Growing inclusion in India: The FinTech way

September 2023
The Startup India flagship initiative of the Government of India, under the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, was launched by the Hon’ble Prime Minister of India, Shri Narendra Modi, on 16\textsuperscript{th} January 2016. The 19-point Action Plan emphasised objectives of simplification and handholding, funding support and incentives, and industry-academia partnership and incubation. The initiative intends to catalyze and build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large-scale employment opportunities.

With the Government of India’s fast-paced efforts towards making the vision of the Startup India initiative a reality, substantial progress has been made. Since its launch, it has stirred strong entrepreneurial spirit across the country. From providing financial support, mentorship, linkages, and market access to cross-border collaboration, it is holistically covering the ambit. As of 15\textsuperscript{th} May 2023, there are 99,000+ DPIIT-recognised startups in India, spread across 673 districts and in 57 different sectors. Of these, 3000+ are FinTech startups.

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.
Foreword

Shri Piyush Goyal
Minister of Commerce and Industry,
Consumer Affairs, Food and Public Distribution, and Textiles,
Government of India

I am delighted to learn that the Department for Promotion of Industry and Internal Trade (DPIIT) is bringing out a report titled ‘Growing Inclusion in India: The FinTech Way’ that highlights the endeavours put forth by DPIIT recognised FinTech startups in helping India accelerate its journey towards Pan-India financial inclusion.

In today’s world, Innovation goes beyond mere economic objectives as it also considers societal inclusion and environmental sustainability. Under the dynamic leadership of our Hon’ble Prime Minister Shri Narendra Modi ji, India is amongst the fastest growing Finance Technology (FinTech) markets in the world. The Startup India Initiative, launched in January 2016, is accelerating the entrepreneurial spirit across the length and breadth of the country. As our ecosystem is maturing and paving the way for sustainable and inclusive economic development, we have recognized more than 99,000 startups that are identifying unmet needs of the ecosystem and responding with meaningful solutions efficiently.

At the heart of this evolution lies a strong focus on innovation through a well-developed Digital Public Infrastructure ecosystem with initiatives such as Aadhar and e-KYC, Unified Payments Interface (UPI) and special regulatory zones like the GIFT City.

As India’s UPI goes global through meaningful collaborations, I strongly believe that FinTech will play a critical role in achieving the Hon’ble Prime Minister’s vision of making India a developed nation by 2047. This report published by DPIIT in association with Boston Consulting Group’s FinTech practice highlights that 46% DPIIT-recognized FinTech startups emerged from beyond Tier-I cities in 2022–23, while 42% were women-led. What is even more encouraging is that 48% of DPIIT recognized women-led startups also emerged from beyond Tier-I cities in 2022–23.

I believe that the collaborative efforts of the Government of India, FinTech startups, and traditional banking and non-banking financial ecosystem will create a powerful synergy that has the potential to innovate and propel India to continue its journey as a global financial hub. I extend my heartfelt congratulations to the entire FinTech startup ecosystem for their extraordinary journey and their invaluable contributions toward fostering inclusion in India. I also wish for their continued success in shaping a more equitable financial landscape for our nation.
The Indian startup ecosystem is growing rapidly, with over 99,000 DPIIT-recognised startups across 673 districts of the country. The Financial Technology (FinTech) sector is one of the most active sectors, with over 3,000 DPIIT recognized FinTech startups in India. These startups are leveraging technology, digital platforms and varied financial products and services across the length and breadth of the country to contribute towards making India a major financial hub.

In the recent times, the strategic implementation of initiatives such as Startup India and Digital India have been pivotal in fortifying the landscape of FinTech within India. Through the facilitation of tax exemptions, streamlined compliance protocols, and establishment of a dedicated fund of funds, Startup India has distinctly fostered an environment conducive to the proliferation of FinTech startups.

The expansion of digital infrastructure and connectivity has significantly broadened the customer base of FinTech startups. This transformation is propelled by the pioneering Unified Payments Interface (UPI), revolutionizing digital payments and fostering innovative FinTech solutions. FinTech startups are pivotal in reshaping financial services, enhancing accessibility, affordability, and convenience, particularly evident in India’s digital revolution driven by extensive internet and smartphone adoption. The use of technology to automate processes, reduce costs, and improve customer service is leading to a more competitive and efficient financial sector, which is benefiting consumers and businesses alike. This technological landscape presents ample opportunities for FinTech companies to innovate and contribute to India’s digital economy, with anticipated growth in the foreseeable future. I am confident that the Indian FinTech sector will continue to grow and innovate in the years to come.

I wish to convey my sincere appreciation to the diligent coordinators of the Global FinTech Festival for their endeavours and resolute dedication. Additionally, I would like to acknowledge the commendable contributions of startups, investors, and ecosystem stakeholders who have been instrumental in propelling the success of the FinTech ecosystem.

Together, we can build a more inclusive and prosperous India. Thank you.
In an era where innovation meets finance, where technology paves the path to progress, and where inclusion is not just a goal but a driving force, we find ourselves at the intersection of possibilities and achievements. It is with immense pride and optimism that I address the dynamic FinTech landscape of India, a realm where ingenuity is rewriting the rules of financial engagement.

The journey embarked on through the Startup India initiative has been nothing short of a transformative experience. From its inception, the initiative has nurtured the growth of startups in the FinTech sector, propelling them from nascent concepts to building robust enterprises that now number over 3,000—attesting the fertile ground of Indian innovation.

As we stand on the cusp of a new frontier, the role of startup in fostering inclusivity cannot be overstated. Since the inception of the Startup India initiative, we have witnessed a rise in women entrepreneurship in India with 31% of directors as women in DPIIT-recognised FinTech startups in 2022. The share of FinTech startups from beyond Tier-I cities has increased to 46% in 2022–23. Startups are dedicatedly working towards mitigating the gaps be it through solving for literacy, access to credit, easier insurance, retail investment, and seamless digital payments. Startups are the architects of a new India, where financial services are not confined to a select few, but extended to every doorstep.

I commend the spirit of collaboration that permeates the FinTech ecosystem and endeavours that underscore our commitment to fostering an environment where bold ideas find support, where novel solutions meet encouragement, and where breakthroughs are not just celebrated, but actively nurtured.

The journey ahead is one of infinite potential. It is a journey where startups are not just stakeholders, but trailblazers in India’s narrative of inclusive growth. Together, we can continue to innovate, create, and envision a future where financial services are not just transactions, but tools of transformation. I extend my heartfelt appreciation to the entire FinTech community. Your contributions are driving India’s ascent to a brighter, more empowered future, to Amrit Kaal @2047.
Foreword

Vipin V
Managing Director and Partner,
Boston Consulting Group

Inclusion has emerged as a key pillar in the India growth story, in line with Hon’ble Prime Minister Shri Narendra Modi’s vision of ‘Sabka Saath, Sabka Vikas’. Over the course of the last decade, India has made significant progress across multiple dimensions of inclusion. However, what is most heartening to see is the contribution made by FinTechs, a relatively new stakeholder, in this regard. Consequently, the agenda for the Global FinTech Fest 2023 is also “to build an inclusive, resilient and sustainable world”.

This report, co-authored by the Boston Consulting Group in partnership with the Department for Promotion of Industry and Internal Trade (DPIIT), aims to understand the progress made by FinTechs on various dimensions of financial and non-financial inclusion and identify a clear set of next steps and way forward for the ecosystem at large. To derive insights, we spoke with 20+ FinTechs across different sub-sectors, scale, and geographic presence as well as central and state Startup India teams.

What really stood out for us is how FinTechs are including inclusion as a key pillar in their vision and growth strategy. Moreover, it was not only the large decacorns or unicorns that were creating an impact – even minicorns and others have been able to create strong on-ground impact changing the lives of crores of Indians through their innovative products, services, and business models.

Moreover, the impact is not restricted to metro cities or the upper end of the population. More and more FinTechs today are focusing on the underserved segment. 71% of personal loan originations for FinTechs in 2020 came from beyond Tier-I cities.

What is even better is that these FinTechs are not just founded in the big cities – 46% of DPIIT recognized FinTechs in 2022–23 were from Tier-II / III cities, while 42% had at least one woman director.

Some of the leading FinTechs have also started considering nascent dimensions on Diversity, Equity, and Inclusion (DEI) in their journeys (e.g., gender, PwD, age, etc.) – however, the progress here is limited.

To conclude, as India’s FinTech market stands on the cusp of exponential growth, sustaining an unwavering commitment to inclusivity and technological innovation is paramount. I would like to thank DPIIT for this opportunity to partner with them on this report. I also wish the very best to the entire FinTech community as it comes together to create inclusion for all – a key pillar in India’s drive to become a USD 40 trillion economy by 2047.
‘Inclusion for all’ has emerged as a key pillar in the India growth story - in line with Hon’ble Prime Minister Shri Narendra Modi’s vision to make India a USD 40 Trillion economy by 2047. Over the course of the last decade, enabled by effective Government reforms, creation of a well-developed tech ecosystem led by the Digital Public Infrastructure and a strong focus on MSMEs and entrepreneurship, India has made significant progress on inclusion.

Considering their ability to innovate, work in an agile manner and affinity towards technology, we believe FinTechs have a key role to play to further enhance inclusion. In fact, we are seeing significant traction from FinTechs on this front already. The fact that India has emerged as one of the world’s largest FinTech hubs with over 10,000 FinTechs and USD 17.9 Bn in cumulative funding since 2020 further supports this idea.

