



The Second Wave Resilient, Inclusive, Exponential Fintechs

SEPTEMBER 2023



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.



Global Fintech Fest (GFF) is the largest fintech conference, jointly organized by the National Payments Corporation of India (NPCI), the Payments Council of India (PCI), and the Fintech Convergence Council (FCC). With GFF, the aim is to provide a singular platform for fintech leaders to foster collaborations and develop a blueprint for the future of the industry. Over the past three years, GFF has demonstrated its pivotal role by showcasing a 360-degree view of the fintech ecosystem and its ability to drive sustainable global progress by virtue of its transformative potential. Being an event of global stature, GFF is a platform where policymakers, regulators, industry leaders, academics, and all major Fintech ecosystem stakeholders converge once a year to exchange ideas, share insights, and drive innovation.

BCG is the official thought leadership partner for GFF 2023.

Foreword



Kris Gopalakrishnan

Chairman Axilor Ventures,
Co-founder Infosys, and
Chairman Advisory Board,
GFF 2023

Amidst an intricately uncertain and complex global macroeconomic landscape, a "polycrisis" fueled by the pandemic, socio-political tensions, surging interest rates, inflation, currency fluctuations, and tapering growth has emerged—a rare, complex, once-in-a-generation challenge. As we endeavor to re-imagine the Financial Services landscape we look to rebuild the balance sheets of individuals, companies and nations, and Fintechs would have a key role in making it more efficient and equitable. It is within this context that **GFF 2023 gains significance.**

GFF aspires to take a pivotal position in solving key global financial ecosystem challenges. We have convened the brightest minds and the most passionate hearts in Global Fintech industry in Mumbai from September 5-7, 2023 to debate and design the blueprint of the future.

The theme of GFF (below) underscores the **need for collaboration** (global, fintechs as well as incumbents) and articulates the key imperatives as we shape the future of Financial Ecosystem globally and in India:

Global collaboration for a responsible financial ecosystem: Inclusive. Resilient. Sustainable.

We envisage the future growth to be more **equitable** and "**resilient by design**", to be able to recover quickly from future black swan events. We also strive to bring **sustainability from concept to action** – as we take responsibility for our future. Building a resilient financial ecosystem requires deep collaboration between global governments, financial institutions, investors and consumers to create a strong and sustainable financial future; dovetailed efforts of Incumbents and Fintech players would be critical to catapult the economy **from surviving to thriving.**

India taking up the G20 Presidency marks the beginning of "Amritkaal" – starting from the 75th anniversary of its independence to its centenary. With its pioneering role in the Financial space (global leader in digital payments, large-scale inclusion program – Jan Dhan Yojna etc.), **India is uniquely positioned to be a lighthouse** and lead the world in this journey, with the Fintech ecosystem playing a central role. GFF 2023 aims to be the largest Fintech festival to celebrate the success of the industry, to mentor, grow and catalyze the Fintech ecosystem to power **India's growth to a \$30+ trillion developed economy by 2047** and to attract foreign capital to give a thrust to the Indian growth story.

“

You have to dream before your dreams can come true.

— Dr. A.P.J. Abdul Kalam

Foreword



Dilip Asbe

MD and CEO,
National Payments Corporation
of India, and Advisory Board
Member, GFF 2023

Innovation stands as the cornerstone of India's remarkable progress, propelling the nation towards new horizons. As we forge ahead, innovation remains our compass to enable empowerment of our citizens, and fuel economic growth. Fintechs are playing a leading role in this journey.

The future of fintech holds significant promise. Globally, fintech revenue is projected to experience an impressive five-fold surge, ready to surpass \$1.5 Trillion by 2030. Furthermore, India's standing as a fintech powerhouse adds to this narrative; not only does it rank 3rd in terms of the number of Fintechs and Fintech Unicorns, but it also has the potential to achieve ~\$190 Billion in revenues by 2030.

This success story is underpinned by a harmonious blend of regulatory support

and pioneering ventures, both bolstered by a robust Digital Public Infrastructure. Key innovations, such as UPI, Account Aggregators, and the Open Network for Digital Commerce (ONDC), have interwoven a rich tapestry of accessible financial services, holding the potential to improve the lives of millions. As this growth journey unfolds, fintech leaders remain steadfast in their pursuit of "sustainable growth," exemplifying a strategic focus on long-term success.

UPI, orchestrating 10,000+ transactions per second, is now a global exemplar. UPI's journey signifies financial inclusivity and efficiency. The Indian payments landscape is set to further evolve with innovations like Offline UPI Payments, Conversational Payments and Credit Card on UPI, which have the potential to redefine financial inclusion. Indian travelers can now seamlessly use their UPI apps for payments in global markets. We are also working towards enabling our diaspora, 30 Million Indians across the world, to efficiently remit money back to their home country.

At the Global Fintech Fest 2023, as we

embark on a journey to redefine the world of finance, this report serves as a pivotal guide, offering actionable insights to drive transformative change. As we stride forward, our unwavering commitment to drive the fintech revolution and reshape the realm of possibilities stands stronger than ever.

Foreword



Navin Surya

Chairman, Fintech
Convergence Council
Chairman Emeritus,
Payments Council of India
Advisory Board Member,
GFF 2023

In the tapestry of history, India's role as a beacon of thought leadership is unmistakable. Through the annals of time, this ancient land has nurtured minds that illuminated the world across myriad domains. **Aryabhatta and Brahmagupta** engraved their names in the chronicles of mathematics and astronomy, while **Charaka and Sushruta** crafted an indelible legacy in the realm of medicine. **Chanakya's** political philosophies echoed through generations. Indian Yoga has, for millennia, guided humanity towards holistic well-being.

Yet, amid the grandeur of yesteryears, we found ourselves on a divergent trajectory during the past two centuries. However, a phoenix does indeed rise from its ashes. The last decade stands testament to India's

resolute spirit as it navigates an inspiring resurgence, reversing the course of history. **Our Digital Public Infrastructure is now a global exemplar.** The laudable achievements of the **Mangalyaan and Chandrayaan** missions have propelled India to newer heights in space exploration. **The Indian Premier League (IPL), now a decacorn,** proudly claims its place as the world's second most valuable league. HDFC's ascent into the global top 10 banking echelons reiterates our mettle.

India is already the 3rd largest Fintech ecosystem globally. As we fortify our position as a world leader, the **Global Fintech Festival (GFF) emerges as our clarion call to forge ahead on the path of thought leadership.** With over 800 speakers and more than 50,000 delegates, GFF is set to be the largest Fintech forum globally. At the heart of this event lies our annual flagship report, an oracle that seeks to ignite thought leadership by unraveling the latest fintech trends spanning continents and industries. It lays bare bold recommendations for shaping a

"Fintech Nation," one that could stand tall as a thought leadership superpower. This report, a testament to our collective vision, shall be renewed annually to mirror the evolving priorities of our financial ecosystem and the nation at large.

Herein lies an unprecedented opportunity for India's financial ecosystem **to emerge as the knowledge capital of the world.** As we conclude, heartfelt gratitude extends to each contributor, partner, and visionary who has illuminated this journey, shaping our shared destiny. In navigating the intersection of technology and finance, let's heed the clarion call to champion sustainability, innovation, and shared prosperity.

Introduction



Yashraj Erande

APAC Fintech Lead,
Managing Director & Partner,
BCG

We are proud to present this year's edition of the flagship report for Global Fintech Fest. The report brings to its readers three salient features categorized into chapters:

- ① **Global Fintech Trends** – Detailed unpacking of the global landscape through numbers and trends
- ② **Voice of the Industry** – A temperature check of the priorities of founders and senior leaders in Indian Fintechs
- ③ **Blueprint of a Fintech Nation** – Sharp perspectives on the building blocks of a Fintech nation

In the first chapter we describe how Fintech activity is trending across different regions, Fintech segments and over different periods of time. It's a data-rich chapter which gives

its reader a clear view of trends in revenues and capital flows across the three dimensions of region, segment and time period. It also offers some thought-provoking projections and scenarios for the future along with some concrete benchmarks to support those projections.

The second chapter provides unvarnished views of what is on the mind of the Fintech industry in India. Read this chapter to find the top priorities of the founders – their ambitions, threats and opportunities. It also provides a view of how these have evolved over time indicating the rising maturity of the sector.

The third chapter is a bold take on what it means to become a Fintech nation. We use India as a template to imagine such a possibility. The chapter talks about concrete and bold ideas that can unleash the power of Fintechs and make sure we create a vibrant, inclusive and fulfilling environment for all stakeholders. The blueprint can be extrapolated to many nations and thus lay

the foundation for Fintech World. The key will be to find areas to cooperate and areas to constructively compete to drive innovation and efficiency.

We have drawn inspiration from BCG's work with its clients globally. We have spoken to multiple thought leaders to validate our ideas and also seek inspiration. By combining our experience and ideas with hard data and analysis, we hope to have provided the readers of the GFF flagship report with high quality food-for-thought whether one is a founder, investor, regulator or simply an interested observer. We look forward to your feedback and add to the depth and diversity of thoughts in subsequent editions.

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Global Fintech Trends

Global Fintech revenues will reach \$1.5 Trillion by 2030, with APAC and NAMR emerging as major hubs. Digital Payments and Lending will dominate, while Neo Banking, InsurTech, and Financial Infra will experience the fastest growth.

12-33



02

Voice of the Industry

In India, 85% of Fintech CXOs believe that investors are now prioritizing sustainable growth with a focus on profitability. Fintechs are reducing marketing costs and customer acquisition costs instead of delaying expansion. Focus on collaboration rather than competition. Indian regulatory framework is being perceived favorably, with an ask for greater clarity and consistency.

34-47



03

Blueprint of a Fintech Nation

India is already on a journey to becoming the "Fintech Nation" (#3 in terms of deal volume, number of fintechs and number of unicorns). Needs to catch-up on four dimensions – Fintech for all Indians, driving investments in tech enablers, financially viable Fintechs, and India for the world – to realize full potential.

48-65



Executive Summary

The data and trends in the report can be interpreted and summarized in 10 key messages.

01



From heady highs to planting feet firmly on the ground. Covid-19 and its aftermath has been a deeply clarifying journey for Fintechs. Fiscal prudence, sustainable differentiation, high quality governance, resilience are all phrases finding favor amongst Fintechs. Valuations are mean-reverting and flow of funding reflects the change in regime.

02



From David vs. Goliath to Better Together. Direction of flow of revenue, regulation and capital suggests that Fintechs are increasingly finding avenues to complement or collaborate with incumbents. Consequently, across regions depending on local maturity of the financial services stack, Fintechs are either filling a void or teaming up through B2B plays. This is resulting in very interesting regional nuances.

03



From incremental to foundational. Data clearly shows that investment appetite in Critical and Emerging Technologies (CET) which can create long term advances in financial services (and beyond) as well as Financial infrastructure is on the rise. This means we are seeing innovation at the substrate level of finance beyond just driving innovation in use cases. Both are important.

04



Private innovation on public infrastructure. Digital Public Infrastructure (DPI) approach has been a significant innovation of our times. The DPI playbook is much more nuanced than just technology. The playbook allows population-scale financial infrastructure to be built by enabling consensus and alignment amongst stakeholders, patient long term investments and standards to evolve through protocols. Once DPI is ready, private innovation which has very different risk and return appetite can take over and drive growth.

05



From novelty to necessity. For incumbents, working with Fintechs was optional. Now we cannot conceive any major financial journey or product that is not touched by Fintechs. We are seeing intricate journeys emerge with more than two dozen integrations with Fintechs. Such integration unlocks operating efficiency, customer convenience and employee experience.

06



From risk capital of one color to a rainbow of capital providers. The diversity in Fintech ideas that need to get funded is immense. Especially in APAC and high growth countries like India which are becoming the center of gravity for Fintechs. For a range of ideas to find their appropriate match in terms of risk capital, it is absolutely critical to build much greater diversity in risk capital. We find this lacking in today's environment. India may need to consider unlocking patient pools of capital through a special purpose Sovereign Wealth Fund (SWF) structure.

07



The age of sweating the asset and smart experimentation. Our survey and interviews with founders and CXOs in Fintechs clearly point out that we are entering a phase of sharp focus on profitability and self-funded growth. This is manifesting in the form of greater focus on sweating the asset and franchise that has already been built instead of running more "science" experiments.

08



Crossing the bridge from private markets to public markets will be non-trivial. A simple analysis of the amount of capital required in Indian public markets to support reasonable liquidation of current Indian unicorns through IPO over the next 5-6 years shows that the liquidity may be just about adequate or possibly below adequate. We believe founders and boards should plan sufficiently for IPO. The report offers a simple checklist. Easier said than done. One investor we interviewed asked, "Can India afford more unicorns if we can't give them exits?"

09



10x challenge on CET. Our analysis shows that investment in Critical and Emerging Technologies (CET) such as AI, Cloud, Quantum, Blockchain, high speed internet, etc., can unleash innovation and productivity enhancement in the ecosystem. Relative to the investment made by India in the last decade, the coming decade needs 10x more investment under conservative assumptions. That could be greater than \$100Bn.

10



India (blueprint) for the world. The financial technologies ecosystem in India has evolved in a very unique and sophisticated manner. There are three classes of players. First, the x.SP (different categories of service providers). Second, the core system providers. Third, the Digital Public Infrastructure (DPI) itself. Because all three have evolved in a large scale and complex ecosystem such as India, they are quite robust and mature. We believe these capabilities will cross borders to different economies either as SaaS plays or as protocols.



01

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Blueprint of a Fintech Nation

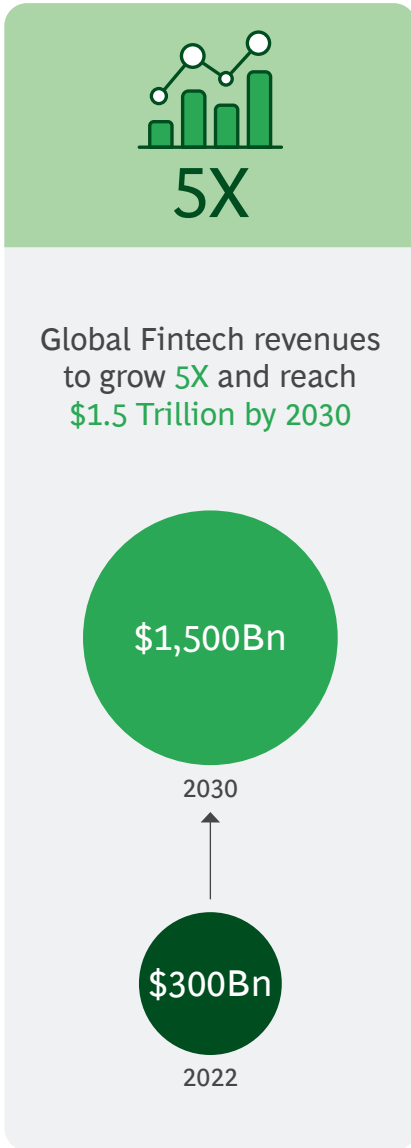
India is already on a journey to becoming the "Fintech Nation" (#3 in terms of deal volume, number of fintechs and number of unicorns). Needs to catch-up on four dimensions – Fintech for all Indians, driving investments in tech enablers, financially viable Fintechs, and India for the world – to realize full potential.

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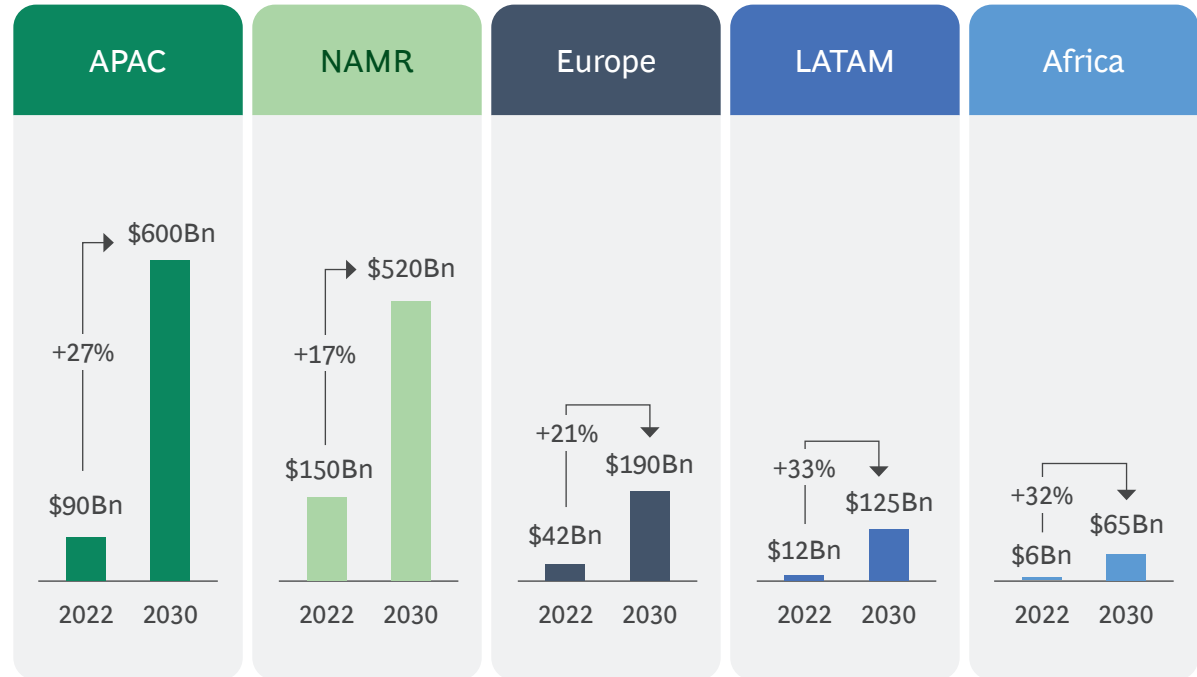
01

