BCG + GLOBAL FINTECH FEST

Building Bridges
for the next decade of Finance

AUGUST 2024

Note: This is an AI generated image. Image generated using DALL.E

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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 2024.

Foreword

Kris Gopalakrishnan

Chairman, Axilor Ventures,
Co-founder, Infosys, and
Chairman, Advisory Board, GFF 2024

The current global macroeconomic scenario presents unique challenges as well as opportunities. The world is inarguably more unsettled than at any point in recent history. Socio-political tensions, fluctuating interest rates, inflation, and tapering growth are creating a complex, once-in-a generation challenge. At the same time, critical and emerging technologies are growing exponentially enabling us to shape a better future.

Against this backdrop, Global Fintech Fest (GFF) 2024 aims to gather the brightest minds and passionate hearts in Mumbai from August 28 to 30. GFF 2024 is more than a conference; it is a convergence of visionaries, leaders, and innovators across the globe. This year's theme,

"Blueprint for the Next Decade of Finance"

Responsible AI | Inclusive | Resilient

highlights our shared responsibility to shape a financial future that is responsible, inclusive, and resilient. Artificial intelligence is at an inflection point. Harnessing AI responsibly and blending it with human insight can create the next-gen Financial InfraTech to drive ethical, innovative solutions for complex, real-world challenges. We envisage the next decade to be more equitable, inclusive and "resilient by design", to be able to recover quickly from future black swans. An agile and innovative financial ecosystem is the need of the hour to maintain stability in geopolitically volatile environments. Collaboration among traditional financial institutions, Fintechs, regulators, and policymakers will play a crucial role.

GFF serves as a platform for thought leadership, knowledge sharing, and networking, bringing together stakeholders from various sectors to collaborate and innovate. GFF aims to address critical challenges and harness opportunities in the financial sector. This year's fest will feature paradigm defining sessions on responsible AI, green finance, capital access for Fintechs, central bank digital currencies, cross border payments, and many more. These discussions are designed to inspire and equip attendees with the insights needed to navigate the next decade. GFF 2024 will be a pivotal event in facilitating this transformation by bringing together over 80,000 delegates and more than 800 speakers from ~40 nations.

At the heart of this event is our annual flagship report, designed to lead thought leadership by uncovering the latest fintech trends across continents and industries. It provides bold recommendations on the "Six Bridges" to shape the future of global finance". This report, reflecting our shared vision, will be updated annually to align with the evolving priorities of our financial ecosystem and the nation at large. This presents a unique opportunity for India's financial sector to become the world's knowledge capital. In conclusion, we extend sincere gratitude to each contributor, partner, and visionary who has guided this journey, shaping our shared future. As we navigate the intersection of technology and finance, let's commit to advancing sustainability, innovation, and shared prosperity.

> Reach high, for stars lie hidden in you. Dream deep, for every dream precedes the goal
>
> Rabindranath Tagore

Foreword

Dilip Asbe

Managing Director & CEO of National Payments Corporation of India (NPCI)

As we step into 2024, the Global Fintech Fest (GFF) continues to evolve as a stimulus for driving innovation and inclusivity in the financial ecosystem. This year, GFF is poised to set the stage with the theme "Blueprint for the Next Decade of Finance," focusing on Responsible AI, Inclusiveness, and Resilience. GFF 2024 will gather thought leaders, innovators, and policymakers to redefine the financial landscape for the coming decade.

With the fintech sector growing at rapid pace, the Asia-Pacific (APAC) and North American (NAMR) regions are set to become the epicentre of fintech innovation, fuelled by regulatory foresight and technological advancements. In the APAC region, India stands out as a formidable player in the fintech landscape. The country has witnessed a rapid surge in fintech adoption driven by Digital Public Infrastructure like Aadhar, UPI, Bharat Bill Payments, ONDC etc., a supportive regulatory climate fostering digitization, a large underserved population offering opportunities for financial inclusion, increased access to capital through various funding channels, the adoption of technologies such as GenAI driving new business models and enhanced customer experiences, and surge in mobile banking and digital payments.

UPI has revolutionized the payment landscape, solidifying India's position as a global leader in fintech innovation. Ever since its inception in 2016, UPI has amassed an impressive user base of over 400Mn active users as of today. In July 2024 alone, UPI facilitated ~14Bn transactions worth an astounding INR 20 lakh crores, showcasing its robust and ever-growing presence. This adoption rate within India demonstrates UPI's maturity and scalability, as evidenced by its expansion into seven countries, including Singapore and the UAE. The vision of the National Payments Corporation of India (NPCI) is to extend UPI's reach to 20 countries by 2028-29, creating a global standard for real-time payments. It will be fascinating to see how global economies adopt real-time payment systems like UPI and how much of the world will eventually run on NPCI rails. As we look into the future, our goal for the next few years is to further strengthen the fintech ecosystem in India, fostering innovation through regulatory support, and promoting financial literacy to ensure inclusive growth.

As we gather once again at the Global Fintech Fest 2024, we are reminded of the incredible strides we've made in redefining the world of finance. The past year has been a testament to our collective ingenuity, resilience, and unwavering commitment to driving the fintech revolution. We have navigated challenges, embraced innovations, and pushed the boundaries of what is possible. Our mission to reshape the Indian financial landscape is stronger than ever, and this report encapsulates the milestones we've achieved and the horizons we aim to conquer.

Introduction

Yashraj Erande

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We are thrilled to present this year's edition of the flagship report for Global Fintech Fest. This comprehensive report provides a detailed exploration of the current landscape, trends, and future projections of the global Fintech industry for the next decade. This year, our report is structured into three pivotal chapters, each offering a unique lens on the industry's trajectory and its transformative potential.