As part of this report, we have taken a holistic view of inclusion across both financial and non-financial spheres through seven different, but equally critical themes. To gain deeper insights across these themes, we spoke with 20+ FinTech founders / leaders and central and state Startup India teams. We also analyzed multiple databases (including DPIIT Startup database) to understand the current state, impact created thus far and next steps going forward. The seven themes are outlined below:

**Equity and financial inclusion for women:**
FinTech Startups have moved the needle on women’s equity. 42% entities registered with DPIIT as FinTech Startups had at least one woman director in 2022. They also have four percentage points more women directors compared with NIFTY 500 companies (18% for NIFTY 500 companies vs. 22% for entities registered with DPIIT as FinTech startups).

Driven by PMJDY and JAM, financial inclusion for women has also improved – however, there is potential to enhance usage. FinTechs can play a key role – e.g., Sankul Capital targets women in rural areas and helps provide them with flexi loans.

**Growth beyond Tier-I cities:**
The share of FinTech Startups founded in beyond Tier-I cities has grown from 22% in 2013–15 to 46% in 2022–23.

In parallel, FinTechs are leading inclusion efforts - 71% of FinTech personal loans originated beyond Tier-I cities in 2020, 75%+ of PhonePe UPI transactions are from Tier-II cities and beyond.

**Access to financial products / services for the underserved:**
FinTechs are solving for pain points across literacy, access to banking, credit and investments through innovative products and services. As an example, 97% of FinTech personal loans are less than INR 25,000. 60–70% of users are first time investors on platforms such as Paytm Money. The potential to expand play in insurance exists.

**Strengthening the agri-community:**
Agri FinTechs constitute <1% share of total agri-lending and <5% of total AgriTech funding. Considering unmet need, significant potential exists to expand the play – select green shoots emerging. As an
example, Gramcover provides customized and affordable insurance products to farmers via their network of 10,000 Point of Sales Persons.

Empowering the youth:
80% of FinTech startups have founders <=40 years of age – while for other startups, the 80th percentile is <=30 years. This is primarily due to financial services being a regulated space and needing deep subject matter expertise. Moreover, >70% of FinTech startups have founders from Government colleges. Incubators are playing a pivotal role in fostering startups, majorly in Government and select private colleges.

From a financial inclusion perspective, FinTechs are focusing on the 25–45 years segment – with a 78% segment share in FinTech loans in 2020.

Growing employment:
FinTechs (>USD 100 Mn valuation) employ 1.5 to 2.1 lakh people. There is ongoing focus on generating quality employment, growing Tier-II / III cities hiring and development of FinTech hubs. While green shoots emerging, potential for enhanced focus on women employment and better levering Tier-II / III talent pool.

Supporting internal employee dimensions of diversity:
The financial services sector has shown strong movement on gender and disability dimensions – however, FinTechs in general have shown limited progress. Only select leading FinTechs focusing on this dimension through structural interventions (e.g., accessibility friendly workplace, upskilling programs for underrepresented communities, etc.)

As we have seen above, FinTechs have made considerable progress across a multitude of inclusion metrics, while there are green shoots emerging in other areas. To solve the challenges discussed and create scalable, sustainable impact, the entire ecosystem (Government, regulators, FinTechs, broader financial services ecosystem) needs to come together and take a holistic view of inclusion across three dimensions:

1. Inclusive products and services, including building products targeted for the underserved segment and the agri-community, special focus on insurance and savings and adoption of local nuances in product design.
2. Inward looking, including adoption of quick wins in Diversity, Equity and Inclusion, democratizing opportunity in Tier-II / III cities and enhanced focus on environment and governance components of ESG.
3. Inclusive ecosystem, including democratizing technology, enhancing ease of partnerships between banks and FinTechs and usage of the local influencer ecosystem to enhance trust in FinTechs.

To conclude, FinTechs have clearly emerged as a key ecosystem player in enhancing both financial and non-financial inclusion in India. With continued support from the Government, an ongoing focus on enhancing the Digital Public Infrastructure and strong collaboration between all ecosystem stakeholders, FinTechs can help to unleash the next phase of rapid growth in India, moving us closure to the vision of a USD 40 Trillion economy by 2047.
Comprehensive inclusion necessitates looking at all stages of wellness across segments.

<table>
<thead>
<tr>
<th>Key considerations</th>
<th>Basic access</th>
<th>Well-being</th>
<th>Resilience</th>
<th>Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving the underserved</td>
<td>Ability to access basic banking services (e.g., savings accounts, credit, etc.)</td>
<td>Ability to manage day-to-day expenses and effectively plan for the future (e.g., budgeting, expense burden)</td>
<td>Ability to absorb unexpected financial shocks without deviating from future plans (e.g., insurance)</td>
<td>Consistent accumulation of valuable assets over time, and a process for building those assets within communities and across generations (e.g., investment management services)</td>
</tr>
<tr>
<td>Women equity</td>
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<td>Youth</td>
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<td>Agri-community</td>
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<td>Beyond Tier-I cities</td>
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Inward looking: Diversity, equity, inclusion and belongingness at workplace and in society

The industry is evolving to think about financial wellness more holistically.

FinTechs backed by cutting edge technology and supported by the public and private ecosystem (e.g., India Stack) are innovating and contributing to growing inclusion in India.
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Equity and financial inclusion for women

- Companies registered with DPIIT as FinTech startups have set a benchmark for women equity – 42% FinTech startups are women-led / have a women director. Moreover, companies registered with DPIIT as FinTech startups have 4% more women directors compared with NIFTY 500 companies (22% vis-à-vis 18%)
- Further, 48% of FinTech startups with at least 1 women director come from beyond Tier-I cities – strong growth of 44% from 2013–22 as opposed to 31% for Tier-I cities
- Broader ecosystem also taking steps towards increasing equity for women – e.g., SEWA’s literacy for women initiatives, RBI Innovation Hub’s Swanari or new entrepreneurship opportunities via e-commerce players
- From a financial inclusion perspective, 56% JDY accounts (2022) are held by women and female borrowers have grown at 1.5x male borrowers (2017–22)
  - However, women still constitute only 28% of active borrowers, 19% of outstanding credit and have 30% health insurance penetration compared with 34% for men
  - Potential for FinTechs to change the game – there are green shoots already emerging e.g., Sankul Capital is providing credit access to women through SHGs
Companies registered with DPIIT as FinTech startups have moved the needle on women equity

Have 4 percentage points more women directors than NIFTY 500 companies

### 42% of entities registered with DPIIT as FinTech startups have at least 1 women director / founder

(Jan 2013–May 2023, based on year of incorporation)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of female directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013–15</td>
<td>44%</td>
</tr>
<tr>
<td>2016–18</td>
<td>44%</td>
</tr>
<tr>
<td>2019–21</td>
<td>43%</td>
</tr>
<tr>
<td>2022–May 23</td>
<td>42%</td>
</tr>
</tbody>
</table>


**NIFTY 500 companies (2022)**: 18%

Companies registered with DPIIT as FinTech startups (2013–22): 22%

Significant growth in companies registered with DPIIT as FinTech startups with at least one female director and founded outside of Tier-I

(Jan 2013–May 2023, based on year of incorporation)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of female directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013–15</td>
<td></td>
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<tr>
<td>2016–18</td>
<td></td>
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<tr>
<td>2019–21</td>
<td></td>
</tr>
<tr>
<td>2022–May 23</td>
<td>42%</td>
</tr>
</tbody>
</table>

CAGR (2013–22): 36%

**Tier-I**

2013–15: 26%
2016–18: 28%
2019–21: 32%
2022–23: 48%

**Beyond Tier-I**

2013–15: 74%
2016–18: 72%
2019–21: 68%
2022–23: 52%

#### Skilling

- Telangana’s WE Hub: State incubator for women entrepreneurs
- Women Entrepreneurship Platform (WEP) by NITI Aayog for funding, incubation, etc.

#### Literacy and connectivity

- Women with higher education increased to 32% from 12%
- 47% of active internet users are females enabling access to information

#### Funding

- SIDBI (2016): INR 1,000 Cr for women startups
- Credit Guarantee Scheme: Coverage up to 85% for women against 75% normally

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1. Could indicate women founder, co-founder or minimum one woman in leadership position; 2. Press search based on CIO, COO, CFO, CMOs as senior management; 3. Corporate India: Women on boards: Institutional Investor Advisory Services 2022; 4. Small Industries Development Bank of India; 5. Ahmedabad, Bengaluru, Chennai, Delhi, Kolkata, Hyderabad, Mumbai, Pune are considered as Tier-I, 1,332 FinTech Startups included here; 6. Household social consumption: Education during 1 July 2017 to 30 July 2018 by NSO; 7. Internet in India survey, 2022

Source: Data provided by DPIIT, which is collected under the Startup DPIIT recognition application by Startup India covering parameters like incorporation date, directors details including genders, location etc., discussions with state Startup India teams, BCG analysis

Women entrepreneurship and FinTechs form a dynamic partnership...drives social change and inspires the next generation of leaders. WE Hub has become a breeding ground for transformative FinTech ideas.

— Deepthi, CEO, WEHub Telangana
Government initiatives such as PMJDY\(^1\) have helped in financial inclusion for women; however there is potential to enhance usage.

