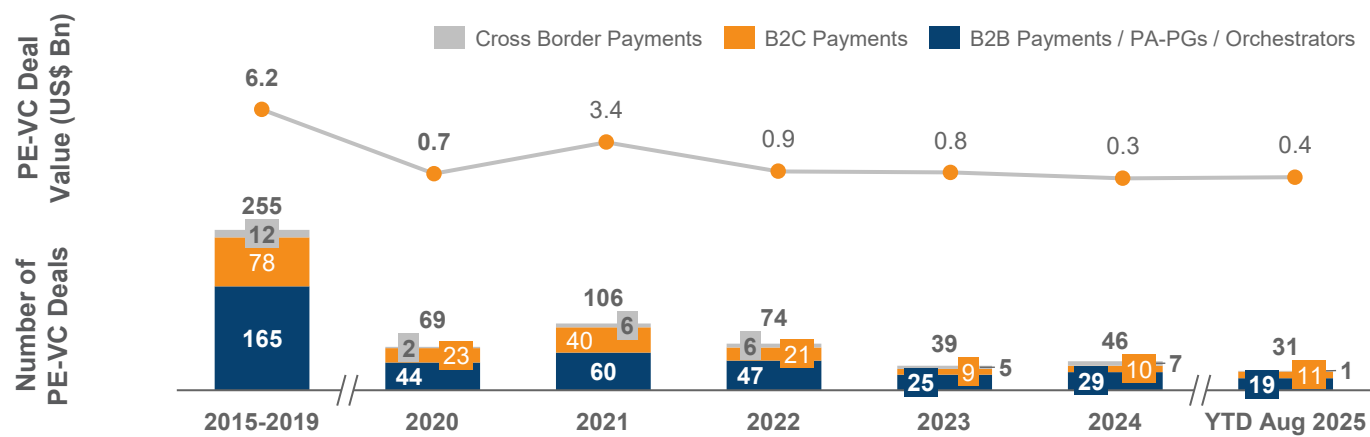
Payments and Payment infrastructure Ecosystem



Sub-sector	Role in Payments Ecosystem	Representative Players
UPI Apps (front-end)	Stored value for small-ticket transactions; top-ups; Value-added services (offers, BNPL)	PhonePe, G Pay, paytm, amazon pay
Wallets (PPIs)	Stored value for small-ticket transactions; top-ups; Value-added services (offers, BNPL)	paytm, Mobikwik, amazon pay, PhonePe
Cards (issuers and networks)	Facilitate card-based P2M/P2P payments via card networks; clearing and settlement	VISA, Mastercard, RuPay
Payment Aggregators / Gateways / Orchestrators	Merchant integrations, routing, tokenization, checkout UX; orchestrators add multi-acquirer routing	Razorpay, stripe, PayU, Cashfree Payments, JUSPAY
POS Terminals / Acquirers	In-store acceptance: card swipe/tap, QR acceptance; provide merchant analytics and settlement	paytm, PhonePe, Pine Labs, mswipe, BharatPe, ingenico, verifone
ATMs	Cash withdrawal and card acceptance; settlement with issuing/acquiring banks	Banks: SBI, HDFC BANK, HITACHI ATM switch: NFS, ATM
Cross-border payments and remittances	FX conversions and settlement for consumer/merchant cross-border flows	Instarem, 7wise, Remitly, Western Union
UPI QR / Merchant QR	QR codes for merchant acceptance; linked to PSPs/acquirers	NPCI, paytm, PhonePe, BharatPe
Merchant Acquiring Banks	Hold merchant accounts, perform settlement, bear risk; integrate with PGs/PAs	ICICI Merchant Services, AXIS BANK, HDFC BANK, YES BANK
B2B Payouts and Payroll	Bulk payouts (salary, vendor); reconciliation tools and APIs	Cashfree Payments, Razorpay, PayU

Fintech Deal Activity: Over The Past Decade, Payments Has Attracted The Largest Share of Fintech PE-VC Deal Value, With B2B Models Driving The Highest Number of Transactions

	B2C Payments	B2B Payments / PA-PGs / Orchestrators	Cross Border Payments	Total
Total fintechs	~70	~160	~25	~255
Fintechs entered In last 10 years	~40	~80	~15	~135



	B2C Payments	B2B Payments / PA-PGs / Orchestrators	Cross Border Payments
PE-VC	No. of deals 192 Total Funding US\$ 8.2 Bn+	No. of deals 389 Total Funding US\$ 4.4 Bn+	No. of deals 39 Total Funding US\$ 0.1 Bn+
M&A	No. of deals 20 Total Funding US\$ 0.3 Bn+	No. of deals 34 Total Funding US\$ 0.6 Bn+	No. of deals 9 Total Funding US\$ 0.3 Bn+
Decacorn ¹ and Unicorn ²			Not Available
Soonicorn ³			Not Available
Minicorn ⁴			

Note: Companies mentioned are select companies from the group of unicorn, soonicorn and minicorn

References: Tracxn, Company reports and website, Internal Analysis
 1. Decacorn: Privately held startup valued at US\$ 10 Bn or more
 2. Unicorn: Privately held startup valued at US\$ 1 Bn or more
 3. Soonicorn: Privately held startup valued close to US\$ 1 Bn expected to become a unicorn soon
 4. Minicorn: Early-stage startup valued under US\$ 1 Bn showing strong scalability

Key Trends: India's Payments Market Has Numerous Players With Diverse Offerings Such As Merchant/Customer UPI, Payment Gateways and Cross-border Payments

- There is investor confidence in the Payments segment, as several Payments companies such as Pine Labs, Innoviti and PhonePe have announced IPO plans
- Several emerging companies have been entering the market to serve differentiated workflows such as cross-border, SME merchant services, reconciliation, subscription billing, etc.



Key Trends: The P2M UPI Segment is Likely to Remain Dominated by a Few Players Due to Network Effects

1
Strong merchant base serves as a moat, with a few players such as PhonePe and Paytm dominating the market on the back of high shares in merchant onboarding.

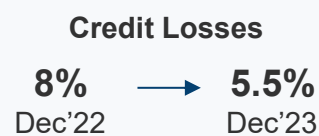
Number of merchants and key clients onboarded by companies:

Company	paytm	PhonePe	BharatPe	Razorpay	RobiKwik	Pine Labs	PayU ⁺	mswipe.	BillDesk
Merchants	~40 Mn	~40 Mn	~18 Mn	~8 Mn	~4.6 Mn	~0.9 Mn	~0.5 Mn	~0.4 Mn	~20,000
Key Clients	zomato	OYO m	12% UNITY	Licious	ixigo	ZWA	NETFLIX f	Hero AtoS	HDFC MUTUAL FUND VI

- PhonePe and Paytm had an **early mover advantage** in building **large merchant bases** early (2016–2018), leveraging **wallet-to-UPI transitions** and **aggressive incentives** to lock in small merchants.
- Network effects** (merchant preference and integrations) also led to the **concentration** of merchant-facing flows in these dominant players.
- However, **regulatory uncertainty** paved the way for new entrants when in Feb’23, RBI paused new merchant onboarding for several players, allowing players such as BharatPe to capture an additional online merchant base, which resulted in a **~77% month-on-month surge** in merchant onboarding.



- In 2018, BharatPe pioneered the “**universal QR**” for UPI acceptance, removing friction for small merchants.
- By 2019, BharatPe had penetrated kirana stores through an expanding merchant base of **5 Mn+**, allowing it to leverage **transaction data** to build a **lending** and **credit franchise** in partnership with NBFCs/banks.
- New merchants became **entry points** for financial services, enabling BharatPe to create stickiness via **ancillary products** such as card machines that embedded it into merchant workflows.
- In 2023, it further strengthened its credit and lending capabilities through its investment in an NBFC **Trillion Loans** and increased it to 74% in FY24.
- By FY24, it had scaled to **443 Mn** payments and **US\$ 65 Million** merchant lending disburseals and become among the first Indian fintech unicorns to turn **EBITDA positive** on the back of higher **service fee income**, improved **lending margins**, and **lower credit losses**.
- With the issuance of PA license by RBI in April 2025, there is a large opportunity to further ramp-up merchant base and TPV.

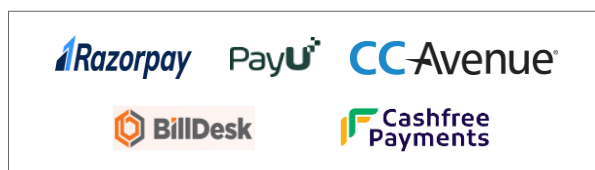


Key Trends: High Capital and Stringent Regulatory Requirements Create Barriers For New Entrants in PA-PGs, Whereas The P2P segment is Likely to Have a Longer Tail of Consumer-Facing Apps

2

Scale, regulation, and merchant stickiness have created a PA-PG oligopoly in India, with high barriers to entry and limited room for new players.

Top Companies in the PA-PG segment



- As of FY24, Razorpay and PayU were amongst the leading PA-PG players with TPV of ~US \$ 150 Bn and ~US \$ 71 Bn respectively.
- In 2021, Prosus announced a US\$ 4.7 Bn acquisition of BillDesk by PayU, in an attempt to consolidate the industry further by creating a US\$ 147 Bn TPV giant. However, the deal later collapsed in 2022 due to regulatory concerns.

Top 5 PA-PG players control ~90% of the market indicating high levels of consolidation due to:

- Regulatory guidelines:** Entry of new PA-PG players necessitates RBI licensing, a minimum net worth requirement of US\$ 2.8 Mn, and data localization and KYC tightening.
- Scale economics:** Payment orchestration (routing, bank/acquirer relationships, recovery/operations) benefits from volume density that established players have.
- Merchant behaviour:** Merchants' preference to avoid extra intermediaries and preserve take-rate also reduces the opportunity for many middlemen, encouraging consolidation.
- Capital and technology requirements:** Payment infrastructure requires extensive distribution networks and high upfront investment in technology, fraud monitoring, tokenization, and compliance stacks, giving an advantage to well-funded fintechs/VC-backed players such as Razorpay, PayU, and Cashfree.

3

Like in the UPI merchants segment, a few dominant UPI players drive most volumes in the consumer segment; however, open rails and regulatory caps ensure that there is space for many apps to coexist.

- Large incumbents dominate:** PhonePe (~47% UPI market share), Google Pay (~35%), Paytm (~11%) together account for >90% of UPI volumes.
- Open rails enable coexistence:** UPI is interoperable; therefore, it allows other emerging apps such as CRED, WhatsApp Pay, Amazon Pay etc. to operate alongside, competing via UX, loyalty, rewards, niche use-cases.
- Regulatory guardrails:** NPCI's proposed a 30% cap on market shares (to be implemented by Jan'26), which is aimed at preventing a monopoly and ensuring space for multiple apps to thrive.
- User stickiness vs competition:** Large apps continue to grow on scale, merchant acceptance, and brand trust, while smaller apps may carve niches (Eg: CRED for high-income, WhatsApp Pay for convenience).
- Monetization lever:** While digital payment solutions such as UPI are not a direct monetization channel due to zero MDR, several companies are entering the segment to use it as an enabler of scale, stickiness and engagement, to cross-sell and strengthen their other revenue streams. Examples:



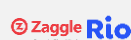
- Navi** – Launched UPI in 2023 as a payments app to **acquire new-to-digital users** and funnel them into its lending/insurance ecosystem



- Slice** – Introduced UPI in 2022 to **retain daily engagement** after BNPL regulations tightened, keeping users active and data flowing



- CRED** – Added UPI in 2022 so users engage daily instead of monthly to **enable cross-selling** of lending and investment products



- Large incumbents have been foraying into consumer-facing UPI through partnerships and **acquisitions of relatively niche players** over in-house development, thereby encouraging the continued existence of smaller niche players in the ecosystem

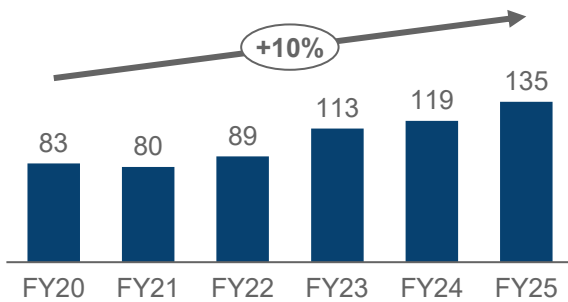


Large front-end apps (PhonePe, Google Pay, Paytm) will remain relevant and grow; whereas open and interoperable infrastructure will enable many front-end apps to coexist while competing on UX, loyalty and value-adds.

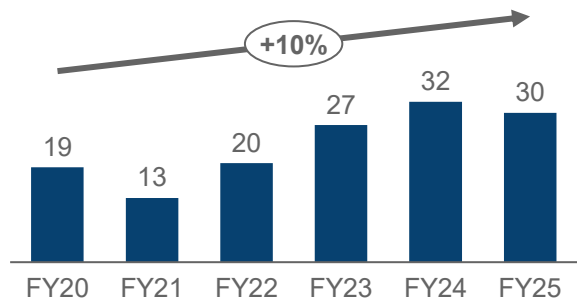
Key Trends: As Foreign Remittance, Travel and Investments Increases in India, Cross Border Payments Solutions Are Expected to Increase Targeting Niche Offerings

4 Multiple cross-border payments providers offering niche solutions are expected to grow and coexist as foreign remittance, travel and investments rise in India.

Inward foreign remittance in India (US\$ Bn) ¹



Outward foreign remittance in India (US\$ Bn) ¹



Foreign Remittances:







- Outward remittances under LRS hit an all-time high of **~US\$ 32 Billion** in FY24 and moderated to **~US\$ 30 Billion** in FY25
- Travel alone contributing **~US\$ 17 Billion** or **~57%** of outflows, underscoring durable demand for overseas spending mechanisms including compliant, API-first cross-border payment and reconciliation platforms

Rise in Global UPI Partnerships:

- UPI is accepted at select merchants in **7** global markets – UAE, Singapore, Sri Lanka, Mauritius, France, Bhutan and Nepal, creating new acquiring, FX-settlement and reconciliation opportunities around Indian travel spend.
- The **UPI-PayNow corridor** expanded in July 2025 to 19 participating Indian banks, widening low-cost, real-time remittance reach between India and Singapore.

Growth of International Trade:

- India recorded a services trade surplus of **~US\$ 162 Billion** in FY24, reinforcing recurring demand for enterprise-grade reconciliation and treasury tools tied to global service flows.
- India's combined merchandise and services exports for FY25 are estimated at **~US\$ 825 Billion**, enlarging the base of exporters that need compliant cross-border collection, settlement and reconciliation software.

Company	Niche Offering in Cross-Border Payments
	Zero forex markup, flat-fee pricing, targets SMBs, exporters, freelancers
	MSME focus, multi-currency accounts, <1% transaction fee, 24-hour settlement
	MSMEs with virtual accounts in US\$, EUR, GBP, CAD via banking partnerships
	Automated compliance, 100+ currencies, FIRC generation, ERP integration
	Accepts 33+ currencies from 180+ countries, ecommerce and SaaS focus
	Large-scale processing (US\$ 80 Bn+), 140+ currencies, importers, exporters, freelancers

Niche requirements fulfilled by multiple specialist players (FX/remittance providers, banks, new fintechs) and regulatory complexities (compliance, FX corridors) favour a competitive and multi-player market rather than tight concentration. Large domestic payment infrastructure does not directly substitute cross-border infrastructure.

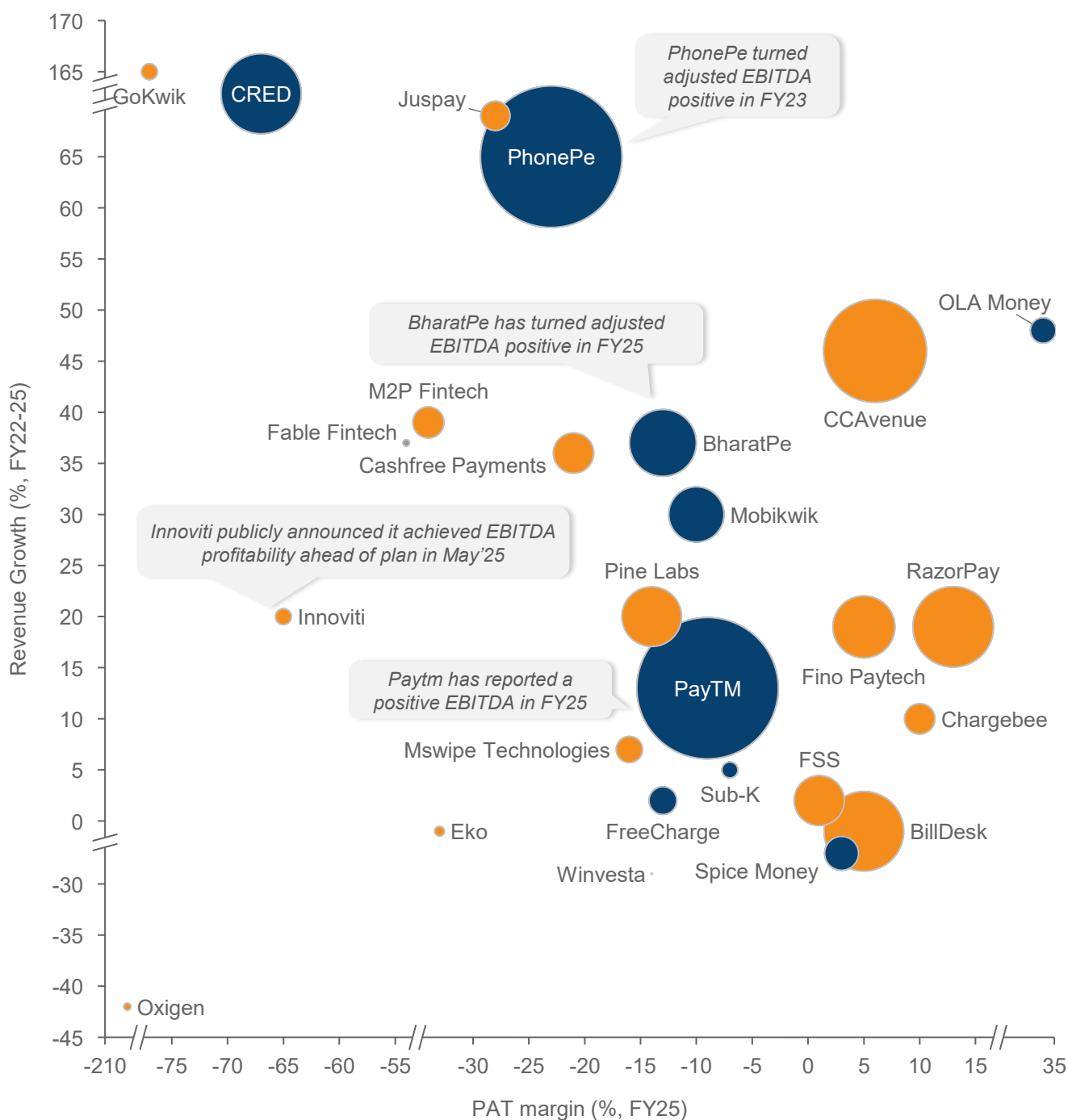
References:
1. RBI data

Key Trends: Payments Companies Across Business Models Have Demonstrated Strong Revenue Growth, With Several Companies Reporting PAT or Adjusted EBITDA Level Profitability

- Most companies in the Indian digital payments segment have demonstrated strong revenue growth over the last 2-3 years.
- While losses continue to persist on account of marketing spends, zero MDR policy, infrastructure costs, etc., several companies have reported a positive adjusted EBITDA.