Global Fintech Trends:
Global trends shaping the Fintech landscape, offering a rigorous analysis of growth trajectories, capital allocation, and regional convergence.

Voice of Industry:
Priorities and perspectives of founders, CEOs, and CXOs within the Indian Fintech ecosystem, highlighting their focus on profitable and compliant growth, emerging technologies, and regulatory needs.

Building bridges for shaping the next decade of Finance:
"Six Bridges", required between Fintechs, traditional financial institutions, regulators, and investors to drive innovation, efficiency, and sustainable practices for the next decade of finance.

The first chapter offers a rigorous analysis of growth trajectories, capital allocation, and regional convergence. The Fintech sector is poised to achieve $1.5Tn in revenues by 2030, with significant contributions from the APAC and NAMR regions. We explore the stabilization of global Fintech funding and the convergence of investment patterns across developed and emerging markets. This chapter provides invaluable insights into the evolving dynamics and strategic imperatives for Fintech enterprises worldwide.

Our second chapter provides an authentic voice of the industry, capturing the insights of founders, senior leaders, regulators, and investors within the Indian Fintech ecosystem. Despite recent funding challenges, Indian Fintechs have demonstrated remarkable resilience and innovation, achieving significant revenue growth and setting ambitious goals for international expansion. This section highlights the industry's focus on profitable and compliant growth, leveraging emerging technologies such as Generative AI and API-based open architecture, and addressing the critical need for a robust regulatory framework.

The final chapter introduces the bridges crucial for shaping the next decade of finance, symbolizing the collaborative efforts required to drive innovation and efficiency. It highlights the need for future-ready technology, emphasizing a $1Bn investment to modernize India's financial infrastructure. The report stresses the importance of preparing fintech unicorns and soonicorns for liquidity events and IPOs by building strong equity narratives. The convergence between traditional financial institutions and fintechs is crucial, promoting partnerships to capture digital opportunities. Moreover, expanding India's financial infrastructure and payment systems globally is essential for driving growth and innovation. The report also emphasizes the importance of governance, risk management, and addressing the climate financing gap by integrating sustainable practices to ensure a resilient and inclusive financial future. Collaboration among policymakers, innovators, and capital providers is essential to building these bridges and driving the future of finance.

Through meticulous research, in-depth interviews, and our global client collaborations, we have crafted a report that not only charts the current state of the Fintech industry but also paves a forward-looking path for its evolution over the next decade. We eagerly anticipate your feedback and engagement as we collectively shape the future of finance in the coming decade.

Executive Summary

Diamonds are made under pressure. There is no denying that the Fintech sector has gone through what we would call a traumatic year, especially on a global scale. The sector felt the heat of justified regulatory and market scrutiny. It lived through the freezing cold of funding winter. After being subjected to the intense heat and cold, we are seeing the emergence of a more mature and productive Fintech ecosystem globally. Unlike in the past, where burning equity to acquire customers was the approach, we find that today's successful Fintechs are focused on sustainable growth, high quality governance, and economically rewarding innovation.

There has been a fascinating side effect of the traumatic period for the industry. Incumbent financial institutions globally have either gone into hyper drive to integrate and partner with the best Fintechs or are incubating in-house Fintechs. Of course, the regulatory apparatus is also now better refined to facilitate an orderly development of the Fintech ecosystem. As a result, the next decade of finance is set to unlock immense value for the world.

Nonetheless, there are some very hard lessons learnt which need to remain on the radar of the industry. Governance and regulation must be taken extremely seriously. They cannot be an afterthought. Equity, and capital in general, must be managed with hawk eyes. Only the most efficient user of resources – namely, capital and talent – will survive. And innovation is key to being efficient. Without pushing the frontiers of efficiency, Fintechs do not have a right to exist. DPIs have a crucial role in turbo charging innovation and increasing market efficiency. However, it is extremely hard to scale DPIs. It requires the convergence of policy, economics, and technology.

We have spoken to founders and investors, surveyed industry participants, and analyzed extensive data to bring to you this year's flagship Global Fintech Fest report. Last year's flagship report talked about building a Fintech nation and the second wave of Fintechs. This year we talk about how Fintechs, incumbents, regulators, and investors can leverage the lessons of the second wave to successfully embrace the next decade of finance.

We talk about building 6 bridges to be ready for the next decade of finance.

We hope you enjoy reading it as much as we enjoyed writing it.

There are three chapters:

- Global Fintech Trends: Rigorous unpacking of global trends through numbers and narratives
- Voice of Industry: Temperature check of the priorities of founders, boards, regulators, and investors in the Indian Fintech landscape
- 6 Bridges to the Future of Finance: Critical bridges that Fintechs, traditional incumbents, regulators, and investors need to jointly create to approach the next decade of finance

Global fintech trends: Growth trajectory, capital allocation and regional convergence

The global Fintech sector is on-track to achieving $1.5Tn in revenues by 2030. This growth is predominantly driven by the Asia-Pacific (APAC), along with the North American (NAMR) region, generating three times higher revenues than the next set of regions by 2030.