### Encouraging trends in financial inclusion for women supported by PMJDY

<table>
<thead>
<tr>
<th>Share of women in PMJDY(^1) accounts has increased (# in Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY17</td>
</tr>
<tr>
<td>31</td>
</tr>
<tr>
<td>48% (15)</td>
</tr>
<tr>
<td>52% (16)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of borrowers in prime segment(^2) (CY22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
</tr>
<tr>
<td>57%</td>
</tr>
</tbody>
</table>

5-year growth in number of women borrowers is higher than men (2017–22)

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>11%</td>
</tr>
</tbody>
</table>

### However, there is potential to enhance usage

1. % share in credit access\(^3\) (CY 22)

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>72%</td>
<td>81%</td>
</tr>
</tbody>
</table>

2. Health insurance penetration\(^4\)

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>34%</td>
</tr>
</tbody>
</table>

3. Share in UPI payment users\(^5\)

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>19%</td>
</tr>
</tbody>
</table>

4. Share in mutual fund investors\(^6\)

<table>
<thead>
<tr>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Women make up less than 30% of UPI users of Google Pay in 2023

— Economic Times, 2023

Of the 16 lakh Kuvera investors, 26% were women

— Business Today, 2023

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Source: PIB Data, CIBIL Insights, CY2022, BCG analysis.
Broader ecosystem (including FinTechs) actively working towards driving literacy, financial access for women

Enhancing financial literacy for women
SEWA¹ for skilling
- India’s first and largest trade union of self-employed women, SEWA has trained 11,000+ women on various financial literacy courses
- SEWA and Better Than Cash Alliance² built a 10-point plan for digital financial inclusion of women –
  - Designing appropriate and affordable financial products
  - Helping women benefit from e-commerce opportunities

“Swanari” TechSprint program by RBI Innovation Hub (RBIH) for financial inclusion for women
Flagship program of RBIH; platform to conceptualize, develop and support innovations in technology that enhance access, usage and quality of financial services for all women in India

Empowering women in Tier-II / Tier-III cities
Players such as Meesho are empowering women and promoting entrepreneurs in small towns and cities. They are largely between the 18–45 age group and 70% come from Tier-II markets

FinTech showcase: Providing access to credit
Sankul Capital

Founding year: 2021
Target segment: Women in rural areas with low income such as farmers, dairy hands, artisans, blue-collar workers; Urban low-income, especially migrant workers
Core offering: Flexi loans, insurance and pension products
How does it work: Sankul Capital acts as a bridge between women and financial institutions. They mobilize women into Self Help Groups, introduce them to the concept of weekly saving, and once they save enough, link them with the bank and offer them flexi loans. Also offer insurance and pension products
Ecosystem enablers: Start Up India incubation units and acceleration programs, Start Up India Seed Fund helped through exposure, training and funding support
Impact: 700+ Self-Help Groups consisting of 7,000+ women

Our program is driving financial and economic inclusion of poorest of women in remotest of villages. They are helping them to access formal credit at the lowest interest rates at their doorstep. We are building the credit history of poor women and making them bankable individually

— Renuka Kumar, Founder, Sankul Capital

1. SEWA (Self-Employed Women’s Association) was founded in 1972; SEWA for Bharat website, based on publicly available information; 2. Based at the United Nations, the Better Than Cash Alliance is a partnership of governments, companies, and international organisations that accelerates the transition from cash to responsible digital payments

Source: Discussions with Startup India teams, Sankul Capital, press search on Meesho, BCG analysis
Growth beyond Tier-I cities

- 90% of FinTech startups in India are emerging from the top 10 states — with Maharashtra, Karnataka, Uttar Pradesh, Gujarat, and Tamil Nadu leading the way.
- Driven by strong support from Startup India, DPIIT schemes, enhanced exposure to digital and financial literacy coupled with growth in beyond Tier-I cities (e.g., affluence, consumption), DPIIT recognized FinTech startups from beyond Tier-I cities increased from 22% in 2013-15 to 46% in 2022-23 (based on year of incorporation).
- In parallel, FinTechs are also leading inclusion efforts in beyond Tier-I cities. As an example, 71% of FinTech personal loans originated from beyond Tier-I cities in 2020.
- For players such as PhonePe, 75%+ of the user base comes from Tier-II cities and beyond. This is in line with their vision to democratize progress and develop a scalable platform for use in ‘Bharat’.
46% DPIIT recognized FinTech startups founded outside Tier-I cities in 2022-23
Driven by enhanced Government support, increase in exposure to digital and financial literacy and growth in Tier-II / III cities

DPIIT recognised FinTech startups founded beyond Tier-I cities have been growing (56% CAGR from 2013–22)

DPIIT recognised FinTech startups by founding location (Jan 2013–May 2023, based on year of incorporation)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier-I</th>
<th>Beyond Tier-I</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013–15</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>2016–18</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>2019–21</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>2022–May23</td>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

- Rural Self Employment Training Institutes in each district for skill upgradation
- Enhanced exposure and connectivity in beyond Tier-I cities (e.g., 69% internet users beyond Tier-I, easy availability of content, etc.)

States such as Andhra Pradesh, Haryana, Punjab, Uttar Pradesh and Kerala are leading in DPIIT recognised FinTech startups outside state capital

DPIIT recognised FinTech startups outside state capital (Jan 2013–May 2023, based on year of incorporation)

<table>
<thead>
<tr>
<th>State</th>
<th>Share of affluent and elite household</th>
<th>Expected Consumption Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh, Haryana, Punjab, Kerala, Uttar Pradesh</td>
<td>&gt;21% in 2018 (expected to reach 350+ by 2028)</td>
<td>&gt;80%</td>
</tr>
<tr>
<td>Madhya Pradesh, Bihar</td>
<td>60–79%</td>
<td></td>
</tr>
<tr>
<td>Gujarat, Odisha, Telangana, Maharashtra</td>
<td>40–59%</td>
<td></td>
</tr>
<tr>
<td>Chhattisgarh, Rajasthan, Telangana, West Bengal</td>
<td>20–39%</td>
<td></td>
</tr>
<tr>
<td>Other States</td>
<td>&lt;19%</td>
<td></td>
</tr>
</tbody>
</table>

Our state stands at the forefront of nurturing financial inclusivity... beyond Tier-I cities. The FINTECH Innovation Challenge 2022... has played a vital role... fueled over 15 startups...

— Shri Kona Sasidhar IAS Secretary ITE&C Department, Government of Andhra Pradesh

1. Ahmedabad, Bengaluru, Chennai, Delhi, Kolkata, Hyderabad, Mumbai, Pune are considered as Tier-I; total FinTechs beyond Tier-I cities are 1019 out of 3121, all incorporated between Jan 2013–May 2023; 2. Delhi, Chandigarh not considered as they are capitals. HP, J&K, GA, UK, MN, AS, JH not considered as there are less than 20 FinTech startups; State sample size for FinTech startups outside state capital: AP=28, HR=176, PB=23, KL=111, WB=106, KA=484, all incorporated between Jan 2013–May 2023; 3. Internet in India 2022 by Internet and Mobile Association in India

Source: Data provided by DPIIT, discussions with state Startup India teams, Transcript of Prime Minister’s speech from Press Information Bureau of India, BCG CCI, BCG analysis

...the premiers of the most prosperous and developed countries... were so eager to learn about... Digital India... in awe of our talent... efforts made by my Tier-II, Tier-III cities

— Hon’ble Prime Minister Shri Narendra Modi on 77th Independence day

160+ cities beyond Tier-I with share of affluent and elite household >21% in 2018 (expected to reach 350+ by 2028)
90% of FinTech startups founded in top 10 states
Maharashtra, Karnataka, Uttar Pradesh, Gujarat, Tamil Nadu lead the way

- 90% of FinTech startups have emerged from the top 10 states – led by Maharashtra, Karnataka, Uttar Pradesh, Gujarat, Tamil Nadu
- While some of this can be attributed to the presence of major hubs, set up of incubators in institutes is seen as a major driver
  - e.g., Society for Innovation and Entrepreneurship in IIT Bombay, Center for Innovation Incubation and Entrepreneurship in IIM Ahmedabad, Foundation for Innovation and Technology Transfer in IIT Delhi
- Considering the growing presence of FinTechs in Tier-II / III, the potential for further expansion in states such as hilly north, north-east and other large states such as Bihar and Odisha

Gujarat: 175+ DPIIT recognised FinTech startups since 2013

Gujarat was adjudged as overall best performer in 2021 state rankings by DPIIT scoring highest on 5 out of 7 metrics
Institutional Champion | Procurement Forerunner | Incubation Hub | Funding Leader and Capacity | Building Pioneer

Gujarat Startup policy empowers visionary startups with incremental seed support...offers dynamic incentives to startups championing rural transformation...IFSCA¹ fosters FinTech innovation with regulatory sandboxes and lucrative incentives...FinX Labs² has established its start-up accelerator and co-working space..