Competitive landscape – Revenue Growth vs Profitability (%, size of the bubble indicates latest available revenue)

● B2C Payments ● B2B Payments / PA-PGs / Orchestrators ● Cross-Border Payments



Note:

1. FY24 data used for companies where FY25 is not publicly available. FY25 data has been used for PhonePe, BharatPe, Paytm, Mobikwik, Chargebee, FreeCharge and CCavenue, whereas FY24 data has been used for RazorPay, Pine Labs, M2P Fintech, Billdesk, Cred, Juspay, Mswipe Technologies, Fino PayTech, Innoviti, FSS, Cashfree Payments, GoKwik, Oxygen, OLA Money, Sub-K, Spice Money, Eko, Fable Fintech and Winvesta
2. MCA filings, secondary research, Internal Analysis

Conclusion: Payments Ecosystem Will be Mixed – Coexistence at The Consumer Front With Oligopolistic Dynamics in Merchant Segments, While Cross-border and Niche Plays Remain Competitive

In Summary:

We expect the digital payments industry to have a **two-tiered future**: A handful of dominant super-apps or acquirers are likely to control the bulk of merchant flows, resulting in **oligopoly dynamics in merchant or operations layers**. However, the interoperable nature of prominent digital payment systems and the targeted regulations they operate under would enable **multiple consumer-facing UPI apps** and **cross-border specialists** to **coexist** and **innovate**

Structural Drivers Leading To Coexistence:

Open rails and interoperability:

The presence of India Stack infrastructure such as UPI, BBPS, OCEN and tokenization offers standardized, permissioned networks, lowering entry barriers for new front-ends and encouraging innovation in UX and value-added services

Regulatory levers:

Licensing and compliance enforcement has created opportunities for multiple players to coexist in the market, for instance, the planned 30% cap on any single UPI app's share is designed to prevent dominance of a few players

Vertical and regional differentiation:

The Indian consumer base is highly fragmented by size, geography, language and industry, which creates diverse requirements spanning industry-specific solutions, cross-border payments, subscription billing and offline QR acceptance

Preference for inorganic growth:

Large incumbents have preferred acquisitions and partnerships over in-house development, such as Zaggle's acquisition of Rio.Money and Pine Labs' acquisition of Qwikcilver, encouraging the continued existence of smaller niche players in the ecosystem

Inhibitors To Coexistence:

Strong network effects and merchant preferences:

Merchants prefer single, integrated partners that deliver scale, settlement speed, and dispute resolution, thereby pushing volumes to incumbents

Economies of scale in orchestration and acquiring:

Routing, reconciliation, risk and chargeback handling favour providers with large volumes and bank relationships

Potential monetization limitations:

Zero/low take-rates on UPI mean firms monetize via adjacent services (credit, ads, value-added merchant services), which gives an advantage to incumbents with large user or merchant databases

Regulatory uncertainty and delay:

Delays in enforcing caps or rules (Eg: NPCI extending the cap implementation) can entrench current leaders temporarily

Banking



Sector Evolution: From Nationalization to Privatization, India's Banking Sector Has Undergone Several Structural, Regulatory and Digitization Reforms

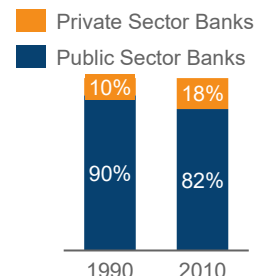
From Nationalization and Privatization (Pre-2010)

Nationalization and Privatization of Banking Followed by Early Signs of Tech Adoption

- **Pre-1980 nationalization:** 14 banks were nationalized in 1969; 8 banks in 1980
- **1991 Reforms:** New private-sector banks and foreign banks entered the market, but public sector banks held **90%+** share in Total Assets
- This period saw early signs of **technology integration** in banking with the introduction of **ATM networks** and **CBS** (Core Banking Solutions) in 1980s-90s, **RTGS** in 2004 and **NEFT** in 2005



Share of total assets (%)



Digital Push and Financial Inclusion (2010-2015)

Financial Inclusion and Formation of a Digital Ecosystem Driving Banking Penetration

- This period witnessed a rise in **account ownership**, with banking penetration increasing from **~35%** in 2011 to **~62%** in 2015, driven by:
 - Government initiatives such as **Jan Dhan Yojana (2014)** leading to an influx of first-time account holders, **Aadhaar-linked KYC** simplifying account onboarding and **DBT** driving inclusion.
 - Rising **internet banking penetration** with mobile banking users doubling between 2011 and 2015 from **~22 million** to **~53 million**.
 - Formation of digital payment infrastructure through the **IMPS** launch in 2010 enabling 24x7 instant payments and **RuPay** in 2012, India's domestic card network for low-cost acceptance.
- RBI issued licenses for **11 payment banks** and **10 small finance banks** in 2015, aimed at deepening financial access and driving inclusive credit disbursement through tech-driven banking solutions.



Structural Reforms and Technology Adoption in Banking (2015– Present)

Fintech Emergence on the Back of Structural and Regulatory Reforms

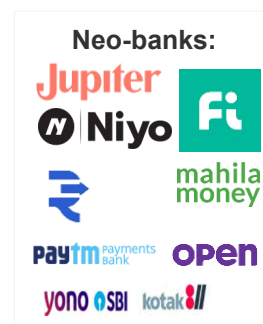
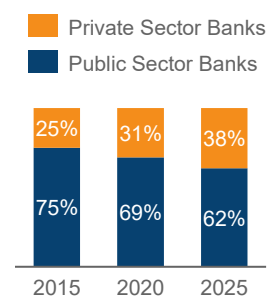
Structural and regulatory reforms:

- **PSB (Public Sector Banks) consolidation** through mega-mergers in 2019-20 with the number of PSBs going from 18 to 12, lowered fragility and system-level risks, thereby improving the scale and efficiency of India's banking system.
- **Asset quality improved**, with NPAs declining from **11.2%** to **2.7%** between 2018 and 2024, and capital infusion through government and RBI-led measures improved **liquidity** and **lending capacity**.
- The RBI facilitated development of secure branchless banking models through:
 - **Digital lending guidelines** (2022), by ensuring transparency and consumer protection in app-based credit
 - **Account Aggregator Framework** (2021), enabling secure consent-based data sharing for digital underwriting
 - **IT Act** amendments bolstering cybersecurity and fraud safeguards

Technology adoption in banking:

- Banks are increasingly **integrating technology** in several **workflows**, including onboarding, underwriting, collections, compliance and analytics.
- This has led to digitization of banking, with the emergence of **multiple tech vendors** and banks experimenting with **in-house solutions**.
- **Neo-banks** have emerged, offering digital-first banking solutions to SMEs and underserved consumer segments by leveraging partnerships with traditional banks.

Share of total assets (%)

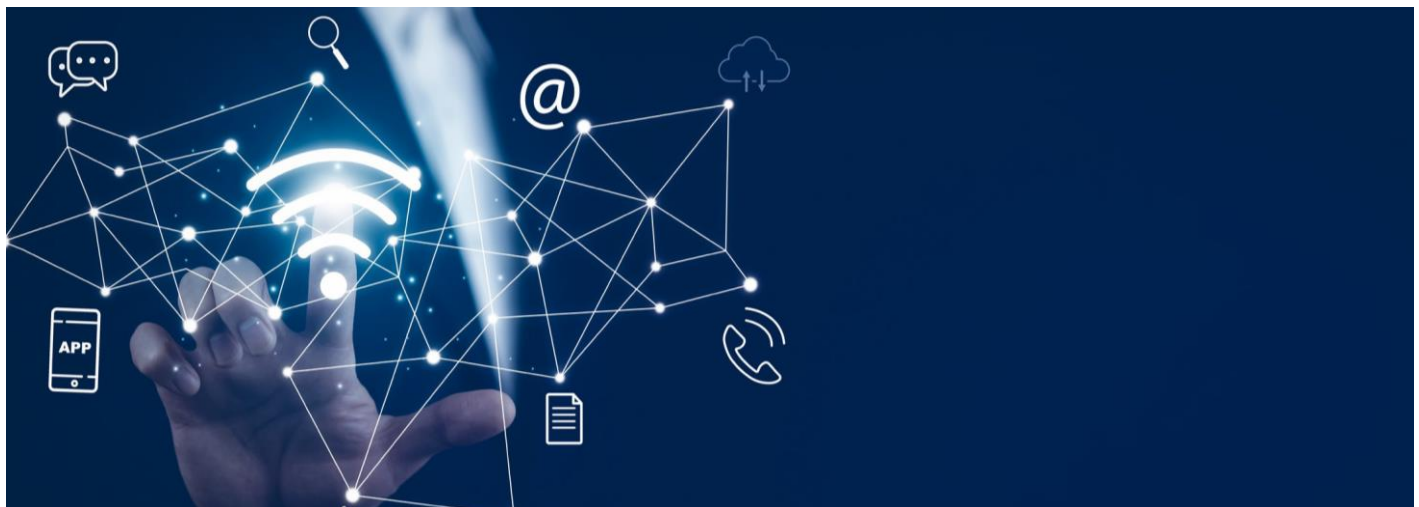


Regulatory Reforms: Successive RBI and Government Initiatives Have Built Interoperable Networks, Strengthened Consumer Protection, and Opened Space for Innovation in Banking Through Partnerships

Phase and Timeline	Key Developments	Industry Impact / Themes
Pre- 2014	<ul style="list-style-type: none"> Branch licensing and bank nationalization 1969-80 Privatization in 1990s KYC norms 	<ul style="list-style-type: none"> Nationalization expanded banking access to rural and underserved areas through branch and ATM growth of early PSBs such as SBI and PNB, laying the foundation for financial inclusion. The entry of HDFC and ICICI Bank in 1994 introduced efficiency, competition, and early digital adoption; private banks invested in ATMs, internet banking, and customer-centric innovations.
2014-17	<ul style="list-style-type: none"> UIDAI-enabled Aadhaar e-KYC for digital onboarding RBI strengthened Prepaid Payment Instrument (PPI) rules 	<ul style="list-style-type: none"> Banks like Kotak and Axis adopted e-KYC for instant account opening. Mass-scale low-friction account opening acted as a foundation for branchless banking models. PPIs allowed interoperability and enabled wallet ecosystems, widening digital payments acceptance and prompting banks to enhance wallet-linked savings products. Privacy/consent concerns triggered later frameworks.
2015-17	<ul style="list-style-type: none"> RBI introduced Payments Bank and Small Finance Bank licenses 	<ul style="list-style-type: none"> Opened transaction banking to non-banks but barred lending/deposit mobilization. Airtel and Paytm launched payments banks in partnership with Kotak and SBI respectively, while neo-banks chose partnership-led models.
2016-18	<ul style="list-style-type: none"> NPCI launched the Unified Payments Interface (UPI), enabling interoperability across banks, apps, merchants 	<ul style="list-style-type: none"> Spawned large third-party apps such as Google Pay, PhonePe, and Paytm that later served as a foundation for neo-bank offerings. Banks (SBI, HDFC, ICICI) integrated UPI into apps, some like Axis Bank gained traction by early API partnerships. Created transaction datasets that fintechs/neo-banks later used for BNPL and merchant and consumer credit.
2019	<ul style="list-style-type: none"> RBI and sector regulators launched Regulatory Sandboxes and fintech innovation hubs/cohorts 	<ul style="list-style-type: none"> Banks leveraged sandbox to co-create with fintechs under oversight on solutions such as co-branded cards, credit on UPI, and deposit mobilizations by fintechs. For example, Federal Bank and fintech partners tested cross-border remittances; ICICI Bank piloted voice-based payments; Yes Bank collaborated on digital KYC in cohorts.

Regulatory Reforms: Continued...

Phase and Timeline	Key Developments	Industry Impact / Themes
2020-21	<ul style="list-style-type: none"> RBI guidelines for Payment Aggregators/Gateways NPCI/Gol consultation on UPI market-share caps (to be enforced by 2026) RBI Master Directions for NBFC-Account Aggregators 	<ul style="list-style-type: none"> HDFC and ICICI applied for PA licenses via subsidiaries; private banks built direct merchant-acquiring arms to reduce reliance on fintech aggregators; UPI caps prompted banks to scale their own apps (Eg: SBI's YONO Pay). Market caps designed to avoid dominance, keeping payment networks open for neo-banks and other innovations in banking. Secure, consent-driven sharing of financial data across institutions. Axis, HDFC, ICICI were early adopters in AA framework; used AA data for SME lending pilots and cross-selling. Neo-banks such as Jupiter partnered with traditional banks to leverage AA framework for underwriting. Reduced documentation load, improved account and loan portability.
2023	<ul style="list-style-type: none"> RBI issued Digital Lending Guidelines on governance, pricing transparency, data flows, recovery practices RBI Master Directions on IT / cybersecurity, outsourcing, cloud use Stronger authentication standards 	<ul style="list-style-type: none"> Banks tightened oversight of fintech partners (HDFC paused some co-lending apps); SBI, Kotak formalized digital lending journeys within regulated frameworks. Compliance costs rose but consumer trust improved. Banks ramped up tokenization (HDFC, ICICI cards), fraud analytics, and vendor audits; SBI invested in AI-driven transaction monitoring.
2024-Present	<ul style="list-style-type: none"> Govt./RBI initiatives to curb illegal digital lending, draft laws on penalties (consultations 2024–25) 	<ul style="list-style-type: none"> Banks distanced from unregulated apps; SBI and Axis restricted partnerships to RBI-licensed fintechs. Cleaner ecosystem positioned banks as trusted credit providers.

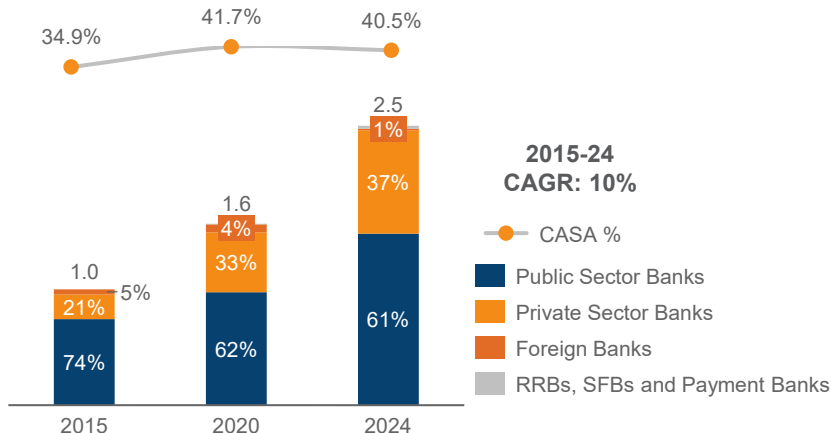


Sector Overview: Financial Inclusion and Digital Payment Networks Have Boosted Deposits and Strengthened Banking Assets, With Gross NPAs At Record Lows

1 Number of Scheduled Commercial Banks (SCBs) in India ¹

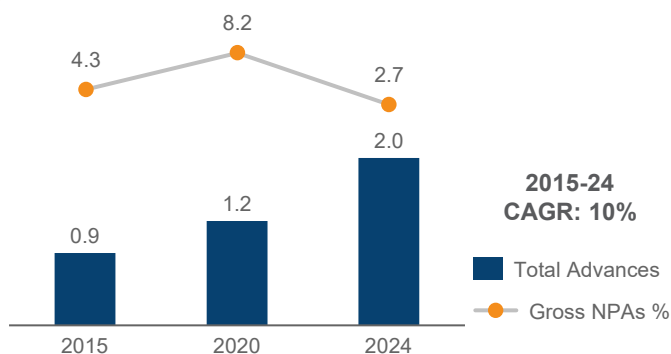
Type of Bank	Number of banks	
	2015	2025
Public	21	12
Private	21	21
Foreign	43	44
Regional Rural	56	43
Urban and State Co-op	67	76
Small Finance		11
Payments		6
Total SCBs	208	213

2 SCBs' Total Deposits (US\$ Trillion) and CASA % ¹



- **33** out of the 213 total SCBs in India are private and public sector banks, and they collectively hold **95%+** of all deposits, with SBI having the largest share at **20-22%**
- Over 2015–24, SCBs' deposits have grown **2x**, while the CASA share (proportion of current and savings accounts) of deposits fell to **~40.5%** in 2024, as savers shifted to term deposits and market instruments, supported by digital banking proliferation that made deposits frictionless.

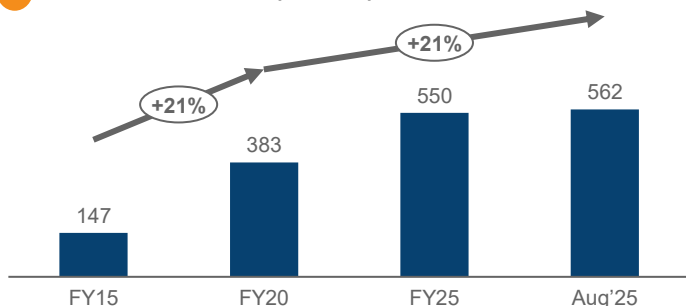
3 SCBs' Total Advances (US\$ Trillion) and Gross NPA % ¹



- **~2.5x** credit expansion between 2015-24 was supported by a **strong deposit base**.
- **Gross NPAs** for SCBs have declined from **~8%** in 2020 to **~2.7%** in 2024, as a result of write-offs, better provisioning and resolution frameworks, aided by PSB consolidation driven efficiencies.

The strengthening of the Indian banking system's balance sheet and credit flow has been facilitated by **policy instruments** by the government and RBI such as PMJDY, Direct Benefit Transfers, priority sector lending, and liquidity support by generating an increase in first time account holders and bringing steady inflows.

4 PMJDY Accounts (Million) ²



- **~67%** of the **562 Million** PMJDY bank accounts have been opened in **rural and semi-urban areas**.
- **56%** of the accounts belong to **women**, highlighting the scheme's role in promoting gender equality in financial access.
- The total deposits in PMJDY accounts have increased from **~US\$ 1.8 Billion** in Mar'15 to **~US\$ 30.4 Billion** in Aug'25, reflecting a **~4x** jump in average deposit amount per account from **~\$12** to **~\$54**.

As a result of these initiatives, India's **Financial Inclusion Index** has increased from **53.9** in March 2021 to **67** in March 2025. However, there still remain several underserved sections of the society that require differentiated/niche solutions

References:

1. RBI data
2. Press releases, GOI

Sector Overview: A Decade of Bank-Anchored Evolution Has Laid Foundation For Neo-banks

Neo-banking has evolved in India over the last 10 years, with a recent focus on MSME and cross-border banking:

Phase	How Neo-Banking Got Shaped	Retail-Focused Neo-Banks	SME-Focused Neo-Banks
Pre-2019	<ul style="list-style-type: none"> RBI created differentiated bank models (Payments Banks, Small Finance Banks) but no digital-only bank license. India Stack and UPI enabled app-first experiences, yet deposits and cards always sat with partner banks. Early “neo-banks” were front-end UX layers, not licensed banks. 		
2020-Present	<ul style="list-style-type: none"> Unlike global markets such as UK and Singapore that allow neo-banks to directly hold deposits, consumer and SME neo-banks in India can scale via partnerships with Federal Bank, ICICI, Axis, RBL, NSDL PB and others. Guardrails tightened to reinforce accountability on regulated banks: PPI credit-line ban (2022), Digital Lending Guidelines (2022), Outsourcing of IT Directions (2023). Fintechs doubled down on compliance and BaaS/embedded partnerships; accounts and issuance remain with RBI-licensed banks while neo-banks focus on UX, engagement, and fee-led services. 		

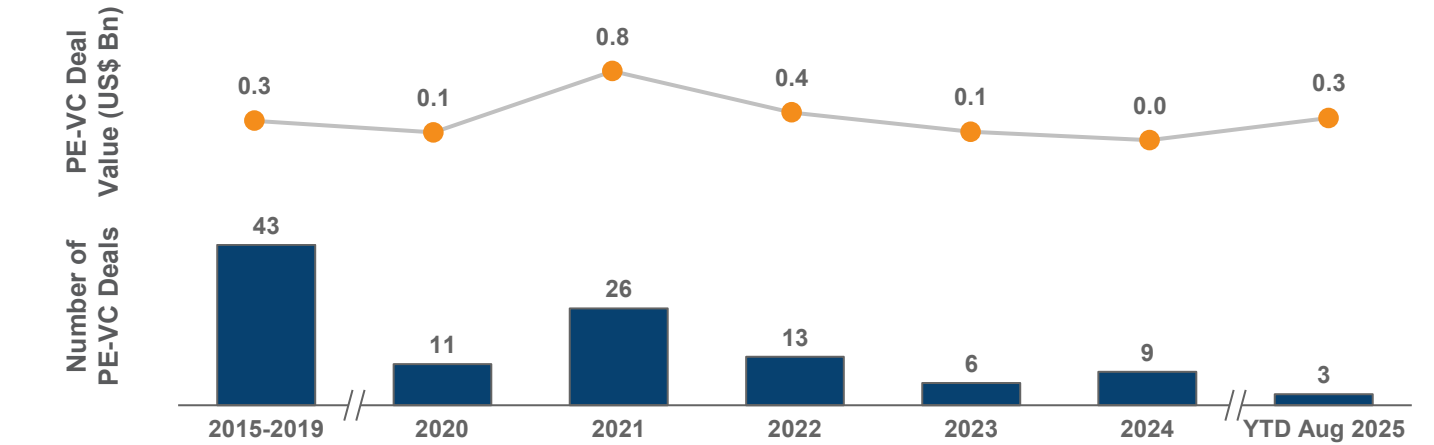
- SME-focused neo-banks are gaining traction with stronger **monetization** and **paid workflows** (payout automation, reconciliation, GST invoicing). FX-linked cards and cross-border banking solutions deliver **fee income**, while **merchant relationships** also feed lending via bank partners within digital-lending norms.

With India lacking a digital-only bank charter, neo-banks collaborate with traditional banks, allowing them to focus on delivering differentiated user experiences while leveraging partner banks’ regulatory strength, deposit infrastructure, and risk management expertise.

Strategy	Reason	Examples (B2C)
1. Banks get “tech distribution” via neo-banks	Instead of competing, banks outsource digital-first customer acquisition to neo-banks. Neos attract younger, digital-first users, while banks still own the balance sheet.	<ol style="list-style-type: none">
2. Different customer bases	Banks cater to mass and legacy customers (branch-based, senior citizens), while neo-banks often cater to relatively niche cohorts such as SMEs, millennials, and freelancers. Both can partner to expand the pie rather than cannibalize.	Digital financial platform for Indian teenagers aged 11-20 Branch-heavy retail banking
3. Cost-to-serve vs. Trust gap	Neos run lean, digital-only models resulting in lower CAC for banks, but trust in large-ticket deposits and regulatory confidence remain with banks, hence both are complementary to each other.	Customer delight, UI-driven adoption Preferred for FDs, home loans

Fintech Deal Activity: India's Neo-banking Landscape Has Evolved From Rapid Expansion to a More Focused Phase of Measured Investments and Strategic Consolidation

	Neo-banks
Total Fintechs	~30
Fintechs entered In last 10 years	~25



Neo-Banks









PE-VC	Number of Deals 111	Total Funding US\$ 2.0 Bn+
M&A	Number of Deals 2	Total Funding US\$ 10 Mn+
Decacorn ¹ and Unicorn ²	None	
Soonicorn ³	<div> <div> </div> <div> </div> <div> </div> <div> </div> <div> </div> <div> </div> <div> </div> </div>	
Minicorn ⁴	<div> <div> </div> <div> </div> </div>	

Note:

- Decacorn: Privately held startup valued at US\$ 10 Bn or more
- Unicorn: Privately held startup valued at US\$ 1 Bn or more
- Soonicorn: Privately held startup valued close to US\$ 1 Bn expected to become a unicorn soon
- Minicorn: Early-stage startup valued under US\$ 1 Bn showing strong scalability
- Companies mentioned are select companies from the group of unicorn, soonicorn and minicorn

Key Trends: Neo-banks Are Using Various Growth Strategies and Dynamic Business Models to Secure Long-term Growth

- Neo-banks are experimenting with several business models to build sustainable revenues with shared economics ensuring alignment with banking partners.
- They also aim to build trust and stickiness through sharper customer segmentation, personalized and niche offerings, and lean digital-native workflows that incumbents often struggle to replicate with speed.
- These approaches demonstrate how players are navigating regulatory frameworks while expanding product breadth and deepening customer engagement.