Summary | Global Fintech Trends

- ◎ Global Fintech revenues will see five-fold growth to reach \$1.5Tn+ by 2030
- ◎ APAC will become the center of gravity for Fintechs globally, along with NAMR – both ~3X of next best by revenue; APAC and NAMR with \$600Bn and \$520Bn revenue by 2030
- ◎ Digital Payments and Digital Lending will attain critical mass and generate 60% of global Fintech revenue
- ◎ Neo Banking, InsurTech, and Financial Infra will be exciting spaces – highest growth in revenues across segments
 - Neo Banking: Differentiated opportunity - SME Services in developed economies as one-stop shop and Retail Banking in emerging economies to cater to the unbanked/underbanked population
 - InsurTech: Led by B2B2X (enabling businesses serving other businesses/customers)
 - Financial Infra: Led by B2B2X and B2B models, to support the growing needs of the Financial ecosystem
- ◎ Global Fintech funding peaked in 2021, followed by 'Funding Winter' in 2022, now showing recovery signs in 2023
 - Pre-seed/Seed Fintechs hit less harshly in 'Funding Winter' (-3%); late stage companies hit harder (-50%)
- ◎ Global funding is evenly distributed across segments, but regional variations occur based on the maturity of the ecosystem
 - Emerging geographies (APAC, LATAM and Africa) with higher share of investments in fundamental services of Digital Payments and Lending; Developed world (NAMR and Europe) with higher share of investments in WealthTech and Financial Infra



2022 & 2030 Global Fintech revenue by geographies (\$Bn)

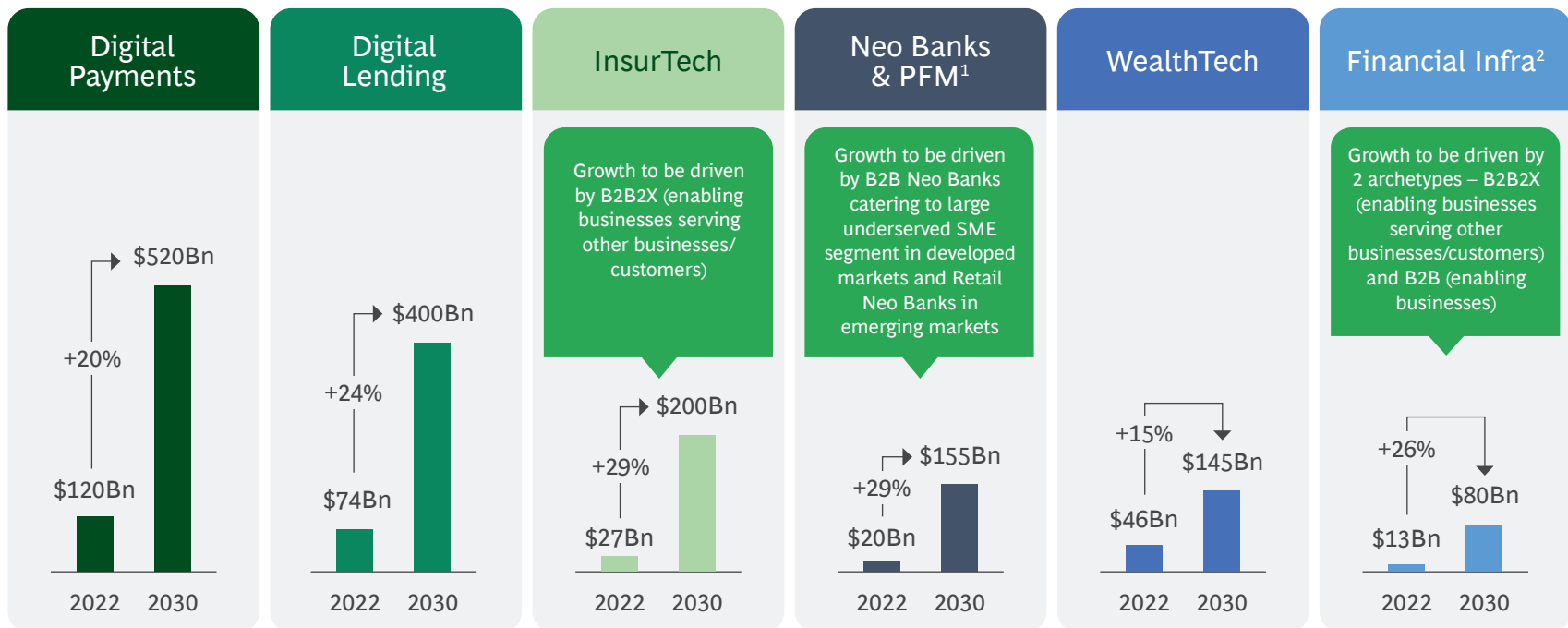


By 2030, APAC to become the center of gravity for Fintechs globally, along with NAMR, with 3X higher revenues than next best region; Latin America and Africa to grow the fastest, from a smaller base

Note: Revenue amount is geographically apportioned basis HQ location of Fintech
 Source: Reimagining the Future of Finance BCG QED Report 2023; BCG Analysis

Digital Payments and Lending to remain the largest Fintech segments in 2030; Neo Banking, InsurTech and Financial Infra to be fastest growing

2022 & 2030 Global Fintech revenue by product segments (\$Bn)



1. Neo Banks & Personal Finance Management (PFM): Includes financial comparison websites, digital banks, financial educational websites & financial planning/savings solutions

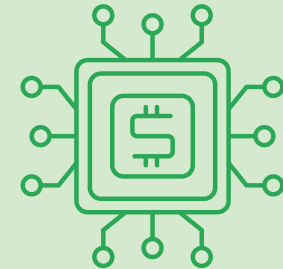
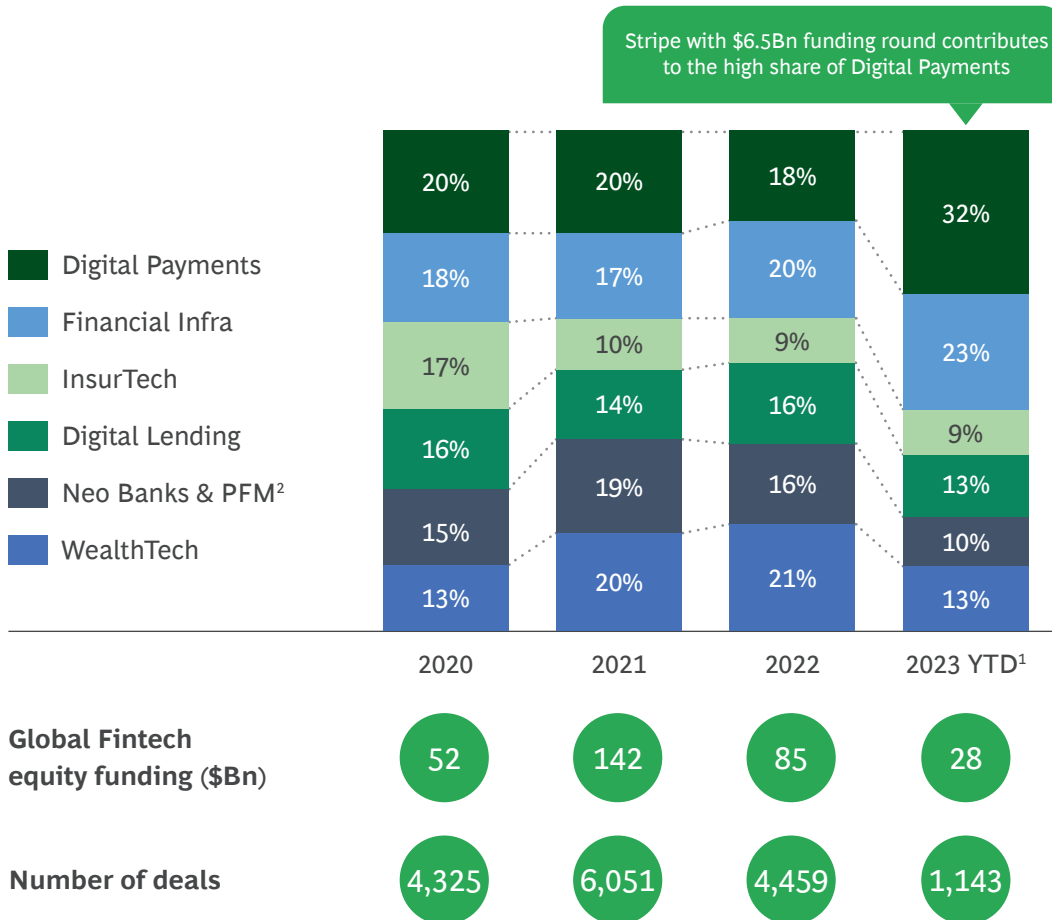
2. Financial Infra: Includes core platform technologies, CRM & operations solutions, data aggregation and regtech

Source: Reimagining the Future of Finance BCG QED report 2023; BCG Analysis

Deal volumes have waxed & waned; distribution of flow has been stable across segments

Except in last 6 months where funding has tilted towards Payments and Financial Infra

Annual Global Fintech equity funding flow (\$Bn)



WealthTech has steadily gained share of investments (except in 2023, due to Stripe deal) as population from emerging markets moved up the income pyramid

Financial Infra has gained share steadily to support the growing Fintech ecosystem

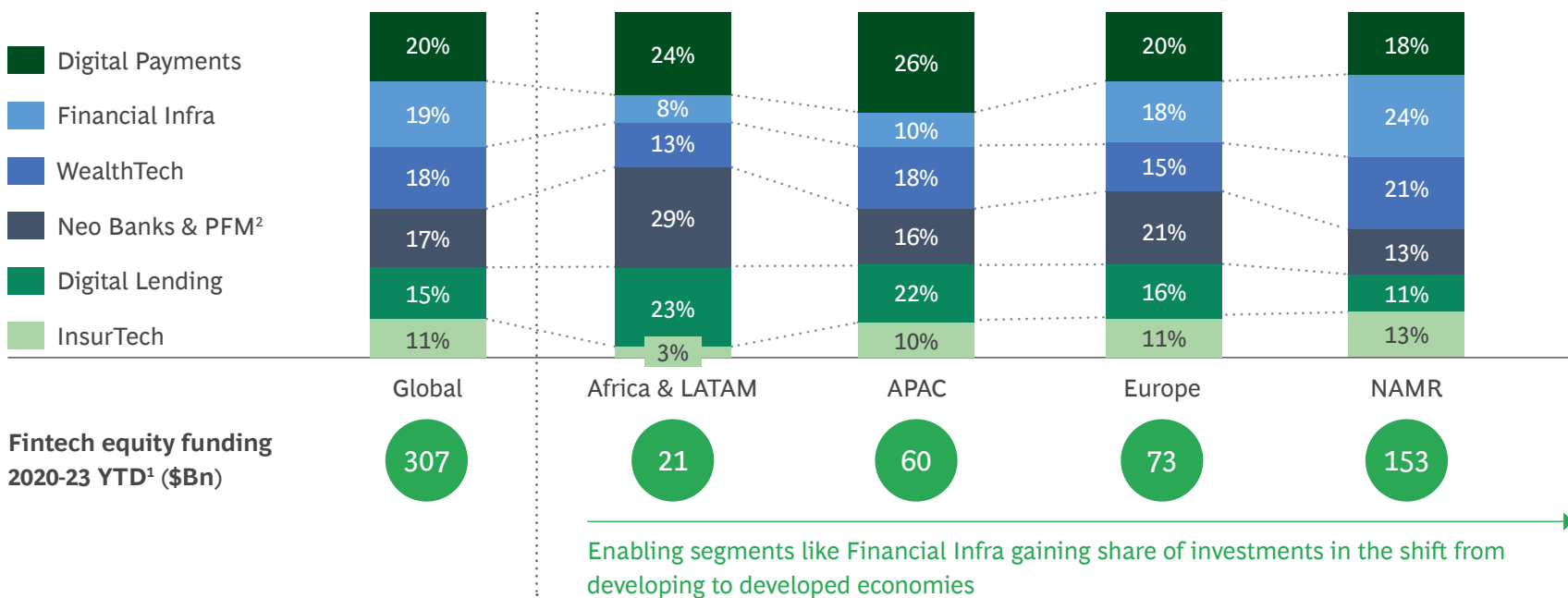
Digital Payments received disproportionate share of investments in 2023, led by \$6.5Bn Stripe deal

1. Includes funding deals till June 2023 2. Personal Finance Management
Source: BCG Fintech Control Tower; BCG Analysis

Unpacking the capital allocation regionally shows interesting themes

WealthTech & Financial Infra more dominant in NAMR; Digital Payments emerging in APAC, Africa and LATAM

Cumulative Fintech equity funding flow 2020-23 YTD¹ (\$Bn)



Saurabh Tripathi
Managing Director & Senior Partner, BCG



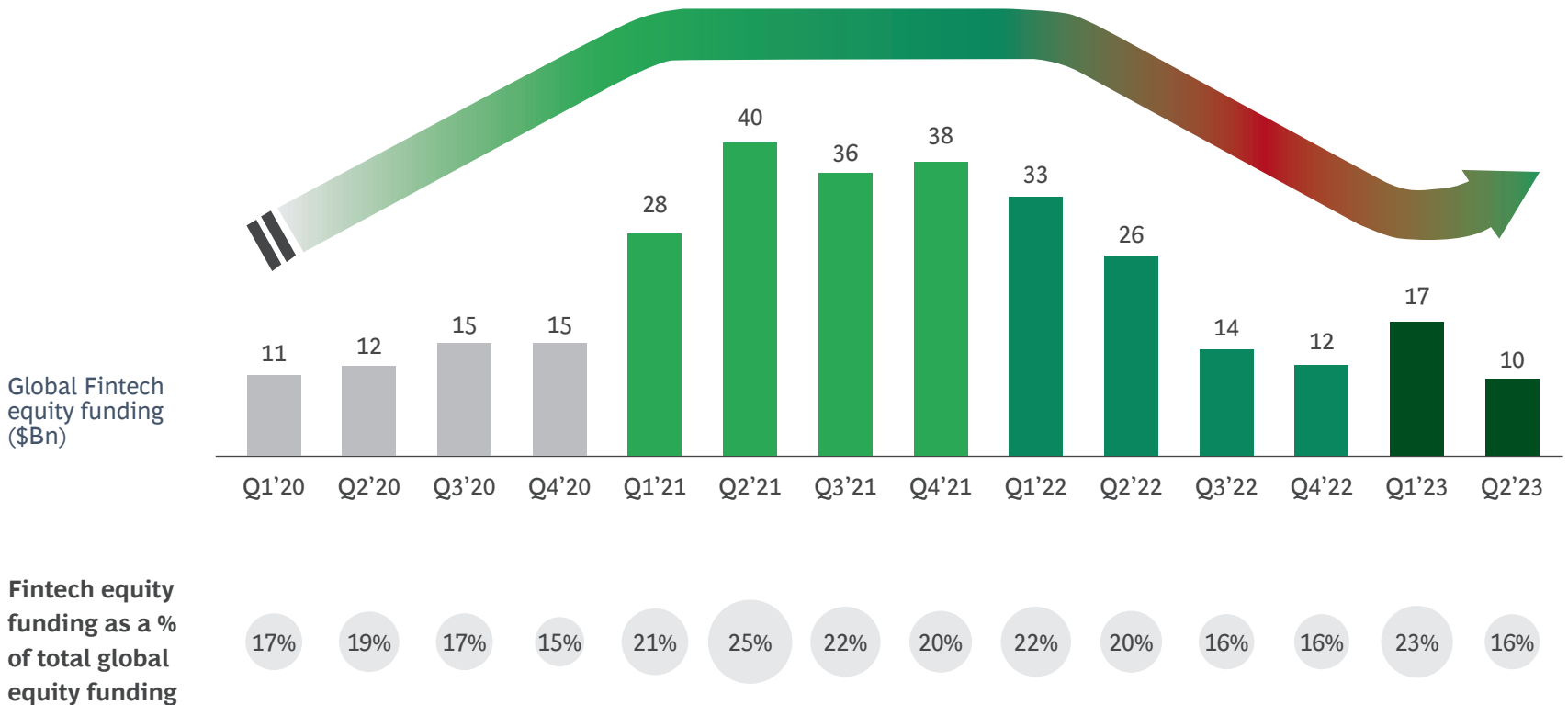
The global Fintech ecosystem is still in its early stage, with varying levels of maturity across different regions. Developing regions like APAC, Africa, and LATAM have a higher share of investments in essential services such as Digital Payments and Digital Lending. On the other hand, developed economies like NAMR, Europe are allocating a greater share of their investments towards WealthTech, catering to wealthier individuals, and Financial Infra to meet the growing demands of the financial sector.