The last 4 quarters have seen a stabilization in global Fintech funding ($7-10Bn per quarter, after a period of exuberance in 2021-2022). Across Fintech segments, we see much greater convergence in terms of incremental capital allocation when we compare the developed and emerging markets. In the past, there was a distinct skew in capital allocation across different Fintech sectors between the different markets. For example, developed markets are increasing their share of investments in Digital Payments to catch up with the advancements seen in emerging markets. All geographies are driving a similar share of investments in Wealth Tech, indicating the growing focus on affluent customers across geographies. Analyzing the trends by specific geographies reveal the following trends:

In the realms of developed economies such as NAMR and Europe:

- Digital Payments sector is dominated by acquiring solutions, followed closely by B2B payments
- Europe and NAMR have 80% share of funding in InsurTech, driven by a mature property and casualty insurance market
- NAMR emerges as the leader in the WealthTech and Financial Infrastructure domains, claiming approximately 55% and 60% share of funding, respectively. Alternative assets are drawing investor attention; tokenization a key area of focus.

In emerging economies of APAC, Africa, and LATAM:

- Digital Payments sector is predominantly driven by retail payments as an alternative to traditional card payments
- Retail Neo Banks are capturing 70-80% funding, SME Neo Banks have large headroom for disruption
- The financial infrastructure sector, though nascent, is poised for growth, spurred by the innovations of BFSI SaaS Fintechs
- In the lending landscape, APAC, Africa, and LATAM continue to see a substantial share of investments going to unsecured lending, specifically catering to underserved segments

We are seeing a clear shift in capital allocation towards B2B and B2B2X(x[1])-focused Fintechs. Over the past four years, the share of funding for these segments has increased to 65%. This trend makes sense because B2B and B2B2X(x[1]) Fintechs can drive efficiency higher for the overall financial services ecosystem by making their incumbent partners more efficient as well. The synergy value for both parties is higher.

There is a wall of maturities approaching Fintechs. 20-30% of venture capital and private equity funds sitting on the cap tables of Fintechs are approaching the end of their investment lifecycle. This is resulting in a greater interest in liquidity events in the foreseeable future. IPOs are naturally likely to be in favor as long as the public markets can absorb the supply. But interestingly, the industry participants we spoke to are expecting higher M&A activity as one of the credible paths to exit. M&A activity in the Fintech sector has surged 1.8 times over the past four years, with North America leading in the number of transactions. Share of other regions is rising, with India witnessing a notable increase in M&A activity within the APAC region.

1. X = businesses as end customers, x = retail consumers as end customers

India’s Fintech Revolution and Voice of Industry

Globally, India ranks third in terms of the number of Fintechs and Fintech unicorns. Indian Fintechs have demonstrated a remarkable trajectory in revenues, achieving a 50% growth rate in 2023. This growth trajectory is expected to continue, with Indian Fintech revenues projected to reach $190Bn by 2030, contributing to 20%+ of all banking revenues. The foundation of the robust Fintech ecosystem in India was laid by the digital public infrastructure 1.0 (Aadhaar, UPI, etc). The next wave of growth will be powered by DPI 2.0 (e.g., ONDC, National Health Stack etc.) and DPI 3.0: AI-driven Digital Public Intelligence.

We interacted with Fintech founders from India and conducted a survey to understand how founders are navigating the twin challenges of exploration and exploitation to chart a path towards sustainable growth and profitability.

80%+ CXOs believe that higher scale is critical for profitability in India, but “Profitable and Compliant growth” is the new mantra, rather than unbridled growth. Indian Fintechs are demonstrating a path to profitability earlier than what was expected 2-3 years back. As the industry matures, a collaborative regulatory framework that supports innovation while safeguarding systemic risks will be crucial in shaping the future of finance. Creation of a Fintech SRO[1] will be a key step in this direction.

Founders are increasingly looking to leverage critical and emerging technologies - Generative AI and API-based open architecture are seen as key drivers of future growth, with applications ranging from customer service automation to fraud detection. Fintechs are increasingly exploring strategic international expansion. ~25% of Indian Fintechs have more than one-quarter of their revenues from international markets. Middle East and Southeast Asia East are top choices for international expansion for Indian CXOs.

6 Bridges for the next decade of finance

We are at an inflection point in the global financial journey. To navigate these transformative waters, we need to construct six bridges:

1) Bridge to Future Ready Technology: Globally, we are finding that some core components of the financial services infrastructure (the substrate layer) are quite fragile. This is evidenced by the increasing number of data breaches, server crashes, unplanned down times, etc. We need to build the future on strong foundations. Specifically for India, while it is a global leader in digitalization for sure, its underlying core also remains fragile, with significant downtimes across major institutions. We estimate that $1Bn investments are required for the modernization of Indian financial services players in the next 5 years. Creating a World Class Tech Function will be critical to reap the benefits of the emerging technologies and driving tech resilience.

2) Bridge between Incumbents and Fintechs: The lines between traditional financial institutions and Fintechs are merging. Most successful incumbents have dedicated ecosystem partnership teams that scout for the right Fintechs to partner with.

1. Self-regulatory organization

Partnerships are either for data or capabilities or customer sourcing. Similarly, progressive Fintechs are actively driving partnerships through standardized APIs and key account management practices for building deeper relationships. To avoid being disrupted and seize the growing digital opportunity, it is crucial for incumbents to develop robust digital capabilities. Thus, there is an ongoing trend of incumbents building "in-house Fintechs" by recruiting ex-founders to incubate teams. This convergence is driven by the need to capture the digital native opportunity, foster collaboration, and maintain healthy competition.

3) **Bridge to Internationalization:** Indian financial infrastructure and digital payment solutions are highly mature and scalable, capable of supporting the exponential digitization needs of global institutions. The global BFSI SaaS market is expected to exceed $500Bn in the next decade, with North America accounting for around 60% of this market. Indian BFSI SaaS players have a significant opportunity to expand internationally and are expected to increase their market share in the BFSI SaaS market by 5x in 10 years, and drive $45-55Bn in revenues. An intriguing extension of this is the significant opportunity for a large portion of the global market to operate on NPCI rails, thereby amplifying the reach and influence of Indian financial technologies worldwide.