Growth Strategy	Example	Regulatory / Approval Route
Merge or convert to a regulated bank through SFB or bank ownership	<ul style="list-style-type: none"> • Slice merged with North East Small Finance Bank, thus getting rebranded to Slice SFB. • BharatPe entered into a JV with Centrum to establish Unity Small Finance Bank through the consortium route.  	<ul style="list-style-type: none"> • These strategies require approvals from the RBI for mergers, Small Finance Bank licensing, and rebranding. • By becoming a Small Finance Bank or merging with one, the entity receives full banking powers.
Embedded lending via NBFC or co-origination partners	<ul style="list-style-type: none"> • Khatabook uses its ledger data to offer lending products through NBFCs and Digital Lending Platforms. • Fi obtained a NBFC license from the RBI in April 2024  	<ul style="list-style-type: none"> • Transaction data is leveraged to originate lending through regulated NBFCs. • This can take the form of co-origination, referral, or balance-sheet based origination in order to comply with lending rules.
Super-app and cross-sell of bundled products such as deposits, cards, wealth management, and insurance	<ul style="list-style-type: none"> • Jupiter provides integrated services across savings, wealth management, and insurance. • Fi provides banking, investment solutions, and access to United States stock markets.  	<ul style="list-style-type: none"> • Cross-selling requires the use of partner networks, which may include sponsor banks, insurance partners, or NBFCs. • There is no single additional license required when partner networks are used. • However, the IRDAI and the RBI apply product-specific rules to each offering.
Cross-border and NRI-focused products	<ul style="list-style-type: none"> • Niyo Global offers international debit cards, forex, and remittance services. • Scapia enables cross-border payments and remittances for SMEs.  	<ul style="list-style-type: none"> • Requires partnerships with licensed banks (domestic and international), AD2* license for non-banking entity and adherence to RBI/foreign exchange regulations such as FEMA, remittance caps, and KYC/AML compliance.

*AD (Authorized Dealer) Category II license, issued by the RBI, is a certification that allows companies to offer foreign exchange and remittance services



Key Trends: In Response to Neo-banking, Traditional Banks Are Also Strengthening Their Digital Presence and Offerings

- While neo-banks are experimenting with new models to scale rapidly, traditional banks respond by strengthening their digital propositions and broadening their customer engagement strategies.
- This competitive dynamic is shaping a dual trajectory, where incumbent banks are leveraging their scale and regulatory advantage to replicate or counter neo-bank innovations.

Strategy	Bank Actions	Examples
Launch digital super-apps or aggregator platforms	<ul style="list-style-type: none"> • Develop consumer-facing digital applications that combine banking, investments, commerce, and lifestyle offerings. • Strengthen customer ownership and increase engagement. 	<ul style="list-style-type: none"> • SBI launched YONO, a comprehensive digital super-app. 
Roll out digital-only and zero-balance accounts	<ul style="list-style-type: none"> • Provide instant digital accounts with video-based KYC. • Ensure seamless onboarding at scale to match neo-bank speed. 	<ul style="list-style-type: none"> • Kotak launched 811, an instant digital savings account with video-based KYC and instant onboarding. 
Launch co-branded cards and marketplace tie-ups	<ul style="list-style-type: none"> • Partner with large platforms and marketplaces to issue co-branded cards. • Target high-value and digitally active customer segments. 	<ul style="list-style-type: none"> • Axis Bank partnered with Flipkart for co-branded cards.  • ICICI partnered with Amazon Pay to issue millions of cards. 
Offer startup and SME specialist programs	<ul style="list-style-type: none"> • Create dedicated propositions for startups and SMEs, including onboarding, credit, and advisory services. • Build relationships with small-business clients early in their lifecycle. 	<ul style="list-style-type: none"> • HDFC launched SmartUp for startups and introduced Startup Current Accounts.  • IDFC First Bank launched FIRSTWINGS Startup Banking for startups. 
Expand merchant acquiring, POS, and loyalty capabilities	<ul style="list-style-type: none"> • Invest in or partner with merchant-facing fintechs for payment and loyalty stacks. • Strengthen presence in point-of-sale, buy-now-pay-later, and loyalty solutions. 	<ul style="list-style-type: none"> • Banks acquired or partnered with merchant fintech players. Eg: Pine Labs built merchant partnerships.  • Banks integrated acquiring and loyalty into merchant propositions.



Conclusion: Coexistence to Persist In The Neo-banking Segment, However, With Attempts To Identify Viable Monetization Routes

In Summary:

Due to the complex regulatory environment in neo-banking, we expect neo-banks and traditional banks to continue to form strategic partnerships, with both the parties having complementary advantages. While banks can leverage the technological expertise of neo-banks for analytics and customer acquisition to attract digital-first users, they would still own the balance sheet, thereby ensuring regulatory confidence. Such partnerships between neo-banks and traditional banks will also allow multiple neo-banks to coexist and provide niche solutions to diverse customer needs.

Structural Drivers Leading To Coexistence:

Heterogeneous customer needs:

MSMEs, gig workers, exporters, students, affluents and travelers require different user experience and analytics models to deliver tailored services, thereby favoring focused apps over one universal super-bank

Partnerships reducing cost and time to market:

Partnering lets neo-banks avoid capital requirements and prudential norms while still offering full-suite products issued by banks under outsourcing and Business Correspondent (BC) rules, thus allowing multiple players to coexist

Inhibitors To Coexistence:

Regulatory asymmetry leading to limited monetization streams:

RBI has only permitted banks to hold deposits directly, hence neo-banks must rely on sponsor banks for deposit and banking infrastructure, ensuring that banks remain the “license holders” while neo-banks innovate on UX

This will continue to make monetization of platform challenging for neo-banks. Therefore, they would have to rely on cross-selling and bundling with other financial services/offerings to earn sustained revenues

Lending



Sector Evolution: India's Credit Supply Is Shifting From Corporate-Led Bank and NBFC Lending to Tech-Led Retail and MSME Growth, Now Scaling Through Regulated Co-lending and Embedded Models

Foundation For Credit Supply (Pre-2010)

Corporate Credit Growth and Rise Of NBFCs

- Banks drove a **corporate and infrastructure lending boom** with **big project syndications** while retail picked up in **mortgages, auto and cards**.
- Specialist NBFCs and NBFC-MFIs** scaled focused books with **bank lines** and **debentures** across vehicle, equipment, MFI and gold finance.
- Industry credit expanded briskly through the mid-2000s with **bank credit growth** rebounding to **~22% YoY** in 2010 after the 2009 dip, setting up the realization wave of the next decade.

Select NBFCs setup pre-2010:



Rise of Digital Lenders (2011-2020)

Innovation Of Credit Products and Surge Of Digital Lenders

- Banks and NBFCs pivoted away from large corporates and leaned into mortgages, auto, cards, personal loans and MSME loans, aided by **superior underwriting** and **payments scale**, balance sheet and profits compounded through the cycle.
- Continued branch and liability build while integrating tech and analytics into origination and collections to keep credit costs low through the NPA clean-up years.
- Bank and NBFC partnerships scaled through co-origination in 2018 and the expanded **co-lending model** in 2020, supporting priority-sector and granular retail flow.
- NBFC faced a **liquidity shock** after IL&FS defaults (Sep 2018); funding tightened, and governance/liquidity norms rose. Yet leaders kept compounding, such as Bajaj Finance and Shriram Transport Finance crossing **~US\$ 11 Billion** in AUM.
- Digital-first lenders emerged across **PL** (Personal Loan), **CD** (Certificate of Deposit) and **MSME loan segments**.

Share of retail lending in overall lending market

~16% In 2011 → ~26% In 2020

Select digital-first lenders:



Partnership Led Lending Growth (2021– Present)

Co-lending Models Gain Traction Along With Embedded Lending

- Focus shifted towards granular retail/MSME, co-lending partnerships, and recovering and PSU consolidation benefits showed up in scale and tech.
- Risk-weight tightening** (November 16, 2023) on unsecured consumer credit/certain NBFC exposures tempered exuberance.
- New **Scale-Based Regulation (SBR)** categorizes NBFCs in Base, Middle and Upper layers, effective October 1, 2022, with higher governance/prudential bars as size/systemic footprint rises.
- Co-lending** gains traction across retail/MSME as RBI issued the 2020 framework and has since been refining it (draft unified directions issued in 2025).
- Payment companies are increasingly becoming digital sourcing agents (DSAs) for larger NBFCs and Banks
- Digital first lenders** such as KreditBee and Navi have crossed **US\$ 800 Million** and **US\$ 1,500 Million** in AUM respectively in this period.

References:

- Bank of International Settlement
- National Housing Board (NHB) Data, RBI Data, Crisil Data, CRIF Data
- Digital first lenders (fintechs) reporting data to FACE organization

Regulatory Reforms: Phased RBI Reforms Have Institutionalized Digital Lending and Set Clear Rules That Enable Compliant Scale and Durable Growth For Banks, NBFCs and Fintechs

Phase and Timeline	Key Developments	Industry Impact / Themes
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First Phase: Creating a licensing and rulebook framework matched to lender types

Pre- 2010

- **Banking and lending licenses** introduced, and frameworks were revised
- Licenses including scheduled commercial banks, regional rural banks, local area banks, co-operative banks were introduced before 2000, and they **dominated the lending market** in India for long.
- **NBFC-CIC (core investment company)** introduced, providing differential regulatory treatment for companies whose primary business was investing in shares of other group companies.

2010-19

- **NBFC - MFI**
- RBI Master Directions for **NBFC-Account Aggregators**
- **NBFC-P2P Directions** notified
- NBFC Fair practice code
- **NBFC – ICC**
- Non-Banking Financial Company–**Micro Finance Institutions (Reserve Bank) Directions**, 2011 came into force to ensure consumer protection.
- **RBI introduced small finance banking licenses in 2016** to allow FIs to accept deposit and provide credit to underserved retail sector.
- **LTV on gold loans** was hard-capped and then harmonized at 75% (NBFCs moved from 60% in 2012 to 75% in 2014).
- Brought **P2P platforms under RBI**, set registration and exposure caps, and formalized the model.
- **NBFC's fair practice code** sets minimum standards for ethical and transparent interactions between NBFCs and their customers ensuring fair treatment of borrowers.
- **Harmonization of different categories** of NBFCs through the creation of ICC by merging Asset Finance Co., Loan Co. and Investment Co.

Second Phase: The regulator moved from permitting innovation to prescribing how it must be done by codifying the roles of regulated entities and digital platform owners ensuring borrowers right into consideration.

2020-21

- **Co-Lending** model for banks and NBFCs
- **Launch of Open Credit Enablement Network (OCEN)**
- Forced platforms to **disclose the actual regulated lender** and strengthened oversight of LSPs.
- Scaled balance-sheet lending through **bank and NBFC partnerships**, widely used by fintech originators.
- **OCEN is open API framework build on public digital infrastructure** whose primary goal is to bridge the credit gap by providing easier access to credit, especially for MSMEs.





Regulatory Reforms: Continued...

Phase and Timeline	Key Developments	Industry Impact / Themes
2022	<ul style="list-style-type: none"> RBI bars loading PPIs via credit lines RBI guidelines on Digital Lending 	<ul style="list-style-type: none"> Disrupted BNPL/“prepaid card and credit line” models and pushed migration to on-balance-sheet credit. Tightened recovery practices for digitally sourced loans and clarified lender liability. Mandated direct disbursement/repayment between borrower and RE, cooling-off, disclosures, and data-governance standards
2023	<ul style="list-style-type: none"> Default Loss Guarantee (DLG/FLDG) guidelines Higher risk weights on unsecured consumer credit 	<ul style="list-style-type: none"> Permitted capped loss-sharing with strict conditions and a 5% portfolio level cap, unlocking compliant fintech and RE risk-sharing. Raised capital requirements, slowing unsecured digital loan growth and tightening underwriting. Curbed compounding of penal interest and improved pricing transparency for retail digital loans.
2024	<ul style="list-style-type: none"> Fintech SRO framework finalized Tighter P2P norms announced Govt drafts law to curb illegal lending 	<ul style="list-style-type: none"> Created an RBI-recognized self-regulatory layer which led to recognition of a sector SRO for consumer lending fintechs. Barred any credit enhancement/guarantees by platforms and required clearer loss disclosures to lenders. Proposed penalties and a registry of regulated lenders to deter predatory digital lending.
2025	<ul style="list-style-type: none"> Partial rollback/adjustment of risk-weight measures RBI (Digital Lending) Directions, 2025 	<ul style="list-style-type: none"> Moderated capital pressure from the 2023 hike, improving liquidity transmission to retail digital lending segments via NBFCs. Consolidated prior circulars, introduced multi-RE LSP rules, anti-dark-pattern safeguards, and a directory of digital lending apps with staged go-live.



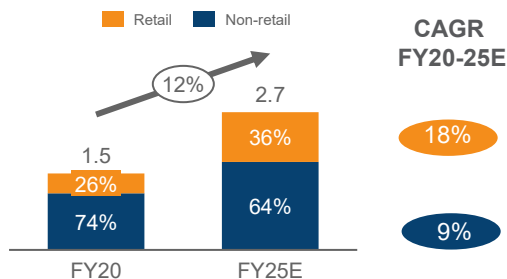
Sector Overview: India's Low Credit Penetration Combined With Digitization and Formalization of Income Is Driving Strong Credit Demand

Comparative Credit Depth Shows India's Gap To Peers And A Clear Growth Runway

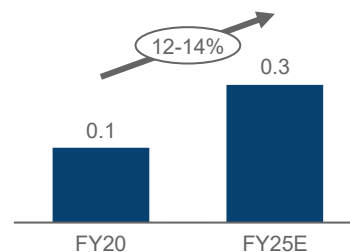
Credit to GDP% ¹	FY19	FY24
	88%	93%
	180%	198%
	77%	94%
	153%	143%

- India's credit-to-GDP ratio stood at approximately 93% in 2025 and remains significantly lower than mature economies like USA (~143%) and China (~198%).
- India's gap highlights meaningful headroom for credit penetration driven by rising consumption, digital adoption, and formalization.

Distribution of systemic credit (US\$ Tn)²

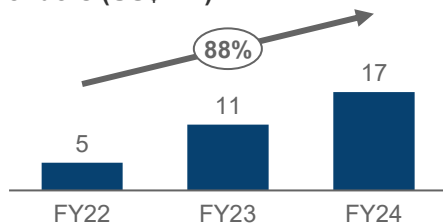


NBFC retail credit growth (US\$ Tn)

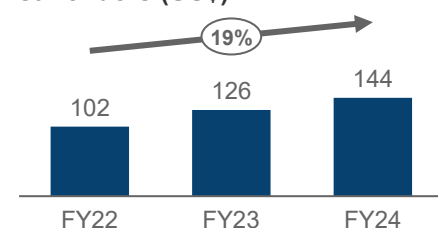


- India's systemic credit grew from US\$ 1.5 Trillion in FY20 to US\$ 2.7 Trillion in FY25, registering a 5-year CAGR of ~12%.
- Digital infrastructure reduces onboarding and underwriting frictions: e-KYC, public data pipes, and account-aggregated cash-flow data improve credit decisioning.
- Formalization of incomes through GST and payroll systems increases documented cash flows, lifting eligibility for salaried and self-employed borrowers.
- Wide branch and partner networks, co-lending with NBFCs, and embedded-finance channels improve reach in Tier-2 and Tier-3 markets. This enabled retail NBFCs to grow faster at 12-14% CAGR from FY20-24 and constitute 25-27% of retail credit market by FY25E.

Disbursements³ by Digital-First Lenders (US\$ Bn)



ATS (Average Ticket Size) by Digital-First Lenders (US\$)



India's digital base powers fintech lending growth – digital first lender continue to fill gaps left by Traditional Banks and NBFCs

- According to report by FACE, members disbursed ~102 Mn loans in FY24, up 35% YoY; value rose 49% to ~US\$ 17 Billion
- Banks typically avoid lending below ~US\$ 600 due to high operational costs.
- Rise in digital access has enabled fintech players to gather alternative data like third party app usage, SMS data, etc. to assess credit quality of first-time borrowers.
- Digital lenders are addressing the large pool of first-time borrowers who were typically excluded from formal credit due to thin credit files.
- Demand is driven by short-tenure, low-ticket consumer loans for lifestyle purchases, healthcare, education fees, or travel.

References:

- Bank of International Settlement
- National Housing Board (NHB) Data, RBI Data, Crisil Data, CRIF Data
- Digital first lenders (fintechs) reporting data to FACE organization

Sector Overview: Digital-First Lenders Are Gaining Share in Unsecured Loans and Consumer Durable Loans Segments

Key Segments in Lending

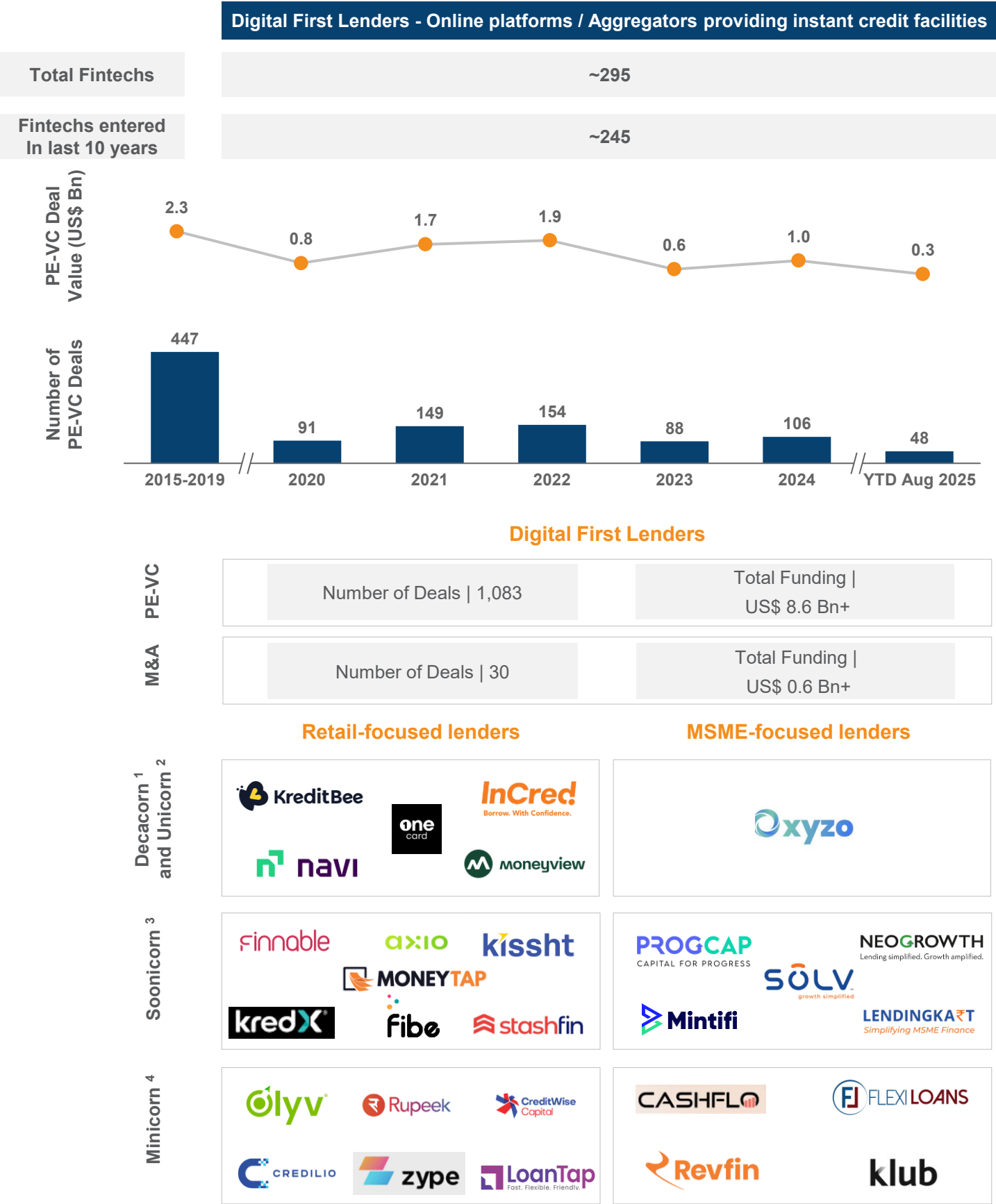
Retail	Share of Total Retail Lending AUM in FY25	Traditional FIs (Banks, NBFCs/HFCs)		Digital First Lenders
Housing Finance	~40%	~81% Banks	~19% HFCs   	
Unsecured Personal Loans	~22%	~76% Banks	~24% NBFCs   	     
Gold Loans	~15%	~87% Banks	~13% NBFCs  	 
Vehicle Loans	~13%	~55% Banks	~45% NBFCs   	  
Personal Credit Cards	~4%	~78% Banks	~22% NBFCs  	  
Microfinance	~4%	~51% Banks	~49% NBFCs/MFIs   	Not Available
Education Loan	~2%	~76% Banks	~24% NBFCs  	   
Consumer Durable Loans	~1%	~21% Banks	~79% NBFCs  	   
MSME	Share in MSME lending	~83%	~17%	
Unsecured MSME and SCF Loans	~63%	Banks	NBFCs  	     
Secured MSME Loans	~37%	Banks	NBFCs    	   

Regulations now standardize roles for banks, NBFCs and fintechs across co-lending, FLDG and embedded models enabling partnership model and resulting in digital lending platforms gaining share in overall lending market.