1. Includes funding deals till June 2023 2. Personal Finance Management
Source: BCG Fintech Control Tower; BCG Analysis

Fintechs need to fund growth through internal accruals vs. burn; 2023 looks like 2020 in terms of equity funding—fiscal discipline on the rise

Global Fintech equity funding flow (\$Bn)

Funding amount split by quarters of calendar years

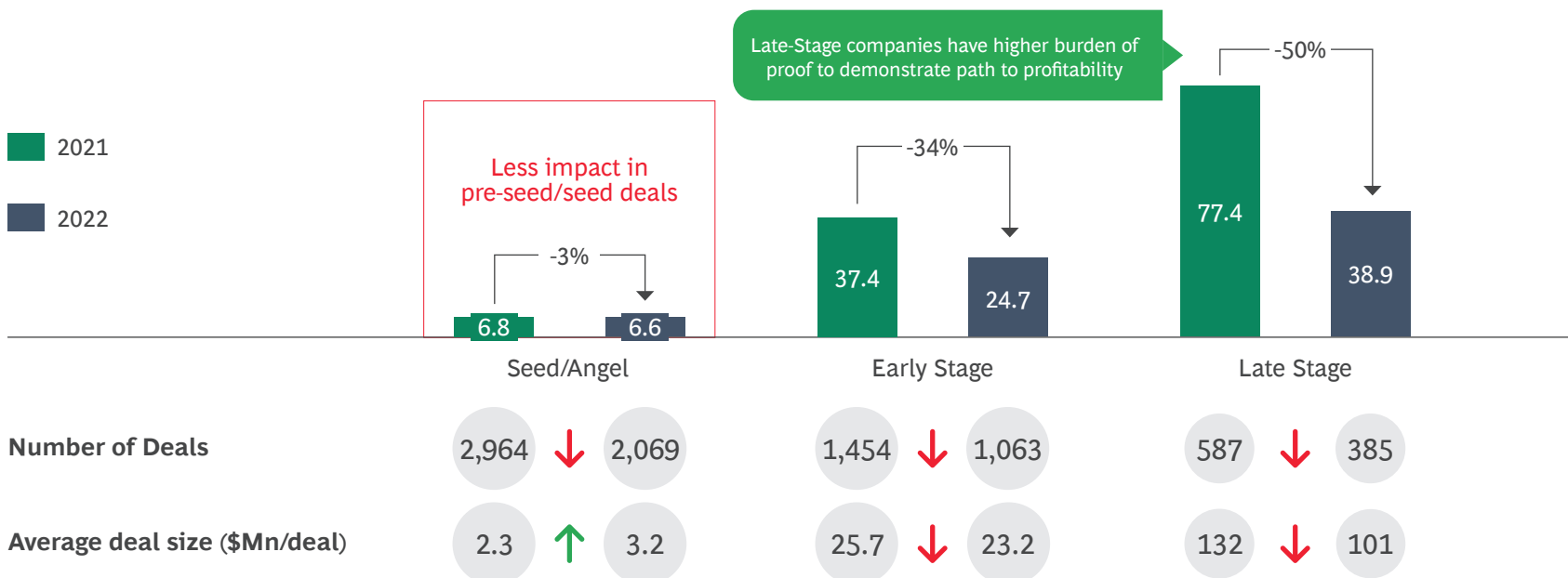


Sources: CB Insights State of Venture; BCG Fintech Control Tower; BCG Analysis

Later the stage of start-up, steeper has been the fall in funding

In earlier stages of funding, idea and team matters; in later stages, performance and metrics matter

Global Fintech equity funding (\$Bn) by stages¹



Market turmoil typically leads to investors pulling back and becoming more risk averse, it can be a great moment to innovate. We believe the impact of Funding Winter is lower on innovation (pre-seed/seed). Later stage companies have a higher burden of proof to demonstrate strong fundamentals.

— Chairperson, Global Investment Management Corporation

1. Includes only deals with publicly declared funding stage

Note: Early Stage includes Series A & Series B deals; Late Stage includes Series C, Series D, Series E+, Private & Growth Equity Deals

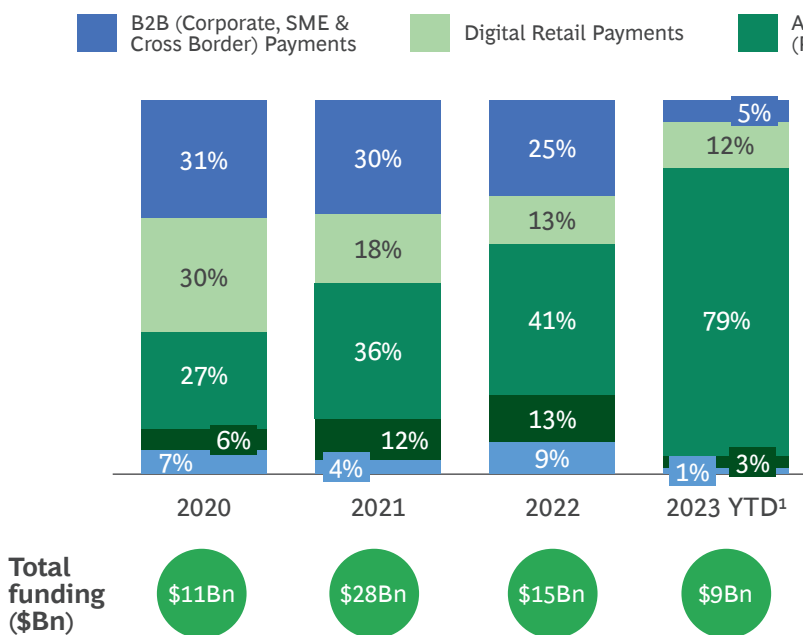
Source: BCG Fintech Control Tower; BCG Analysis



Segment-Wise Trends

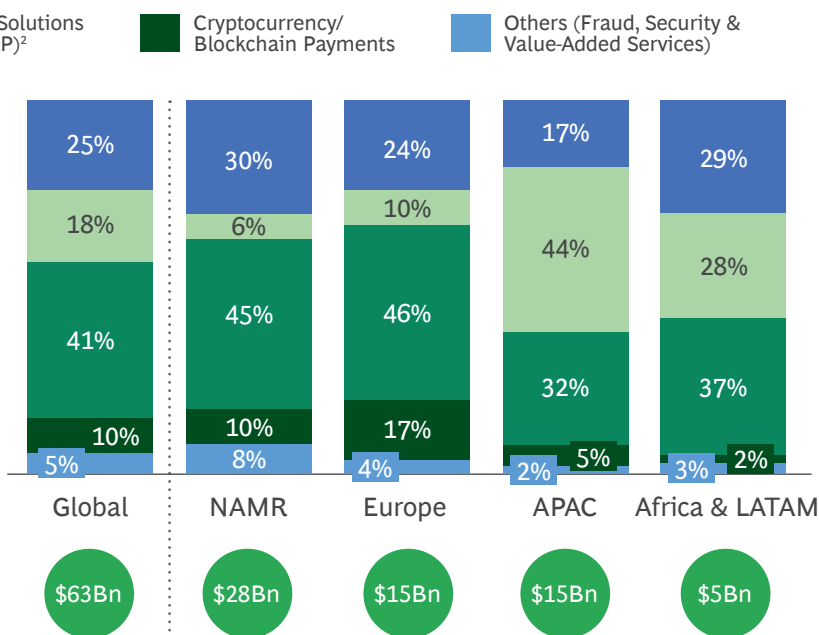
Global Digital Payments | Acquiring Solutions, driven by NAMR & Europe, gaining share of investments vs Digital Retail Payments

Annual Global Digital Payments equity funding by segments (\$Bn)



- Acquiring Solutions has consistently gained share of funding – enabling Payments as more verticals increase digital adoption
- Maturing Digital Retail Payments has dropped share of funding, with increasing maturity of leading markets

Cumulative Digital Payments equity funding by geographies - 2020-23 YTD¹ (\$Bn)



- Funding in developed economies (NAMR and Europe) dominated by Acquiring Solutions; limited share of investments in Digital Retail Payments as card usage and closed-loop wallets prevalent
- Funding in APAC/Africa currently dominated by Digital Retail Payments, as an alternative to card payments; headroom for higher funding in acquiring solutions and B2B payments

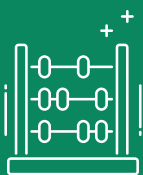
1. Includes funding deals till June 2023 2. Point of Sale & Payment Service Provider
Source: BCG Fintech Control Tower; BCG Analysis

5 Global trends shaping the future of Digital Payments Industry



Payments+ model for profitable growth

- Acquisition of customers via payments and monetizing across other financial use cases (credit, insurance, etc.) being leveraged by Digital Payments players



Modular, vertical-specific solutions on the rise

- More and more ISVs¹ emerging across verticals, leading to the need for modular and customizable payment offerings
- Acquiring Solutions providers (e.g., Stripe) catering to vertical-specific needs with modular architecture



Real-time Payments to go mainstream across economies

- As demand for faster payments grows, A2A² RTPs³ being explored in 35+ countries in varying stages of development
- Manifold increase in online A2A transactions in key emerging economies of India (UPI) and Brazil (Pix)



CBDCs⁴ gaining traction

- 130 countries exploring CBDCs; 30+ countries driving pilots at varying levels of maturity
- Countries warming up to CBDCs as a tool to implement monetary policy more quickly and leapfrog RTP infrastructure requirement



Cross-Border payments ripe for Fintech disruption

- \$20Tn Cross-Border payments globally incurring \$120Bn transaction costs
- RTP Interoperability can be a game-changer in Cross-Border remittances, disrupting traditional transfer channels

1. Independent Software Vendors 2. Account to Account 3. Real Time Payments 4. Central Bank Digital Currency

Sources: BCG Global Payments Report 2022; Reimagining the Future of Finance, BCG QED Report 2023; Atlantic Council CBDC Tracker; BCG Analysis

Hong Kong's strategy is a blueprint for CBDC-based innovation

HKMA

(Hong Kong Monetary Authority)

Explored potential architectures and design options for issuing and distributing e-HKD

Evaluated potential benefits and challenges, issuance mechanism, data protection and legal considerations

Selected 16 firms from financial services and technology sectors to participate in the first trial run for the e-HKD

Project e-HKD—Announced in June 2021

01 **Technical Whitepaper**
(October 2021)

02 **Policy Discussion Paper**
(April 2022)

03 **Pilot Programme**
(Launched in June 2023)

04 **Launch**

Industry and Academia

(Central Bank, Industry bodies, Universities, Consulting, BFSI, Fintech, Tech & PSU firms)

36 responses to 7 problem statements issued by HKMA highlighting views on use cases, areas of concern, and design choices

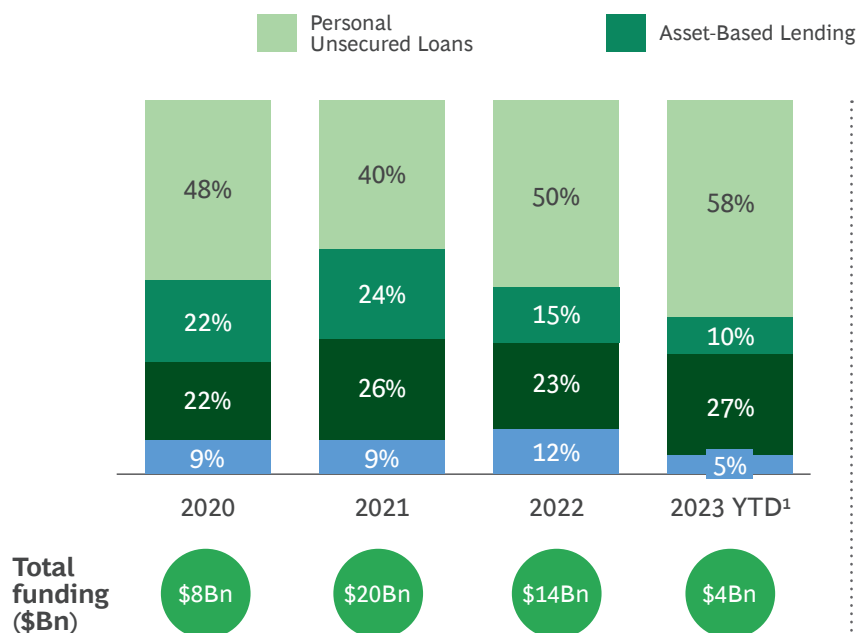
39 responses to 12 discussion questions introduced by HKMA. Respondents largely agreed with the potential benefits and challenges highlighted

14 projects in 6 categories of potential e-HKD use cases. HKMA's e-HKD "sandbox" leveraged

Experiences drawn from these projects to be shared at the upcoming Hong Kong FinTech Week in October 2023

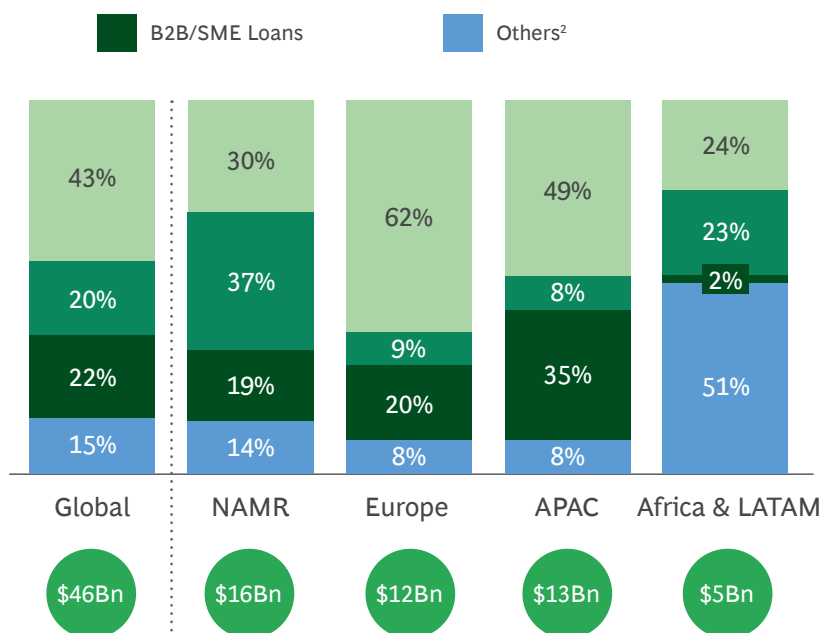
Global Digital Lending | Personal Unsecured Loans continues to capture ~50% of global equity funding

Annual Global Digital Lending equity funding by segments (\$Bn)



- Personal Unsecured Loans have consistently gained share of investments with increased availability of alternate data, enabling catering to underserved segments
- Share of investments in B2B/SME Loans steadily increasing due to increased formalization globally and access to underwriting data

Cumulative Digital Lending equity funding by geographies - 2020-23 YTD¹ (\$Bn)



- High share of investments in Unsecured Lending in Europe (driven by the surge of BNPL players) and APAC (catering to underserved segments)
- As the Asset-Based Lending industry matures in NAMR, next wave of growth likely from APAC, Africa and LATAM; Tokenization to be a key unlock

1. Includes funding deals till June 2023 2. Others: Includes Credit Score Management, Investment-based Crowdfunding & Donation/rewards companies

Source: BCG Fintech Control Tower: BCG Analysis

5 Global trends shaping the future of Digital Lending Industry



Rise of Checkout Financing 2.0

- ⦿ Rapid growth in checkout financing led by 'Credit on QR' (e.g., UPI in India)
- ⦿ BNPL companies evolving to become 'shopping destinations' (e.g., Klarna provides comparisons, curated content, influencer networks)



Invisible finance (embedded finance) to see accelerated growth

- ⦿ 70% of all lending transactions to originate beyond financial institutions
- ⦿ Digital Public Infra (e.g., ONDC in India) and frameworks (e.g., PSD2¹, PSD3 in Europe) to accelerate the trend



Blockchain to transform Asset-backed Lending

- ⦿ Asset-backed lending to achieve breakout growth with tokenization of real-world assets
- ⦿ Real-time disbursements basis smart contracts to drive higher efficiencies



Ecosystem-focused lending to become mainstream

- ⦿ Ecosystems developing across sectors (e.g., Healthcare, Dairy, etc.); end-to-end solutions for the ecosystem gaining traction (e.g., MooPay uses milk pouring data to lend to dairy farmers)

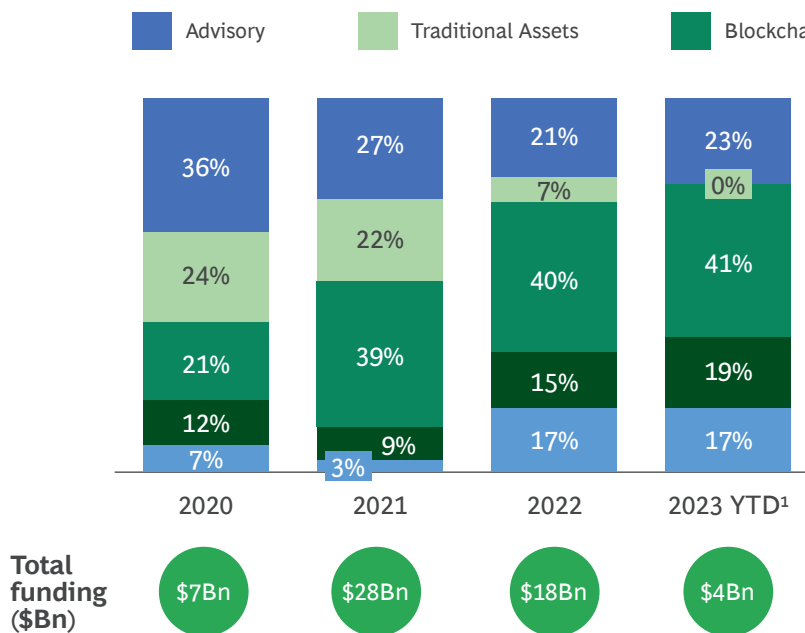


GenAI to drive next wave of innovation across the lending value chain

- ⦿ Powerful use cases emerging across underwriting, fraud controls, collections, customer service, etc.