4) **Bridge to Capital Access:** India's vibrant Fintech ecosystem with 20 unicorns and 17 soonicorns will soon be gearing up for large-scale liquidity events with 20-30% of PEVC investments approaching the end of their investment lifecycle. Building a powerful equity narrative, tailored to the type of potential investors, would be key for Fintech founders looking for IPO exit opportunities. Pro-moves for founders to build a best-in-class equity story includes alignment of strategic goals with megatrends, placing multiple bets towards a mega-goal, building high talent density, alignment of incentives (and downside risk) with investors, etc.

5) **Bridge to Regulation, Compliance and Risk Management:** Financial institutions need to combat 3 risks – financial, non-financial, and strategic. Indian FIs needs to significantly ramp up their cyber-defense (India's cybersecurity spends as % of revenue is one-ninth of global spends). Cyber issues, further combined with geopolitics, pose an even bigger threat to the financial institutions, for instance, attacks that can paralyze a country's payment systems. Non-compliance also leads to significant value destruction for FIs (we have seen up to 50% value impact within 14 days!). The enforcement actions by the regulator have also increased by 1.5x in the last year; compliance by design is a key imperative for the Indian financial ecosystem. Evolution of regtechs have the potential to aid in the regulatory compliance of Indian FIs.

6) **Bridge to Brighter and Greener Future:** Large headroom for India to improve the quality of fundamental research in critical and emerging technologies such as AI. Currently, India lags major economies in quality fundamental research, with the gap widening since 2020. To boost fundamental research in critical and emerging technologies, a 4-pronged approach is necessary - preferential incentive policies to attract private R&D investments, integrating the corporate ecosystem with academia, commercialization of university research, and attracting and retaining world-class researchers. Financial institutions have a dual responsibility to decarbonize their portfolios and manage climate risks. There is a $100-150Bn gap in climate financing in India. A significant part of this challenge involves the elusive search for concessional funds, essential for closing the financing gap and supporting sustainable development.

Policymakers, innovators, and capital providers must collaborate to construct these critical bridges that will drive progress and ensure a resilient, inclusive, and sustainable financial future.

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Global Fintech Trends

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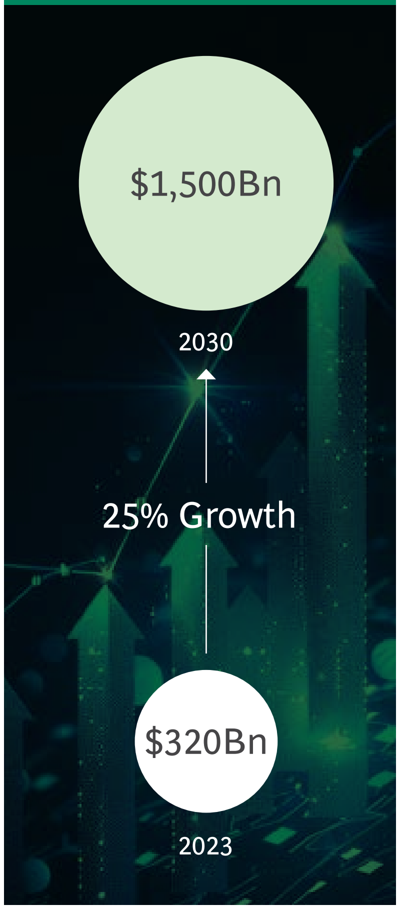
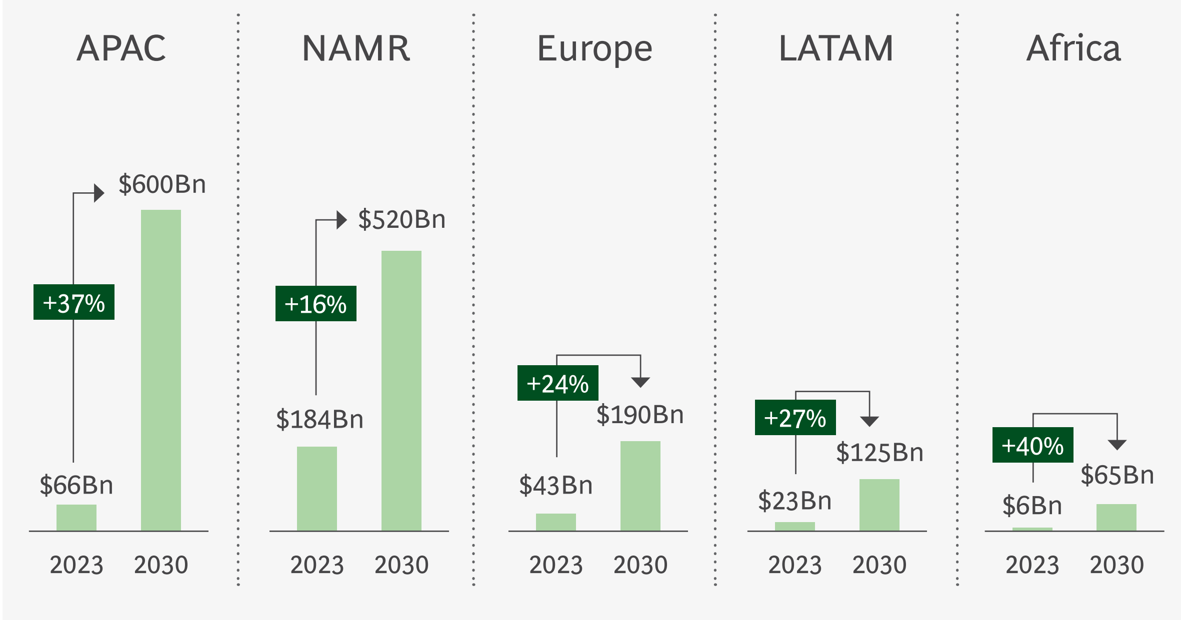
- Global Fintech revenues on track to reach $1.5Tn by 2030
- APAC set to become the epicenter of Fintech innovation with $600Bn revenue, along with NAMR at $520Bn revenue by 2030, generating 3X revenue of next best region
- Global Fintech funding has stabilized in the range of $7-10Bn in the last 4 quarters (down from an exuberant $20-30Bn quarterly Fintech funding in 2021-22); accounting for 12-16% of global equity funding across sectors
- Mix of funding across sectors has remained stable over the years
  - Financial infrastructure's share of investments has seen a resurgence in 2024
  - Insurtech continues to lose share of investments due to limited use cases demonstrating path to profitability
- Regional capital allocation trends reveal convergence of segmental capital allocation between developed and emerging markets
  - Developed world increasing share of investments in payments to catch up with emerging markets
  - All markets increasing share of investments in WealthTech, indicating a surge in mass-affluent population across geographies
- Significant shift in investment mix towards B2B and B2B2X focused Fintechs. With their share in funding increasing to 65%, it reflects a growing preference for business models with steadier income streams and clearer paths to profitability.
- M&A activity in the Fintech sector has surged 1.8 times over the past four years, indicating expectations of path to profitability due to economies of scale
  - North America leads in the number of M&A transactions holding ~40% share
  - Share of other regions is also on a rise, with India witnessing a notable increase in M&A activity within the APAC region