Sector Overview: Multiple Lending Models Available For Lenders, With Co-Lending Being The Scalable Mainstream Engine For Expansion

Operating Model	Overview
<div>1</div> <div>Lending Model – Own Book</div>	<ul style="list-style-type: none"> Interest income is a stable revenue generating stream; however, fintechs may find it challenging to continuously raise capital and scale, to build a sustainable revenue model.
<div>2</div> <div>Sourcing/ Service Fees Model</div>	<ul style="list-style-type: none"> This model relies upon pure play distribution, requires diligent focus on improving digitalization to bring down operating costs as well as enhance tech capabilities to funnel enhanced customer segment as well as provide them with an improved customer experience. However, commission revenue solely based on disbursements may limit growth and would be sensitive to the overall macro environment. Hence, a greater number of fintechs are likely to focus on trail revenues i.e., take a fraction of commission fees upfront and receive a share of loan as the customer repays, ensuring that the fintech’s revenues are accrued over the lifetime of the product.
<div>3</div> <div>FLDG Agreement Model</div>	<ul style="list-style-type: none"> Post new RBI guidelines on FLDG, business volumes in the risky segments where FLDG agreements exceed the 5% cap are expected to reduce and there may be a volume shift towards relatively low yielding less risky customer and lending products. While FLDG has been regulated and will be considered an acceptable benefit, the cap of 5% is expected to only benefit some fintechs operating in less risky segments. LSPs operating in riskier customers and lending products segments will manage FLDG cap with a higher hurdle rate expectation.
<div>4</div> <div>Co-lending model</div>	<div> <p>The diagram illustrates the Co-lending model flow. At the top, a box labeled 'Repayments' has an arrow pointing down to a box labeled 'NBFC'. Below the NBFC is a box labeled 'Fintech'. To the left of the Fintech is a box labeled 'Bank'. To the right of the Fintech is a box labeled 'Consumer'. Arrows show the flow of 'Service' and 'Fees' from the Fintech to the Bank. An arrow labeled 'Sourcing' points from the Consumer to the Fintech. An arrow labeled 'Credit' points from the Bank to the Consumer. An arrow labeled 'Repayments' points from the Consumer back to the NBFC.</p> </div> <ul style="list-style-type: none"> 2018 (Co-origination): RBI allowed banks to co-originate priority-sector loans with NBFC-ND-SIs, with blended borrower rate and risk-sharing. CLM-1: Introduced with RBI’s Co-Lending Model circular on November 5, 2020; this is the “non-discretionary/irrevocable-commitment” structure. CLM-2: Industry shorthand for the discretionary “cherry-pick” variant that was also permitted under the same Nov 5, 2020, circular by RBI. This was discontinued on August 6, 2025, when RBI Co-Lending Directions, 2025 to stop cherry picking of loans and align post-origination purchases under the Transfer of Loan Exposures (TLE) and standardize co-lending as one, joint-origination model (CLM 1). The model is expected to continue to maintain a fast growth rate in segments including housing, SME and consumer finance. Co-lending has grown significantly and will widely become a marketplace model with lender having more degree of participation as this model has been the most effective in promoting financial inclusion while protecting consumer interests and maintain systemic stability at the same time.

Fintech Deal Activity: Over The Past Decade, Digital Lending Has Recorded The Highest Number of Deals, With Strong Capital Inflows Into Both Retail and MSME Segments

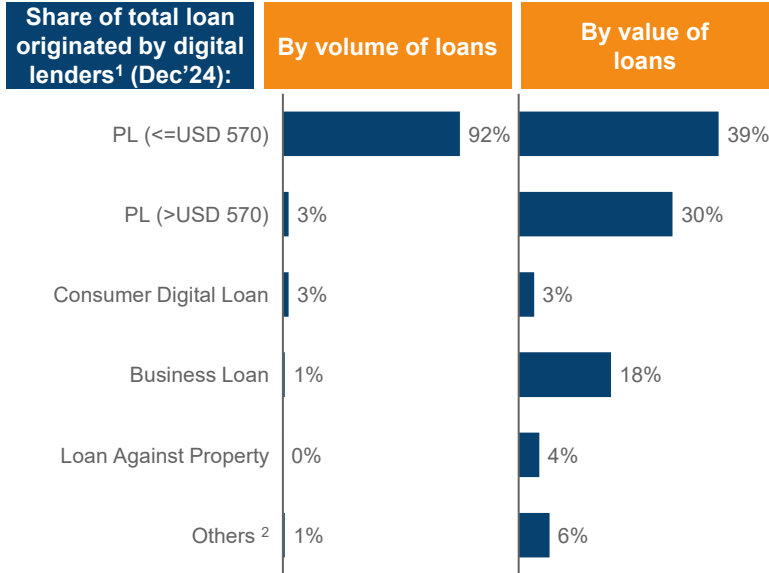


Key Trends: Digital Players Focus on Underserved Groups With Demand For Primarily Lower Ticket Size Loans

Drivers For Growth of Digital Lending Platforms in India

Filling Gaps Left by Traditional Banks and NBFCs

- Banks typically avoid lending below US\$ 600 due to high operational costs.
- Digital lenders are addressing the large pool of first-time borrowers who are excluded from formal credit due to thin credit files.
- Thin-file and informal-income borrowers value “step-up” journeys that build history before larger loans.
- Embedded channels (e-commerce, gig platforms, POS apps) lower acquisition cost and improve intent quality versus open-market leads.
- Personal loans account for ~69% of disbursement for digital lenders as of Dec’24, driven by young consumer base, affluent population and tier 2 and tier 3 distribution reach.



Personal Loan Portfolio: Fintech vs Rest of Industry (Dec’24) ¹		
	Fintech	Rest of Industry
% of young customer (<30 years)	61%	36%
% customers from semi-urban and rural	55%	51%
ATS for Prime customers (US\$)	~310	~3,400

- ### Regulatory push
- Foundational initiatives like Aadhaar, UPI, open APIs, and the Account Aggregator framework dramatically reduce costs for onboarding and credit assessment, making loans viable even for small ticket sizes.
 - Enabling mechanisms such as TReDS for invoice financing, Mudra loans, Kisan Credit Card, ULI pilots, and digital-first NBFC frameworks have lowered barriers to lending in underserved segments.
 - Co-lending by banks and NBFCs (Nov’20): Formalizes co-origination for priority-sector loans and enables small-ticket reach with shared first-loss and operations.

- ### Technology advantage
- As of 2024, majority of Indian population had cellular mobile connection with over 1.12 Bn active cellular mobile connection.
 - Cost of e-KYC is now less than US\$ 0.05 compared to ~US\$ 12 earlier, which has significantly improved the unit economics of lending below US\$ 600.
 - Rise in digital access has enable players to gather alterative data such as third-party app usage, SMS data, etc. to assess credit quality of first-time borrowers.
 - Rise in AI/ML tech and data analytics startups has made data analysis rapid and accurate over time, helping digital first lender underwrite loans faster.

References:

- Crisil Data
- Others include P2P Personal Loans, Two-wheeler loans, Education Loans, Auto Loans, Housing Loans, etc.
- Internal Analysis, Secondary Research, The Economic Survey 2023-24 by GOI

Key Trends: Traditional NBFCs With Strong Balance Sheet Going Digital to Increase Reach, Now Focusing on Collaboration With Digital First Players

Drivers For Partnership

Digital lending platforms have grown despite ecosystem challenges

Digital lending players such as KreditBee, Navi, Fibe, InCred have grown to AUM of over ~US\$ 500 Mn each despite:

- PPIs-via-credit-lines ban (2022) forced BNPL/card-like models to retool; many migrated to compliant mechanisms (bank/NBFC credit, co-lending).
- Risk-weight hikes (Nov'23) cooled overheated unsecured credit, but partial rollback (Feb'25) restored flow from banks to NBFCs and microcredit.

Traditional NBFCs' have found it challenging to go digital

1. Traditional NBFCs have attempted to establish digital lending capabilities but have found it challenging due to:
 - Superior customer experience provided by digital first players in onboarding and servicing
 - Inability in expanding digital reach due to limited digital brand presence targeted digital marketing strategy
 - Credit underwriting challenges as digital players are increasingly developing analytics models which are tuned to efficiently analyze alternative data and underwrite loans for their target customer segment
2. Recognizing these limits, NBFCs have shifted to collaborations with digital first players as co-lending and partnership model has matured, with analytics-led originators bringing funnel depth and NBFCs or banks providing balance sheets, governance and collections coverage that can sustain growth beyond metros.

Partnerships

Partners	Segment or Product Focus	Announced
Fibe and Mirae Asset Financial Services	Personal Loans	Apr 2025
Ola Money and InCred Financial Services	In-app personal loans	Aug 2024
Lendingkart and Tata Capital	MSME loans	Aug 2024
State Bank of India and Paisalo Digital	Priority-sector MSME and agriculture lending	Feb 2023
Poonawalla Fincorp and KreditBee	Consumer durable and personal loans	May 2022
Cholamanadalam and KreditBee	Personal loans	Jan 2022
Aditya Birla Finance and Moneyview	Personal loans	-

Key Trends: Super Apps Have Been Scaling Lending Through NBFC Partnerships, While Digital Lenders Have Been Expanding Into Full Financial Suites to Defend Market Share and Enhance Resilience

Super Apps Increasing Partnerships With NBFCs and Gaining Market Share in Digital Lending Segment



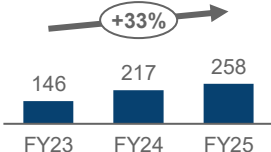
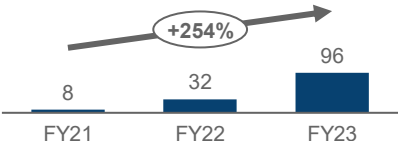
- As a part of cross selling and customer LTV expansion strategies, super apps have been increasingly focusing on lending.
- Once customers have an active credit account, attempts are to attach insurance, wealth, cards and subscriptions services.
- Thus, credit becomes the gateway to a full “money” stack (deposits for SFBs, AMC/insurance for fintechs), smoothing earnings through fee/float.

Super App Platform	NBFC Tie-Up	Lending Focus	Other Services
Adani One	KreditBee(pilot)	Personal small-ticket loans	Travel, bill-pay, rewards
Aditya Birla Capital	In-house NBFC	Banking, credit, insurance, wealth	Full financial stack
BharatPe	Merchant QR payments	Merchant Loans	Credit card (co-branded)
Flipkart / super.money	NBFC license granted	Consumer and seller loans via platform	E-commerce, payments
PhonePe	Platform connects end-users/merchants to NBFC lenders	Secured consumer loans and merchant credit	B2B and B2C payments, investment, insurance, travel
Paytm	Acts as a loan distributor with partner NBFCs	Medium to high-ticket personal and merchant loans	B2B and B2C payments, investment, insurance, travel

Digital lending players expand product suite to insurance, investments, payments to sustain and improve credit underwriting

Digital lenders are broadening from single-product PLs (personal loans) to a “money-suite” (secured credit, cards, payments, wealth, insurance) to:

- 1 Cut CAC with cross-sell
- 2 Strengthen underwriting via more data access
- 3 Defend share versus super-apps
- 4 Unlock lower CoF (Cost of Funds) and IPO-grade resilience

Parameter																		
Core Business	Lending	Consumer lending, UPI, Card-based payments																
Revenue Mix	Interest income, fee/commission income	Interest income, fee/commission income																
Revenue from operations (US\$ Mn)	<div><div>Navi Finserv</div><table><thead><tr><th>Fiscal Year</th><th>Revenue (US\$ Mn)</th></tr></thead><tbody><tr><td>FY23</td><td>146</td></tr><tr><td>FY24</td><td>217</td></tr><tr><td>FY25</td><td>258</td></tr></tbody></table></div>	Fiscal Year	Revenue (US\$ Mn)	FY23	146	FY24	217	FY25	258	<div><table><thead><tr><th>Fiscal Year</th><th>Revenue (US\$ Mn)</th></tr></thead><tbody><tr><td>FY21</td><td>8</td></tr><tr><td>FY22</td><td>32</td></tr><tr><td>FY23</td><td>96</td></tr></tbody></table></div>	Fiscal Year	Revenue (US\$ Mn)	FY21	8	FY22	32	FY23	96
Fiscal Year	Revenue (US\$ Mn)																	
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Fiscal Year	Revenue (US\$ Mn)																	
FY21	8																	
FY22	32																	
FY23	96																	
Strategic Shift	Building full-stack financial services ecosystem	Pivoted from prepaid cards to UPI and personal loans																
Diversification Theme	Reducing reliance on lending via wealth, insurance and payments	Expanding beyond lending via providing banking services																

- Super apps are capturing distribution at scale; lenders without daily-use surfaces face the challenge of differentiating on product breadth, risk stack, and partnerships.
- Super apps own traffic while specialists win on risk, niches, and product depth.

Conclusion: India's Digital Lending Will See Coexistence of Specialist Lenders and Super-apps As Players Focus on Catering Diverse Customer Segments and Partnerships For Growth

In Summary:

We expect India's digital lending market to remain structurally fragmented. As overall credit penetration rises, the digital channels are expected to expand rapidly, enabling multiple new and existing players to scale in parallel. The market's size and diversity across customer segments, use cases, and geographies will necessitate the coexistence of specialist lenders and super-app ecosystems, each leveraging alternative data and continuously refining segment-specific underwriting models to serve distinct needs.

Structural Drivers Leading to Coexistence:

Diverse customers demands:

Heterogenous use cases across ticket sizes, vernacular needs, Tier-2/3 geographies, and thin-file segments will allow multiple specialist lenders and embedded channels to sustain

Partnership models to fuel growth:

Co-lending, LSP arrangements, and super-app–NBFC tie-ups are expected to spread volumes across multiple balance sheets while originators focusing on acquisition, user experience and analytics to improve underwriting

Democratized financial and tech infrastructure to limit entry barrier:

Aadhaar, UPI, Account Aggregator, and modular API-first LOS/LMS tooling will keep setup and compliance costs low, enabling rapid entry and preventing winner-take-all outcomes

Oligopoly Pressures Appear and Will Likely Remain Contained:

Scale-driven data advantage to favour large players:

We expect high-volume lenders and super-apps to retain a structural advantage through access to alternative data, enabling deeper underwriting of thin-file customers. However, translating this data advantage into superior risk-adjusted outcomes will remain constrained by the effectiveness of collections systems

Regulatory interventions have immediate player impact, with limited long term market effect:

Regulatory interventions might occasionally push market towards scaled platforms. Product bans such as the prohibition on loading credit lines onto PPIs and higher risk weights on unsecured loans raise compliance and capital costs, favoring larger banks and NBFCs. However, continued updates in regulatory guideline will set clear directions for each category of player in the lending ecosystem and is likely to limit the impact of regulatory interventions

Banking and Lending Infrastructure

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Sector Evolution: Over The Years Players Have Evolved From Broad Platforms to Modular Solutions Focused on Vertical Innovation

Ecosystem Development (Pre-2010)

Legacy Pioneers Shaping Foundational Lending Platforms

- In 2000, the Reserve Bank of India advised all commercial banks to adopt core banking systems, with adoption across national banks alongside large enterprise platforms and early digital banking rollouts.
- Internet banking portals and the first mobile channels were layered on core systems to enable servicing, statements, requests, and fund sweeps within the bank.
- In parallel, early lending technology providers established platforms for loan origination and servicing which moved processes from paper to automated digital workflows and created the baseline lending technology.



Ecosystem Standardization (2010-2020)

API Foundations and Omnichannel Build-out

- Retail banking became truly omnichannel, with India Stack, responsive web, native applications for current and savings account onboarding, profile management, service tickets, and relationship-manager tools.
- Corporate banking digitalization extended beyond payments to include liquidity dashboards, account reporting, cash-flow forecasting, escrow and collections visibility, virtual account hierarchies, and file-based connectivity for large corporates.
- Regional rural banks, small finance banks, and cooperatives accelerated adoption of core banking systems and narrowed the technology gap with large banks.
- New entrants in banking and lending software introduced modular, API-driven, and cloud-native architectures that challenged incumbent suites as industry shifted from monolithic end-to-end suites to standardized and scalable platforms.

Banking as a Service



Lending Tech and Embedded Finance



Regtech



Analytics and Others



Expansion and Specialization (2021 – Present)

Rise in Vertical SaaS and AI Enabled Solutions

- As the ecosystem matured, vertical software providers-built Bharat BillPay System and the Account Aggregator framework to address granular bank-facing and lender-facing workflows.
- Platform options proliferated in adjacent functions, and banks adopted service layers that included no code and low code tooling as well as neo-banking interfaces that expanded internal capabilities.
- Lending platforms differentiated by targeting specific steps in the lifecycle and by emphasizing product depth, specialization, and measurable efficiency gains.
- Banks and lenders operationalized artificial intelligence across core workflows, including document understanding for onboarding and servicing, assisted operations workbenches for branches and contact centers, and relationship-manager copilots for query resolution.

Vertical Innovation



AI/ML led innovation

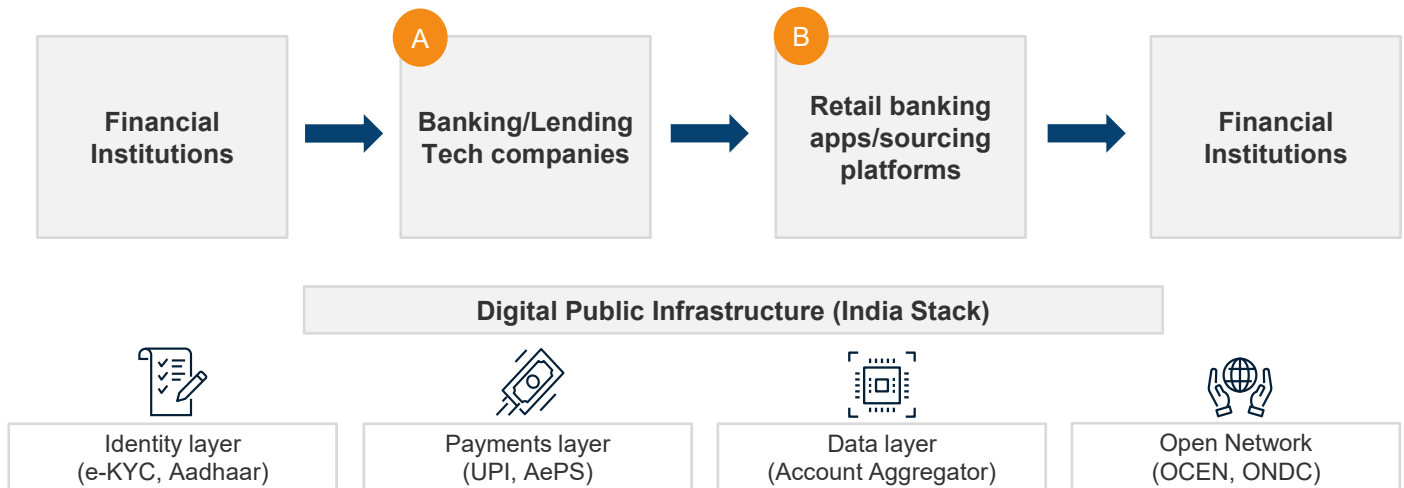


Regulatory Reforms: Regulatory Updates Shaping Banking/Lending Ecosystem In India

Phase and Timeline	Key Developments	Industry Impact / Themes
2015-16	<ul style="list-style-type: none"> eSign and DigiLocker enabled Central KYC Registry (CKYCR) Account Aggregator (AA) – Master Directions UPI and BBPS operationalize Priority Sector Lending Certificates (PSLCs) 	<ul style="list-style-type: none"> Providers launched onboarding as a service with API billing per eSign and per document fetch. Document vault and records management offerings became subscription add-ons for compliance and audit products. KYC utilities moved to KYC as a service with reusable KYC pricing and CKYCR integration fees. UPI and BBPS enabled faster collections with per transaction and success-based fees. PSLC opportunity created analytics marketplaces sold on subscription with optional deal origination retainers.
2017-20	<ul style="list-style-type: none"> eNACH / e-mandates at scale Co-origination (banks–NBFCs) Video-KYC; UPI AutoPay 	<ul style="list-style-type: none"> Mandate providers shifted to mandate as a service with setup, success and representation fees. Collections platforms added bounce recovery guarantees and performance-linked pricing tiers. Co-origination and risk models adopted by banks and NBFCs required infrastructure providers to update workflows to enable underwriting capabilities. Remote onboarding and EMI subscription flows scaled with identity verification software and mandate schedulers. Recurring billing providers monetized UPI AutoPay through monthly mandate fees and low-cost EMI collection bundles.
2021-22	<ul style="list-style-type: none"> AA goes live (major banks) Scale-Based Regulation (SBR) for NBFCs 	<ul style="list-style-type: none"> Production grade AA connectors deployed with consent registries and model monitoring. Platforms for governance, risk, compliance, audit and model risk gained adoption. Checkout and repayment controls strengthened with escrow, settlement and merchant KYC compliance. UPI Lite enabled small value flows and lightweight front ends.
2023-Present	<ul style="list-style-type: none"> Public Tech Platform for Credit (ULI/PTPFC) pilot Credit on UPI pilots 	<ul style="list-style-type: none"> Standardized credit APIs improved MSME and retail decisioning and expanded multi lender orchestration. Credit on UPI enabled pre-approved lines at checkout and in B2B, with adapters for line on UPI, limit management, collections and dispute tooling maturing.