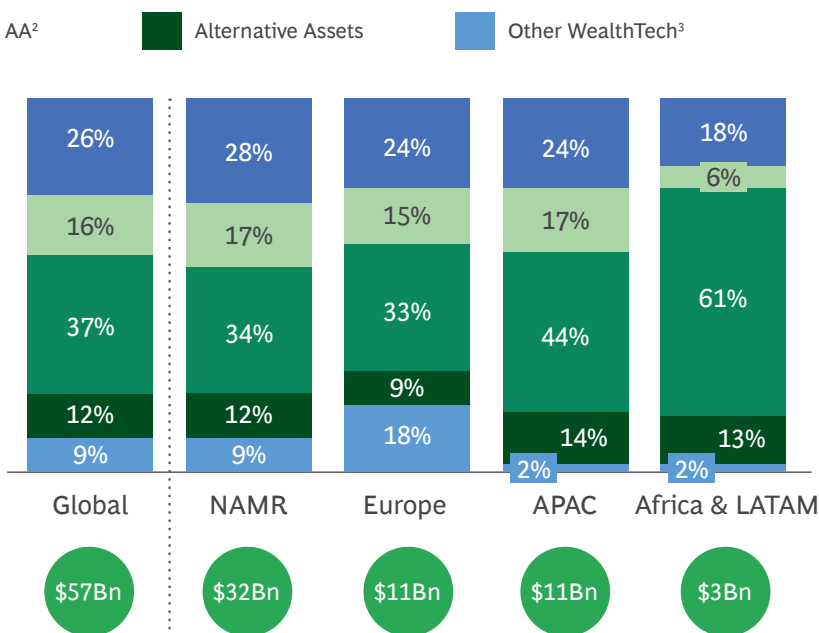
Global WealthTech | Alternative Assets gaining disproportionate investor attention

Annual Global WealthTech equity funding by segments (\$Bn)



- Alternative Asset classes gaining share of investments over traditional assets with increasing interest in private markets & ESG asset classes
- Advisory has lost share of investments; but likely to be revamped with advent of GenAI

Cumulative WealthTech equity funding by geographies - 2020-23 YTD¹ (\$Bn)



- WealthTech funding dominated by NAMR with ~60% share, funding in emerging economies to grow with increasing affluence
- Blockchain-Based WealthTech platforms driving investor attention across geographies, with tokenization use cases on the rise

1. Includes funding deals till June 2023 2. Blockchain-Based Alternative Assets 3. Other WealthTech: Includes trade lifecycle management, collaboration and communication, clearing and settlement, risk & compliance, syndication & structuring & core trading tech
Source: BCG Fintech Control Tower; BCG Analysis

5 Global trends shaping the future of WealthTech industry



HNW/UHNW underpenetrated; Incumbents partnering with Fintechs for seamless digital journeys

- 50% global wealth lies with HNW/UHNW individuals, served by traditional wealth managers with increasing digitization demand post-COVID
- Fintech capabilities critical to create seamless digital journeys



Thematic innovations to further activate affluent/mass affluent

- Key thematic innovations include auto-investments, robo-advisory, gamification, micro-investment, ecosystem integrations and social trading



Tokenization of assets to democratize investing

- Tokenized AAs¹ like real estate with smart contracts & fractional ownership to democratize wealth market; \$16 Trillion² business by 2030

Deep-Dive



Interest in Alternative Assets skyrocketing across economies

- Fintechs enabling bite-sized investments in private markets
- Increasing ESG awareness and demand for sustainable investing



Generative Advising (GenAI driven robo-advisory) to drive breakout growth across segments

- GenAI driven advisory to take robo-advisory mainstream
- Hybrid robo-advisory model (human advice + GenAI powered advising) key for HNW/UHNW segments

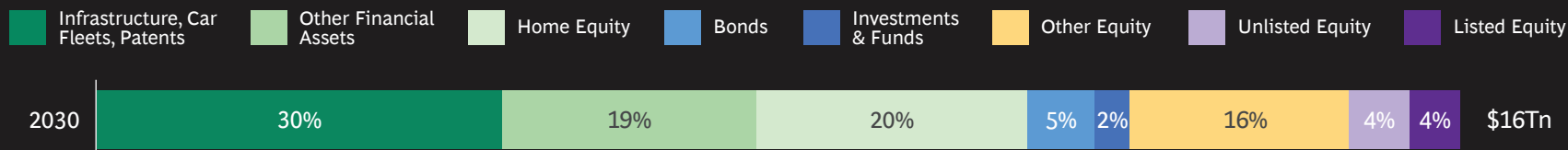
1. Alternative Assets 2. \$16 Trillion of Assets Under Management (AUM) by 2030

Note: High Net Worth (HNW) - Wealth between \$1Mn and \$100Mn; Ultra High Net Worth (UHNW) - Wealth greater than \$100Mn

Source: BCG Global Wealth Report 2022—BCG Global Wealth Market Sizing; BCG Global Wealth Report 2023; BCG report- Relevance of On-Chain Asset Tokenization in 'Crypto Winter'

Tokenized Alternative Assets to democratize investing, to become \$16 Trillion¹ business by 2030

Tokenized Alternative Assets to be a \$16Tn¹ business by 2030 across categories



On-Chain Tokenization scores significantly over traditional fractionalization

Accessibility & Affordability

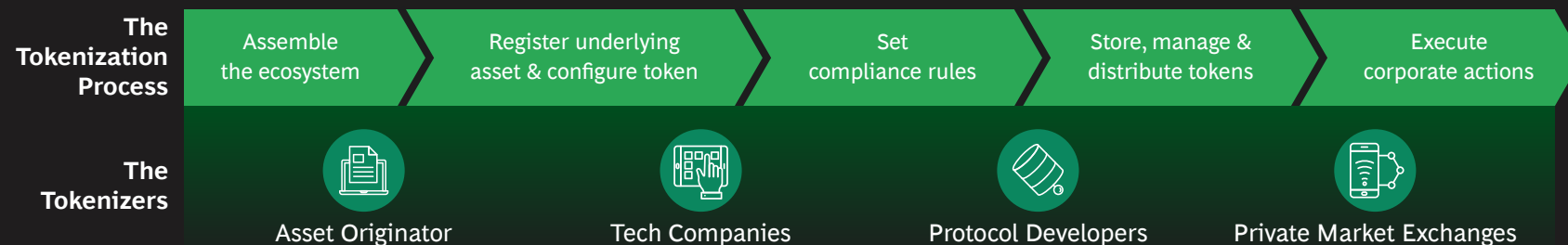
- Drives inclusion - Enables investing in high-ticket items, listing & trading of hitherto illiquid assets like natural resources

Transparency

- Availability of clear transaction records and an immutable ledger of ownership rights governed by smart contracts increases accountability and transparency

Efficiency

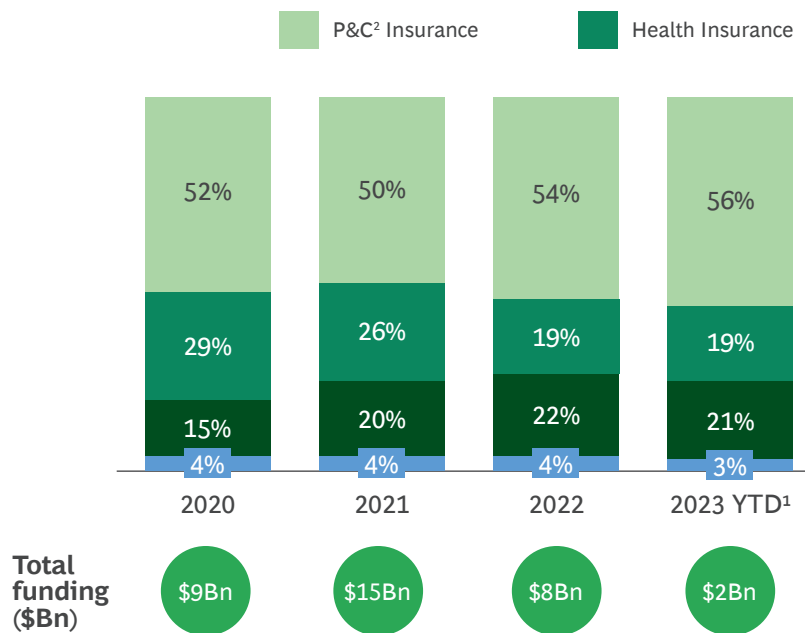
- Better price discovery of illiquid assets, higher transaction speed at lower cost, and a central KYC system across all investments reduce friction & improve market efficiency



1. \$16Tn of Assets Under Management (AUM) by 2030
 Note: The analysis does not include crypto assets
 Source: BCG Report- Relevance of On-Chain Asset Tokenization in 'Crypto Winter'

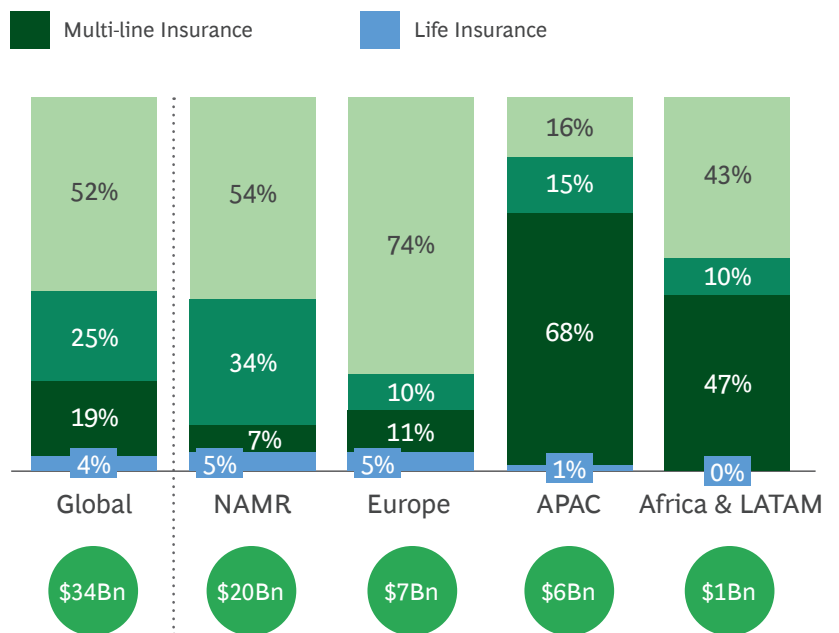
Global InsurTech | P&C continues to drive >50% of InsurTech funding, dominated by NAMR & Europe

Annual Global InsurTech equity funding by segments (\$Bn)



- P&C and Health Insurance, with shorter policy durations continue to be the largest segments
- Low share of investor interest in Life Insurance; mature market globally

Cumulative InsurTech equity funding by geographies - 2020-23 YTD¹ (\$Bn)



- Funding in InsurTech dominated by developed economies of Europe & NAMR with >80% share and high interest in P&C
- Funding skewed towards Multi-Line Insurers in emerging economies (APAC, Africa and LATAM), owing to lower penetration across segments and lower maturity of P&C market

1. Includes funding deals till June 2023 2. Property & Casualty
Source: BCG Fintech Control Tower; BCG Analysis

5 Global trends shaping the future of InsurTech industry



Lifestyle data driven hyper-personalization

- ⦿ Exponential growth in customer lifestyle & health data via wearables & consumer apps
- ⦿ Opportunity to hyper-personalize offerings basis lifestyle requirements, risk profile, etc.

Deep-Dive



InsurTechs offering tech enablement platforms for incumbents gaining traction

- ⦿ Use cases established across activities like pricing, underwriting, claim settlement, fraud prevention, etc.



Bionic distribution to unlock next level of productivity

- ⦿ Agency and banca channels to be augmented with new tech enablers
- ⦿ GenAI use cases evolving across all stages



Ecosystem-driven play maturing in Insurance

- ⦿ Players are either orchestrating their own ecosystems or participating in ecosystems led by orchestrators; Fintechs are central to these partnerships



On-demand/Bite-sized Insurance gaining prominence

- ⦿ Demand for usage-based/episodic insurance surging due to rise in sharing economy and demographic shifts

Lifestyle data driven hyper-personalization a win-win proposition for insurers and consumers

Real-time health and activity data from wearables



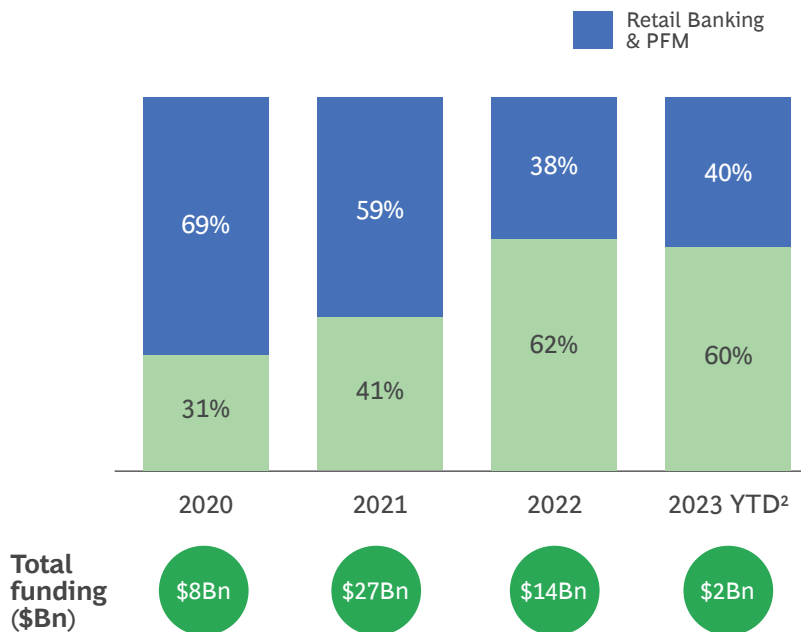
Wearables now creating an explosion of customer health data that can be leveraged for hyper-personalization as well as efficient underwriting, creating a win-win proposition for both customers and insurers

Customer health and activity data can be used to create unique products, with differentiated benefits based on lifestyle patterns

It also enables incentivization of healthier habits (e.g., discounts based on number of daily steps), providing the customer higher agency in his/her health plans

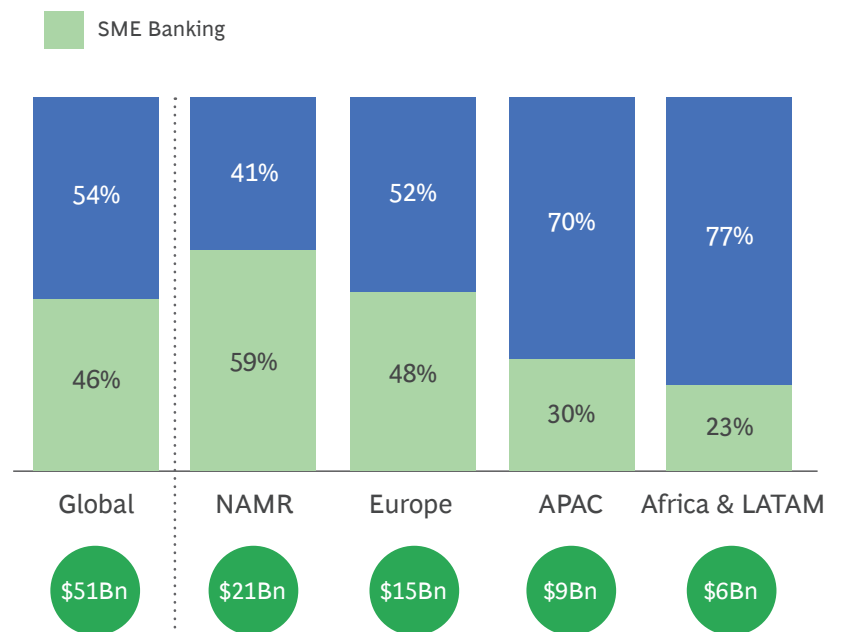
Global Neo Banks & PFM¹ | SME Neo Banks dominant in NAMR/Europe while Retail Neo Banks attract more funding in APAC, Africa & LATAM

Annual Global Neo Banks & PFM equity funding by segments (\$Bn)



- ⊙ SME Neo Banks gaining prominence (in share of funding); B2B model shows potential for generating a scalable, sticky client base to generate steady profits
- ⊙ Retail Neo Banks facing steep competition from banks with improving digital maturity, leading to reduced share of investments

Cumulative Neo Banks & PFM equity funding by geographies - 2020-23 YTD² (\$Bn)



- ⊙ Retail Neo Banks with lower share of investments in NAMR as traditional banks amp up digitization; to fare better in emerging economies with headroom for financial inclusion
- ⊙ SME Neo Banks with lower share of investments in APAC/Africa/LATAM, offering opportunities for disruption

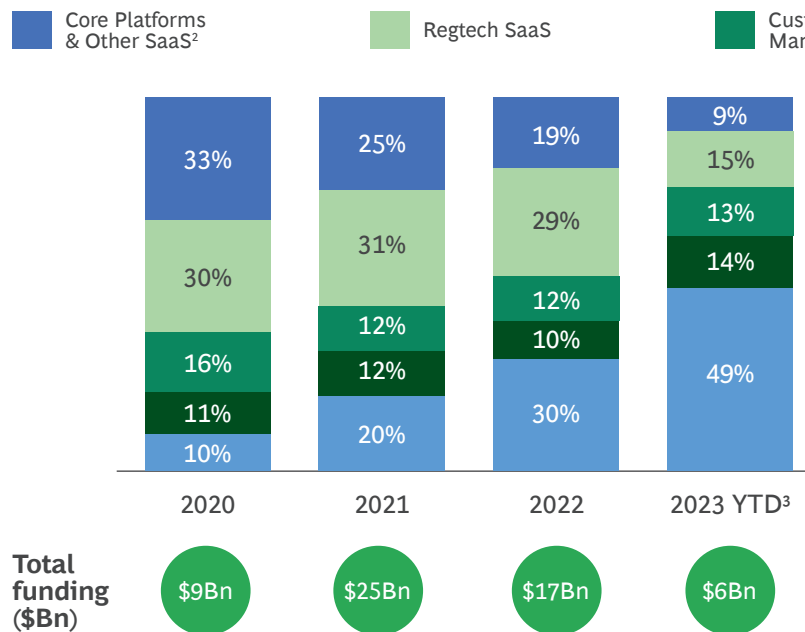
1. Neo Banks & Personal Finance Management: Includes financial comparison websites, digital banks, financial educational websites & financial planning/savings solutions

2. Includes funding deals till June 2023

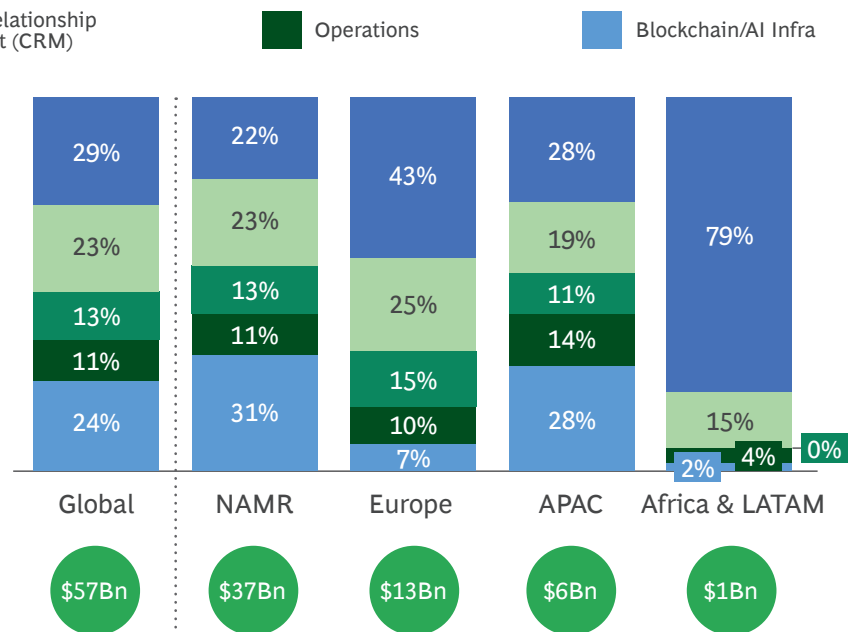
Source: BCG Fintech Control Tower; BCG Analysis

Global Financial Infra¹ | Growing investor interest in Blockchain and AI-driven tech infra

Annual Global Financial Infra equity funding by segments (\$Bn)



Cumulative Financial Infra funding by geographies - 2020-23 YTD³ (\$Bn)



- Blockchain and AI Infra gaining disproportionate funding share with potential to transform financial services
- Core platforms funding share declining; trend likely to reverse as BFSI SaaS Fintech platforms drive global digital maturity

- Funding dominated by NAMR with >60% share due to increased investments in next-gen technologies
- Nascent space in emerging economies of APAC, LATAM & Africa with <10% of funding; poised for breakout growth as BFSI SaaS Fintechs (esp. India) drive innovation

1. Financial Infra: Includes core platform technologies, CRM & operations solutions, data aggregation and regtech 2. Other SaaS: Includes supporting infra/SAAS for Digital Payments and Lending Infrastructure Fintechs 3. Includes funding deals till June 2023
Source: BCG Fintech Control Tower; BCG Analysis



01

Global Fintech Trends

Global Fintech revenues will reach \$1.5 Trillion by 2030, with APAC and NAMR emerging as major hubs. Digital Payments and Lending will dominate, while Neo Banking, InsurTech, and Financial Infra will experience the fastest growth.