Global Fintech revenues on track to reach $1.5Tn by 2030



2023 and 2030 Global Fintech revenue by geographies ($Bn)



By 2030, APAC on track to become the center of gravity for Fintechs globally, along with NAMR, with 3X higher revenues than the next best region; Latin America and Africa to grow at 25%+, from a smaller base

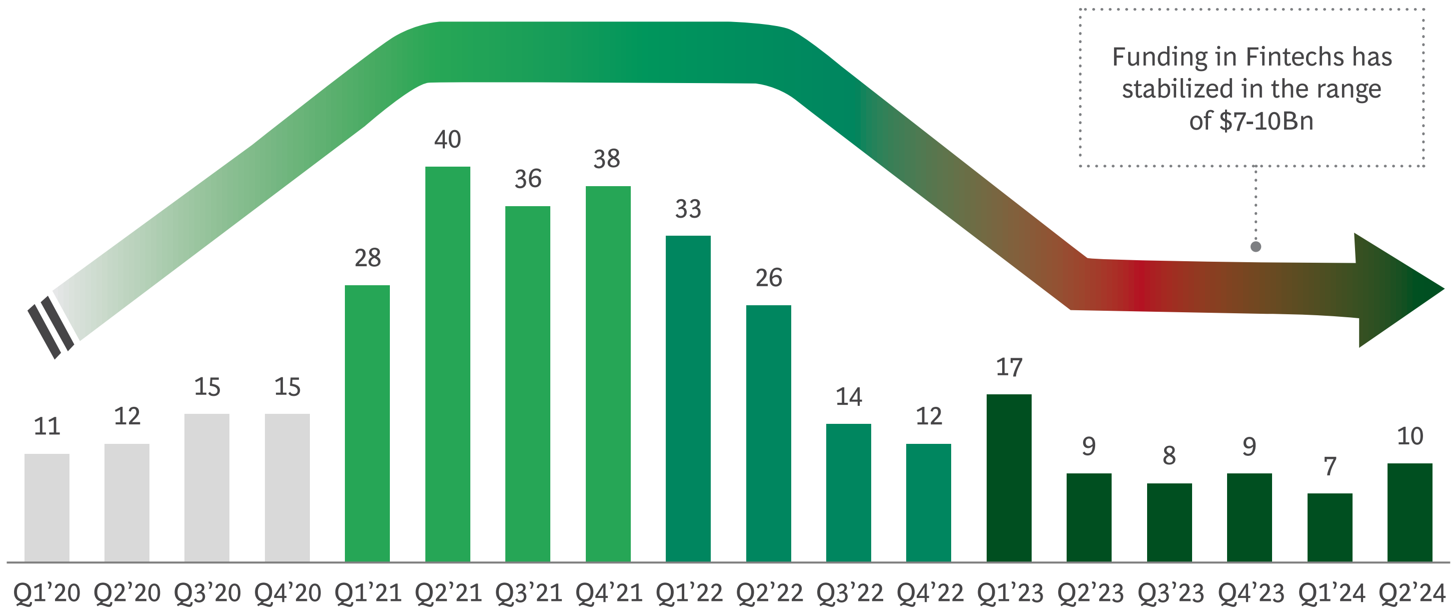
Note: Revenue amount is geographically apportioned basis HQ location of Fintech
Source: Prudence, Profits, and Growth – Global Fintech 2024 Report by BCG and QED; BCG Analysis

Global Fintech funding stabilizes at $7-10Bn; driving 12-16% of global equity funding

Global Fintech equity funding flow ($Bn)

Funding amount split by quarters of calendar years

Global equity Fintech funding ($Bn)