Sector Overview: Indian Banking/Lending Ecosystem Requires Multiple Solutions to Enable Seamless Digital Banking Experience For Consumers

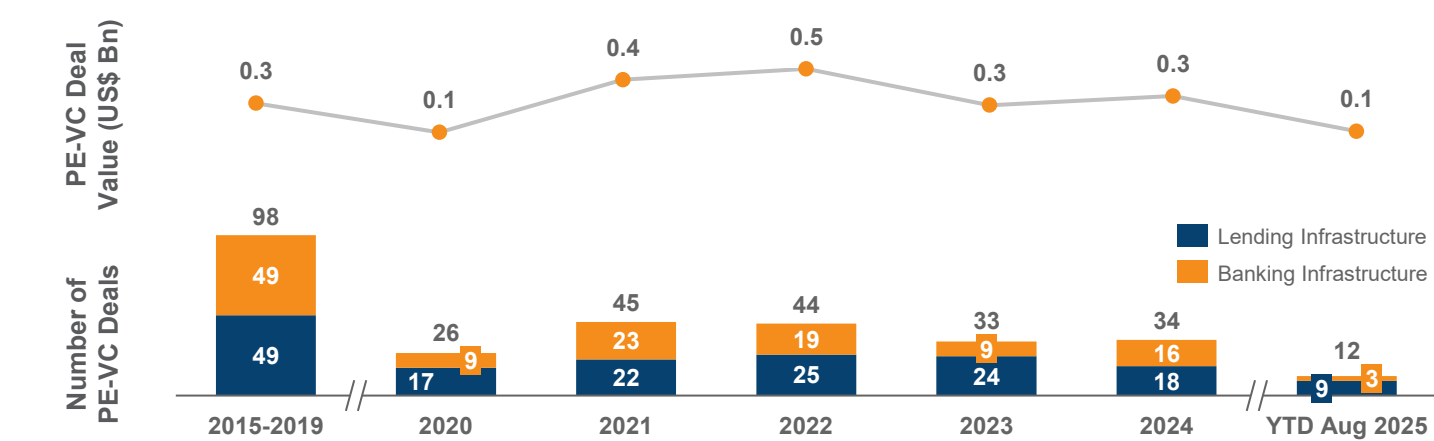
Lending/Banking infrastructure Ecosystem



	Segment	Role in Banking/Lending Infrastructure	Representative Players
B	Customer acquisition enablers	Enable digital customer acquisition through online platform, co branded card programs and embedded journeys; provide lead capture, pre-screening, and activation workflows.	gnani.ai, UNI, kiwi, Kiya.ai
	Onboarding and KYC/AML	Streamline digital onboarding with e-KYC, AML screening, document verification, account opening, and regulatory reporting.	FinBox, TRAC KWIZZ, SIGNZY, IDfy, KARZA
	Underwriting engines	Provide decisioning engines, scorecards, and data integrations to assess risk and set line and price in real time.	Lentra, NUCLEUS SOFTWARE, FinBox, pennant
	Collections technology	Digitize collections with segmentation, omnichannel outreach, promise to pay tracking, and legal workflow management to reduce roll rates and cost.	Credgenics, spocto, PRESOLV360, DPDzero
	Digital payment infrastructure	Provide payment initiation, UPI and cards acceptance, POS and SoftPOS orchestration, and settlement to enable merchant and in app payments.	TransBank, mintOak, Pine Labs, sambee
A	Credit card stack	Offer card issuance, lifecycle management, risk controls, and dispute handling across card management systems, KYC, and fraud monitoring.	M2P, FALCON, vegapay, H
	Supply chain finance stack	Enable anchor led invoice financing, dealer and distributor credit, and early payment programs with data exchange and risk controls.	VEEFIN, VAYANA, NAKAD, Cashinvoice
	SMB financial stack	Provide full stack finance for small businesses including banking, invoicing, GST and compliance, and cash flow analytics that feed underwriting.	open, Vyapar, cleartax, flobiz
	Co-lending stack	Orchestrate co lending between banks and NBFCs with LOS and LMS integration, risk sharing, reconciliation, and regulatory reporting.	Yubi, KNIGHT FINTECH
	Middleware for API pulls	Aggregate and normalize data from partner APIs and internal systems; provide authentication, throttling, logging, and data pipelines to speed integrations.	DECIMAL
	Core banking solutions	Deliver modern core platforms for deposits, cards, and payments with real time processing, product configuration, and compliance tooling.	zeta, Perfios, Infosys, Finacle

Fintech Deal Activity: Deal Flow in Banking and Lending Infrastructure has Moved Towards Scaled Platforms However a Robust Pipeline of Emerging Players Exists

	Banking Infrastructure	Lending Infrastructure	Total
Total Fintechs	~60	~60	~120
Fintechs entered In last 10 years	~30	~45	~75



	Banking Infrastructure	Lending Infrastructure
PE-VC	<div>Number of Deals 128</div> <div>Total Funding US\$ 0.6 Bn+</div>	<div>Number of Deals 164</div> <div>Total Funding US\$ 1.2 Bn+</div>
M&A	<div>Number of Deals 20</div> <div>Total Funding US\$ 0.2 Bn+</div>	<div>Number of Deals 10</div> <div>Total Funding US\$ 0.2 Bn+</div>
Decacorn ¹ and Unicorn ²	<div>Perfios</div>	<div>Yubi</div>
Soonicorn ³	<div>M2P</div>	<div> <div>lentra</div> <div>Credgenics</div> <div>CREDABLE</div> <div>VAYANA</div> </div>
Minicorn ⁴	<div> <div>IDfy</div> <div>Trustt</div> <div>FINTELLIX</div> <div>SIGNZY</div> <div>TransBnk</div> <div>Hyperface</div> <div>digio</div> <div>AUTHBRIDGE</div> </div>	<div> <div>kaleidofin</div> <div>pennant</div> <div>GetVantage</div> <div>FinBox</div> </div>

Note:

- Decacorn: Privately held startup valued at US\$ 10 Bn or more
- Unicorn: Privately held startup valued at US\$ 1 Bn or more
- Soonicorn: Privately held startup valued close to US\$ 1 Bn expected to become a unicorn soon
- Minicorn: Early-stage startup valued under US\$ 1 Bn showing strong scalability
- Companies mentioned are select companies from the group of unicorn, soonicorn and minicorn

Key Trends: Despite Commanding The Bulk of Retail Lending Share, Traditional FIs Face Growth and Efficiency Headwinds and...

Traditional FI continue to command majority share in key retail lending subsegments but face challenges such as:

How to increase customer base and continue growth momentum?

Traditional FIs find it challenging to expand reach as fintech “minutes-to-credit” online digital journeys outclass branch-centric, multi-step onboarding

How to improve underwriting effectiveness and sustain asset quality?

Traditional FIs need to adopt open-finance infrastructure, unlocking analytics-led underwriting and collections which can help better assess and monitor asset quality

How to realize operating leverage?

Traditional FIs find it challenging to continuously realize operating leverage and compete with digital lenders who have online operating models

Adoption of AA¹ by FIU (Financial Information User)

The Account Aggregator ecosystem surged from 29 to 146 live FIPs and 128 to 363 FIUs, and enabled ~US\$ 18 Billion of loans in FY25, evidence that consented data flows are now mainstream inputs to automated decisioning

Products X FIU Category	Personal Loan	Credit Card	Unsecured Business Loan	Motor Loan	Home Loan	Loan Against Property
NBFCs						
Private Sector Banks						
Public Sector Banks						
RRBs						

Key Trends: ...Hence Traditional FIs Have Been Leveraging Technology Platform Built by New Age Lending Infrastructure Players to Combat These Challenges

1 Transition From Monolithic/Legacy Loan Life Cycle Management to Modular Architecture

<ul style="list-style-type: none"> As regulation tightened and AA-driven data became ubiquitous, lenders moved from monolithic builds to specialist LOS/LMS and co-lending/analytics partners. Digital-first lenders have set expectations for instant underwriting and seamless collection, propelling incumbents to migrate to modular LOS/LMS and analytics providers. 	LoS / LMS / Securitization Platforms	Select Key Partners
	FinOne	ICICI Bank, Bajaj Finserv, Mahindra Home Finance
	Pennant	Piramal Finance, Avanse Housing Finance, Axis Finance
	Yubi	Vivriti Capital, SBI, Axis Bank, Aditya Birla Finance

2 Recent Expansion Of Lending Tech Ecosystem Across Varied Models like:

a API platform providers

API Platform Provider	Key Clients	<ul style="list-style-type: none"> API based platform provide pre-integrated APIs, SDKs, back-office portal allowing configurable journey and quicker deployment. The rise of this modular, API-driven platforms is allowing banks, NBFCs, and fintechs to integrate credit products without building in-house infrastructure with no-code/low-code and quicker deployment options.
Finbox	Kissht, Poonawalla Fincorp, Navi, KreditBee, Lendingkart	
50Fin	IIFL Finance, Jio Financial Services, Piramal	

b Embedded financing platforms

Embedded Finance Providers	Key Partners	Overview
Veefin	FIs - HSBC, Muthoot Fincorp, RBL Bank, DBS Corporates - ExxonMobil, Schindler,	Partners with banks to help build supply chain financing capabilities and corporate to enable anchor led supply chain financing
Vayana Network	FIs (Federal Banks) and Corporates	

Beyond traditional term loans, embedded models are on rise as they enable:

- Underwriting on real transaction flows from the marketplace and collection at source via payout control, reducing slippage and delinquency versus off-platform lending.
- Native, in-journey distribution which lowers CAC and TAT, lifts conversion and seller retention, and gives SMEs working capital aligned to sales cycles.

Traditional FIs are increasingly adopting modular API driven platforms, which has further fueled innovation in vertical SaaS offering across banking and lending tech.

Key Trends: Vertical SaaS Innovation As Multiple Players Leverage AI, Cater Niche Segment and Some Expand Globally

Niche segments observing vertical SaaS and AI led innovation:

Identity and onboarding stack:

Multiple KYC modes, risk tiers, and product journeys require configurable flows, audit-grade evidence, and continuous regulatory updates.



Credgenics



AI led innovation enables:

- Accelerates compliant origination with document intelligence, V-CIP/KYC orchestration and fraud screening, cutting turnaround time and errors.
- Improves risk decisions across the lifecycle through alternate-data credit scoring, portfolio early-warning signals and explainable limit/price actions.
- Optimizes operations and revenue via next-best-action personalization, agent-assist service, and propensity-to-pay collections with automated AML/case workflows.

Diverse customer needs: As basic infrastructure becomes uniform, banking needs become more domain specific, favoring configurable, compliance ready SaaS. AI/ML use cases cover different parts of the banking and lending lifecycle, allowing specialized SaaS providers to integrate with banks and NBFCs. This has led to multiple players entering the market, as they complement each other by focusing on distinct stages such as onboarding, portfolio monitoring, and collections.

CBS Partnerships: Large CBS platforms like TCS Bancs and Infosys Finacle have developed partnership ecosystem allowing new age companies to enter ecosystem and cater clients. Without such ecosystem it would be difficult in for young companies to partner with traditional FIs given regulatory watch over compliance and data security.

Funding and Acquisition fueled innovation: Companies like CreditVidya, Fintellix, Setu, Karza, etc. have received US\$ 10-20 Mn of VC funding investments before getting acquired by larger platform players looking to diversify portfolio. This capital fusion has allowed startups to innovate and gain market presence before getting acquired by larger players.



Key Trends: Competing on Scale and Reliability Infrastructure, Players Are Using Targeted Acquisition to Bundle Adjacent Services Into Single Platforms

Targeted Acquisitions by infrastructure Players

Target	Year	Acquired By	Target Details	Acquisition value (US\$ Mn)
Karza	2022	Perfios	AI powered financial data analysis and decision support software	~US\$ 80 Million
Clari5	2025		Provider of banking financial crime management product	-
Ezee.ai	2024	Veefin	Provider of AI-based digital lending, debt collection, and other fintech solutions	~US\$ 15 Million
Difenz	2024	Signzy	AI-enabled fraud risk eliminating solutions for multiple sectors	~US\$ 5 Million
Wizi	2021	M2P	Democratizing the credit card buying experience using its proprietary recommendation engine	~US\$ 5 Million
Goal101	2023		Transaction Behavioural Intelligence (TBI) company that enables banks to become contextual, real time and intelligent across all aspects of the customer journey	~US\$ 30 Million
Syntizen	2022		Provider of customer onboarding and identity authentication solutions for businesses	-
Finflux	2022		Cloud-based lending solution for Banking and Finance industry	~US\$ 20 Million
BSG	2022		Cloud-based core banking solution	-
Origa.ai	2021		Debt recovery service platform	-

- Leaders are stitching adjacent modules into unified platforms, enabling single-vendor RFP wins, tighter compliance coverage, and measurable P&L uplift through cross-module orchestration.
- Acquisitions of AI based and niche solution providers in behavioral intelligence, underwriting and fraud analytics, KYC and onboarding, and collections fast-track capability build, strengthen compliance, and expand cross sell into bank and NBFC clients.
- Valuations commonly clear at >10x revenue when the target has large clientele, strong net new revenue growth, and clear synergies with the acquirer's existing products that expand average revenue per client and win rates; assets lacking these drivers trade at discounts or with earn-outs.



Conclusion: India's Banking and Lending infrastructure Sector Is Expected to Stay Open by Design, With Selective Scaling and Sustained Market Coexistence

In Summary:

We expect banking and lending infrastructure market to demonstrate coexistence with selective concentration at scale-heavy core banking platform players. Regulation and interoperable systems will continue to enable collaboration, diverse customer needs will reward niche providers, and modular design will continue to allow institutions to choose from multiple players. Some may emerge as large players, but open standards ensure viable alternatives continue to emerge

Structural Drivers Leading to Coexistence:

Regulatory push for openness:

India Stack elements and regulatory sandboxes are expected continue encouraging interoperability and reduce barriers to partnering with banks and NBFCs. FIUs across banks and NBFCs will increasingly use consented data for automated decisioning across major retail products, normalizing multi-provider data flows

Consumer segmentation:

Diverse segments and use-cases will be focused on rewarding domain-specific SaaS rather than one-size-fits-all platforms. Specialist providers in onboarding, risk, fraud, portfolio monitoring, and collections will solve deeper domain problems with use of growing AI/ML tech stack and continue to integrate with a wider set of financial institutions

Open architecture and API-first design:

Interoperable, modular products will continue to let multiple providers plug in, embed services, and compose end-to-end journeys. Incumbents to continue transition from monoliths to configurable LOS/LMS and analytics partners to improve speed, underwriting, and collections

Oligopoly Pressures Appear and Will Likely Remain Contained:

Ecosystem lock ins:

Large CBS platforms benefit from scale and may concentrate, but open standards will limit lock-in. Incumbents are expected to retain customer trust and distribution yet continue to depend on specialist partners for innovation and speed

Targeted M&A:

The next phase will see acquirers bundling adjacencies to address single-vendor RFPs and tighten compliance. Fragmentation will persist because the segment still has many providers as each deal adds modules and not create customizable end-to-end tech stack

Insurance



Sector Evolution: Since 2000, India's Insurance Sector Has Evolved From Agent-led Sales To API-Enabled Embedded Distribution, While Risk Underwriting Remains With Regulated Carriers

Liberalization and Early Online Pilots (Pre-2010)

Market Opened to Private Players and Built Foundations For Distribution Network

- Insurance market opened to private players as IRDA was set up in 2000 and foreign ownership up to 26% was allowed.
- Consumer and distribution rules matured, and policyholder protection norms came in with corporate agents being licensed to sell insurance in 2002 and the broker channel was launched 2003.
- Insurance broking and TPAs were formalized early, the first brokers were licensed in 2003.
- Digital insurance broking started late 2000s with Policybazaar began online comparison in 2008, Aegon Religare launched iTerm in 2009 as an online term plan, and ICICI Lombard and Royal Sundaram enabled online motor policy purchase around 2009-10.



Reform-Led Transition to Digital (2010-2016)

Regulatory Reforms Initiated The Shift to Digital Distribution

- Motor insurance was overhauled in 2011 third party premiums were subjected to annual revision.
- Distribution opened up in 2013 to 2016 with corporate agents being allowed to partner with three insurers per line and bank tie-ups with three insurers across life, non-life and health.
- In 2015 the Insurance Act raised FDI from 26% to 49% and allowed foreign reinsurers to open branches.
- In 2011–2013 IRDAI issued web-aggregator rules and launched e-insurance accounts via repositories, and its mobile app enabled digital comparison of products.
- InsurTechs offering web-aggregator, online broking and Insurance-as-a-service emerged.



Embedded Insurance, Product Innovation (2017 – Present)

API-Led Infrastructure Have Accelerated Innovation and Is Scaling Embedded Insurance

- Policy tailwinds unlocked capacity and speed – FDI cap was raised to 74% (2021) and 100% (2025), “Use-and-File” product approval began in 2022, accelerating capital inflows and product launches.
- API-first infrastructure made insurance pluggable; quote, bind and issue became SDKs/APIs, so banks, NBFCs, ecommerce and HR platforms could embed cover inside existing flows without building stacks.
- IRDAI sandbox (2019), video-KYC (2020) and Use-and-File (2022) shortened approvals and enabled paperless issuance, letting embedded and micro-covers scale further.
- Liberalization of expense of management limits executed in 2024 followed by IRDAI proposed draft bill for composite insurance for private insurers.



Regulatory Reforms: From Privatization and FDI to Portability, Web-aggregators, Sandboxes, and 'Use-and-File' Regulation Has Turned Compliance Into Speed







Phase and Timeline	Key Developments	Industry Impact / Themes
Pre - 2005	<ul style="list-style-type: none"> Parliament passes the Insurance Regulatory and Development Authority Act, 1999 IRDA incorporated as a statutory body (Apr), market opened to private players General Insurance Business (Nationalisation) Amendment Act, 2002 	<ul style="list-style-type: none"> Establishes the insurance regulator and sets up the legal basis for opening the sector. Private entrants begin applying with clearer reinsurance architecture with national reinsurer. GIC Re becomes pure reinsurer; four PSU non-life insurers operate independently.
2007-08	<ul style="list-style-type: none"> Detariffication of general insurance (rate controls removed from Jan 1, 2007) Policybazaar founded (early Indian "InsurTech" marketplace) 	<ul style="list-style-type: none"> Risk-based pricing and product innovation and heightened competition, margin pressure, and analytics adoption. Begins the price-comparison/web-aggregator era as consumers shift online for discovery.
2011-13	<ul style="list-style-type: none"> Health Insurance Portability introduced (IRDA Circular 10-Feb-2011; effective Oct 1, 2011) a) Launch of Insurance Repositories and e-Insurance Account (eIA) system (Sep 16) b) IRDA Linked and Non-Linked Product Regulations, 2013 	<ul style="list-style-type: none"> Customers can switch health insurers with continuity of benefits which raised service quality and competition. Policy demat lays the foundation for digital servicing. Product standardization and consumer protection as insurers upgrade policy admin.
2014-15	<ul style="list-style-type: none"> Insurance Laws (Amendment) Act, 2015, FDI cap raised to 49%; "IRDA" renamed "IRDAI" Point-of-Sales Person (POSP) model introduced; Insurance Marketing Firms (IMF) framework matures 	<ul style="list-style-type: none"> Influx of foreign capital as joint ventures deepen tech/process upgrades. Low-cost distribution expands into Tier-2/3 via digital onboarding and supports retail motor/health growth.
2016-17	<ul style="list-style-type: none"> IRDAI (Health Insurance) Regulations, 2016 Digital-first insurers emerge: ACKO gets license (2017); Digit starts ops GST rolls out; insurance taxed at 18%. IRDAI Insurance e-Commerce (ISNP) Guidelines; Web Aggregator Regulations 	<ul style="list-style-type: none"> Modernizes health product rules and paves way for standard products and digital workflows. Cloud-native stacks, app-first UX, telematics/automation pilots and benchmark for "full-stack" InsurTech in India Premium tax treatment unified Formal guide for online sale/servicing which accelerated digital policy purchases

Regulatory Reforms: Continued...