12-33



02

Voice of the Industry

In India, 85% of Fintech CXOs believe that investors are now prioritizing sustainable growth with a focus on profitability. Fintechs are reducing marketing costs and customer acquisition costs instead of delaying expansion. Focus on collaboration rather than competition. Indian regulatory framework is being perceived favorably, with an ask for greater clarity and consistency.

34-47



03

Blueprint of a Fintech Nation

India is already on a journey to becoming the "Fintech Nation" (#3 in terms of deal volume, number of fintechs and number of unicorns). Needs to catch-up on four dimensions – Fintech for all Indians, driving investments in tech enablers, financially viable Fintechs, and India for the world – to realize full potential.

48-65

02

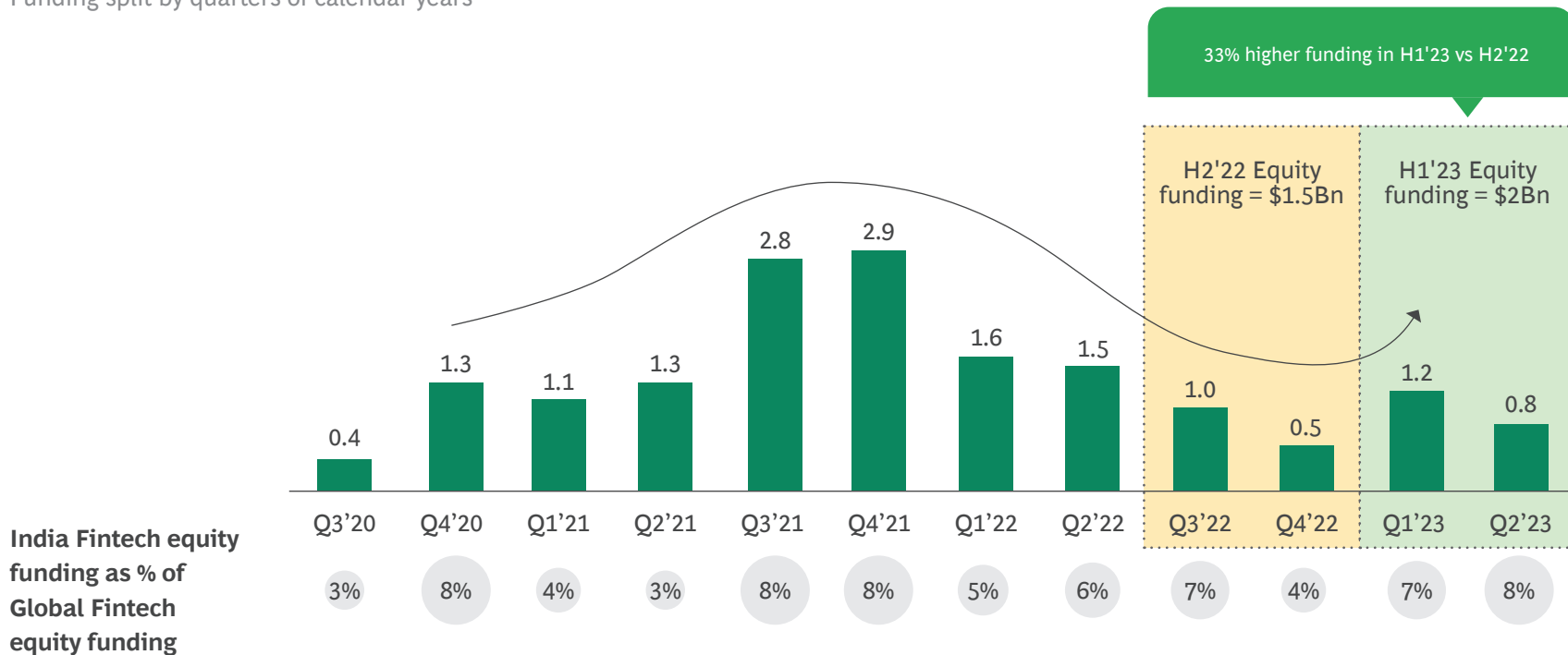
Summary | Voice of the Industry

- ⦿ Indian Fintech landscape is healing - 33% higher funding in Indian Fintechs in H1'23 vs H2'22; 11 segments feeling relief, 2 flat, 11 continue to feel pressure
- ⦿ "Growth" to "Sustainable Growth" – Path to profitability top focus area for investors as per 85% Indian Fintech CXOs
 - Indian Fintechs driving reduction in Marketing costs & CAC¹, to achieve profitability, rather than delaying expansion plans
- ⦿ "Competition" to "Collaboration" – Optimism on Fintech partnerships but cultural, technical and regulatory nuances remain
- ⦿ Indian regulatory framework perceived to promote innovation while safeguarding risks with room for more clarity and consistency
- ⦿ Payments+ strategy top of mind for Digital Payments Fintech CXOs; 65% Digital Payments Fintechs offering/looking to offer lending products to current customer base
- ⦿ Explosion of alternative data and regulatory clarity to unlock lending penetration for Lending Fintechs; 85% CXOs believe new FLDG² guidelines a step in the right direction
- ⦿ InsurTechs looking for greater regulatory support in the form of faster approvals and flexibility in sandbox

Indian Fintechs have gone through a funding cycle; healing lately with 33% higher funding in H1'23 vs H2'22

Indian Fintech equity funding flow (\$Bn)

Funding split by quarters of calendar years



Neetu Chitkara
Managing Director
& Partner, BCG

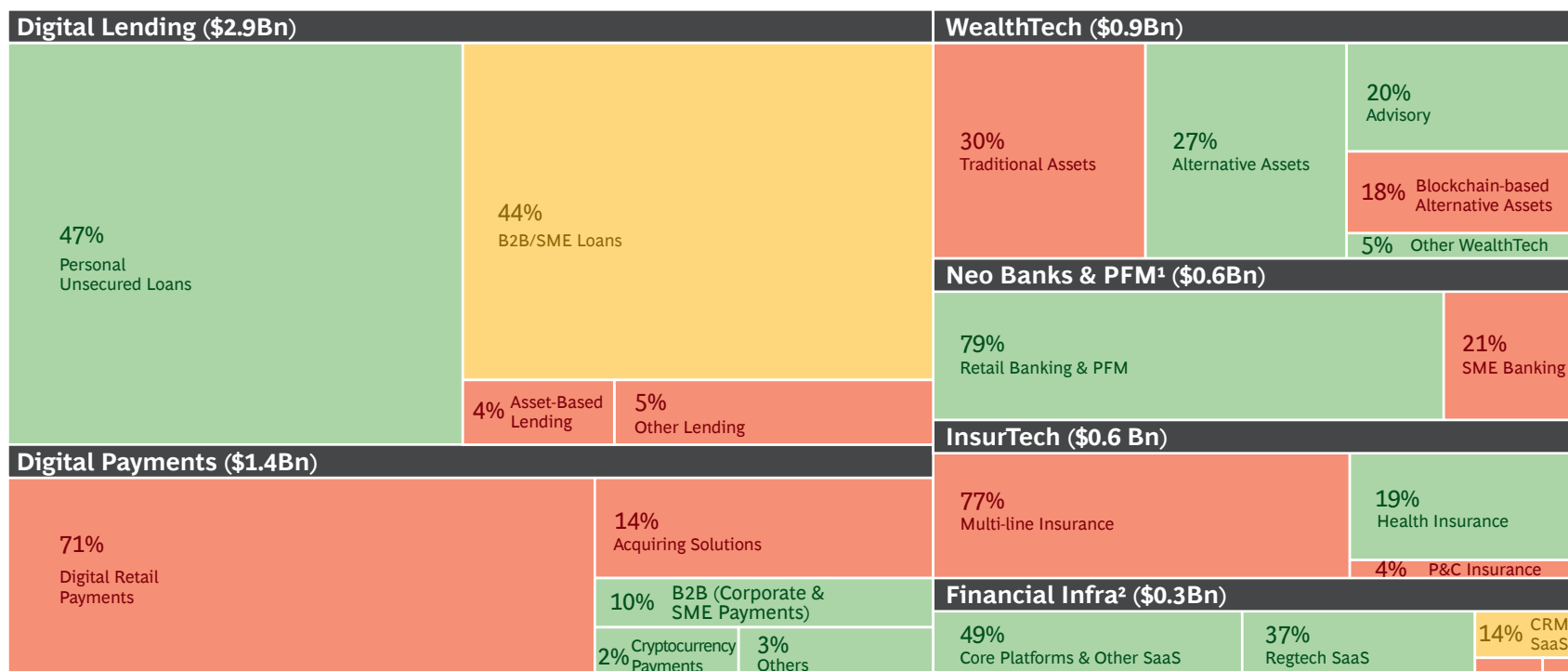
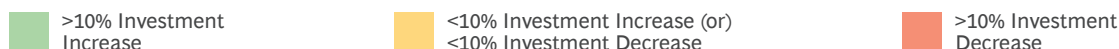


As we move ahead, investors will prefer players demonstrating a path to profitability. Early stage fintechs, fintechs serving segments like SME and "Bharat" are also likely to see more enthusiasm. Though funding will be more prudent, and less likely to mirror the 2021 zeal.

India Funding by segments | 11 sub-segments feeling relief, 2 flat, 11 continue to feel pressure

India Fintech equity funding flow: Jan '22- Jun '23 v/s Jul '20 – Dec '21 (\$Bn)

Size of segment boxes proportional to the funding amount from Jan '22 – Jun '23 (% indicates share of sub-segment in the overall segment)



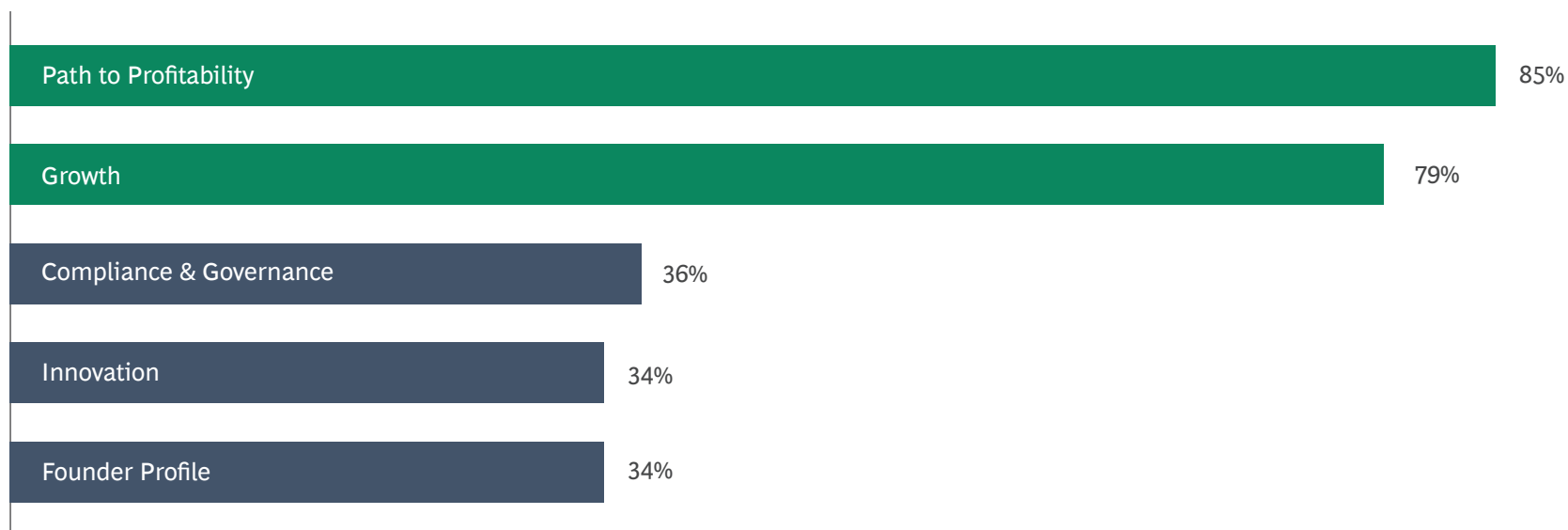
1. Neo Banks & Personal Finance Management (PFM): Includes financial comparison websites, digital banks, financial educational websites & financial planning solutions

2. Financial Infra: Includes core platform technologies, CRM & operations solutions, data aggregation and regtech

Source: BCG Fintech Control Tower; BCG Analysis

Fintech CXOs believe that sustainable growth, with path to profitability, prime focus area for investors

(% respondents selecting below in top 3 priorities for investors)¹



The VC ecosystem was very optimistic during COVID. Fintech ventures sprouted effortlessly, fueled by the convergence of innovative concepts and excess liquidity. As the Fintech ecosystem matured, there is more burden of proof to demonstrate sustainable growth. **Path to profitability is now the compass for investments.**

— Founder, Indian Fintech

1. While deploying funds, which traits are investors looking for? N=47

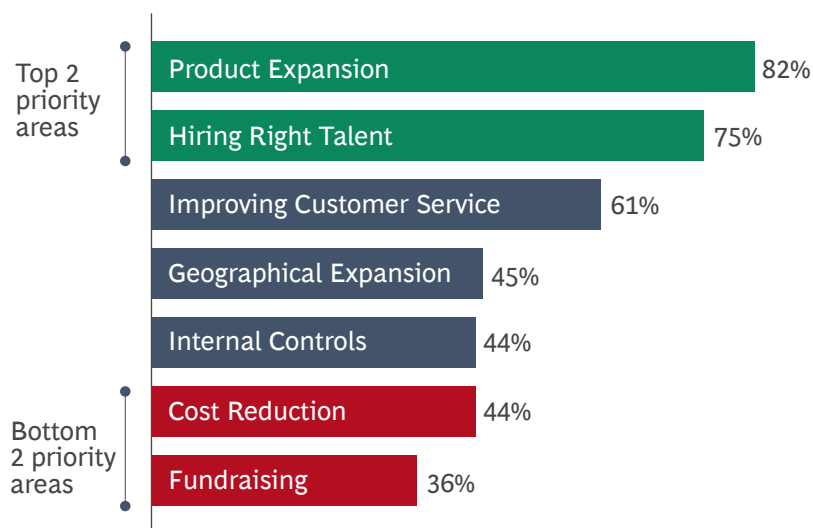
Source: The Global Fintech Union Survey 2023 by BCG & GFF

Product expansion with cost controls top priorities for CXOs

2022– Product expansion & hiring top priorities with focus on “growth”

2022 Priorities for Fintech CXOs

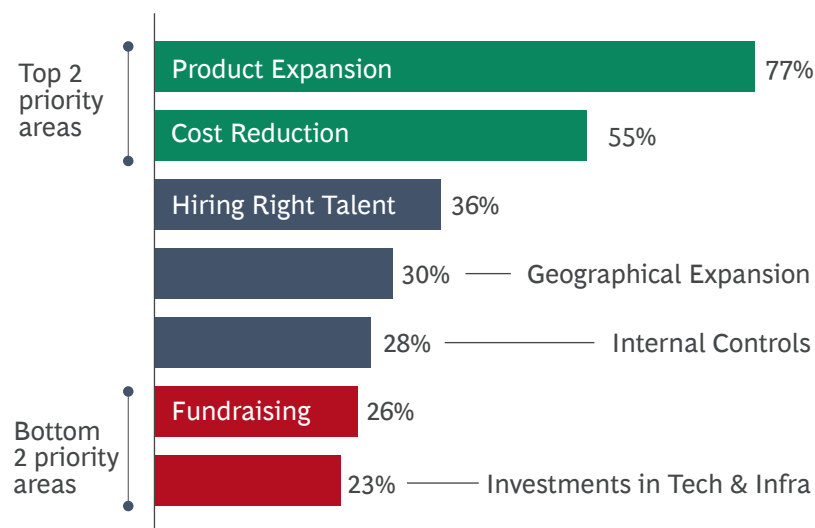
(% respondents selecting below in top 3 priorities)



2023 – Cost reduction gaining prominence with product expansion for “sustainable growth & profitability”

2023 Priorities for Fintech CXOs

(% respondents selecting below in top 3 priorities)¹



“

The focus of the founders has shifted from rapid expansion to increasing cash runways and strengthening the fundamentals of the company. Cost rationalization is a focus area for us in the path to profitability, since there was a lot of exuberant spending in the last few years.