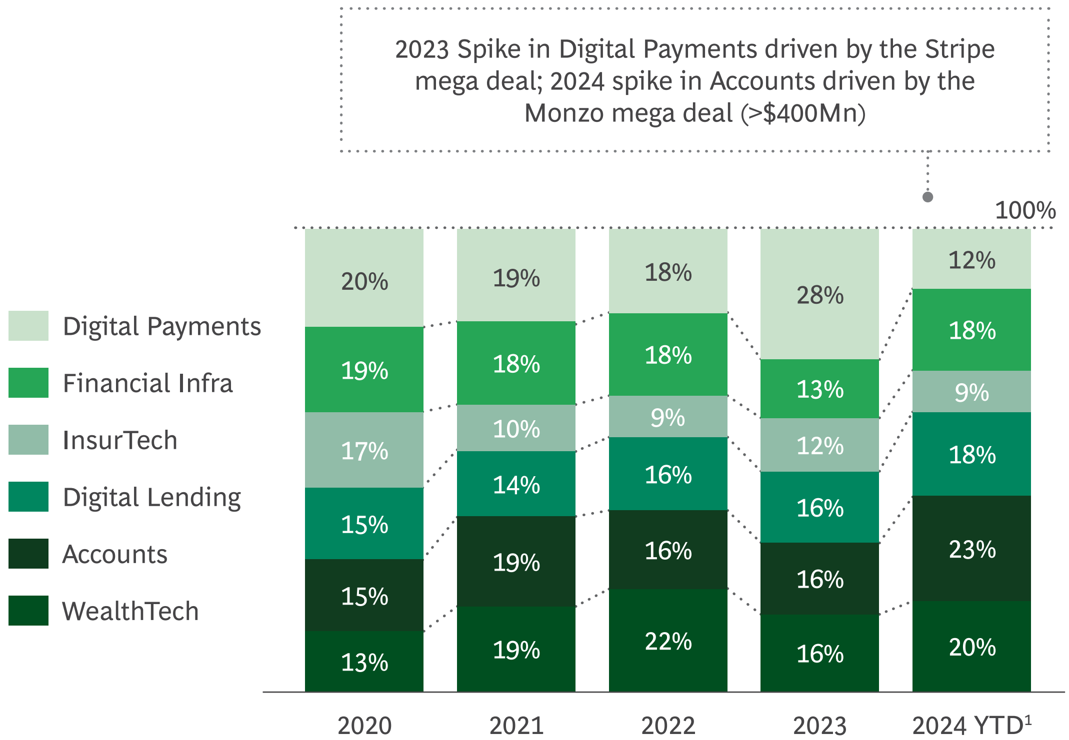
Total Fintech equity funding for time period	$53Bn	$142Bn	$85Bn	$60Bn

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
Fintech equity funding as a % of total global equity funding	17%	19%	17%	15%	21%	25%	22%	20%	22%	20%	16%	16%	23%	16%	12%	16%	12%	15%

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

Mix of funding across sectors has remained stable

Annual global Fintech equity funding flow ($Bn)



	2020	2021	2022	2023	2024 YTD[1]
Global Fintech equity funding ($Bn)	53	145	85	43	18
Number of deals	4,564	6,416	4,987	2,850	1,108

Financial Infra's share of investments has seen a resurgence in 2024 with funding distributed across core platforms, regtech, CRM; sectors demonstrating path to profitability, globally

Accounts/Neo-Banking (Retail and SME Neobanks, PFM, etc.), **continue to hold share of investments** (2024 spike due to the Monzo mega deal) despite regulatory challenges in select geographies. Significant headroom for disruption continues; traditional BFSI increasingly augmenting digital capabilities

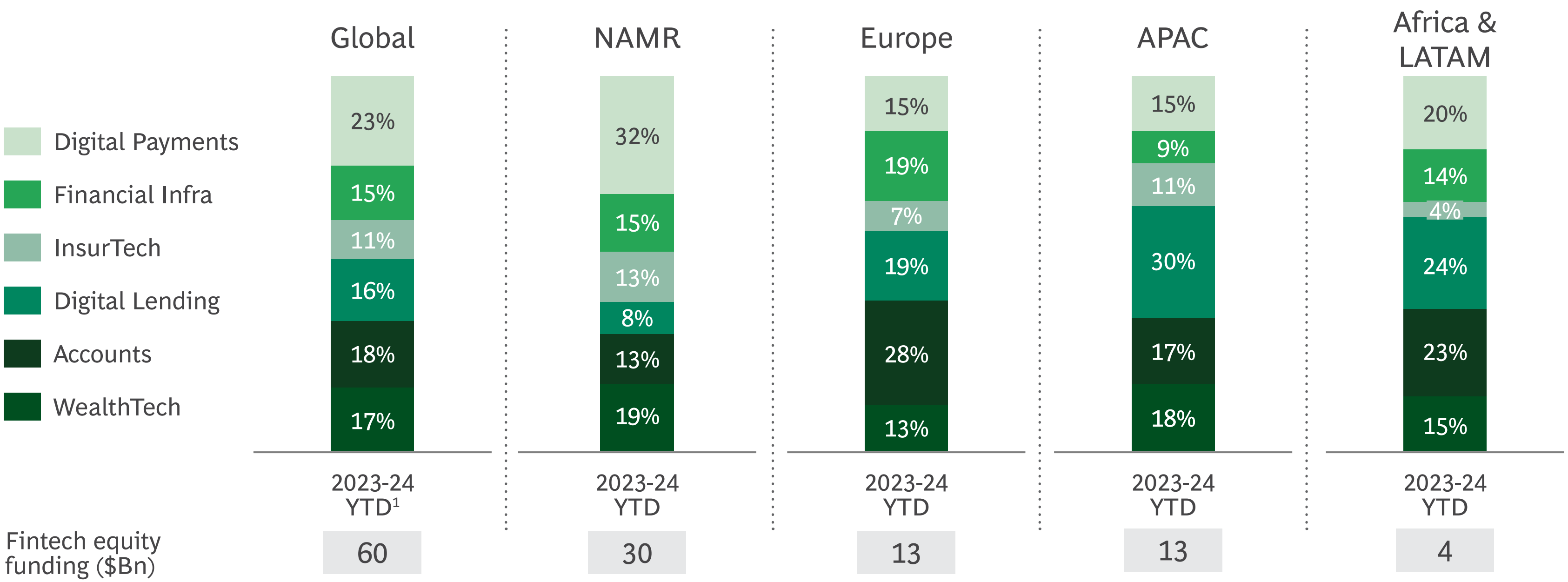
Insurtech continues to lose share of investments due to limited use cases demonstrating path to profitability (except for B2B2X e.g., claims solutions for insurers)