— The Industries Commissionerate, Government of Gujarat

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1. International Financial Services Centers Authority - A unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India; 2. FinX Labs: A group of researchers exploring financial innovations and applications of data analytics
Source: DPIIT data, discussions with state Startup India teams, BCG analysis

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FinTech startups by state
(Jan 2013–May 2023, based on year of incorporation)
**FinTechs contributing to inclusion beyond Tier-I**

e.g., 71% of FinTech personal loans originated beyond Tier-I in 2020

**FinTechs are specifically catering to credit requirements of beyond Tier-I cities**

71% of personal loan originations by FinTechs happened outside Tier-I cities in 2020

**FinTech showcase: Focusing on credit to Tier-II / III cities**

**Kashi Capital**

- **Founding year:** 2018
- **Target segment:** MSME / self-employed operating in the informal sector
- **Coverage:** Across 16 underdeveloped districts of Uttar Pradesh
- **Core offering:** Semi secured / secured loans for working capital, asset purchase or business diversification
- **How does it work:**
  - Loan officers reach out to remote and underserved villages
  - Assess credit using proprietary underwriting platform based on alternate credit appraisal techniques and cashflows
- **Impact:**
  - 6,000 loans disbursed since inception, 90% loans given to customers in rural / semi-urban areas
  - Lack formal financing access 42% new to credit, 40% to <=30 years age group

<table>
<thead>
<tr>
<th>Volume of non-cash transactions</th>
<th>Share of UPI transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of non-cash transactions (Bn)</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>FY23</td>
<td>June23</td>
</tr>
<tr>
<td>UPI</td>
<td>PhonePe</td>
</tr>
<tr>
<td>42%</td>
<td>48.1%</td>
</tr>
<tr>
<td>Mobile and Internet Banking</td>
<td>Google Pay</td>
</tr>
<tr>
<td>51%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Others1</td>
<td>Paytm All other banks TPAPs2</td>
</tr>
<tr>
<td>7%</td>
<td>12.9%</td>
</tr>
<tr>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

**All our products and activities have been designed for ‘population-scale’ impact with inclusion at the core**

— Karthik Raghupathy, Head of Strategy and Investor Relations at PhonePe

1. Others includes POS, NACH, ATM, Cheque; 2. TPAP= Third Party Application Providers
2. Source: Transunion Google Report 2021, Discussion with Kashi Capital, PhonePe, NPCI data, RBI data, BCG analysis

24 | GROWING INCLUSION IN INDIA: THE FINTECH WAY
Access to financial products / services for the underserved

Across retail and MSME, India has a large underserved segment. FinTech players are increasingly focusing on this segment (e.g., economically weaker sections, migrant workers, MSMEs, etc.) and enhancing financial inclusion through innovative products and services across 6 categories –

- Financial literacy
- Access to banking services
- Access to credit
- Access to insurance
- Creating an investment habit
- Access to digital payments (well-served)

What is needed now is to democratize this technology, make FinTech players more aware of the needs of the segment in Tier-II / III cities (e.g., vernacular, low net speed versions of app, bigger font for elderly, etc.) and ease development of partnerships with banks / other FinTechs.
Across retail and MSME, India has a large underserved population

Population in Strugglers and Next Billion Segments as of 2019 (decreased from 78% in 2010)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2010</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elite</td>
<td>3 (1%)</td>
<td>12 (4%)</td>
</tr>
<tr>
<td>Affluent</td>
<td>13 (6%)</td>
<td>32 (11%)</td>
</tr>
<tr>
<td>Aspirers</td>
<td>35 (15%)</td>
<td>66 (22%)</td>
</tr>
<tr>
<td>Next Billion</td>
<td>108 (45%)</td>
<td>134 (44%)</td>
</tr>
<tr>
<td>Strugglers</td>
<td>79 (33%)</td>
<td>58 (19%)</td>
</tr>
<tr>
<td>Number of HHs</td>
<td>238</td>
<td>307</td>
</tr>
</tbody>
</table>

Typical underserved segments:
- Street vendors
- Agri-community
- Migrant/gig workers
- Hilly area population
- Other cash salaried
- Home makers

INR 20–25 Trillion

Estimated credit gap for MSME sector

Source: BCG CCI proprietary income database, EIU, World Bank, Transunion CIBIL; IFC Report; BCG analysis

1. Annual household gross income based on 2019 prices; 2. p.a. refers to per annum; 3. Amount of outstanding loan, report on Expert Committee on MSMEs

Source: BCG CCI proprietary income database, EIU, World Bank, Transunion CIBIL; IFC Report; BCG analysis
FinTechs are innovating across the value chain to solve key needs / pain points

01. Financial literacy
   Enhancing financial literacy through a combination of on ground advisors and digital platforms:
   - e.g., BankSathi focusses on Tier-II and III customers and has a network of 1 Mn+ financial advisors, Fam has a base of 15 lakh+ teenagers to educate on financial services

02. Access to banking services
   Access to banking services enabled by FinTechs riding on DPI and Government partnerships
   - India Post Payments Bank has a network of 260,000+ digitally enabled Gramin Dak Sewaks and has partnered with Airtel and Koo to enhance access and literacy, PayNearby has a network of 12 lakh+ stores providing loans, cash deposit, withdrawals

03. Access to credit and payments
   - Innovative products and business models to enhance lending to retail and MSME segments: Sachet loans (e.g., MAKSPay), supply chain financing (e.g., OfBusiness, Bridge2Capital), blockchain enabled asset backed loans (e.g., Censor Black)
   - Increased acceptance of digital payments: Ease in digital payment acceptance for merchants (e.g., Paytm soundbox), easy to use UPI app in regional language needing low net speed (e.g., PhonePe)

04. Access to insurance
   - Potential to enhance access and innovation: <5% share of FinTechs in premium for non-life sector
   - Players such as MicroNsure trying to make a difference - providing bite-sized insurance for migrant workers

05. Creating an investment habit
   Opportunity to move savings from cash at home to other financial instruments including low-risk investments
   - Players such as Groww, Upstox, Paytm money introducing a new segment to mutual funds, and Zerodha Varsity taking significant steps towards financial literacy for investing

Source: Discussions with FinTech founders, BCG analysis
Enhancing financial literacy through combination of on-ground advisors and digital platforms

Potential to enhance financial literacy (India at 29%), especially for women and rural areas

Financial Literacy in India¹ (2018–19)

<table>
<thead>
<tr>
<th>Region split</th>
<th>Overall</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>24%</td>
<td></td>
<td>33%</td>
</tr>
<tr>
<td>Urban</td>
<td>27%</td>
<td>29%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender split</th>
<th>Overall</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>27%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age split</th>
<th>18–29 years</th>
<th>30–49 years</th>
<th>50–69 years</th>
<th>70–80 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>27%</td>
<td>25%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>29%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FinTech showcase: Enhancing financial literacy

**BankSathi**
- **Founding year:** 2020
- **Target segment:** Customers from Tier-II / Tier-III cities
- **Coverage:** 18,000 pincodes, 750+ cities
- **Core offering:** Platform for individuals to become advisors referring savings account, loans, EMI cards, credit cards, demat account to customers from Tier-II / Tier-III cities
- **How does it work:**
  - Advisor creates a lead on the app for the appropriate financial product based on customers’ requirements and shares a link with the customer
  - Customer completes the onboarding journey
  - Advisor earns commission on successful onboarding within 7–15 days
- **Ecosystem enablers:** Bank partnerships, advisors, growing internet penetration
- **Impact:** 1 Mn+ advisors on the platform

**Fam**
- **Founding year:** 2019
- **Target segment:** Teenagers
- **Core offerings:** UPI and co-branded credit cards
- **How does it work:** Focuses on providing teenagers financial independence via an app which is enabled with UPI payments, a co-branded card for managing their day-to-day expenses and a savings wallet
- **Ecosystem enablers:** UPI, banking partnerships
- **Impact:** 15 lakh+ active customers, 75% below 18 years, 60% from Tier-II / Tier-III cities

1. Financial Literacy and Inclusion in India Report 2019 by National Center for Financial Education. The report is revised every five years with the next revision set to be done in 2025

Source: Public information available for BankSathi, Discussions with FamPay, Discussions with Fam, Financial Literacy and Inclusion in India Report 2019, BCG analysis
Access to banking services enabled by FinTechs riding on Digital Public Infrastructure and Government partnerships

Government FinTech partnership aiding access

India Post Payments Bank (IPPB) has brought 47.3 Mn Customers to rural banking as of 2022¹
- 260K+ Gramin Dak Sevaks (GDS)
- 136K+ banking access points
- 99% of accounts are Aadhaar-enabled

IPPB along with Airtel launched WhatsApp Banking²
- 250 Mn messages per month to bank customers
- Services include doorstep service requests, locating nearby post office

IPPB partnered with Koo for financial inclusion and literacy
- To drive financial inclusion and literacy amongst Tier-II / III users

IPPB along with the Department of Posts has started the initiatives “Finculvation” to co-create solutions for financial inclusion
- Instant paperless micro credit platform on the lines of BNPL
- Integration of digital payments with money order services of India Post

FinTech showcase: Reaching underserved segments via retailers

PayNearby

Founding year: 2016
Target segment: Underserved segments not having banking access
Coverage: Rajasthan, Chhattisgarh, Odisha, Gujarat, and Uttar Pradesh
Core offering: Banking and financial services, insurance, payments and assisted eCom with Amazon, Flipkart, Myntra, Croma, etc. – 52 eCom sites, travel
How does it work: Uses India Stack to provide DaaS (Distribution as a Service); Tech enabled by web and app along with UPI QR, softPOS device and microATM delivered via “Digital Pradhans”
Ecosystem enablers: DPIIT recognition, ONDC, Protean (eNSDL), 7 banks, insurers, etc.
Impact: 260 Mn lives touched, 12 lakh Digital Pradhan partners in 22,000 pin codes, 78,000+ women business correspondents; processing USD 1 Bn each month in sachets of financial services

We have partnered with states such as UP and Rajasthan to win the Rajeevika contract (for 23k+ women Business Correspondents), DPIIT recognition for us played a major role in achieving this

— Anand Kumar Bajaj, Founder & CEO, PayNearby

¹ India Post Payments Bank Annual Report 2021-22; ² Press release by Airtel India
Source: Discussion with PayNearby team, press search, IPPB annual reports, Press search, BCG analysis
FinTechs solving for credit needs of underserved through targeted innovations

FinTechs are specifically catering to credit requirements of underserved segment through innovative products and business models (indicative examples)

Comparison of target segment of FinTechs vis-à-vis other financial institutions in 2020

<table>
<thead>
<tr>
<th>Segment</th>
<th>FinTechs</th>
<th>Other financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Prime</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>Prime Plus</td>
<td>13%</td>
<td>87%</td>
</tr>
<tr>
<td>Prime</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Near Prime</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>SubPrime</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>New to credit</td>
<td>56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Share of INR=<25K personal loans in their own portfolio

As the pioneer of mobile payments, QR and Soundbox, Paytm continues to drive financial inclusion in the country. With payments as our core offering, we have built many technologies to enable confidence and trust, for the small merchants. We are driving access to credit with our technology-first services. In India’s Digital revolution after mobile payments, Paytm’s next contribution will be – small mobile credit with high credit quality.