Phase and Timeline	Key Developments	Industry Impact / Themes
2018-19	<ul style="list-style-type: none"> Long-term TP for new vehicles mandated post Supreme Court order; IRDAI operationalizes options Ayushman Bharat – PM-JAY launched IRDAI (Regulatory Sandbox) Regulations, 2019; Common Service Centres regulation 	<ul style="list-style-type: none"> Motor books reprice, distributors adapt to 3-yr/5-yr TP constructs. Massive government-backed health coverage; ecosystem readies for TPAs/claims digitization. Live pilots for usage-based, on-demand, wearable-linked products.
2021-23	<ul style="list-style-type: none"> Insurance (Amendment) Act, 2021PB Fintech (Policybazaar) IPO/listing “Use and File” extended across health and life New principle-based regime on Expenses of Management (EoM) and Payment of Commission (intermediaries) notified 	<ul style="list-style-type: none"> FDI limit raised to 74% in Amendment Validates aggregator/internet distribution model; capital for adjacencies. Incentives move to board-approved policy within caps; more flexibility for digital/channel mixes.
2024-25	<ul style="list-style-type: none"> a) IRDAI (Insurance Products) Regulations b) IRDAI (Protection of Policyholders’ Interests and Allied Matters) Regulation c) Bima Sugam (Insurance Electronic Marketplace) Regulations Health insurance rules eased: entry-age ceiling removed; wider inclusivity Go Digit listed on exchanges IRDAI notifies fresh Regulatory Sandbox Regulations 	<ul style="list-style-type: none"> Principle-based product governance and customer-protection upgrade. Seniors and niche cohorts can be targeted; product designers/underwriters reprice and broaden portfolios. First full-stack “new-age” general insurer to list, public markets validation for InsurTech carrier model. Sandbox 2.0 provide clearer guidelines giving continued pathway for IoT and embedded product.

Sector Overview: The Market Is Still Underpenetrated With Low Density, But Premiums Are Rising with Health Leading Growth

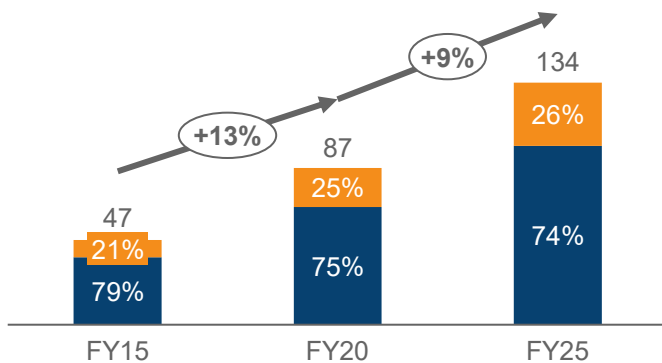
Global Insurance Benchmark¹

	 India		 Global	 Malaysia	 Thailand	 China	 USA
	FY02	FY24	FY24	FY24	FY24	FY24	FY24
Insurance Penetration (%)	~2.7%	~3.7%	~7.1%	~5.2%	~5.3%	~3.9%	~11.8%
Per capita insurance premium (US\$)	~12	~95	~889 ²	~590	~384	~508	

- India's insurance penetration remains lower as compared to its global peers and world average, with insurance density being significantly low due to affordability and awareness barriers and low adoption of pure-risk covers.
- Penetration gap when compared to global average is higher in case of non-life insurance (~4.2% of global average vis-à-vis 1% in India) as demand is muted by low perceived risk and high out-of-pocket culture.

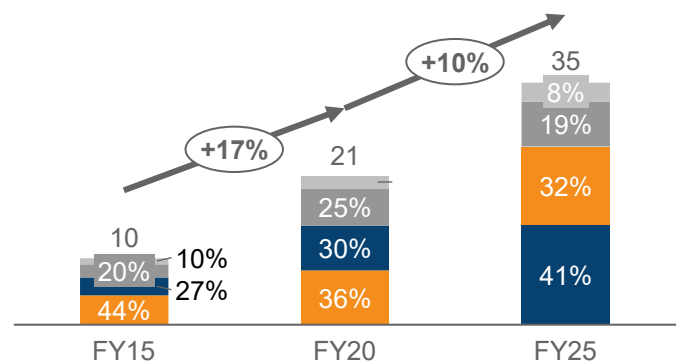
Indian Insurance Industry Market Size – Gross Direct Premium, FY15-25, US\$ Bn

■ Life ■ Non-Life



Indian Non-Life Insurance Industry Market Size – Gross Direct Premium, FY15-25, US\$ Bn, No.

■ Health (PA+travel incl.) ■ Fire
■ Motor ■ Others



Number of players

	Mar-15	Mar-20	Mar-25
Non-LI	28	33	35
LI	24	24	26

Number of players

	Mar-15	Mar-20	Mar-25
GI	23	27	28
SAHI	5	6	7

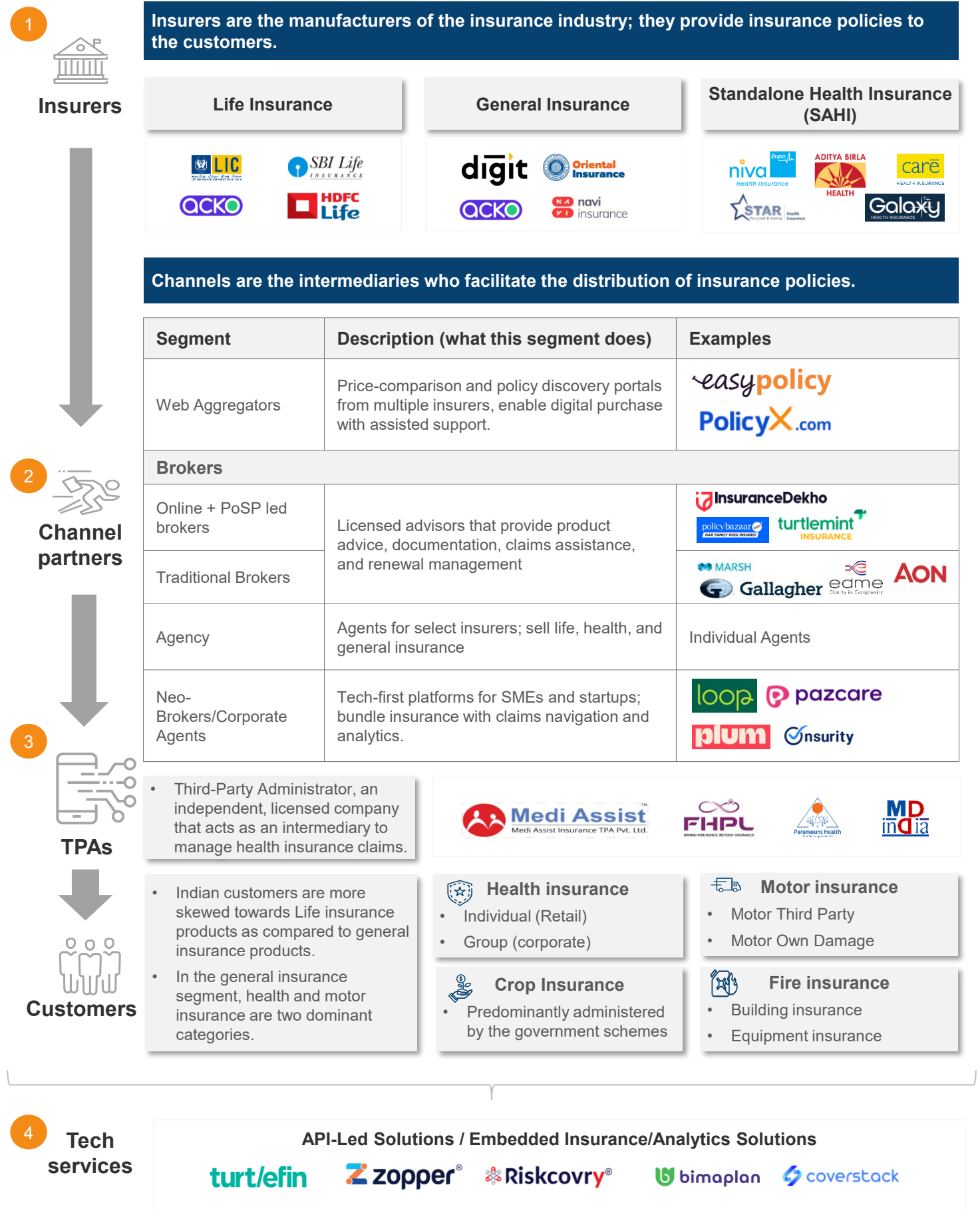
- Over FY15-24, Indian insurance market has grown at ~12% compared with the global average of ~4%.
- Life insurance sector has seen a shift from investment-linked insurance schemes to guaranteed returns products and pure-term plans.
- Unlike life insurance, COVID-19 had an adverse impact on the Non-life segment leading to slowdown in growth rate.

- Slowdown in growth in non-life segment was driven by lag in motor insurance due to slump in auto sales and lockdowns brought on by the pandemic.
- However, health insurance led the overall growth with group health insurance growing at ~29% CAGR from FY21-24 due by higher corporate adoption, inclusion of gig workers.

References:

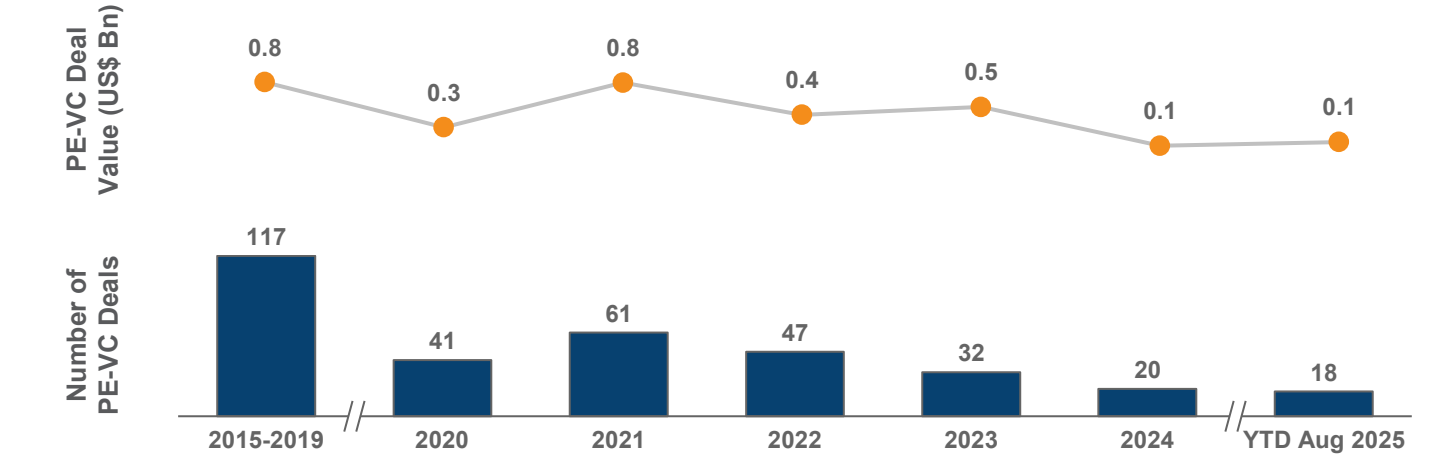
- Swiss Re, Sigma Report on World Insurance 3/2024 and Korean Insurance Study 2024
- Presented for CY2023 instead of FY24

Sector Overview: Insurance Risk in India Is Made by Manufacturers, Delivered by Aggregators, Brokers, and Agents Operating Through Varied Business Models



Fintech Deal Activity: Overall Funding In The Segment Has Declined However Deal Flow Momentum Has Sustained Across Early and Growth-Stage Players

	InsurTech
Total Fintechs	~125
Fintechs entered In last 10 years	~80



InsurTech

PE-VC	Number of Deals 336	Total Funding US\$ 3.2 Bn+
M&A	Number of Deals 13	Total Funding US\$ 0.04 Bn+
Decacorn ¹ and Unicorn ²	<div> </div>	
Soonicorn ³	<div> </div>	
Minicorn ⁴	<div> </div>	
















Note:

- Decacorn: Privately held startup valued at US\$ 10 Bn or more
- Unicorn: Privately held startup valued at US\$ 1 Bn or more
- Soonicorn: Privately held startup valued close to US\$ 1 Bn expected to become a unicorn soon
- Minicorn: Early-stage startup valued under US\$ 1 Bn showing strong scalability
- Companies mentioned are select companies from the group of unicorn, soonicorn and minicorn

Key Trends: Insurance Manufacturing Remains Incumbent-heavy; Distribution Tilts Toward Oligopoly



1

Manufacturing is dominated by traditional insurers who continue to reap benefits of early market entry and vast multi channel distribution network; while new age InsurTech companies are making strides and gaining market share.

Segment wise GDPI market share	Mar-15	Mar-25	Top 5 companies in Mar'25
Life Insurance	~89%	~84%	    
Health Insurance	~67%	~51%	    
Motor Insurance	~56%	~45%	    

Across both life insurance and key non-life segments such as health and motor, the share of top 5 insurers has been reducing for last 10 years

- Overall life insurance market remains concentrated with top 5 insurers accounting for over 80% market share, however, share of LIC has dropped from ~73% in Mar'15 to ~57% in Mar'25.
- Concentration of health insurance market share has shifted from PSU Insurers to SAHI Insurers as PSU insurers lost ~24% market share while SAHI insurers have gained ~18% market share.
- Market share of top 5 insurers in motors insurance segment has declined by ~9% in past 10 years with new entrants gaining share.

InsurTech		GDPI (US\$ Mn)		Motor (%)		Health (%)		Others (%)	
(Founding Year)		FY18	FY25	FY18	FY25	FY18	FY25	FY18	FY25
	2016	~0.1	~234	~89%	~49%	~11%	~45%	~0%	~6%
	2017	~10	~962	~80%	~69%	~3%	~19%	~17%	~12%

- Within the general insurance manufacturing segment, two InsurTech Acko and Digit entered market in 2016 and 2017 respectively, initially adopted a monoline segment focus with over 80% share in motor insurance.
- Over past 8-9 years, both business have diversified line of business mix to include health and other insurance products, however overall GI market share remains at 0.7% and 2.8% for Acko and Digit respectively in FY25.
- Digit has reached ~6% market share in motor insurance segment, whereas top 3 players only account for about 8-10% of market share individually.

2

Distribution channels like web aggregators and POSPs have been dominated by few large players and tail of smaller players.

Sponsoring agency	No. of sponsoring agencies	No. of POSPs
Insurers	48	780k+
Insurance Brokers	256	990k+
Corporate Agents	62	270k+

Insurance Broker	No. of POSPs
Policy Bazaar	250k+
InsuranceDekho	240k+
Turtlemint	300k+
RenewBuy	100k+
Probus	70k+

- POSP network is concentrated amongst InsurTech brokers.
- Further consolidation witnessed amidst the top InsurTech brokers with InsuranceDekho acquiring RenewBuy.
- Online insurance discovery is driven by brand awareness, user experience and network effects, making it favorable for Policybazaar, Insurance Dekho providing them CAC advantage over discovery only platforms.
- Super apps like PhonePe/Paytm have ventured into broking and discovery by embedding insurance into everyday journeys catering to large existing customer base.

Key Trends: InsurTech Companies Are Innovating Across The Value Chain and Growing by Solving For Niche Segments

3

Insurance-as-a-Service, claims management, analytics platforms and neo broking are in growth phase with continuous innovations to cater to niche segments and hence are coexisting.

Embedded distribution and channel digitization

API-first stacks are powering quote, bind, KYC and servicing inside partner journeys for banks, NBFCs, OEMs, e-commerce and dealer networks.

Incumbent channels are getting software layers for bancassurance, POSP and dealer-led sales which are improving speed, compliance and reach.



Neo broking for employers and SMEs

Tech-first brokers package group health and benefits with HRIS/payroll integrations, employee apps, OPD and wellness to compress onboarding and improve renewals.

Cross-sell into commercial lines like D&O, Cyber and WC creates a multi-line wedge against mid-tier legacy brokers.



Claims, servicing and underwriting automation

Workflow tools and AI parse documents, score risk, detect fraud and streamline FNOL-to-adjudication, cutting TAT and leakage for insurers, TPAs and hospitals.

Hospital-side claim assistance and financing software reduce AR days and improve member experience.



Analytics platforms and product innovation under pro-innovation regulation

Data and decisioning platforms drive pricing, cohort analytics, lapse/renewal prediction, risk analytics for niche use cases and agent productivity for carriers and large distributors.

Sandbox approvals, PAYD/PHYD ¹ and upcoming DPI are standardizing data exchange and enabling new usage-based products.



Conclusion: India's Insurance Market Is Moving Towards a Mixed Structure Where Oligopoly Is Likely to Persist Within Distribution While Manufacturers and Tech Platforms Coexist

In Summary:

India's insurance market will evolve into a mixed structure. Manufacturing will continue to see decline in share for top players with new entrants making inroads into niche sectors. Web aggregators, and POSP are likely to remain structurally oligopolistic due to brand awareness and trust and scale advantages, respectively. In contrast, technology-led providers in neo-broking, analytics, underwriting and claims management, and Insurance-as-a-Service will see coexistence, with multiple players innovating on open technology infrastructure and using AI and large models to deliver tailored solutions for niche segments

Structural Drivers Leading to Coexistence:

Open architecture and technology led innovation to benefit new entrants:

Demand for AI and machine learning analytics platforms that use alternative data across motor health and life insurance will rise as an insurer's right to win rests on underwriting and risk management strength

API-first stacks, regulatory sandboxes and upcoming DPI like Bima Sugam are standardizing data and integrations, enabling many specialist players in insurance-as-a-service, in claims, hospital workflows and analytics plug into carriers and brokers without heavy lock-in

Diverse consumer base enabling niche solutions:

Fragmented demand across SME group health, OPD and wellness, PAYD/PHYD motor, cyber and D&O, vernacular servicing and Tier-2/3 reach creates multiple winning niches, sustaining parallel scale for multiple players in Insurance-as-a-service

Inhibitors to Coexistence:

Strong network effects and customer preferences:

High-volume web-aggregators and POSP benefit from aggregate traffic and higher agent productivity at lower unit costs, these scale moats improve conversion and cross-sell, yet product heterogeneity across segments limit winner-take-all outcomes

Trust and brand advantage:

Customers prefer insurers with a proven claims record and wide service networks, which benefits established players. But life, health, and motor need tailored products, so new entrants still have room to coexist

Wealth



Sector Evolution: India's Wealth Ecosystem Has Shifted From Broker-Led, Paper Processes to Digital Investment Platforms to Now Tailored Wealth Solutions

Foundation of Markets (Pre-2010)

Intermediation and Digitization

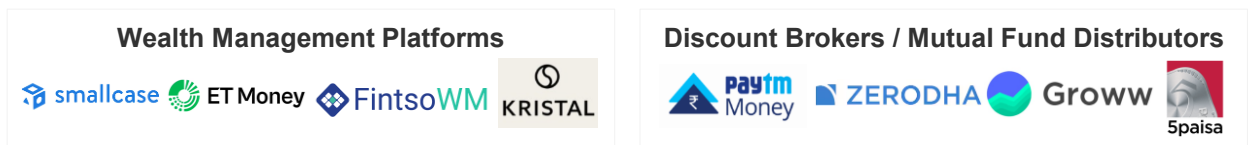
- Dematerialization (mid-90s) laid foundation for digital investment with electronic holdings and exchange-based MF transaction systems launched in late 2009.
- Post global financial crisis came, SEBI's abolishment of loads in 2009 led to an inflection that began the slow pivot away from upfront commissions toward cleaner pricing.
- Retirement savings widened as NPS opened to all citizens in May 2009, expanding the advisory opportunity set beyond mutual funds and planted the seeds for long-term advisory products.
- Online brokerage being with early web-based solutions from banks and brokerage firms along with setup of wealth management arms by traditional Fis.
- Platforms helped RIAs, private banks, and distributors move away from spreadsheets/manual processes into digital portfolio management.



Rising participation in markets (2010-2018)

Rise of Direct Plans, Discount Broking and Early Wealth Tech

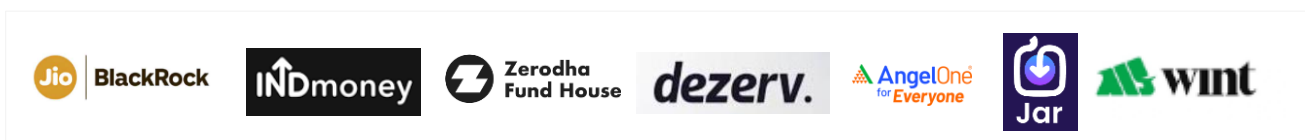
- SEBI Investment Adviser (2013) and Research Analyst (2014) regulations formalized fiduciary conduct and costs reduced and comparability improved as direct plans became mandatory from 2013.
- DIY investing scaled as discount brokers introduced low-fee execution and digital onboarding, led by Zerodha and Upstox followed by companies like 5paisa, Groww.
- Product selection became simpler after scheme categorization in 2017 and introduction of thematic portfolios as a product by players like smallcase which introduced broker-integrated, theme-based baskets, opening a new wrapper beyond single stock/MFs.
- API-driven and cloud-native platforms emerged, offering modular financial planning, aggregation, and risk analytics.



Maturing Market and Innovation (2019 – Present)

Full-Stack Wealth-Tech and New Wrappers

- From "single-product apps" to full-stack wealth including MFs, cross-border investments, AIF access, and advice layers focused on monetization via distribution fees where allowed and advisory/ subscription fees, margin products, and manufacturer economics for broker-owned AMCs.
- Fixed-income and MF execution moved under clear online frameworks, as SEBI introduced the OBPP regime in 2022 and the Execution-Only Platform framework in 2023, enabling compliant retail distribution at scale.
- Capital-gains rationalization (2024) simplified holding periods and set a uniform 12.5% LTCG rate (no indexation), material for portfolio construction, fund choice and wrappers, giving an impetus to financialization of savings.
- The product shelf widened with rise of cross-border investment, gold investing, P2P lending, etc.
- Embedded wealth-tech in fintech/banking ecosystems with goal-based apps, wealth APIs and AI/ML analytics solutions on rise.