1. Includes funding deals till June 2024
Source: BCG Fintech Control Tower; BCG Analysis

Regional capital allocation trends reveal the converging needs of a two-speed world

NAMR re-investing in payments to catch up with emerging markets, all markets investing in WealthTech, indicating growing affluence across geographies

Cumulative Fintech equity funding flow ($Bn)



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Yashraj Erande
Global Leader - Fintech, India Leader - Financial Services, BCG

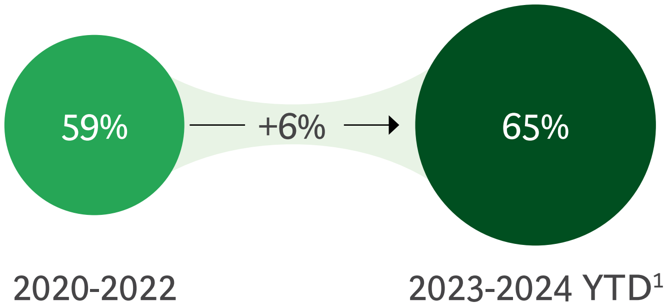
An analysis of regional capital allocation shows that the needs of developed and emerging markets are converging. Digital Lending is crucial for inclusion, with increased investor focus in developing regions like APAC, Africa, and LATAM. NAMR is driving a large share of investments towards innovation in Digital Payments, to bridge the gap with emerging economies. Interestingly, all geographies are driving similar share of investments in Wealth Tech, indicating growing affluence across geographies. Europe and NAMR lead in Financial Infrastructure investments to meet the growing demands of the financial sector; APAC needs to ramp up share of investments in Financial Infra

1. Includes funding deals till June 2024
Source: BCG Fintech Control Tower; BCG Analysis

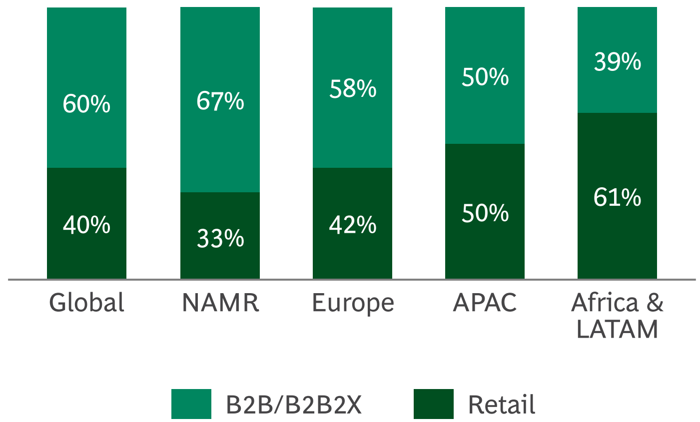
Extended funding winter has led to investments shifting further away to B2B2X[2]

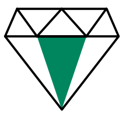
B2B2X segment with steadier income streams and clearer path to profitability

Annual global Fintech equity funding for B2B/B2B2X ($Bn)



Cumulative Fintech equity funding by geographies 2020 - 24 YTD[1] ($Bn)





B2B2X[2] focused Fintechs have been steadily receiving an increased share of funding as sector demonstrates recurring revenue and path to profitability

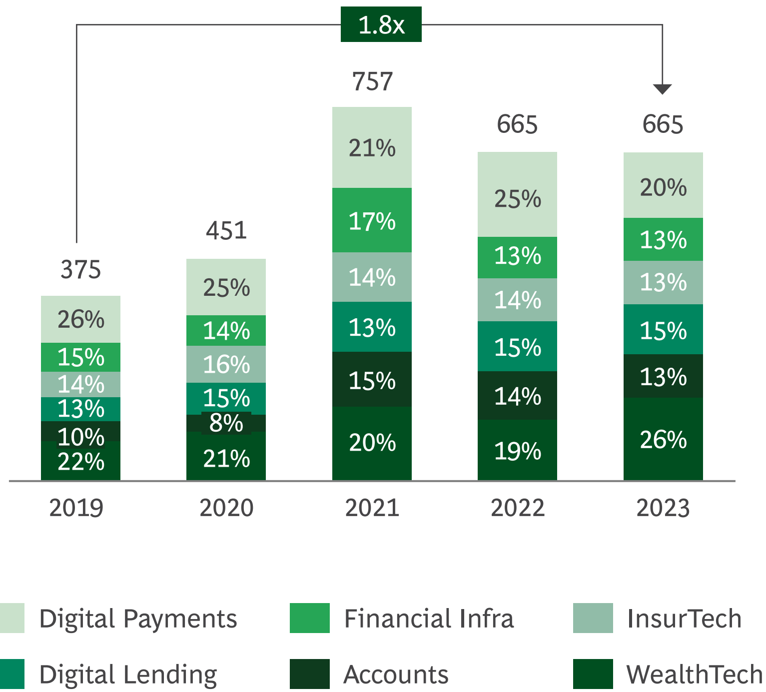
Large headroom for the B2B2X segment in developing economies of APAC, Africa, and LATAM; share of funding for B2B2X focused Fintechs likely to increase with increasing formalization of economy