— Co-Founder, Indian Fintech

1. What are the most important strategic focus areas for you and your business in next 2-3 years? N=47

Source: BCG Matrix SOFTU Survey 22; The Global Fintech Union Survey 2023 by BCG & GFF

Fintech leaders driving reduction in Marketing Costs & CAC² to achieve profitability, rather than delaying expansion plans



Priority levers to achieve profitability

Priorities for Fintech CXOs to achieve profitability

(% respondents selecting below in top 3 priorities)¹

Top 2 Priorities

1

48%

Reduction in
Marketing Costs

2

45%

Reduction in CAC²
(Promotional rewards, cashbacks)

Bottom 3 Priorities

3

20%

Delay Expansion
Plans

4

18%

Right Sizing/
Layoffs

5

10%

Lower Investment
in Innovation

“

While we are committed to optimizing costs, we are not compromising on our growth plans. Founders are rather focusing on reducing marketing spends. You would have noticed lower Fintech advertising during the IPL.

— Founder, Indian Fintech

1. What are your top areas to conserve cash in this cycle of funding winter? N=47 2. Customer Acquisition Cost
Source: The Global Fintech Union Survey 2023 by BCG & GFF

Fintechs and Traditional Institutions looking at each other as **collaborators**; however, need to harmonize ways of working to unlock full potential

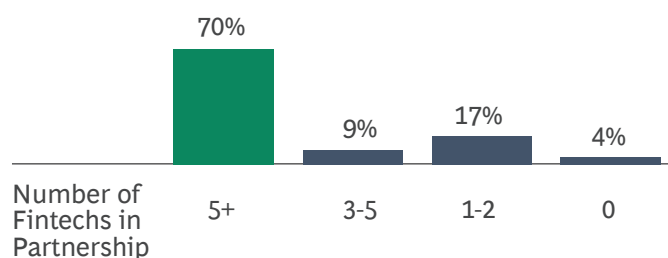
Traditional Institutions want to continue Fintech partnership

65%

% Traditional Institution CXOs who want to continue Fintech partnerships¹

Traditional Institutions collaborating with multiple Fintechs and gaining access to new markets

% Traditional Institutions in partnership with Fintechs²



91%

% Traditional Institution CXOs who believe that partnering with Fintechs has opened new markets for them³

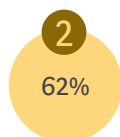
Tech maturity and ways of working biggest challenges for Fintechs in partnering with Traditional Institutions

Top challenges faced by Fintechs while partnering with Traditional Institutions

(% Fintech CXOs selecting below in top 3 challenges)⁴



Tech Maturity



Ways of Working

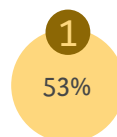


Regulatory Nuances

Risk management & regulatory nuances act as bottlenecks for Traditional Institutions in partnering with Fintechs

Top challenges faced by Traditional Institutions while partnering with Fintechs

(% Traditional Institution CXOs selecting below in top 3 challenges)⁵



Risk Management



Regulatory Nuances



Ways of Working

1. Are you reconsidering partnerships considering recent mixed sentiments around Fintechs? N=23 2. How many Fintechs are you in partnerships with across product segments? N=23 3. Do you believe partnering with Fintechs has given/will give access to the population which you were not catering to? N=23 4. What will be the biggest challenge while partnering with Incumbents? N=47 5. What will be the biggest challenge for you while partnering with Fintechs? N=23

Note: Traditional Institutions include Banks, NBFCs, Asset Management & Insurance companies

Source: The Global Fintech Union Survey 2023 by BCG & GFF

Indian regulatory framework perceived to promote **innovation while safeguarding risks**; opportunity to improve clarity and consistency

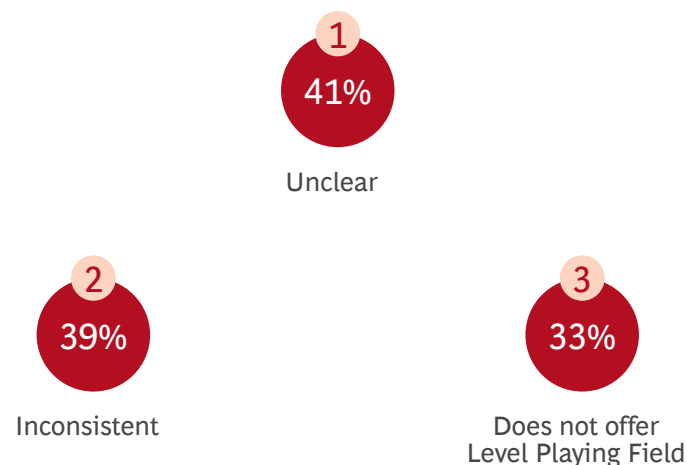
Indian regulations perceived to be future oriented and pro-innovation while safeguarding systematic risk

% CXOs selecting below in top 3 enablers¹



Opportunity to improve clarity and consistency of regulations

% CXOs selecting below in top 3 pain points²



“

The recent guidelines on digital lending and FLDG³ are welcome but there is lower clarity on segments like Neo Banks. **Clarity and consistency would enable more Fintechs to double down on innovation and drive breakout growth.**

— **Founder, Indian Fintech**

1. What are the best features of the regulatory environment in your business area? N=70 2. What are the biggest pain points of the regulatory environment in your business area? N=70 3. First Loss Default Guarantee

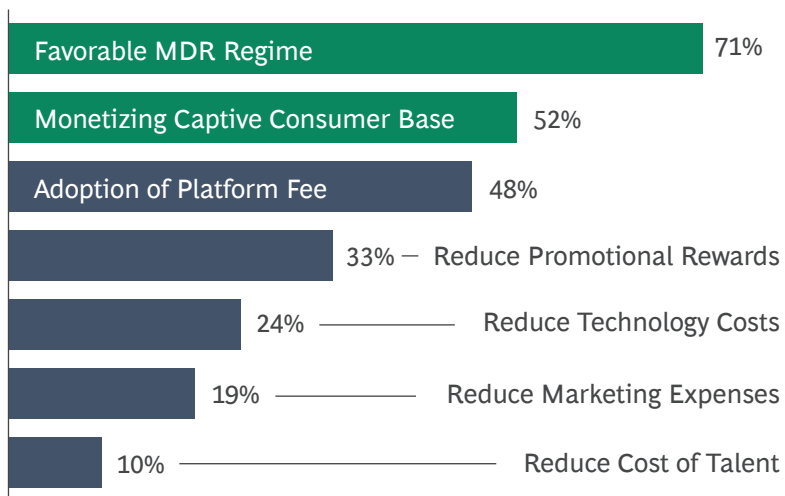
Source: The Global Fintech Union Survey 2023 by BCG & GFF

Payment Fintechs looking at a Payments+ strategy to achieve profitability

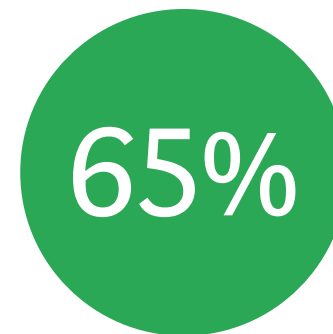
Favorable MDR¹ regime & monetizing captive consumer base can drive profitability

Top drivers to achieve profitability

(% Digital Payment Fintech CXOs selecting below in top 3 drivers)²



Lending preferred monetization lever in Payments+ strategy



% Digital Payment Fintechs offering/looking to offer Lending products to current customer base³



Vivek Mandhata
Managing Director
& Partner, BCG



Fintechs, in collaboration with NPCI, have come of age in the past two years and positioned India as a global payments leader. In the current MDR regime, innovation and value addition on top of payments are critical for Digital Payment Fintechs. Lending is a front-running cross-sell choice.

1. Merchant Discount Rate 2. What are the key drivers in driving digital real time payments towards profitability in your geography? N=21 3. What use cases beyond payments have you introduced/looking to introduce monetizing payments data and consumer base? N=21

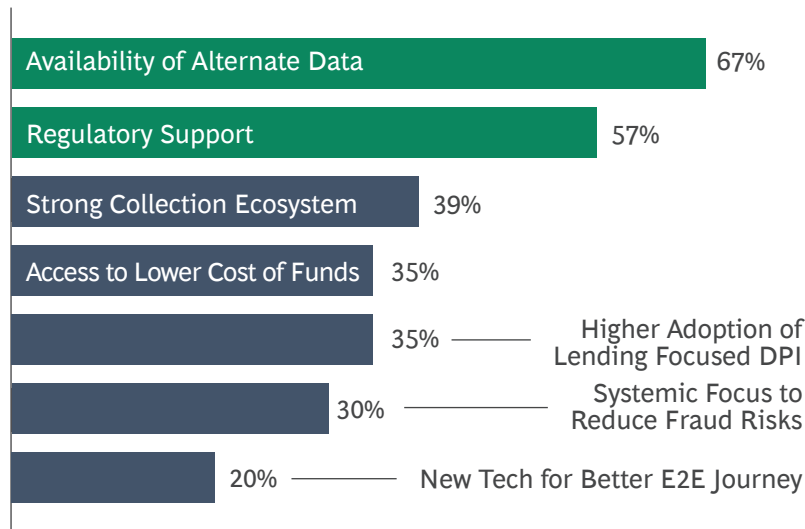
Source: The Global Fintech Union Survey 2023 by BCG & GFF

Exponential growth of alternate data and regulatory support to unlock further growth in digital lending; positive sentiment around FLDG¹

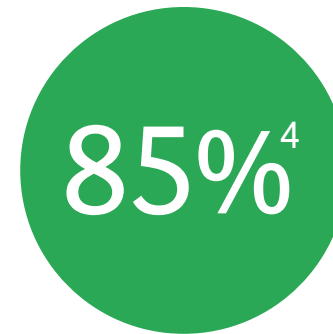
Alternate data availability coupled with regulatory support to drive digital lending penetration

Top drivers to improve digital lending penetration

(% Digital Lending CXOs selecting below in top 3 drivers)²



New FLDG guidelines welcomed by majority players



% Digital Lending CXOs who agree that FLDG guidelines are a step in the right direction³



The vision of data as the new oil is swiftly materializing for businesses, with the emergence of account aggregators. The implementation of FLDG guidelines marks a decisive stride in the right direction, ushering in a regulatory framework that promises to maintain a vigilant watch over unsecured lending. It further provides clarity after extended period of ambiguity, contributing to heightened investor confidence.

— Founder, Indian Fintech

1. FLDG: First Loss Default Guarantee 2. What are the requirements to improve penetration of digital lending in your geography? (Select Max 3) N=46 3. New lending guidelines including FLDG cap are a step in the right direction". What are your views on the above statement? N=46 4. Percentage calculated considering respondents selecting either "Strongly Agree" or "Agree"
Source: The Global Fintech Union Survey 2023 by BCG & GFF

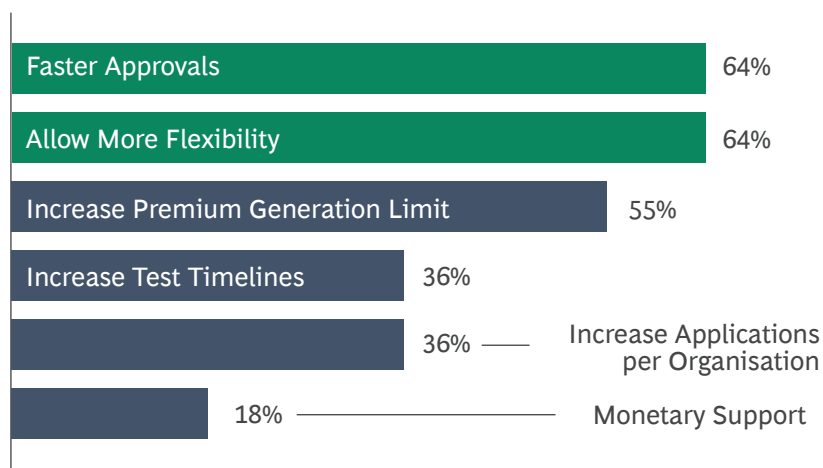
Opportunity to bolster InsurTech in India by enhancing IRDAI¹ regulatory sandbox with faster approval and more flexibility

56%

% respondents want improvement in existing regulatory sandbox environment to drive further innovation²

Faster approval process and more flexibility required to make sandbox more successful³

% InsurTech CXOs selecting below in top 3 asks



Innovation in the Indian Insurtech landscape is being enabled by the IRDAI regulatory sandbox. However, a swifter approval process and greater flexibility, will help Fintechs to "fail fast" and drive innovation at scale.

1. Insurance Regulatory & Development Authority of India 2. "Regulatory sandbox has supported growth of innovative insurance products". What are your views on the statement? N=11 3. What support is needed to make the tests under sandbox more successful? (Select all applicable) N=11

Source: The Global Fintech Union Survey 2023 by BCG & GFF

Industry leaders believe long term prospects for Indian Fintechs remain strong; 5 trends to drive growth across sectors



1. "Bharat" refers to Tier 2 regions and below 2. Reserve Bank of India 3. Insurance Regulatory & Development Authority of India 4. Point of Sales Person

Note: Aspirer+ includes aspirer, affluent & elite segment with household wealth of >INR 5 LPA in India

Source: CCI proprietary income database; The Global Fintech Union Survey 2023 by BCG & GFF; BCG Analysis





01

Global Fintech Trends

Global Fintech revenues will reach \$1.5 Trillion by 2030, with APAC and NAMR emerging as major hubs. Digital Payments and Lending will dominate, while Neo Banking, InsurTech, and Financial Infra will experience the fastest growth.

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03

Blueprint of a Fintech Nation

India is already on a journey to becoming the "Fintech Nation" (#3 in terms of deal volume, number of fintechs and number of unicorns). Needs to catch-up on four dimensions – Fintech for all Indians, driving investments in tech enablers, financially viable Fintechs, and India for the world – to realize full potential.

48-65

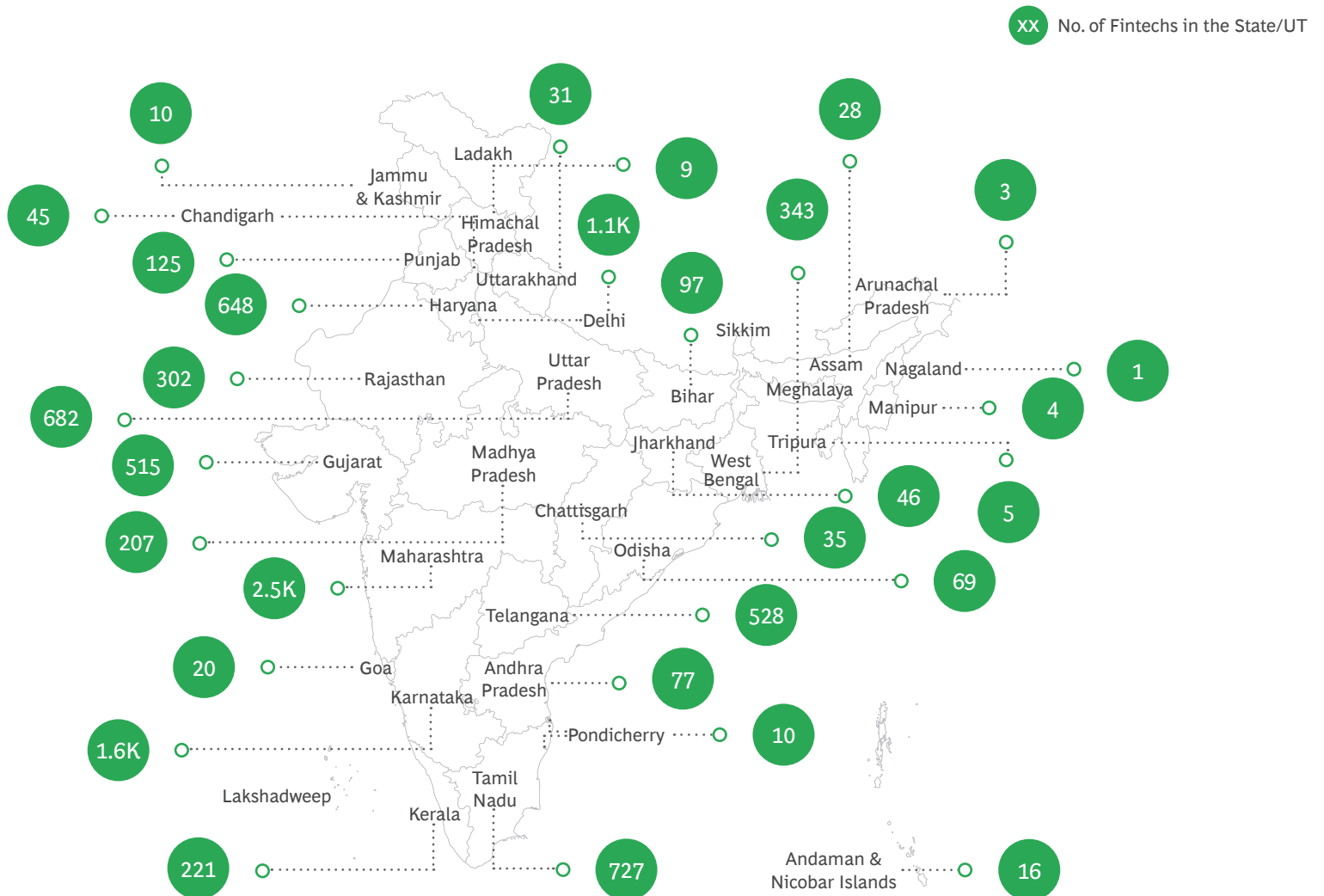
03

Summary | Blueprint of a Fintech Nation

- ⦿ India is on the journey to becoming a "Fintech Nation" (already #3 in terms of deal volume, number of Fintechs and number of unicorns)
 - Indian Fintech revenues to grow 35%+ annually to reach ~\$190Bn revenues by 2030
 - Export of India Stack to emerging nations to unlock upside potential of \$60Bn revenues
- ⦿ DPI 1.0 (Aadhaar, UPI, etc.) laid the foundations of a strong Fintech ecosystem. DPI 2.0 (ONDC, CBDC, Health Stack, etc.) to enable creation of a Fintech Nation
- ⦿ Four catch-ups in India's journey of becoming "The Fintech Nation"
 - Fintech for all Indians is a national imperative – 5 unlocks: Lite apps, Voice-in-Vernacular, Aadhaar Enabled Payment Services (AEPS) based Cash-in-Cash-out (CICO) points for last-mile, UPI, Account Aggregator & TelCo based underwriting models, Bite-sized products
 - India needs \$100-120Bn investment in tech enablers (Critical & Emerging Tech and enterprise infra) enabled by research
 - IPO markets to be bolstered through funding from Sovereign Wealth Funds (SWFs), global investors while Fintechs need to be IPO-ready to win capital
 - India for the World: BFSI SaaS to be a \$18Bn opportunity; Upto 50% earnings to be from export markets

The Fintech Nation

10,000+ Fintechs across the country



India case study: Journey to the Fintech Nation

High Funding Activity and Scale



#3

In Deal Volume¹ with >6% share of Global Funding

Deep and Diverse Fintech Ecosystem



#3

In number of Fintechs and number of unicorns²
(at least 1 unicorn across all 6 Fintech segments)

Enabled by Best-in-Class DPI³



DPI 1.0

Aadhaar, UPI, DigiLocker, GST, etc.