Regulatory Reforms: SEBI Reforms Built Digital Rails and Tighter Safeguards, Shifting Wealth From Broker-Led to App-Led Journeys With Broader Products and Lower Fees

Phase and Timeline	Key Developments	Industry Impact / Themes
Pre-2008	<ul style="list-style-type: none"> NSE launches nationwide electronic equity trading SEBI (Mutual Funds) Regulations notified NSDL is inaugurated 	<ul style="list-style-type: none"> Electronic access lowers costs, expands reach for brokers and future discount platforms. Formalizes MF governance and demat enables online account opening.
2008-09	<ul style="list-style-type: none"> SEBI introduces ASBA for public issues Exchanges launch MF transaction platforms: NSE MFSS and BSE StAR MF 	<ul style="list-style-type: none"> Cleaner IPO payment flows for public. Digitizes MF distribution and order routing for brokers and later MFDs/RIAs; accelerates API-led wealth-tech infrastructure.
2010-11	<ul style="list-style-type: none"> IRDAI reforms ULIPs (higher lock-in, charge caps) SEBI notifies KYC Registration Agency (KRA) framework 	<ul style="list-style-type: none"> Insurance-investment products reset and pushes advisors toward clearer suitability and goals-based selling. Single KYC across intermediaries reduces onboarding friction for brokers, RIAs, and MFIs.
2012-16	<ul style="list-style-type: none"> SEBI mandates Direct Plans in mutual funds SEBI Investment Advisers (IA) Regulations, 2013 notified SEBI Research Analyst (RA) Regulations, 2014 REIT (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) regulations introduced 	<ul style="list-style-type: none"> Catalyzes DIY investing, lowers expense ratios, and underpins fee-only advisory and direct MF execution flows on apps. Formalizes advisor licensing, disclosure and fiduciary norms Standardizes research, conflicts and disclosures. Opens alternative yield products later distributed digitally and enables REIT/InvIT access on platforms.
2017-20	<ul style="list-style-type: none"> MF Scheme Categorization TER rationalization for MFs (expense caps tightened) Side-pocketing (segregated portfolios) allowed for MFs SEBI PMS Regulations, 2020 (min ticket ~US\$ 56,000) Flexi-Cap category introduced 	<ul style="list-style-type: none"> Improves comparability of financial products. Lowers ongoing costs and compresses distributor economics which accelerates shift to direct/fee models online. Improves fairness in credit events. Raises bar for PMS and digital HNWI platforms pivot to curated PMS/AIF shelves and disclosures. Fund managers more investment flexibility than the restrictive Multi-Cap category.

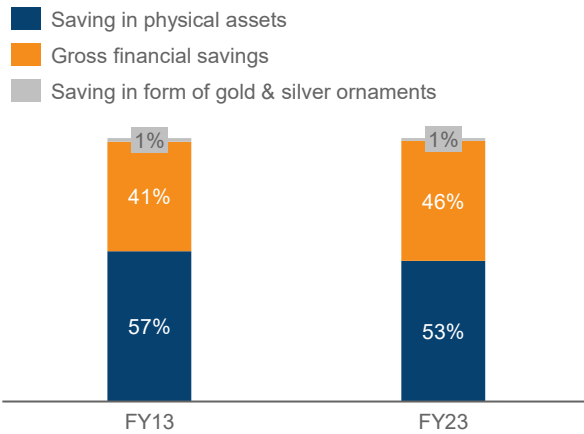
Regulatory Reforms: Continued...

Phase and Timeline	Key Developments	Industry Impact / Themes
2022	<ul style="list-style-type: none"> MF NFO pause and pooling ban Two-factor auth for online MF transactions. Online Bond Platform Provider (OBPP) framework 	<ul style="list-style-type: none"> Fintechs rewire payment and execution stacks and EoD flows and investor auth strengthened. Legitimizes B2C bond marketplaces with new licensing and investor protections for app-based debt investing.
2023-24	<ul style="list-style-type: none"> Finance Act 2023, Debt MF gains deemed STCG Execution-Only Platform (EOP) framework for direct-plan MF transactions Index-provider regulation introduced AIF clean-up and master circulars 	<ul style="list-style-type: none"> Brings MF-only “pipes” for fintechs under a formal regime as apps align licensing and investor protection. Improves index governance and passive MF/ETF products on apps reference regulated indices. Tightens AIF distribution on wealth platforms and clearer reporting to HNWIs/UHNWIs via digital dashboards.
2024-Present	<ul style="list-style-type: none"> Custodian net-worth norms raised RBI and SEBI continue KYC/V-CIP refinements 	<ul style="list-style-type: none"> Market-infrastructure resilience strengthened. Digital KYC journeys get further clarity for brokers, RIAs, MFIs.

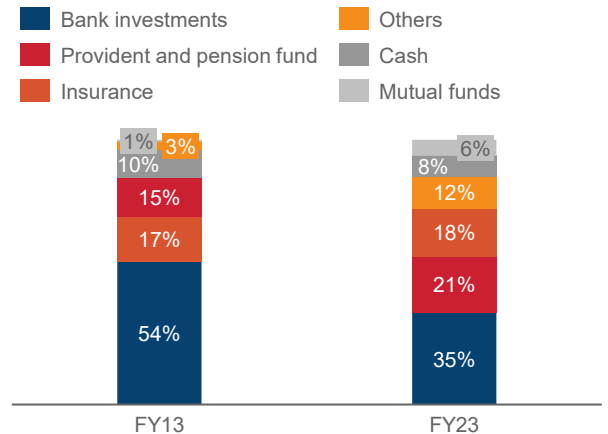


Sector Overview: India is Early in Financialization, With Households Shifting From Cash and Gold to Professionally Managed Assets as Digital Platforms and Providers Widen Access and Accelerate Penetration

Indian Household Asset Split

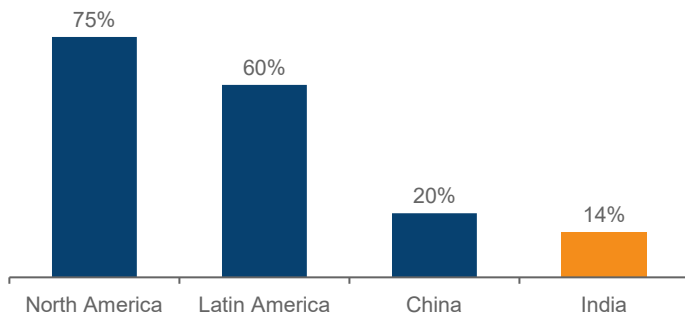


Gross Financial Savings Split



- Low-cost digital platforms and SIP automation are pulling savings from cash, gold, and property into formal investments.
- Households are shifting from cash/deposits to mutual funds, insurance, and provident/pension schemes for higher real returns and tax benefits.

Share of Professionally Managed HNW Wealth, 2022



- India remains in the early stage of financialization, with households still tilted to real assets and only about 14% of HNW wealth professionally managed versus mature markets.
- A widening provider base comprising ~45 AMCs and ~1.3k RIA, together with digital platforms and lower ticket sizes, is expanding access and accelerating penetration of financial assets.















Characteristics and Financial Needs by Income Class

	Number of Adults (in Mn)		Key Characteristics
	2019	2024	
Masses Wealth <US\$ 10K	~677	~688	<ul style="list-style-type: none"> Daily-wage or low-salary, single-income households Need basic savings and government-backed schemes; focus is inclusion access
Aspirers Wealth US\$ 10K - 100K	~172	~265	<ul style="list-style-type: none"> Lower-middle class or early-career professional who prefer low-risk investment for sustained income growth Need savings upkeep and starter investing via securities/investment accounts
Mass Affluents Wealth US\$ 100K - 1 Mn	~15	~24	<ul style="list-style-type: none"> Mid-income professionals and small business owners who active users of personal/home/auto credit Need advisor-assisted investing across equity, mutual funds, and insurance
UHNWIs and HNWIs Wealth US\$ 1 Mn+	~0.7	~0.9	<ul style="list-style-type: none"> High-income entrepreneurs and professionals in Tier-1/2 cities Need corporate banking plus bespoke wealth, insurance, and tax advisory with RM-led service

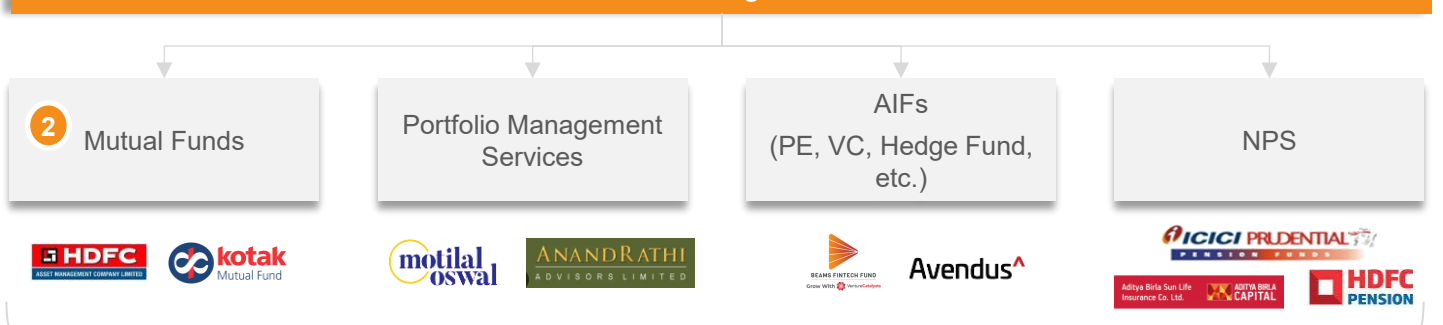
Sector Overview: Advisory, Asset Management, and “Wealth-as-a-Service” Platforms Form India’s Modern Wealth Ecosystem

Wealth Management Landscape in India

Wealth Advisory

	Wealth Manager Type	Target Customer	Revenue Model	Select Companies
1 Traditional Wealth Managers	Banks and Boutique WMs	<ul style="list-style-type: none"> UHNWIs and HNWIs Mass Affluents 	<ul style="list-style-type: none"> Advisory fees Distribution Commissions 	   
	Licensed Independent Financial Planners	<ul style="list-style-type: none"> UHNWIs and HNWIs Mass Affluent 	<ul style="list-style-type: none"> Advisory fees Distribution Commissions 	Individual Financial Planners / RIAs
	Traditional Mutual Fund Distributors /	<ul style="list-style-type: none"> UHNWIs and HNWIs Mass Affluent Aspirers 	<ul style="list-style-type: none"> Distribution Commissions 	Individual Insurance Agents  
4	Robo-Advisory-Led / DIY Wealth-Planning Platforms	<ul style="list-style-type: none"> Mass Affluent Aspirers 	<ul style="list-style-type: none"> Distribution Commissions Subscriptions One-time fees 	   
3	Digital-First Discount Brokers / Mutual Fund Distributors	<ul style="list-style-type: none"> Mass Affluent Aspirers 	<ul style="list-style-type: none"> Acc. opening / maintenance fees % of transaction volumes for F&O 	   

Asset Management*



*Insurance services are covered separately as a sub-industry

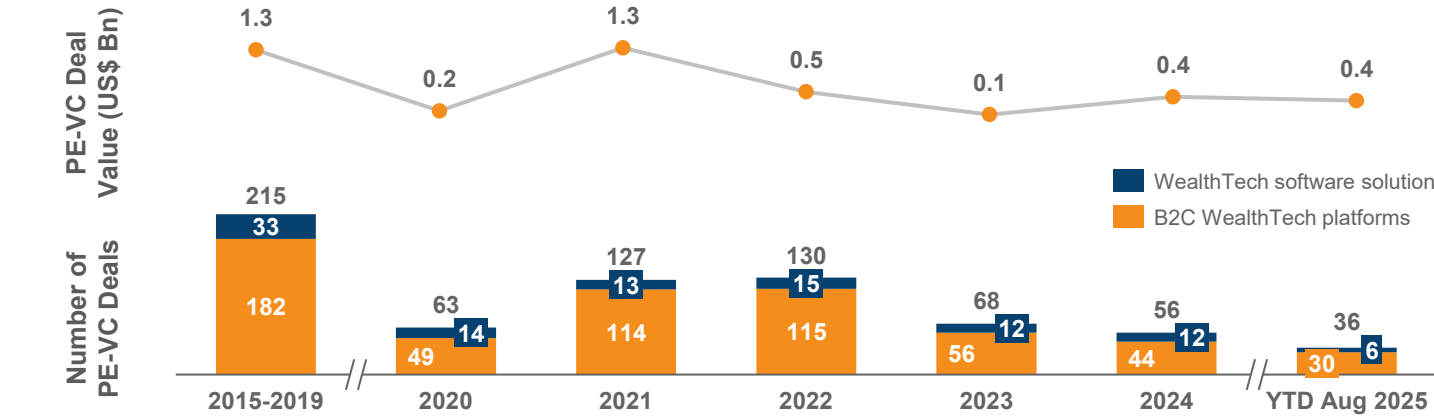
5 Wealth Management infrastructure Tools

Wealth management tools are software platforms and APIs that help advisors and investors plan, allocate, execute, and monitor portfolios. These tools covers onboarding, goal-planning, analytics, reporting, compliance, and embedded “Wealth-as-a-Service” for brokers / fintechs.



Fintech Deal Activity: The B2C Segment Has Captured The Majority of Wealth Tech Investments, Leading in Terms of Both Deal Value and Deal Count

	B2C Wealth Tech platforms	Wealth Tech software solutions	Total
Total Fintechs	~230	~60	~290
Fintechs entered In last 10 years	~180	~30	~150



	B2C Wealth Tech platforms	Wealth Tech software solutions
PE-VC	<div>Number of Deals 590</div> <div>Total Funding US\$ 3.3 Bn+</div>	<div>Number of Deals 105</div> <div>Total Funding US\$ 1.0 Bn+</div>
M&A	<div>Number of Deals 23</div> <div>Total Funding US\$ 0.4 Bn+</div>	<div>Number of Deals 9</div> <div>Total Funding US\$ 0.01 Bn+</div>
Decacorn ¹ and Unicorn ²	<div> </div>	<div>NA</div>
Soonicorn ³	<div> </div>	<div>NA</div>
Minicorn ⁴	<div> </div>	<div> </div>

Note:

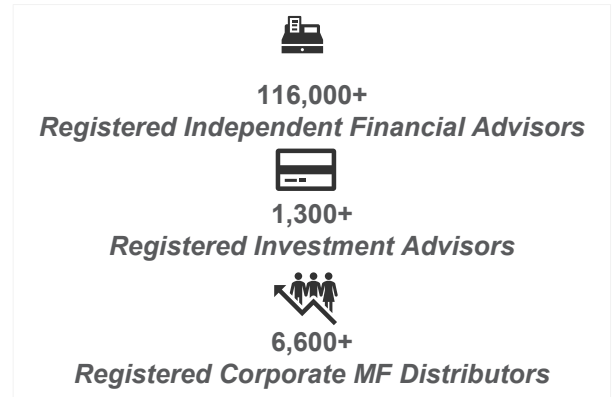
- Decacorn: Privately held startup valued at US\$ 10 Bn or more
- Unicorn: Privately held startup valued at US\$ 1 Bn or more
- Soonicorn: Privately held startup valued close to US\$ 1 Bn expected to become a unicorn soon
- Minicorn: Early-stage startup valued under US\$ 1 Bn showing strong scalability
- Companies mentioned are select companies from the group of unicorn, soonicorn and minicorn

Key Trends: Wealth Management AUM in India Remains Concentrated with Banks and a Few Independent Scaled Platforms, while niche digital players emerge to serve specialized and tech-driven client segments

1 India's wealth management is top-heavy, with Indian banks and a few scaled platforms commanding most AUM; sustained by trust, RM relationships, and integrated capabilities.

Wealth AUM Size 2024¹

S.No.	Wealth Management Company	Private Banking and Wealth AUM (US\$ Bn)
1	ICICI Bank Private Banking	~140+
2	Kotak Wealth Management	~100+
3	Axis Bank	~85+
4	HDFC Bank	~70+
5	360 One WAM	~65+
	Top 10	~670+
	Total (Top 30)	~810+



- Within the top 30 Wealth Managers (WMs), the share of Indian banks is at ~54%, foreign banks and brokerage/securities PWM are at ~15% each, independent WM is at ~14% and others are ~2%.
- 360 One WM and Nuvama Private (Nuvama wealth division focused on UHNWIs) are the two largest non-bank wealth managers with AUM of ~US\$ 65 Billion and ~US\$ 35 Billion, respectively.

Traditionally wealth management market has remained concentrated as:

- HNWI and promoters stay with institutions that signal stability and governance, anchored by long term RM relationships, institutional custody, and seamless service, so the perceived switching cost is high
- Scaled platforms keep the lead because they deliver a full stack of product access, proprietary research, credit against portfolios, strong compliance, and integrated technology that smaller firms struggle to replicate consistently

While traditional wealth management companies dominate the deepest UHNW needs through scale, RM networks, and integrated product shelves...

WATERFIELD

Anchors the independent multi family office niche for ultra wealthy families with fiduciary advisory governance and succession planning.

Julius Bär

Leads with offshore access and global custody for Indian UHNWIs by leveraging international booking centers and open architecture platforms.

...digital focused wealth management platforms are also gaining traction.

DEZERV

Founded in 2020, crossed ~US\$ 1.1 Billion AUM within 4 years of operations. The company is scaling the affluent to entry HNWI segment as it:

- Starts investors at low ticket curated portfolios and upgrades eligible clients to PMS and AIF once risk capacity and corpus allow.
- Uses app led planning transparent pricing and unified reporting to improve conversion retention and share of wallet.

neo WEALTH PARTNERS

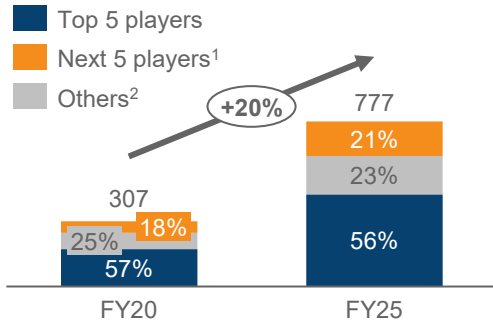
Founded in 2021, the company competes up market as it:

- Leads with specialist private credit and real asset manufacturing strategies via AIF and PMS, aimed at HNWI and family offices seeking income and diversification.
- Combines manufacturing with bespoke advisory custody and governance workflows to win mandates from legacy platforms.

Key Trends: Scale Stays With Top AMCs, But Curated Portfolios and ETF/SIF Wrappers Are Reshaping Retail Flows in AMCs

2 While AMC is consolidated, it is being disrupted by new players offering product and channel-led innovations

Market share of top AMC (US\$ Bn)



- The AMC market is **highly consolidated** with top **10 players** forming **75-77%** of the market between FY20-25, due to factors such as investor trust and loyalty and dominance in distribution.
- However, new entrants are reshaping the market - e.g., Quant Mutual Fund growing AUM from US\$18 Million in Dec 2019 to US\$10.6 Billion by Jun 2025 through performance-led, differentiated thematic and beta-heavy products and strong digital distribution.

a Companies focusing on product-led innovations such as “packaged portfolios,” ETFs, and SIFs are disrupting the AMC industry by unlocking new investor segments and challenging incumbents, while also creating room for coexistence as large players adapt and smaller innovators scale.

Product Co-Creation: smallcase

- Created a **portfolio-as-a-product model**, offering **curated, thematic baskets** that retail investors can buy via broker platforms.
- Raised multiple rounds culminating in a **US\$ 50 Million round** in Mar'25 led by Elev8 Venture Partners. Factors driving investor confidence:
 - Product-market fit:** It offers “**packaged portfolios**” to retail investors by enabling **easy to understand, one-click execution** and **portfolio rebalancing**, thereby attracting both retail users and partner brokers.
 - Distribution moat:** It enables **AMCs/brokers** to **co-create packaged investment products**.

Eg: Zerodha Fund House

- A **2023 partnership** between Zerodha and Smallcase, focusing on **passive funds and ETFs** (direct, low-cost, index-based multi-asset products) with a **tech-first UX** and simple product naming.
- It has a **direct-only distribution** with no legacy intermediaries, the benefit of which it passes directly to investors.
- It offers **simple passive multi-asset FoFs and ETFs**, such as Nifty trackers, small cap ETFs, and multi-asset passive FoF, tailored for **retail portfolio construction**.
- Zerodha's existing brokerage customer base and Smallcase's portfolio/SMB distribution creates a **low-CAC funnel** to scale its AUM quickly, which crossed an **AUM of US\$ 909 Million** in 2025.

Advent of Specialized Investment Funds (SIFs)

- Introduced by SEBI in Apr'25 to bridge mutual funds and PMS/AIFs, allowing AMCs to run **advanced/hedge-style portfolio strategies** (Eg: equity long-short, hybrid long-short, debt long-short, active allocation, arbitrage, etc.). within a **regulated mutual fund structure** (through minimum ticket sizes for retail HNWI investors and short exposure caps).
- Enables AMCs to offer **PMS/AIF-like strategies** with **mutual fund tax** and **distribution reach**.
- Allows large AMCs to **capture flows** that earlier went to PMS/AIFs, thereby **reducing leakages**, and provides **product innovation** to **attract and retain HNWI clients**.