— Vijay Shekhar Sharma, Founder, Paytm

Source: Credit Distributed by Transunion and Google 2021, DPIIT data, Inputs from Paytm team, BCG analysis
Sample case studies | Enabling MSMEs and street vendors with credit solutions

<table>
<thead>
<tr>
<th>FinTech showcase: Smart financing options for SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OfBusiness</strong></td>
</tr>
<tr>
<td><strong>MAKSPay</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7 lakh+</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>Countries served</td>
</tr>
</tbody>
</table>

Working closely in the SME ecosystem, we understood the role of working capital in SME’s growth especially for buying bulk materials. Hence Oxyzo, as an NBFC designed the purchase financing product to address this specific need for the SMEs in the core sectors of the economy such as Manufacturing (capital goods, consumer good, packaging, pharma, etc). This is a part substitution for the informal credit from creditors which is at a higher pricing. The limit functioning is aligned to the cash flows of the SME wherein they pay only for the amount used.

— Ruchi Kalra, Co-founder, OfBusiness

<table>
<thead>
<tr>
<th>FinTech showcase: Providing credit to street vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAKSPay</strong></td>
</tr>
</tbody>
</table>

**Founding year:** 2020  
**Target segment:** Street vendors  
**Core offering:** Loans disbursement for street vendors  
**How does it work:**
- MAKSPay’s PehchanPe app acts as a Lending Service Provider to connect street vendors with formal lending institutions.
- The onboarding on the app happens via agents which is a 100% paperless process.
- Also have a proprietary algorithm for credit appraisal with a disbursal TAT of 15 minutes.

**Ecosystem enablers:** PM Svanidhi scheme, Aadhaar, Digilocker, Account Aggregator, UPI, American India Foundation for assisting customers for app installation.

**Impact:** Aim to hit 100,000 vendors per month.

India Stack, especially Aadhaar based authentication and Digilocker, has helped us reach remotest sections of society.

— Kavitha Pachalan, Founders of MAKSPay

Source: Inputs from Ofbusiness and discussions with MAKSPay team, BCG analysis.
Access to insurance | Potential to enhance play

**MicroNsure**

- **Founding year:** 2020
- **Target segment:** Migrant workers with an income of INR 100,000–300,000 annually, MSMEs (up to 100 employees)
- **Core offering:** 14 insurance products across protection, pension and wellness plans
- **How does it work:**
  - B2B2C model by partnering with institutions, housing societies, and MSMEs
  - Insurance delivered via propriety platform MIWISA (Microinsurance Workflow Information Systems and Applications) for institutions and MIBEN (My Insurance Benefits) for MSMEs
  - Trust, multi-lingual features of the app, clear and simple products, easy settlement process are the key USPs

**Ecosystem enablers:** Partnerships with insurance companies, NBFCs, MFIs

**Current impact:** Touching 6,500 new customers per day, 25 lakh individual customers till now through 800 institutes, 71 MSME customers and 25 housing societies onboarded, INR 12,500 Cr of coverage, 5,500 claims settled

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1. National Family Health Survey report of 2019–21, depicts percentage of household where any 1 usual person is covered under health insurance; 2. GDPI flash figures by IRDAI as of November 2022

Source: Discussion with MicroNsure team, inputs from Policy Bazaar, National Family Health Survey report of 2019–21, BCG analysis

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...our unwavering commitment lies in enhancing financial inclusivity across every corner of India... reached into the heart of 15K pin codes...using industry-first technological tools like voice analytics, strengthening risk assessment precision and fraud prevention...leading the way by making insurance and lending more accessible...

— Yashish Dahiya, Chairman and Group CEO, PB FinTech Limited (Policy Bazaar)
Opportunity to move savings from cash at home to other financial instruments

Financial instrument mix (% of Savings)

<table>
<thead>
<tr>
<th>Target segment</th>
<th>Next Billion</th>
<th>Aspirers</th>
<th>Affluent</th>
<th>Elite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits</td>
<td>12%</td>
<td>15%</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Cash at home</td>
<td>54%</td>
<td>45%</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>Savings / current deposits</td>
<td>8%</td>
<td>11%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Life insurance</td>
<td>11%</td>
<td>11%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Others¹</td>
<td>15%</td>
<td>15%</td>
<td>19%</td>
<td>20%</td>
</tr>
</tbody>
</table>

1. Others: Post Office Schemes / MFs (SIPs), PPF, EPF, Pension, Stocks / Shares. Analysis pertains to financial instruments (including currency).

Annual Household income--Strugglers: INR <1.5 lakhs; Next Billion: INR 1.5–5 lakhs; Aspirers: INR 5–10 lakhs; Affluent INR 10–20 lakhs; Elite: INR >20 lakhs.

Source: BCG CCI

Target segment holds major part of savings in cash - opportunity to move to investments
**FinTechs helping people invest in other instruments (e.g., MF, stocks)**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metro</strong></td>
<td>Total HH MF penetration is only 7% across India</td>
</tr>
<tr>
<td><strong>Middle-aged</strong></td>
<td>Typically, working individuals with savings maturity</td>
</tr>
<tr>
<td><strong>Men</strong></td>
<td>Used to be primary targets, key decision makers</td>
</tr>
<tr>
<td><strong>Moneyed</strong></td>
<td>Rich, affluent with late push towards mass</td>
</tr>
<tr>
<td><strong>Paytm Money</strong></td>
<td><strong>Zerodha Varsity</strong></td>
</tr>
<tr>
<td>60–70%</td>
<td>First time investors</td>
</tr>
<tr>
<td>80%</td>
<td>Millennial customers (under 30 years)</td>
</tr>
<tr>
<td>1.5x</td>
<td>Growth in woman customers</td>
</tr>
<tr>
<td>+Bharat</td>
<td>Total HH MF penetration expected to go up to 20%, driven by Tier-II / III investors</td>
</tr>
<tr>
<td>+Millennials</td>
<td>47% of new MF investors in recent times are 20–35 years</td>
</tr>
<tr>
<td>+Women</td>
<td>24% of new millennial investors are women</td>
</tr>
<tr>
<td>+Aspirers</td>
<td>Aspirers to constitute 26% of HH (2030P) vs. 22% (2022)</td>
</tr>
</tbody>
</table>

**Core offering:**
Massive Open Online Course (MOOC) collection of stock market and financial lessons; available for free

**How does it work:**
Easy to understand content in pdf and videos - multilingual content in English and Hindi

**Impact:**
1 Mn+ downloads, 200,000+ subscribers on YouTube

Successful FinTech founders, want to help other founders – especially those focusing on inclusion (e.g., Zerodha Rainmatter)

Zerodha’s venture capital arm supports Indian entrepreneurs building in India

<table>
<thead>
<tr>
<th>FinTech</th>
<th>Health</th>
<th>Climate change, environment</th>
<th>Livelihood and story telling</th>
</tr>
</thead>
<tbody>
<tr>
<td>digio</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ditto</td>
<td></td>
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<td></td>
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<tr>
<td>sensibull</td>
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<td></td>
<td></td>
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<tr>
<td>smallcase</td>
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<tr>
<td>Streak</td>
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<tr>
<td>devils</td>
<td>DITCH THE GUILT</td>
<td>Akshayakalpa</td>
<td>THE KEN</td>
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<tr>
<td>circuit</td>
<td></td>
<td>solar square</td>
<td></td>
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<td>PEE SAFE</td>
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<td>THE TRUTH</td>
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<td>FINSHOTS</td>
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</tr>
</tbody>
</table>

80 Startups funded since 2016

32 FinTech startups funded

350 INR Cr funded since 2016

95 % Startup founders are first timers

The biggest challenge to be solved in the Indian capital market is the shallow participation... We realized this around 2016, and that’s how the Rainmatter journey began. Today, we support startups working on helping traders and investors do better. That means backing startups that are building things that help people manage their risk, behaviour and their overall personal finances.

Along the FinTech journey, we had a few aha moments—what’s the point of helping people do better with their money if they have poor health. So we started supporting startups that are helping Indians make healthier choices....

We support organizations working on sustainable farming, clean energy technologies, energy efficiency, waste management, bio-alternatives and more. And we are also curious to support education and storytelling.

We believe that with Rainmatter’s perennial investment structure, we can support and collaborate with startups and help them in their journey.