DPI 2.0

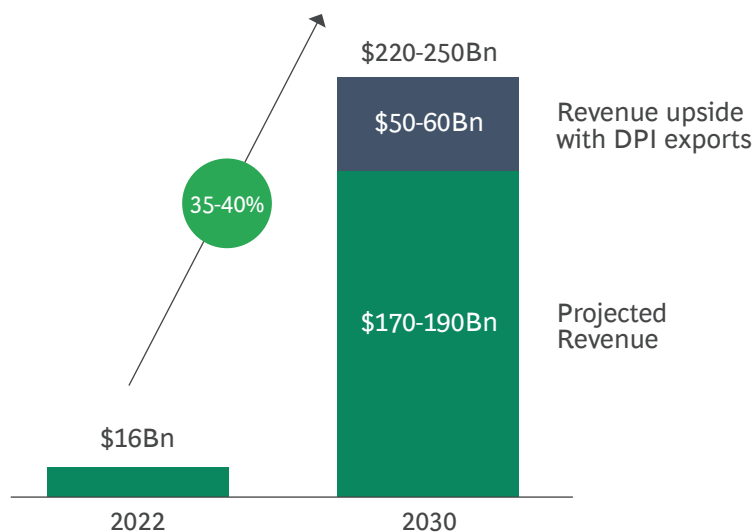
ONDC, CBDC, Agri stack, Health stack, Logistics stack, etc.

1. Global Fintech funding deals from 2020 - June 2023 2. Unicorn strength as of Jun'23 3. Digital Public Infrastructure
Source: Tracxn data as of Jun'23; BCG Fintech Control Tower data as of Jun'23

Indian Fintechs to achieve ~\$190Bn in revenues by 2030

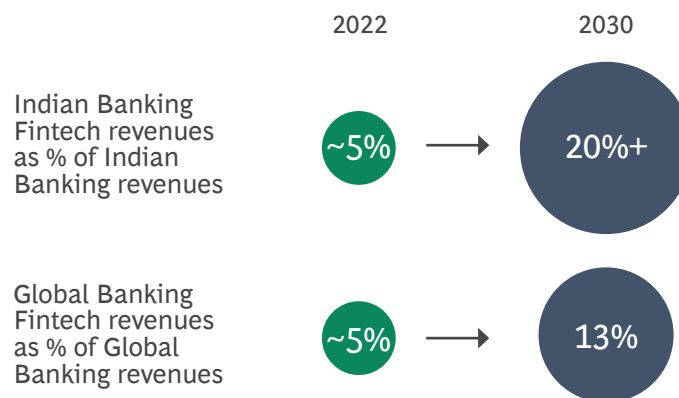
Indian Fintechs set to generate ~\$190Bn annual revenues by 2030, additional upside of \$60Bn with DPI¹ exports to the world

India Fintech Revenues 2030 Projection



Share of Indian Banking Fintechs in Banking revenues to increase to 20%+ by 2030

Share of Banking Fintech revenues in total Banking revenues



Indian Banking Fintechs to contribute 25%+ of Indian Banking valuations



Vipin V

Managing Director & Partner, BCG



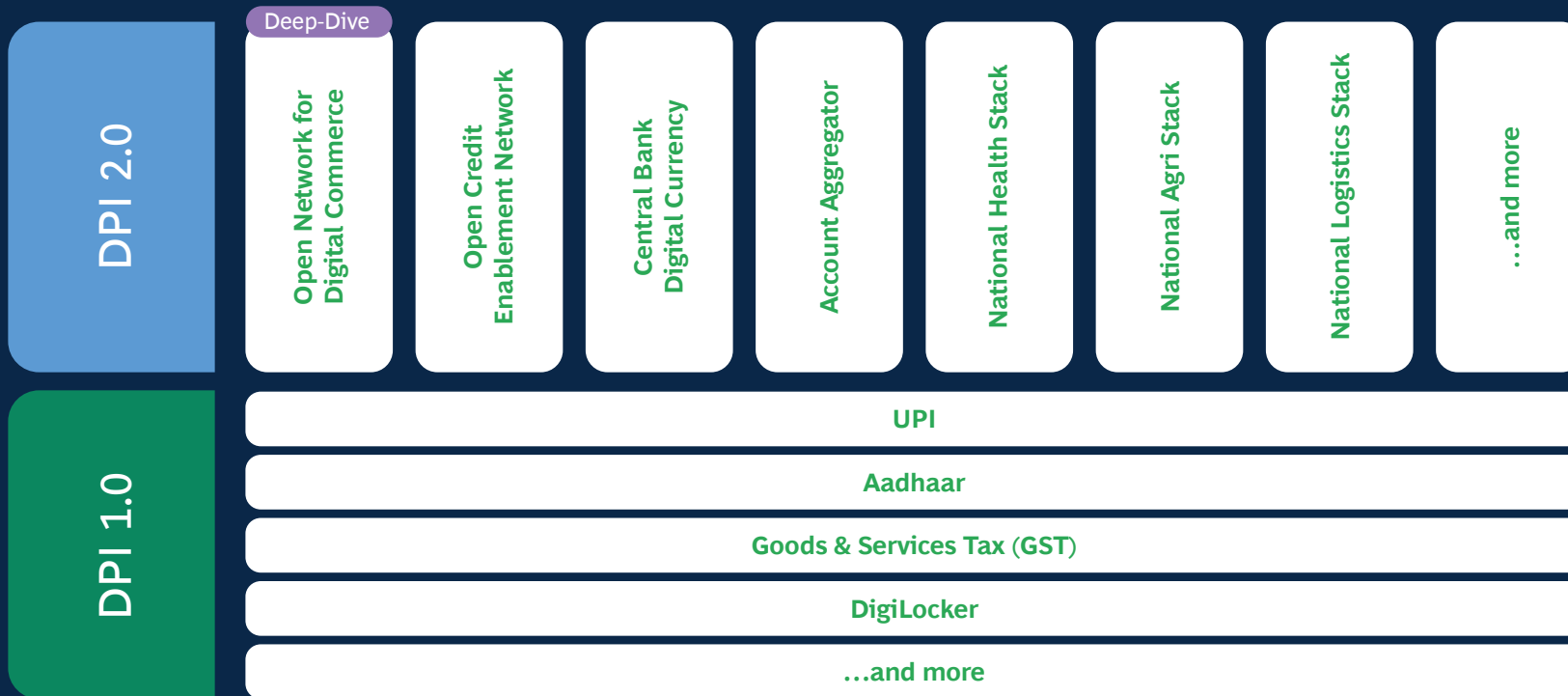
India is positioned to be an exemplar for Fintech innovation globally. Our robust Digital Public Infrastructure with potentially increased investments in Critical and Emerging Technologies can drive breakout growth. Export of India's Digital Public Infrastructure to other emerging nations can enable Indian players capture an upside of \$50-60Bn in revenues.

1. Digital Public Infrastructure

Note: Banking and Banking FinTech revenues/valuations are excluding Insurance and InsurTech revenues/valuations respectively

Source: Traxn; Reimagining the Future of Finance - BCG QED Report 2023; Money Control; Trading View; Capital IQ; BCG Analysis

DPI 1.0 laid the foundations of a strong Fintech ecosystem; DPI 2.0 to drive the next wave of growth

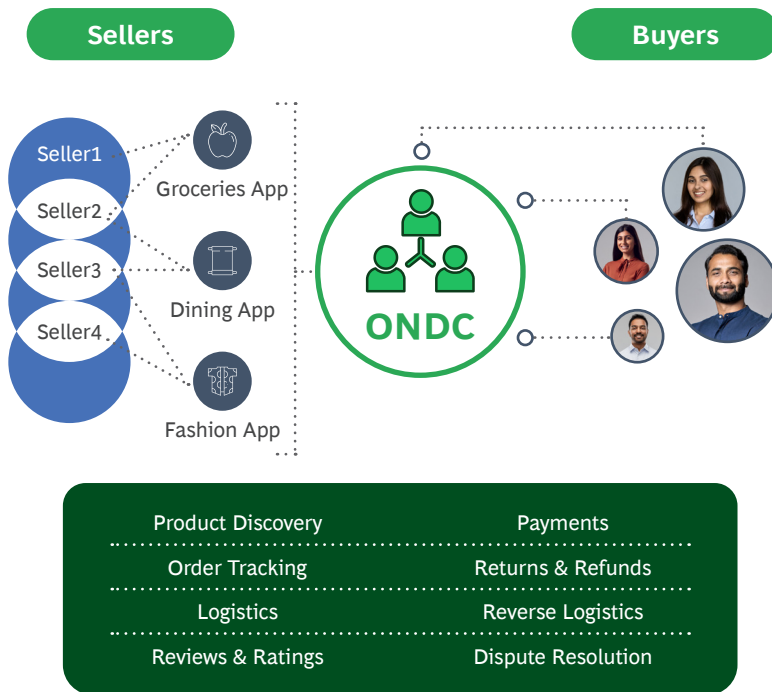


Tirtha Chatterjee
Project Leader, BCG

“ DPI 1.0 (Aadhaar stack, UPI, etc.) revolutionized India's financial landscape, ushering in an era of innovation and inclusion. The volume of 10,000 UPI transactions per second is a testament to that. DPI 2.0 (ONDC, CBDC, Health Stack, Agri Stack etc.) will drive the next wave of innovation across sectors. For example, OCEN has the potential to revolutionize the credit landscape. We are at the cusp of an inflection point, and poised for breakout growth.

ONDC to democratize commerce in India; large opportunity for Financial Services

ONDC is an open communications protocol that democratizes e-commerce



- ONDC connects various e-commerce participants through **open and standard protocols**
 - * It enables sellers to have a **digital presence** irrespective of their size or location, and offers buyers a **larger choice** of products/services
- ONDC daily transactions (100K-150K/day) on a **faster trajectory** than UPI and is now at a pivotal juncture ready for expansion



There is increasing participation from merchants, consumer side apps, logistics providers, and others on the network - resulting in a surge in transactions. It's like different pieces of a puzzle coming together. Various schemes are being launched by institutions like NABARD, SIDBI, etc. to provide handholding support to their ecosystem. Eventually, every seller will want to be on the network - ONDC will become as ubiquitous as a webpage.

ONDC is an unprecedented opportunity for Fintechs and financial services. We're in the process of launching frameworks and technical specifications to enable financial products on an open network.

Further, ONDC can enable flow-based lending and sachetized insurance based on the digital footprint and verifiable credentials. For example, with the consent of a business, a fintech firm can provide hyper-personalized financing products and working capital by using digitally verifiable data such as sales, order books and growth patterns.

There are three key imperatives for the financial ecosystem to benefit from ONDC -

- Banks, NBFCs, Fintechs and advisors need to prepare a 5 year roadmap
- Financial Services players can then enable onboarding of their consumer and merchant networks onto ONDC
- They can also define certification standards for the sellers thereby increasing their credibility



T Koshy
ONDC CEO



India needs to catch-up on 4 areas in journey to "The Fintech Nation"

01

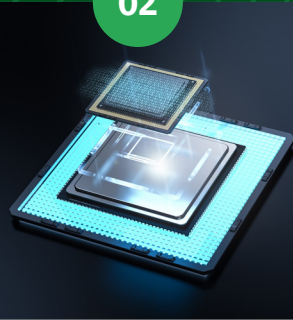


Fintechs for all Indians

Powering finance
for rural India

Unlocking access and usage
through Fintech innovations
for the undeserved

02



Invest in Tech Enablers

Addressing \$100-120Bn
funding gap in tech enablers

Funding for tech enabler
investments to be unlocked
through research

03



Ayushman¹ Fintechs

Making Fintechs
financially viable

Preparing Fintechs for
IPO and attracting capital
simultaneously

04



India for the World

Globalizing Indian
innovation in Fintechs

Exporting Indian BFSI SaaS
products at scale

1. Ayushman - "blessed to have a long life"

Fintechs for All Indians | Unlocking the untapped Bharat¹ opportunity through Fintech innovation

Unlocking Access

Lite Apps

For low network coverage areas

(Rural districts have 1/8th cell tower coverage vs. Urban/Metro)

Facebook 181MB **Facebook Lite** 2MB²

Voice-in-Vernacular

For addressing low literacy and digital skills

(Top barrier for mobile internet use ~30%)

PhonePe 11 Languages

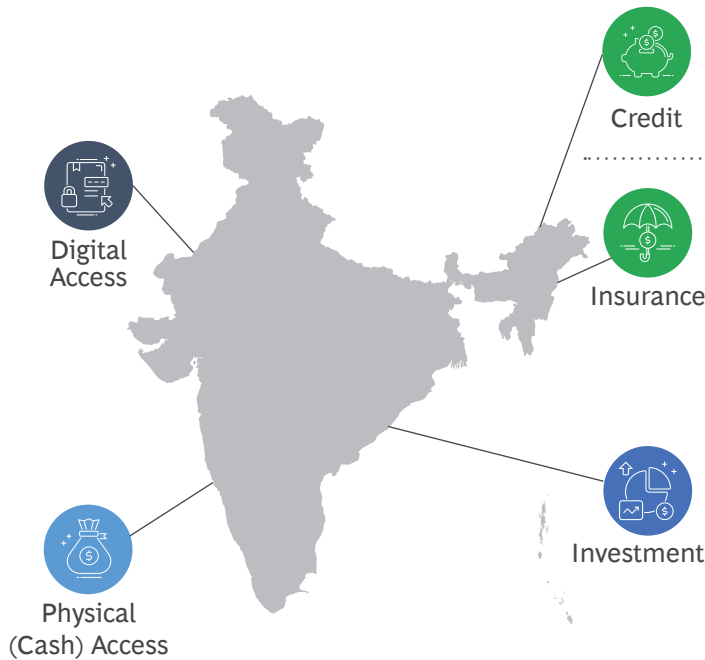
AEPS³ CICO⁴ Points

For last-mile banking access

(380 Mn people lack access to CICO points within 1 Km in urban, 2.5 Km in rural areas)

Spice Money Enabling ₹1.5 Lac Cr. GTV through 12 Lac CICO points

Unlocking Usage



UPI, AA⁵, TelCo-based underwriting models

For increasing credit penetration

(Only 13%⁶ formal credit penetration, UPI, AA, TelCos cover >100 Cr. population)

MooPay "MooScore" for credit to dairy farmers basis milk quality & quantity

Bite-Sized Products

For affordability

(~13%⁷ people have saved at a financial institution)

BharatATM 11% interest on low ticket (₹100/month) recurring deposit

1. "Bharat" refers to Tier 2 regions and below 2. App size as on Aug 9, '23 3. Aadhaar Enabled Payment Services 4. Cash-in-Cash-out 5. Account Aggregator 6. Q: Borrowed any money from a formal financial institution or using a mobile money account (% age 15+) 7. Q: Saved at a financial institution (% age 15+)
Source: Opencellid open database of cell towers (2017), BCG Gamma Geoanalytics; Google Play Store; GSMA-The Mobile Gender Report 2022; CICO Access Geo-Analysis in India; Spice Money Website; Findx Survey 2021; MooPay Website; BharatBank Website

Invest in Tech Enablers | India needs to fill a \$100-120Bn funding gap in Critical and Emerging Technologies (CET) by 2030

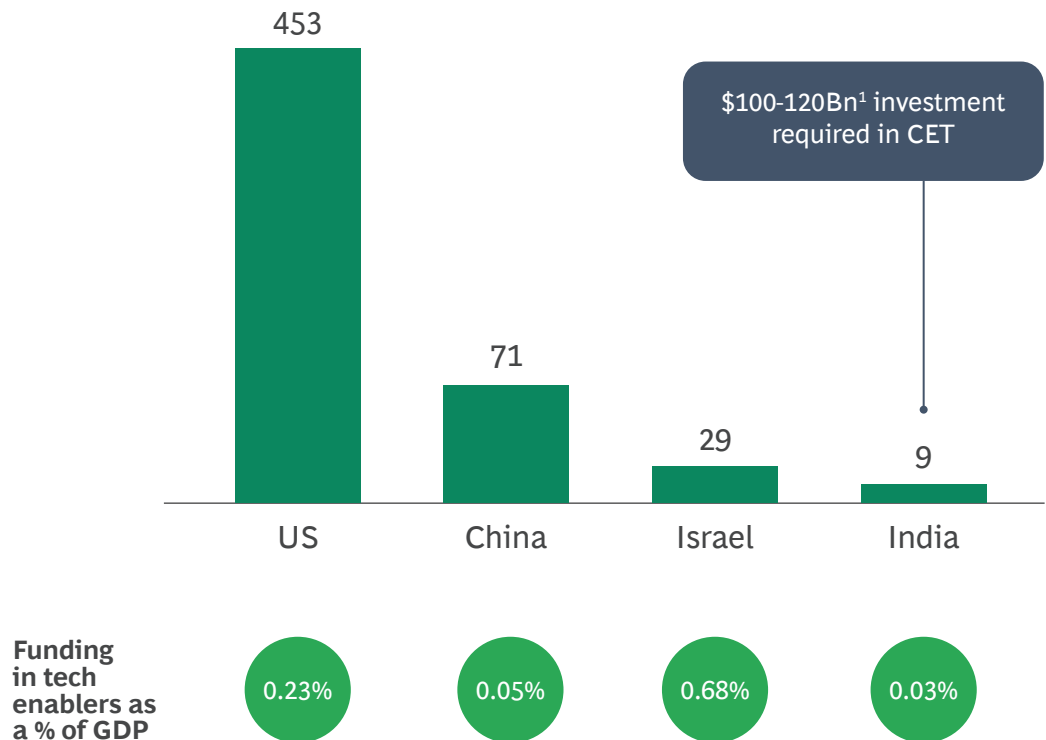
India needs substantial private and public investment in tech enablers

Tech enablers include:

Critical & Emerging Tech (AI, Blockchain, IoT, Quantum computing, etc.)