Early Mover:



Launched India's first Equity Long-Short SIF; followed with hybrid long-short SIFs

Mainstream Adopters:



Mainstream adoption of SIFs is increasing as several mutual funds have announced or filed for SIF products

Note:

- Next 5 players include Aditya Birla Sun Life, UTI, Axis, Mirae and DSP
- Others include Bandhan, Edelweiss, Franklin Templeton and

Key Trends: Digital-First Brokers Drove a ~10x Surge in Active Investors (FY15–25) and Now Concentrate Share With Low-fee, Bundled Apps as Bank-led and Full-service Incumbents Cede Ground

b

In MF distribution, digital-first platforms are challenging traditional distributors and transforming the distribution play, enabling small advisers, and expanding reach, leading to an ecosystem of coexistence alongside large traditional distributors and banks.

- Traditional distributors such as NJ India and Prudent have historically dominated the mutual fund distribution with pan India presence. However, digital-first platforms are gaining traction by offering **tech-driven onboarding**, **portfolio tools**, and **advisory dashboards**.
- These platforms enable small IFAs to **scale digitally** in an **asset-light manner**, democratizing **access to financial products**.
- Commission income** is also supplemented by **platform fees**, **analytics dashboards**, and **cross-selling of alternatives**, driving higher wallet share per investor.

Traditional players:



~US\$ 30 Bn AUM as of Aug'25



~US\$ 13 Bn AUM in Jun'25

Digital-first players:



Saw growth through partnerships with fintech platforms such as Groww and Paytm Money



~16,000 mutual fund distributors as of early 2025



US\$ 1.1 Bn AUM as of Aug'25

3

NSE Active investors jumped ~10x from FY15-25 with majority of them preferring new age discount brokers.

- Zerodha pioneered discount broking in 2010 and opened the platform via APIs, turning broking into a service partners could build on. Built a sticky ecosystem with Kite, Console, Varsity and Coin, expanded into index funds, and scaled profitably through partner revenue sharing.

Broking Market Structure Evolution

FY15		FY20		FY25	
~4.7 Mn active retail investors		~10.2 Mn active retail investors		~48.7 Mn active retail investors	
ICICI Securities	~13%	Zerodha	~14%	Groww	~26%
HDFC Securities	~7%	ICICI Securities	~11%	Zerodha	~16%
Sharekhan	~7%	HDFC Securities	~7%	Angel One	~15%
India Infoline	~6%	Upstox	~6%	Upstox	~5%
Kotak Securities	~6%	Angel Broking	~6%	ICICI Securities	~4%
Top 5 total	~39%		~43%		~67%

Rapid shift to digital post FY20 is due to:

- Pricing reset compressed margins for the long tail:** Zero brokerage on delivery and low flat fees on F&O became the reference price. Scaled players subsidized prices, pulling share from full-service and regional brokers.
- Product bundling deepened lock-in:** Single-app access to equities, F&O, MF, IPO. Scaled brokers monetized across products and used data to personalize nudges, widening the gap.
- Traditional brokers failed to undertake timely pivots:** By the time bank-backed brokers rolled out true discount offerings such as Kotak Neo (2022) and HDFC SKY (2023), digital-first brokers had already locked in scale and mindshare, while the only legacy breakout was Angel One which pivoted early with flat-fee iTrade Prime (2019).
- Active retail investor base has expanded from ~4.7 Mn in FY15 to ~48.7 Mn in FY25 at ~26% CAGR, creating scale benefits favoring the bigger platforms.
- Consolidation is evident as share of top 5 brokers in terms of active clients have increased to ~67% in FY25.
- Digital discount brokers such as Groww, Angel One, Upstox along with Zerodha, now command the top spots by active clients in FY25, ahead of most bank-led full-service brokers such as ICICI Securities, HDFC Securities which were amongst top 5 brokers in FY15.

Key Trends: From FDs to Bond Marketplaces, From Unregulated Gold to SGBs/ETFs—Regulation Broadens Mass-Market, Low-Ticket Investing

4 Regulatory push made fixed income products accessible to mass market with players like Wint wealth and Stable Money-making early strides to capture market.

Limited fixed income financial instrument options were available to retail investors before 2022

Traditionally bank FDs and debt mutual funds were the default “fixed” allocation for mass retail; debt MF AUM growth has been modest (~7% from FY23-24) relative to equities (~55% from FY23-24).

Until 2022, face value for corporate bonds were minimum of ~US\$ 11,000 resulting in over 95% of corporate bonds being held by institutional investors as of FY25.

Regulatory push encouraging retail participation in fixed income securities apart from FDs

Minimum lot sizes for privately placed bonds were ~US\$ 11,000 before 2022, reduced to ~US\$ 1,100 in Oct-22 and further reduced to ~US\$ 110 in 2024, resulting in lower barrier to entry for retail investors in the bonds market.

OBPP framework (Nov-2022): Platforms must register as stock-brokers in the debt segment and route trades through exchanges/clearing corporations, raising transparency and investor protection.

New age fixed income platforms gaining traction

As of Aug-25, there are 18 active SEBI-registered stockbroker/OBPP offering fixed income products.



- Retail bond marketplace that evolved from covered/MLDs to curated listed senior secured bonds with ~US\$ 110 minimums and simple, retail-first UX.
- Sold over ~US\$ 500 Mn bond since inception in 2020.



- Launched as a digital FD marketplace in 2022, comparing rates across 200+ banks/NBFCs, enabling ~US\$ 11 ticket online FDs.
- Later broadened beyond FDs with listed bonds/NCDs and add-ons like an FD-backed secured credit card inside the app.

5 Regulation is pushing digital gold into supervised SGBs and ETFs while micro-saving platforms are turning gold into an easy, habit-based savings product that accelerates mass adoption.

- Digital gold is scaling via regulated proxies as gold ETF assets reached about ~US\$ 7.6 Billion in July 2025
- SEBI (Aug-2021) barred brokers from selling unregulated “digital gold” on trading platforms, so the regulated routes remaining are SGBs and Gold ETFs.
- However multiple investment platforms like Jar, spare8 have entered market positing as saving platform over investing and catering to customers by providing micro-saving solutions.



Key Trends: From In-House to Infrastructure, Analytics Platforms Arm IFAs; Unified APIs Enable Embedded Wealth at Scale

6 While big wealth management firms develop inhouse analytics and service products, there is rise in wealth management and analytics platform for smaller wealth management companies and independent financial advisors.



Advisor Enablement Platforms

Digitizing independent advisors and small wealth firms with institutional-grade tools. These tools enables advisors in transforming raw financial data into actionable insights.

	End-to-end advisor platform digitizing practice management, multi-product distribution and client engagement.
	Comprehensive platform for wealth/asset management with multi-currency support, analytics, and compliance.
	AI-powered digital wealth platform enabling IFAs to deliver personalized portfolios, curated global investments, and digital advisory at scale.

API-Led Infrastructure and Embedded Wealth

Wealth management is being unbundled into APIs, enabling new entrants to launch products faster and incumbents to embed wealth into broader ecosystems.

	Embedded-finance infrastructure provider of white-label modules so banks, fintechs, and consumer apps can launch investing products.
	Unified API and SDK layer that gives access to multiple integrations with brokers, advisors, RTAs and NBFCs.



Conclusion: B2C in India Balances Oligopoly In Broking With Scope For Coexistence in Adjacencies, But Super Apps' Scale and Stickiness Raise Existential Pressures For Independents

In Summary:

Wealth Tech in India has consolidated into an oligopoly, leaving limited scope for new entrants, but coexistence is possible as innovation shifts toward advisory, AI-driven personalization, and alternative investments. However, the scale, stickiness, and distribution power of super apps create existential pressures - forcing standalone platforms to either specialize, partner, or consolidate

Structural Drivers Leading to Coexistence

Diverse customer needs:

Affluent and entry-HNWI segments seek planning-led, curated portfolios and income stability while UHNWI and promoters value trust and bespoke advice for their long-term plan. This allows coexistence of WM platforms such as Dezerv targeting affluent customers along with a 360 One, Waterfield Advisors providing tailored solutions for UHNWIs

Technology led innovation:

AI, ML and analytics are enabling innovation that delivers tailored portfolios and insights at scale. Smallcase and Zerodha's AI personalize investing for retail users, while Kristal.AI helps independent advisors analyze multiple client portfolios efficiently. These capabilities support parallel growth for asset managers and Wealth Tech platforms, enabling a coexisting market structure

Product led innovation:

Product-led innovation in retail fixed income and digital gold is creating new investable shelves with lower ticket sizes and simpler access, allowing specialized new players to enter and scale alongside incumbents

Inhibitors to Coexistence:

Scale and network effects:

Scale and network effects compress acquisition cost, deepen liquidity, and create data lock in. This dynamic is strongest in broking, where a few platforms such as Zerodha and Groww capture most flows leaving limited room for smaller players to coexist

Super app advantage:

Ownership of daily payments for players like PhonePe and Paytm touchpoints lets super apps steer investors to in-house wealth shelves through default placement, bundled pricing and rewards, crowding out independent platforms and limiting coexistence

Conclusion



Summing Up The Layered Landscape & Strategic Considerations for Stakeholders (1/2)

- The Indian BFSI sector's future will be decided by the balancing act between **platform-driven consolidation**, **insurgent innovation**, and the **nation's rising SaaS ambitions**.
- **Market pluralism**, catalyzed by **public infrastructure** and **progressive regulation**, can empower India not just as an inclusive financial hub but a true exporter of BFSI SaaS to the world.
- Over the next 5 years, India's BFSI market will showcase a **unique hybrid—massive platforms coexisting with globally competitive SaaS and vertical apps**, with regulation as the referee and digital payment mechanisms as the playing field. Some sector-wise nuances are as follows:

1

Payments

Medium-Term Outlook

- A two-tiered structure is expected with a few super-apps concentrating in merchant operations and multiple consumer-facing UPI solutions and cross-border specialists coexisting.
- Share caps and corridor linkages may rebalance share, not create winner-takes-all.
- Monetization shifts to value-added services.

Considerations for Key Stakeholders

- **Investors:** Prioritize acquirers and orchestrators that layer merchant SaaS, provide settlement finance and are compliant.
- **Companies:** Pick your layer and expand revenue beyond payments while engineering compliance as a product.

2

Banking

Medium-Term Outlook

- Coexistence endures via bank-neo partnerships: banks hold licenses/deposits; neo-banks win on UX, analytics, and acquisition.
- Economics remain fee/bundle-led; vertical neo-banks with a differentiated focus (SME, student, affluent, forex) gain depth.

Considerations for Key Stakeholders

- **Investors:** Back vertical neo-banks with paid workflows and durable bank partnerships; BaaS and AA-native data infrastructure are investable plumbing.
- **Companies:** Diversify sponsor-bank exposure, extend journeys to lift CAC to LTV and treat compliance and data governance as core UX.

3

Lending

Medium-Term Outlook

- Traditional FIs continue to remain oligopolistic but partnerships with fintech lenders thrive.
- Market stays fragmented: specialists and super-apps scale in parallel via co-lending/LSP tie-ups.
- Higher risk weights and guardrails compress spreads; AA adoption deepens underwriting.

Considerations for Key Stakeholders

- **Investors:** Favour specialists with strong co-lending tie-ups and AA-based underwriting as spread compression raises the bar.
- **Companies:** Use AA-native underwriting, deepen co-lending and LSP governance and plan for margin pressure.

Summing Up The Layered Landscape & Strategic Considerations for Stakeholders (2/2)

4

Banking and Lending infrastructure

Medium-Term Outlook

- The segment is likely to demonstrate coexistence with selective concentration at scale-heavy core banking platform players.
- Faster migration from monoliths to API-first LOS/LMS and analytics; Managed/hosted models gain share.
- Targeted M&A re-bundles onboarding, fraud, and collections around core platforms.

Considerations for Key Stakeholders

- **Investors:** Bet on API-first cores, LOS/LMS, transaction banking and managed hosting; roll-ups that re-bundle onboarding, fraud and collections are attractive.
- **Companies:** Offer low-risk migration kits, public APIs and data-sovereignty controls with explainable AI in underwriting and ops.

5

Insurance

Medium-Term Outlook

- Mixed structure persists: Manufacturing slowly pluralizes; distribution stays concentrated around aggregators/PoSs; SAHI and group health outgrow.
- Embedded insurance to expand on the back of digital distribution, partnerships and regulatory support.

Considerations for Key Stakeholders

- **Investors:** Lean into claims, pricing and fraud analytics and embedded distribution.
- **Companies:** Manufacturers modularize and improve claims transparency and TAT while distributors own journeys and SaaS players integrate deeply with cores.

6

Wealth

Medium-Term Outlook

- Traditional AMCs are consolidated due to consumer trust and regulations; however, new players are expected to disrupt the market with niche solutions for digital-native consumers, forcing traditional firms to digitalize at scale.

Considerations for Key Stakeholders

- **Investors:** Look at advisory tech, AI personalization and broker-agnostic layers with likely exits via consolidation into super-apps or large brokers.
- **Companies:** Specialize or partner and invest in AI-led personalization to defend share against super-app distribution.

Glossary (1/2)

Term	Definition
Aadhaar	India's biometric digital identity system issued by UIDAI used for authentication and e-KYC
Account Aggregator (AA)	Framework enabling secure sharing of financial data between providers and users with consent
AePS	Aadhaar-enabled Payment System
AIFs	Alternative Investment Funds
AMC	Asset Management Company
API	Application Programming Interface
AUM	Assets Under Management
BaaS	Banking-as-a-Service; Platforms enabling fintechs to build financial products using bank licenses and infrastructure via APIs
BBPS	Bharat Bill Payment System; RBI's interoperable bill payment system for paying utility bills through a single platform
BFSI	Banking, Financial Services, and Insurance
BharatQR	Interoperable QR code standard for consumer-to-merchant digital payments
Bima Sugam	Upcoming digital platform acting as a one-stop insurance marketplace in India
BNPL	Buy Now Pay Later
CBDC	Central Bank Digital Currency; Digital form of central bank money issued by RBI also called Digital Rupee
CBS	Core Banking Solutions
CX	Customer Experience
DigiLocker	Government platform for secure storage and verification of documents
DPI	Digital Public Infrastructure; Shared digital platforms and open protocols for enabling interoperable digital ecosystems
ECS	Electronic Clearing Service; Legacy electronic funds transfer system replaced by NACH for bulk transactions
EPS	Earnings Per Share
e-RUPI	Prepaid, purpose-specific digital voucher for direct benefit transfers and welfare payments
ETF	Exchange Traded Fund; Marketable security tracking indices or assets and traded on exchanges
EOP	Execution-Only Platform; Platform enabling direct mutual fund transactions without advisory influence
FASTag	Electronic toll collection system using RFID linked to prepaid or bank accounts
FD	Fixed Deposit; Bank deposit earning fixed interest over a tenure
FEMA	Foreign Exchange Management Act; Indian law governing cross-border foreign exchange transactions
FIs	Financial Institutions; Entities providing financial services like banks, NBFCs, insurers, and mutual funds
FLDG	First Loan Default Guarantee; Risk-sharing arrangement in digital lending covering first defaults in loan portfolios
FoF	Fund of Funds; Investment vehicle pooling capital to invest in other funds instead of directly in securities
FX	Foreign Exchange; Global marketplace for exchanging national currencies
HNWI	High Net Worth Individuals
HFCs	Housing Finance Companies; NBFCs specializing in housing loans
IBA	Indian Banks' Association; Industry body representing banks in India and co-promoter of NPCI
IMPS	Immediate Payment Service; 24x7 real-time interbank electronic funds transfer system by NPCI
India Stack	Set of open APIs and digital infrastructure enabling paperless and cashless service delivery
IPO	Initial Public Offering; Process of offering shares of a private company to the public for the first time
IRDAI	Insurance Regulatory and Development Authority of India; Regulator of insurance sector in India
KYC	Know Your Customer; Process to verify the identity of customers during onboarding
LOS/LMS	Loan Origination System / Loan Management System; Platforms for managing the loan lifecycle
LRS	Liberalized Remittance Scheme; Framework allowing Indian residents to remit a prescribed limit annually for permissible transactions
LSPs	Lending Service Providers; Entities providing outsourced lending services like sourcing, servicing, and recovery
MF	Mutual Fund; Pooling investor money to invest in securities
NACH / e-NACH	National Automated Clearing House; Centralized system by NPCI for recurring payments with electronic mandates

Glossary (2/2)

Term	Definition
NBFC	Non-Banking Financial Company; Financial institutions providing banking-like services without full banking license
NEFT	National Electronic Funds Transfer; Nationwide electronic one-to-one funds transfer system launched by RBI
NETC	National Electronic Toll Collection; NPCI electronic toll system using FASTag for automatic toll deduction
NPA s	Non-Performing Assets; Loans or advances overdue for more than 90 days
NPCI	National Payments Corporation of India; Organization set up by RBI and IBA to operate retail payments and settlement systems
OCEN	Open Credit Enablement Network; Framework enabling digital lending by connecting lenders, marketplaces, and borrowers via APIs
ONDC	Open Network for Digital Commerce; Government initiative to democratize digital commerce using open protocols
P2M	Peer-to-Merchant; Digital payments by consumers to merchants through UPI QR or POS devices
P2P	Peer-to-Peer; Transactions or lending directly between individuals without intermediaries
PA-PG	Payment Aggregators/Gateways; Infrastructure enabling merchants to accept digital payments regulated by RBI
PIDF	Payments Infrastructure Development Fund; RBI fund subsidizing deployment of acceptance infrastructure in underserved regions
PMJDY	Pradhan Mantri Jan Dhan Yojana; Financial inclusion scheme providing banking access and zero-balance accounts
POS	Point of Sale; Devices and systems enabling merchants to accept card, QR, or UPI-based payments
POSP	Point of Sales Person; Authorized agents distributing insurance products via digital onboarding
PPI	Prepaid Payment Instrument; Payment instruments facilitating purchase of goods or services against stored value
PSLCs	Priority Sector Lending Certificates; Instruments allowing banks to meet Priority Sector Lending targets by buying or selling compliance certificates
QR	Quick Response Code; Matrix barcode used for merchant and consumer payments in UPI and BharatQR
RegTech	Technology solutions improving regulatory compliance for financial institutions
Robo-advisory	Automated investment advisory using algorithms and AI
RRBs	Regional Rural Banks; Government-backed banks aimed at financial inclusion in rural areas
RTGS	Real Time Gross Settlement; Funds transfer system settling money in real-time for large-value transactions
SDKs	Software Development Kits; Developer toolkits used to build financial or fintech applications
SEBI	Securities and Exchange Board of India; Regulator of securities and capital markets in India
SIF	Specialized Investment Fund; Passive or index-based investment products offered by mutual funds or fintech platforms
SIP	Systematic Investment Plan; Method of regular investments in mutual funds
SFBs	Small Finance Banks; Banks focused on financial inclusion and credit to underserved segments
SME	Small and Medium Enterprise; Businesses with limited scale forming a crucial part of India's economy
Super-app	Digital platform bundling multiple services like payments, lending, insurance, and investments
Tokenisation	Process of replacing sensitive card details with a unique identifier to enhance digital transaction security
TPA	Third Party Administrator; Licensed intermediaries processing health insurance claims on behalf of insurers
UHNWI	Ultra High Net Worth Individual
UIDAI	Unique Identification Authority of India; Authority responsible for issuing Aadhaar numbers
UPI	Unified Payments Interface; India's instant real-time payment system for P2P and P2M transfers via mobile devices
UPI 123PAY	UPI-based payment system enabling feature phone users to perform digital transactions
UPI Lite	Simplified UPI version for small-value, low-friction transactions
UPI-PayNow	Cross-border payment linkage between India (UPI) and Singapore (PayNow)
UX	User Experience; Overall experience interacting with a digital product including ease, efficiency, and satisfaction

Disclaimer

This report has been prepared by Alvarez & Marsal India Private Limited and Beams Fintech Fund (the “Co-authors”) and was launched at the Global Fintech Fest 2025. It shares insights from various fintech companies (the “Fintech Companies”) on how India’s fintech sector is evolving within the broader financial-services landscape and how coexistence in the sector may play out. This report has been prepared solely for informational purposes and doesn’t constitute an offer or solicitation to buy or sell in any securities or engage in any investment strategy. Any investor should not rely solely on the information contained in this report and should seek and rely on the advice of its own professionals and advisors for any matter and shall make an independent analysis and decision regarding any investment strategy based upon this report. The information and analysis contained herein have been compiled or arrived at sources believed to be reliable but no representation or warranty, express or implied, is made to their accuracy, completeness, or correctness. The report is based on publicly available information or information provided by the Fintech Companies. Any analysis expressed reflects our judgement as on the date of this report and are subject to change without notice. Notwithstanding anything contained in this report, no responsibility or liability whatsoever is accepted by the Co-authors for any loss or damage including any lost profits or savings or special, incidental, and/or consequential damage howsoever arising that the Fintech Companies may directly or indirectly suffer as a result of this report or any other information that may be provided by the Co-authors in the report, and any and all such responsibility and liability is expressly disclaimed by the Co-authors and/or their respective affiliates and their directors, partners, officers, employees, advisors, successors, permitted assigns and/or agents.