— Nithin Kamat, Founder, Zerodha

Note: Usage of logo approval taken from Rainmatter team
Source: Discussion with Rainmatter team, BCG analysis
Strengthening the agri-community

- Although rural deposit and credit have increased at 1.5–2x growth rate of urban areas, only 30% of the farmer community has access to formal credit and insurance.
- Significant play possible for Agri FinTechs – however the current scale is limited (e.g., <1% share in total agri-lending and <5% of total AgriTech funding).
- There are, however, some green shoots emerging, e.g., Whrrl is providing credit access to farmers enabled by blockchain (>80% loans to farmers with <4 acres of land).
- Gramcover provides farmers customized and affordable insurance products across health, livestock, motor and crop insurance through its 10,000+ network of Point of Sales Persons.
Only 30% farmer community has access to formal credit and insurance

Significant play possible for FinTechs - however, current scale is limited (e.g., <1% share in total agri-lending)

**Rural savings and credit growth 1.5–2x of urban areas...**

<table>
<thead>
<tr>
<th>Farmer category</th>
<th>Farmer population (Mn)</th>
<th>% of total farmers with access to formal credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large farmers (&gt;10 hectares)</td>
<td>0.9</td>
<td>54%</td>
</tr>
<tr>
<td>Medium framers (2–10 hectares)</td>
<td>19.2</td>
<td>40%</td>
</tr>
<tr>
<td>Small and marginal farmers (SMF) (&lt;2 hectares)</td>
<td>126</td>
<td>29%</td>
</tr>
</tbody>
</table>

**...However, limited formal credit (~30%) and insurance (25–30%) penetration**

- **Savings deposit growth FY 21–22 (CAGR)**
  - Rural: 27%  
  - Urban: 17%

- **Outstanding loans FY 19–22 (CAGR)**
  - Rural: 14%  
  - Urban: 7%

**Agri FinTechs emerging – however, potential to scale up**

<table>
<thead>
<tr>
<th>Agri FinTechs in India¹</th>
<th>220+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of total funding received in AgriTech was for Agri FinTechs²</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>Share of total FinTech funding was received in Agri FinTech²</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Share of FinTechs in total Agri-lending³</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

---


<table>
<thead>
<tr>
<th>Farmer category</th>
<th>% of gross cropped area insured⁴</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25–30%</td>
<td></td>
</tr>
</tbody>
</table>

40 | GROWING INCLUSION IN INDIA: THE FINTECH WAY
FinTechs solving for on-ground problems of agri-community (e.g., credit, insurance) – however, significant potential to scale up (I/II)

<table>
<thead>
<tr>
<th>FinTech showcase: Easy access to credit through blockchain</th>
<th>FinTech showcase: Easy access to insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Whrrl</strong></td>
<td><strong>GramCover</strong></td>
</tr>
<tr>
<td>Founding year: 2019</td>
<td>Founding year: 2016</td>
</tr>
<tr>
<td>Target segment: Farmers</td>
<td>Target segment: Farmers</td>
</tr>
<tr>
<td>Coverage: 200 locations, 1,500 warehouses in rural areas</td>
<td>Coverage: Punjab, Haryana, West Bengal, Assam, and Uttarakhand</td>
</tr>
<tr>
<td>Core offering: Inventory financing in post harvesting segment</td>
<td>Core offering: Customized and affordable insurance products across health, livestock, motor and crop insurance (broking model)</td>
</tr>
<tr>
<td><strong>How does it work:</strong></td>
<td><strong>How does it work:</strong></td>
</tr>
<tr>
<td>– Farmers, warehouses and lending agencies are brought together on a blockchain platform</td>
<td>– Indian farmers typically find it difficult to access insurance products to safeguard against probable losses</td>
</tr>
<tr>
<td>– Tokenization of commodities takes place against a warehouse receipt and the farmer receives a loan against the tokens</td>
<td>– GramCover provides customized, affordable insurance products and connects to farmers via their network of 10,000+ PoSP (Point of Sales Person) via an app</td>
</tr>
<tr>
<td>– All quality parameters of the commodity are stored on blockchain</td>
<td>– All claims / policies can be easily accessed on the app which leads to quick processing of claims</td>
</tr>
<tr>
<td><strong>Ecosystem enablers:</strong> Blockchain, Digilocker, focus on building warehouse infrastructure in India</td>
<td>– Also provides a dashboard to insurance companies for monitoring</td>
</tr>
<tr>
<td><strong>Impact:</strong></td>
<td><strong>Ecosystem enablers:</strong> JAM Stack, Pradhan Mantri Fasal Bima Yojana (PMFBY), growing internet penetration in rural areas</td>
</tr>
<tr>
<td>– Reduced lending cycle for farmers from 2 weeks to 2 hours</td>
<td><strong>Impact:</strong> 8 Mn policies covering 5 Mn farmers; INR 400 Cr+ gross premiums</td>
</tr>
<tr>
<td>– Tokenized INR 6,000 Cr worth of assets</td>
<td></td>
</tr>
<tr>
<td>– Disbursed INR 100 Cr to 6,000 farmers, of which &gt;80% have less than 4 acres of land</td>
<td></td>
</tr>
</tbody>
</table>

Source: Discussions with Whrrl, GramCover team, press search
FinTechs solving for on-ground problems of agri-community (e.g., credit, insurance) – however, significant potential to scale up (II/II)

<table>
<thead>
<tr>
<th>FinTech showcase: Access to better farming inputs, enhanced yields and productivity</th>
<th>FinTech showcase: Comprehensive credit solutioning with warehousing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gramophone</strong></td>
<td><strong>Apna Godam</strong></td>
</tr>
<tr>
<td><strong>Founding year:</strong> 2016</td>
<td><strong>Founding year:</strong> 2019</td>
</tr>
<tr>
<td><strong>Target segment:</strong> Farmers</td>
<td><strong>Target segment:</strong> Farmers</td>
</tr>
<tr>
<td><strong>Coverage:</strong> 2 Mn+ agri workers, ~2.15 lakh monthly average users across 140 districts and 50,000 villages</td>
<td><strong>Coverage:</strong> Rajasthan, Uttar Pradesh, Bihar, Punjab, and Gujarat</td>
</tr>
<tr>
<td><strong>Core offering:</strong> Personalized advisory on new farming practices, tailored to their geo-tagged farmland; market place to buy agri-input products</td>
<td><strong>Core offerings:</strong> Credit on farm produce via commodity financing and Buy Now, Pay Later (BNPL)</td>
</tr>
<tr>
<td><strong>How does it work:</strong></td>
<td><strong>How does it work:</strong></td>
</tr>
<tr>
<td>– Indian farmers typically do not have access to agronomists who can help guide and advise on crop cycles and new farming practices</td>
<td>– Farmers store the products and pledge to get credit</td>
</tr>
<tr>
<td>– Gramophone is a full-stack intelligent farming platform that works directly with farmers and guides them throughout the crop life cycle</td>
<td>– Apna Godam provides a unique solution that allows farmers to complete the e-auction of the product even if there is a pledge against that commodity by opening an escrow account</td>
</tr>
<tr>
<td>– 800+ village representatives to support farmers</td>
<td>– The money from selling the product is received on the escrow</td>
</tr>
<tr>
<td>– Crop inputs can be purchased via physical touchpoints or online via the app</td>
<td>– Apna Godam remits the loan amount before payout to the farmer</td>
</tr>
<tr>
<td><strong>Ecosystem enablers:</strong> Digilocker, growing internet penetration, credit partners</td>
<td><strong>Impact:</strong> Over 7,000 farmers covered with the solution</td>
</tr>
<tr>
<td><strong>Impact:</strong> Improved yield by 30–40%, net income increased by 50–75%</td>
<td><strong>Impact:</strong> Over 7,000 farmers covered with the solution</td>
</tr>
</tbody>
</table>

Source: Discussions with Gramophone team, Inputs from ‘Apna Godam Finance’ team
Empowering youth

- FinTechs usually set up by individuals later in their professional lives/start-up journeys - while 80% of startups usually are set up before 30 years of age, for FinTechs it is 40 years – primarily due to deeper subject matter knowledge needed and being a regulated space. >90% of FinTech startup founders have a bachelors degree
- Government initiatives such as the National Initiative for Developing and Harnessing innovations (NIDHI) and Promoting and Accelerating Young and Aspiring Innovators and Startups (PRAYAS) helping young entrepreneurs
- Commerce, business, and engineering grads set up >90% FinTech startups. Incubators in Government colleges helping - >70% FinTech startups founded in Government colleges vis-à-vis 34% student enrollment in India. Incubator presence in additional private universities can help move the needle towards these colleges and universities
FinTech startups typically set up later in professional lives / startup journeys; however, Government initiatives such as NIDHI helping early aspirants

<table>
<thead>
<tr>
<th><strong>80th percentile of FinTech startup founders at &lt;=40 years of age</strong></th>
<th><strong>Share of FinTech startup founders with at least a bachelors degree at par with industry</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age for 80th percentile of startup founders (Jan 2013–May 2023)</td>
<td>Share of founders with at least bachelor's degree</td>
</tr>
<tr>
<td>&lt;=30 years</td>
<td>88%</td>
</tr>
<tr>
<td>&lt;=40 years</td>
<td>~90%</td>
</tr>
</tbody>
</table>

Entrepreneurship in youngsters supported by Government initiatives

- National Skill Development Corporation and Startup Stairs' Growth Acceleration Program launched in 2022
  - Fiscal incentives: Seed funding of INR 20 lakh to INR 1 Cr to 20 shortlisted startups
  - Non-fiscal incentives such as tech and policy support
- 160+ Technology Business Incubators (TBIs) and Centres of Excellence (CoE) set up under the National Initiative for Developing and Harnessing Innovations (NIDHI) program
- Under NIDHI, Promoting and Accelerating Young and Aspiring Innovators and Startups (PRAYAS) was launched to extend support at the pre-incubation stage to innovators

Customers are between 25–45 years of age

FinTechs contributing also to growing financial inclusion for youth via credit

78%

1. Indicative based on press search and expert interviews; 2. LinkedIn profiles of 750+ FinTech Startup founders associated with DPIIT; 3. LinkedIn profiles of 1k+ FinTech Startup founders associated with DPIIT; 4. “Credit Disrupted” report by Google and Transunion, 2021

Source: RBI 2019 startup survey, discussions with Startup India teams, BCG analysis
Commerce, business, engineering graduates (31% of pass outs) contribute to >90% of FinTech startups as opposed to approximately 80% for other sectors. Private colleges contribute to >60% of student enrolment, however, only about 30% FinTech startup founders are from private colleges.