Enterprise Infra (IT Ops, Data centers, Cloud, API, ERP, etc.)

Total funding into tech enablers from 2013-2022 (\$Bn)



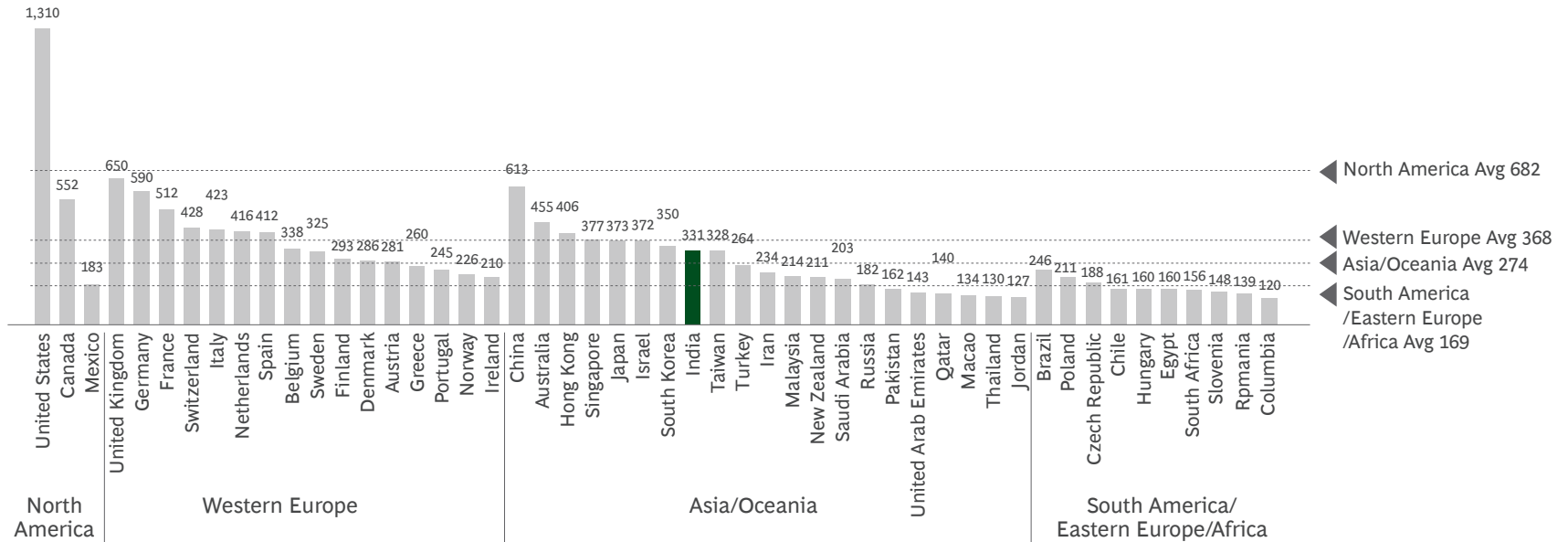
1. Gap calculated from 2013 to 2030. Gap for each year = India GDP * (<other country> funding/GDP% - India funding/GDP%). For 2023-2030 – India Nominal GDP growth projected at 11% CAGR reaching \$7.8Tn by 2030, projected funding/GDP% for both countries taken as that of 2022

Source: World Bank Databank; Tracxn; BCG Analysis

Invest in Tech Enablers | Fostering investment in research to kickstart CET funding in India

India ranks behind many developed ecosystems on research output

Country-wise (top 50) H-index in Computer Science (AI, networks and communications, hardware & software, information systems, etc.)



Imperatives for the financial ecosystem to boost research in Critical and Emerging Technologies



Tax incentives for R&D in Critical and Emerging Technologies

e.g., 200% deduction on bio-tech research pre-2017, 11% credit in UK under RDEC¹



Tax exemptions on sale of innovative products

e.g., Dutch Innovation Box offers 60-70% tax benefit on profit derived from innovation



Enable commercialization of university research

e.g., Legend computers (Lenovo) was spun off from the Chinese Academy of Sciences

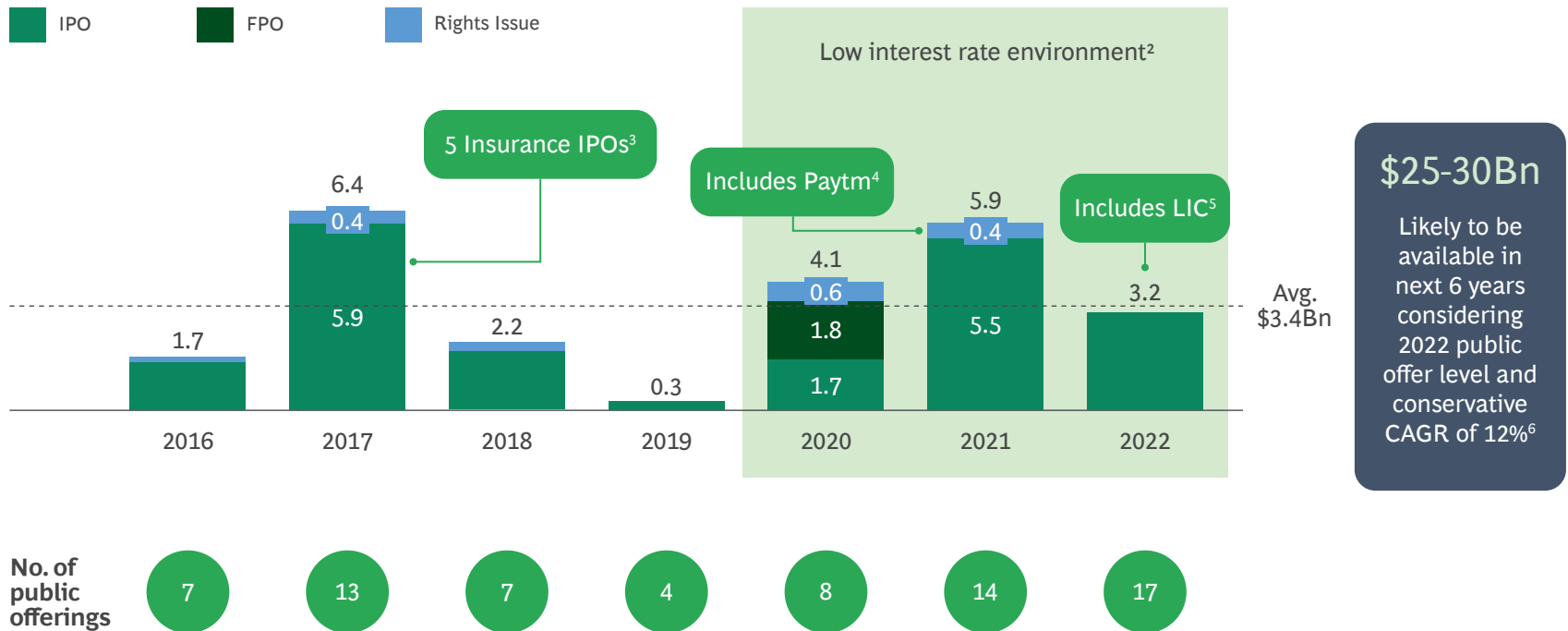
1. Research & Development Expenditure Credit – Under this scheme UK companies can claim a pre-tax credit of 11% and redeem against tax liability or in cash

Note: Higher research output (AI, Blockchain, Quantum computing) attracts higher funding in CET (R² = 0.5 to 0.8)

Source: SCImago; UK Finance Act; business.gov.nl; BCG Analysis

Ayushman¹ Fintechs | Conservatively, BFSI public offering expected to raise \$25-30Bn in next 6 years

BFSI public offerings (IPOs/FPOs/Rights Issues) in India by offered amount - 2016-2022 (\$Bn)



1. Ayushman - "blessed to have a long life" 2. Repo rate was 4% from 22 May 2020 to 03 May 2022 (lowest since 2000) 3. HDFC Standard Life (\$1.1Bn), SBI Life (\$1.0Bn), New India Assurance (\$1.2Bn), General Insurance Corporation (\$1.4Bn), ICICI Lombard General (\$0.7Bn) 4. Paytm IPO size = \$2.2Bn 5. LIC IPO Size = \$2.6Bn 6. CAGR '16 to '22 = 12%
 Note: USD to INR exchange rate = 82
 Source: NSE; BCG Analysis

Ayushman¹ Fintechs | \$40-50Bn capital required for Fintech unicorns to IPO in next 6 years

Analysis based on reasonably conservative assumptions

01

6 years from acquiring unicorn status to IPO

- Only current 22 unicorns² will IPO in next 6 years
- No non-Fintech BFSI IPO in next 6 years

02

Haircut on latest available valuation

- 40% Fintech founders expecting valuation drop³

03

30% dilution at the time of IPO

Capital required for FinTech IPOs⁴ (\$Bn)

Expected Valuation Haircut (%)	Projected valuation growth (% CAGR)		
	13% ('18-'23 India public FS market growth)	24% (Projected Fintech valuation growth till 2030)	34% ('20-'23 India Fintech valuation growth)
40%	\$18-20Bn	\$26-30Bn	\$36-43Bn
30%	\$21-23Bn	\$31-35Bn	\$42-50Bn
20%	\$24-26Bn	\$35-40Bn	\$48-57Bn
10%	\$28-30Bn	\$39-45Bn	\$54-64Bn

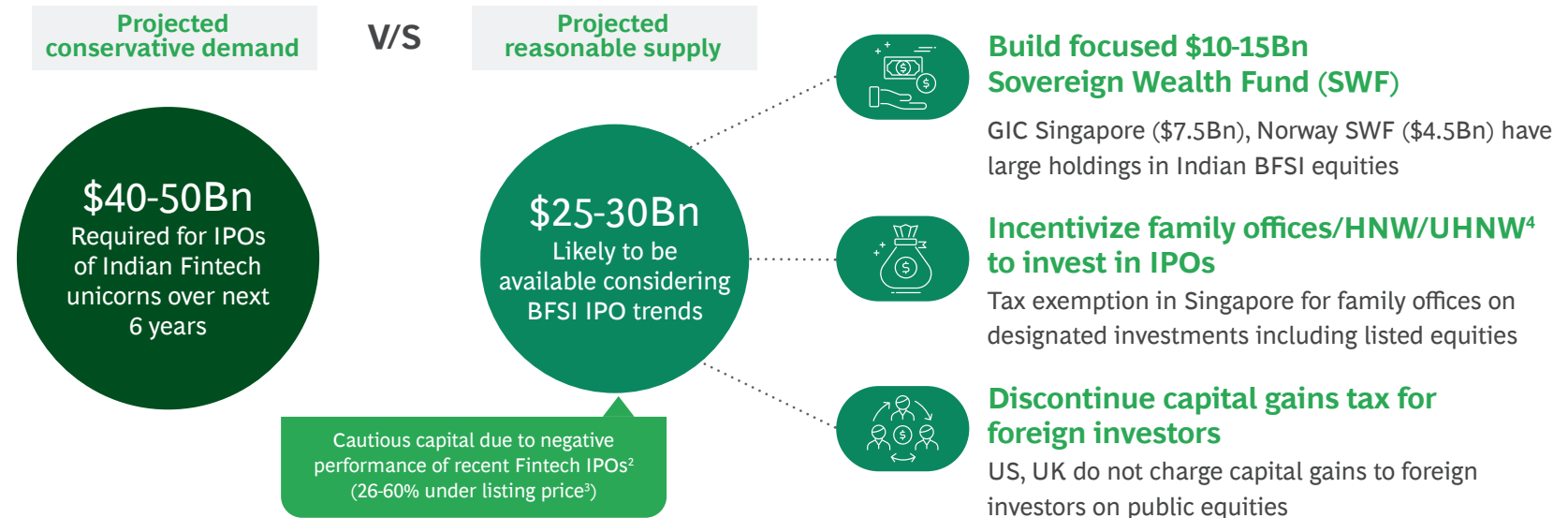
28% higher funding in 2021 and 2022 leading to over-valuation

Most Likely Outcomes

1. Ayushman - "blessed to have a long life" 2. Unlisted Fintech unicorns considered i.e 22 unicorns with latest cumulative valuation of \$66Bn as of Jul '23 3. Do you expect to take a valuation hit for raising money in the next rounds considering the current investment climate? N=33 4. Three exit scenarios considered: Uniform (33% every 2 years), Front-Loaded (50% till Year 2, 80% till Year 4, and 100% till Year 6), and Bell-shaped (25% till Year 2, 75% till Year 4, and 100% till Year 6)
Source: Capital IQ; Tracxn data as of Jul'23; NSE; The Global Fintech Union Survey 2023 by BCG & GFF; BCG Analysis

Ayushman¹ Fintechs | India needs to enhance capital availability for deficient IPO capital markets

Meaningful gap between capital demand and supply for Fintech IPOs



Vikram Khanna
Principal, BCG



It is not obvious, as per current market conditions, that India has sufficient market depth for all 22 Fintech unicorns to go public in next 6 years. They will need to compete for IPO capital. Hence, it will be critical for Fintechs to demonstrate financial viability and IPO readiness.

1. Ayushman - "blessed to have a long life" 2. Drop from listing price - Paytm (60%), Policybazaar (26%) and Fino Payments Bank (38%) 3. As on 11 Aug '23 4. High Net Worth (HNW) - Wealth between \$1Mn and \$100Mn; Ultra High Net Worth (UHNW) - Wealth greater than \$100Mn
Source: Moneycontrol; Trendlyne; NBIM; MAS; Livemint Article; BCG Analysis

Ayushman¹ Fintechs | Founders must ensure financial viability and IPO readiness

140 item BCG checklist across 5 key areas for Fintechs to be IPO ready in two capital availability scenarios²

XX Number of Checklist Items

Total: 140



1. Ayushman - "blessed to have a long life" 2. Two scenarios likely to emerge basis capital availability – a. Capital markets follow past trends leading to deficiency - Fintechs would have to compete for IPO capital or b. Sufficient but cautious capital is available for Fintech IPOs - Fintechs will have to be investable at a higher cautious hurdle rate
Source: BCG IPO Readiness Checklist

India for the World | Indian Financial Infra seeing green-shoots from BFSI SaaS players; \$18Bn revenues by 2030, 50% of revenues from exports

- India's Financial Infra highly mature and scalable to support the exponential digitization needs of the world (e.g., Real-time digital transactions in India more than US, China and Europe combined)

- Two archetypes emerging in India for BFSI SaaS enabling the digitization needs of the world
 - * Core platform providers across segments
 - * X.SP – Tech service providers to cater to international markets

India BFSI SaaS revenue by 2030

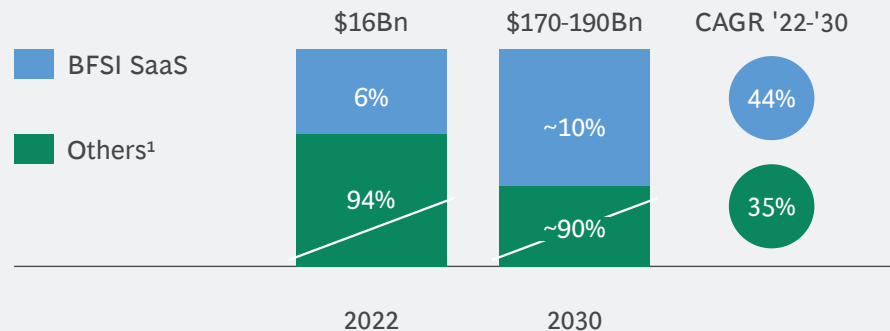
\$18Bn

50%+

likely to come from exports

BFSI SaaS will grow faster than other Fintech segments

Split of Indian Fintech revenue (%)



1. Others: Includes Digital Payments, Lending, Wealthtech, InsurTech & Neo Banks & PFM
Source: IDC; Gartner; SaaSBoomi; NASSCOM; BCG Case Experience; BCG Analysis



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Co-Founder,
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Ashish Karan

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Corporation of India

Kunal Jhanji

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Boston Consulting Group

Mark Wiseman

Chairman, The Alberta Investment
Management Corporation

Mayank Jha

Managing Director and Partner,
Boston Consulting Group

Miten Sampat

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Navin Surya

Chairman,
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Director,
Fintech Convergence Council

Shailesh Baidwan

Maya Group President and
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Founder,
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Co-Founder,
Fi

Sumit Kumar

Managing Director and Partner,
Boston Consulting Group

T Koshy

CEO,
ONDC

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Note: All the names are in alphabetical order

Authors

If you would like to discuss the themes and content of this report, please contact:



Saurabh Tripathi

Global Practice Leader – Financial Institutions,
Managing Director & Senior Partner, BCG
Tripathi.Saurabh@bcg.com



Yashraj Erande

APAC Fintech Lead,
Managing Director & Partner, BCG
Erande.Yashraj@bcg.com



Vipin V

Managing Director & Partner, BCG
V.Vipin@bcg.com



Neetu Chitkara

India Fintech Lead,
Managing Director & Partner, BCG
Chitkara.Neetu@bcg.com



Vivek Mandhata

Managing Director & Partner, BCG
Mandhata.Vivek@bcg.com



Vikram Khanna

Principal, BCG
Khanna.Vikram@bcg.com



Tirtha Chatterjee

Project Leader, BCG
Chatterjee.Tirtha@bcg.com



Sarthak Harnathka

Consultant, BCG
Harnathka.Sarthak@bcg.com



Aviral Kacholia

Senior Associate, BCG
Kacholia.Aviral@bcg.com

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