Split of academic background of founders, based on undergraduate degree (Jan 2013–May 2023, based on year of incorporation).

<table>
<thead>
<tr>
<th>Commerce, business and finance</th>
<th>Engineering</th>
<th>Arts, Law and others</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>55%</td>
<td>69%</td>
</tr>
<tr>
<td>26%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>16%</td>
<td>19%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Sample from DPIIT recognized FinTech startups

<table>
<thead>
<tr>
<th>Government colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Private colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
</tr>
</tbody>
</table>

Overall India enrollment

Incubators playing a pivotal role in fostering startups – majorly in Government / select private colleges

- IIT Delhi Technology Business Incubator (2000) incubated over 150+ startups, facilitated over 1,400+ IPRs
- Atal Incubation Centre BIMTECH incubated 300+ startups, of which 120+ were women-led and 15 FinTechs
- Technology Business Incubator at BITS Pilani (2004) supported 75 startups
- Society for Innovation and Entrepreneurship (SINE) of IIT Bombay incubated over 220+ start-ups, raised over INR 6,000 Cr

Being from an engineering background, and going to IIT gave us the necessary network and exposure to the ecosystem... as a fresh out of college, first-time entrepreneur...helped us to build the early founding team, build product of right quality with right engineering team and get connected to experienced entrepreneurs and veterans in the industry.

— Sambhav Jain, Co-Founder, Fam (previously FamPay)

Source: DPIIT data, RBI 2019 startup survey, Ministry of Education survey 2020-21, BCG analysis
Growing employment

- FinTechs with >USD 100 Mn valuation employ 1.5–2.1 lakh people
- Key focus areas include enhancing employment through Startup hubs, upskilling, giving quality employment and promoting women employment and Tier-II / III cities hiring
FinTechs with more than USD 100 Mn valuation employ 1.5–2.1 lakh people, creation of Startup Hubs helping

**FinTechs with >= USD 100 Mn valuations currently employ ~ 1.5–2.1 lakh people, of these >50% employed by unicorns**

Count of employees in FinTechs with >= USD 100 Mn valuation (# in 000s.)

<table>
<thead>
<tr>
<th>Count of employees</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>50–70</td>
<td>50–70</td>
</tr>
<tr>
<td>30–40</td>
<td>30–40</td>
</tr>
<tr>
<td>20–30</td>
<td>20–30</td>
</tr>
<tr>
<td>100–500 Mn</td>
<td>100–500 Mn</td>
</tr>
<tr>
<td>500 Mn–1 Bn</td>
<td>500 Mn–1 Bn</td>
</tr>
<tr>
<td>1–10 Bn</td>
<td>1–10 Bn</td>
</tr>
<tr>
<td>&gt;10 Bn</td>
<td>&gt;10 Bn</td>
</tr>
</tbody>
</table>

**Creation of Startup hubs**

- **GIFT City:** Global financial hub and India’s first operational smart city. Over 400 entities operational, 20,000+ employment generated
- **Kerela Startup Mission 2006:** With the goal to promote tech based entrepreneurship activates, 4,100+ startups supported, 63 incubators set up
- **WeHub Telengana:** India’s first State led Incubator for woman entrepreneurs. 5,000+ women founders engaged

Source: Tracxn, RBI, BCG analysis

Employees in FinTechs as compared to total employees in banks: <10%

50 | GROWING INCLUSION IN INDIA: THE FINTECH WAY
Generating quality employment, significant potential to hire more in Tier-II / III including women

Bringing more women into the workforce

FS has a higher share of women in workforce compared to other sectors

<table>
<thead>
<tr>
<th>Financial Services</th>
<th>Other Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>22%</td>
</tr>
<tr>
<td>Men</td>
<td>78%</td>
</tr>
</tbody>
</table>

BC key channel for women employment

PayNearby has 23K+ women BCs

- Average earnings: INR 250 to 12,000 per month
- Currently deployed in Rajasthan, Chhattisgarh, Gujarat

Quality and skilled work enabled by upskilling and growth in education

Central and various State Government programs for Youth UpSkilling

- FutureSkills PRIME (2021): Skilling young IT professionals in 10 emerging tech, 1 lakh+ candidates completed courses
- Digital Skilling Program (2022): Internships, apprenticeships, and employment to 1 Cr students in Emerging Technologies

Faculty UpSkilling

- Microsoft upskilling program promoted by AP government for cloud computing, Azure platform, Artificial Intelligence and Machine Learning
- Faculties encouraged to complete online courses on NTEPL and SWAYAM platforms

FinTech showcase: Leveraging Tier-II / III cities talent pool

Open

- Founding year: 2017
- Target segment: Small medium enterprise business
- Coverage: ~60% of SME businesses clients are located in Tier-II / III cities
- Employment opportunity in Tier-II / III: 60% of hiring from Tier-II / III cities
- Hiring from diverse backgrounds: 10–12% of the workforce comes from unconventional backgrounds, e.g., sales role offered to company’s driver
- Impact: 35 lakh+ small businesses use OPEN to manage their business finances

- PayNearby has 23K+ women BCs
- Our teams at Paytm contribute significantly to our growth. We are actively hiring from Tier-2 and Tier-3 cities, with a remote working environment, enabling top talent from across the country to join us in our journey of financial inclusion

— Vijay Shekhar Sharma, Founder, Paytm

Footnotes:
1. CFA Institute 2023 gender gap report; 2. Economic Times, 2022
Note: NTEPL = National Program on Technology Enhanced Learning; SWAYAM = Study Webs of Active-Learning for Young Aspiring Minds; BC = Business Correspondent
Source: Discussions with Open, MicroNsure team, Press Search, inputs from Paytm, BCG analysis
Supporting internal employee dimensions of diversity

– Key categories include gender, underrepresented groups and communities, disability, generational diversity and other nascent dimensions (e.g., caste, region, religion, language, etc.). Organizations and sectors find themselves at different stages of a maturity curve. As an example, the financial services sector has shown strong progress on gender and disability, while other dimensions are more nascent.

– Challenges exist across access to a quality talent pool, baselining representation and inclusion and cultural sensitization. FinTechs in general have shown limited progress on DEI – however, there are green shoots emerging from large FinTechs introducing select structural interventions. Critical success factors include direct buy-in and support from senior management and strong focus on sensitization and inclusive recruitment. Moreover, small structural interventions, such as an accessibility friendly workplace, role mapping based on disability, upskilling programs for underrepresented communities, and support policies for elderly and returning mothers can create a significant impact.
Diversity, Equity, Inclusion & Belongingness (DEIB) together can drive positive change for internal employees

**Diversity**
Ensuring that your staff reflects the full range of human diversity. That employees from diverse backgrounds are represented and successful across functions, geography, and seniority.

Gender, sexual orientation, and others

**Equity**
Deploying tools to fix sources of inequity in a system that is out of balance to achieve a more just outcome for all.

Equal recruiting, retention, advancement

**Inclusion**
Creating an inclusive work environment for all employees – one in which all staff feel valued and empowered to bring their perspectives to light.

Inclusive culture and leadership

**Belongingness**
Building a workplace where employees have an affinity for and a sense of connection towards the organization. An employee sentiment as a result of inclusion efforts.

Social bonds, shared vision
Maturity Curve | Organizations find themselves at different stages of a “DEIB¹ maturity curve”...

...and the stage would be different for each diversity dimension

1. DEIB = Diversity, Equity, Inclusion, Belongingness
The journey is not easy— we observe multiple barriers across industries

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Women</th>
<th>Under represented</th>
<th>PwD</th>
<th>Challenges faced</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to quality talent pool</td>
<td></td>
<td></td>
<td></td>
<td>Limited candidates and high dropouts across recruitment funnel (small pool -&gt; talent gap -&gt; low selection)</td>
<td>Perform well defined job mapping and do partnership with specialized external organizations (for hiring and skill building)</td>
</tr>
<tr>
<td>Baselining representation</td>
<td></td>
<td></td>
<td></td>
<td>Not all identities &quot;visible&quot;- &gt; orgs. unable to track representation and take targeted action</td>
<td>Enable confidential / safe processes for employees to self ID</td>
</tr>
<tr>
<td>Baselining inclusion</td>
<td></td>
<td></td>
<td></td>
<td>Unable to have quantifiable measures of employee sentiment</td>
<td>Surveys to measure inclusivity, belongingness via inclusion indices</td>
</tr>
<tr>
<td>Cultural shift in 1000 daily touchpoints</td>
<td></td>
<td></td>
<td></td>
<td>Challenges in solving for micro / day to day experiences for employees (manager, team, client, etc. behavior)</td>
<td>Continuous sensitization by integrating messaging in all trainings, workshops, etc. vs standalone one-off trainings</td>
</tr>
<tr>
<td>Advancement</td>
<td></td>
<td></td>
<td></td>
<td>Drop-outs at mid management levels / insufficient &quot;career&quot; planning</td>
<td>While job mapping, shift mindset from job to career – enable growth paths; launch mentorships, career development guidance</td>
</tr>
<tr>
<td>No focus on nascent dimensions</td>
<td></td>
<td></td>
<td></td>
<td>Country specific dimensions not picked up due to lack of understanding on starting point, measuring challenges and potential solutions</td>
<td>Contextualize dimensions and solutions to organization needs (different approach for each dimension)</td>
</tr>
</tbody>
</table>

1. PwD = Person with Disabilities
Note: The extent of shading indicates the size of challenge
Source: Company Interviews, BCG analysis
Large FinTechs have introduced limited structural interventions to support DEI - however, strong potential to adopt best practices from traditional institutions.

**Maturity curve for DEI for internal employees**

<table>
<thead>
<tr>
<th>Beginners</th>
<th>Initiators</th>
<th>Discoverers</th>
<th>Front Runners</th>
</tr>
</thead>
</table>

**Gender**
e.g., male, female, non-binary, others

**Underrepresented groups and communities**
e.g., based on sexual orientation

**Disability**
e.g., hearing, visual, speech, locomotive

**Generational diversity**
e.g., elderly, options for returning mothers

**Nascent dimensions**
e.g., caste, religion, language, region

**Sample initiatives by leading FinTechs**

- Flexible working model along with relocation without question
- Support for returning mothers along with parental leaves and childcare support
- Infrastructure for pregnant women
- Upskilling program for women from Tier-II / III cities
- Sensitization workshops with all other employees along with focused groups
- Regular check-ins with employees on their comfort level, escalation mechanisms for any issues
- Survey to measure inclusion at workplace
- Alignment of potential roles with type of disability
- Sensitization workshops for the organization
  - Accessibility friendly workplace – e.g., ramp / lift / accessible washrooms
- Clearly identified roles for elderly (considering age, health)
- Reverse mentorship programs to upskill elderly
- Support policies for returning mothers
- No major initiatives being undertaken

Source: Expert interviews, BCG analysis
Select FinTechs such as Yubi have made strong progress across dimensions - driven towards increasing diversity in workforce through multiple initiatives

**Summary**

- DEI emerged as key agenda in the initial stages of starting up
- Strong drive and focus towards multiple diversity dimensions, especially gender, other underrepresented communities, age, etc.
- Gradual focus on nascent dimensions and PwD
- Continuous leadership and employee engagements, self-assessments to drive changes within the firm
- Positive business impact seen through initiatives with respect to attrition, engagement

**Factors**

**Organization structure**
- Structure: HR led—dedicated diversity Team, CEO informed monthly
- External partnerships: Navgathi (hiring), Brain Ayan (sensitization)

**Key initiatives**
- Policies to ensure pay parity, inclusive insurance
- Special 5 month program for returning mothers – including returnship, mentorship
- HR tools such as Infeedo to check the pulse of the organisation
- NLP based tools to remove biases from performance management
- Extended maternity leave upto 1 year and 10 weeks paternity leave

**Cultural**
- Rolling out manager level workshops; training leadership on sensitization
- Frequent Townhalls to understand position of DEI in organisation
- Flagship Career Returnship Program for Women – “Back2Epic” with HeroVired – 1st cohort had 14 candidates. Successfully onboarded 2 candidates.
- Active ERGs - Pride at Yubi to celebrate DEI and Women Group (EWAY- Epic Women At Yubi)

**Key success factors**
- Leadership buy-in, CEO personally motivated to ensure inclusivity
- Trainings to coach CXOs, who then coach teams to sensitize on DEI
- Inclusive recruitment, sensitization of unconscious bias and diverse panels

**Business impact**
- Significant improvement in diverse top talent retention rate

---

Inclusion is the ‘key’ to unlock the potential of our diverse workforce. Beyond mere intent, our resolute commitment to inclusion propels us, nurturing innovation and fuelling growth. Through comprehensive training, transparent policies, and active outreach, we’re not just checking boxes – we’re cultivating an environment where all voices are valued.

— Tanya Mehan, Head DEIB and people experience at Yubi

From day one, our company embodied Diversity, Equity, Inclusion and Belonging as essential to innovation. Embracing DEI transformed our teams into hubs of creativity, aligning with India’s inclusion agenda. Our ongoing commitment to DEI fuels progress, breaking barriers, and fostering unity in diversity.

— Gaurav Kumar, Founder & CEO, Yubi

Source: Company Interview, BCG analysis
Finally, large FinTechs such as PhonePe are driving multi-dimensional inclusion for their customers, merchants, and employees

**Vision**
- To offer every Indian equal opportunity to accelerate their progress by unlocking the flow of money and access to services
- Democratizing progress through technology - inclusion led digital platform design
- Inclusion is a key metric in every decision

**Salient app features**
- Mobile first product
- Support both sides of the network – merchants and customers
- App available in 14 languages
- Clean & simple UI / UX to make it easy for the “Bharat” customer
- Chatbot and IVR support in vernacular languages

**Multi-dimensional approach to inclusion**

**Penetration beyond Tier-I**
- 75%+ of customers from Tier-II and beyond
- One stop shop for all financial services needs (including payments, insurance, etc.)
- Feet on ground to service merchants and help enhance literacy

**DEI as a key pillar**
- DEI council with C-suite leaders as members driving initiatives
- Assimilation support (regular check ins) and infrastructure setup (e.g., assistive devices - screen readers, loop induction systems, gender neutral and PwD washroom facilities)
- Formation of Employee Resource Groups (ERG)
- Inclusive insurance programs

**Women equity**
- 21% women (not including on the ground sales team)
- Strong focus on hiring more women in leadership positions
- Introduction of women in sales teams with necessary support mechanisms in place on mentorship, infrastructure and safety
- Tech Scholars program for upskilling women on campus with external partners
- Focused program for Mothers@PhonePe to create supportive ecosystem

**Enhancing employment**
- Team of 8,000 employees, of which ~78% recruited from Tier-II / III
- Strong focus on hiring people from PwD and other underrepresented communities

PhonePe believes in collaborative innovation – working with DPGs for public good. We were the pioneers in UPI and are now investing behind new DPGs like ONDC & AA

— Karthik Raghupathy, Head of Strategy and Investor Relations at PhonePe

Source: PhonePe conversations
Way forward

- Collaborative efforts of FinTechs, the Government, regulators and traditional banking ecosystem can create a powerful synergy with potential to reshape India’s financial landscape, making it more inclusive and technologically advanced
- There are three key levers:
  - Create and adopt inclusive products and services
  - Enhance adoption of inward looking inclusion strategies
  - Democratize tech & continue to build an inclusive ecosystem
Action plan: Three focus areas (I/III)

Create and adopt inclusive products and services

Build for the underserved

- Specific focus on underpenetrated products (e.g., savings / investments, insurance) – enable through digital journeys
- Incentivize usage through special product constructs (e.g., bite sized products, special rates on insurance premium, product bundling, etc.)
- Schemes to promote FinTechs to create digital products targeted at agri-community

Reimagine customer journeys

- Drive adoption through initiatives across the value chain (e.g., literacy enhancement, need to explain customers product risks, GTM via Self Help Groups for women, etc.)
- Gamification / loyalty incentives for new to banking customers to generate interest

Use alternate means to take risk decisions

- Use alternate data sources, both, during credit decisions – e.g., telco data and collections - e.g., satellite imagery to understand harvest, in the absence of formal data

National aspirations, local appeal

- Closer collaboration between FinTechs and state / district level Startup India teams to adopt local nuances in products
Action plan: Three focus areas (II/III)

| Enhance adoption of inward looking inclusion strategies |

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What gets measured is what gets implemented

- Enhanced measurement for FinTechs on ESG (especially on environment and governance), women employment and various dimensions of DEI
- Potential inclusion as metrics in National Startup awards to promote action and adoption

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Small steps go a long way in adoption of DEI

- Adoption of DEI even in the initial stages of business setup through targeted interventions (e.g., accessibility friendly workplace, office jobs for the elderly, etc.)
- Support from senior leadership including CEO / CHRO critical, clear inclusion surveys and policies, sensitization programs, job role mapping, etc.

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Democratize opportunity

- Focus on development of incubators in beyond Tier-I colleges and Tier-II / III cities to promote more FinTech startups
- Centralized job portal for students from beyond IITs / NITs / IIMs and people from beyond Tier-I cities with relevant skillset mapping for hiring by FinTechs
- Schemes to promote FinTechs to help upskill underrepresented communities and hire (e.g., women in tech)
Action plan: Three focus areas (III/III)

Democratize tech & continue to build an inclusive ecosystem

Democratize technology

- Share best practices on the creation of a digital platform for the underserved/new to digital segment with new FinTechs in the space (e.g., vernacular languages, IVR based support, low net speed apps, larger font size for elderly, easy communication channels such as WhatsApp, etc.)
- Involve a diverse variety of FinTechs (based on scale, sector, geography, etc.) in discussions on Digital Public Infrastructure – make them true partners in the journey

Collaborate to win

- Simplification of processes and reduction of time needed to partner with broader financial services ecosystem (especially for DPIIT recognized)

Let us learn from each other

- Enhancing sharing of ecosystem best practices between the centre, state and union territories
- Continuous mentoring/learning sessions for new FinTechs, including from established DPIIT recognized base

We trust those who are closest to us

- Usage of local influencers in newly penetrated geographies to spread awareness and enhance trust for effective GTM
- Extensive use of the Business Correspondent model in local geographies to enhance reach, awareness and trust
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# Discussions with 30+ founders / experts

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