1. Includes funding deals till June 2024 2. Business to Business to everything model that extends traditional B2B approach by involving multiple entities, typically a primary business (B2B) and various intermediaries or partners (represented by the "2X"), in delivering products or services to end customers.
Source: BCG Fintech Control Tower; BCG Analysis

M&A activity has surged 1.8X in the last four years, with expectations of path to profitability due to consolidation

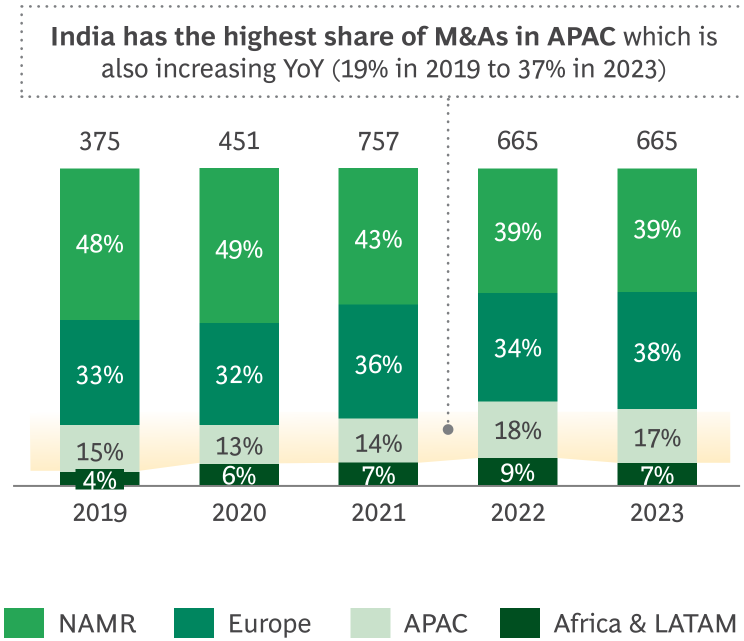
Fintech consolidation continues; expectations of path to profitability due to economies of scale

Global Fintech mergers & acquisitions by segment (#)



NAMR leads in M&A transactions, however, share of other regions is rising

Global Fintech mergers & acquisitions by region (#)



Source: BCG Fintech Control Tower, BCG Analysis

02

Voice of Industry

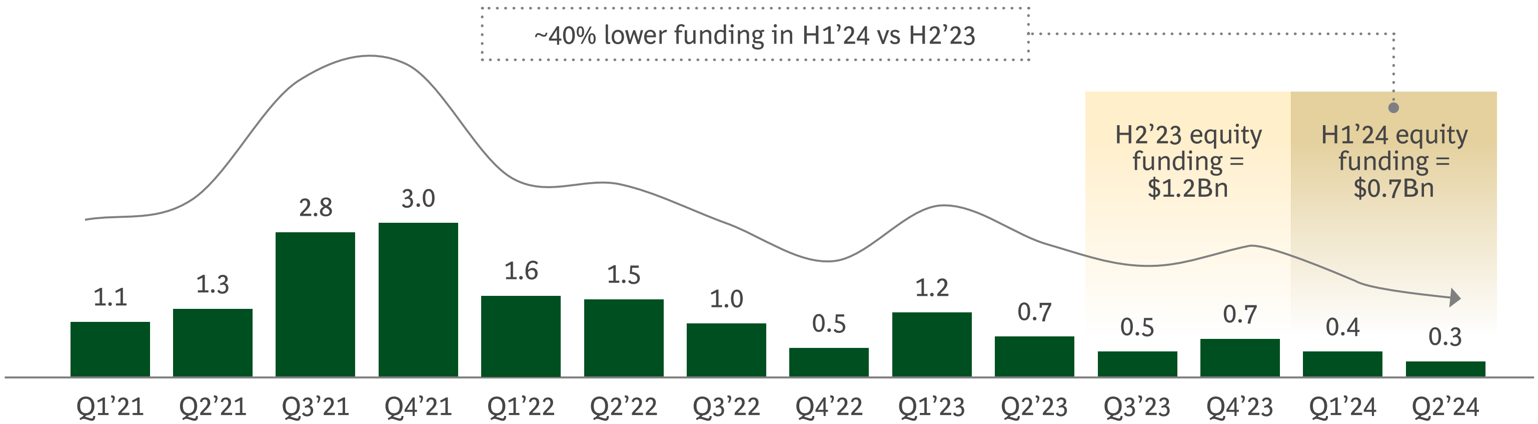
SUMMARY

- Indian Fintech funding experienced a dip, falling to $0.3-0.7Bn in the past 4 quarters with ~40% lower funding in H1'24 vs H2'23; only 2 segments of increased funding observed namely, asset-based lending and retail banking and PFM
- Founders' new mantra: Innovation with "Profitable and compliant growth" key priority for Fintech founders in the next decade; clearer regulations and fraud control crucial to unlock the next wave of growth
- >80% respondents already profitable or believe that they'll become profitable in the next 24 months (vs. 20-30% in 2022)
- More than 60% fintech founders see Generative AI and API-based open architecture as key drivers of future growth with applications ranging from customer service automation, marketing, and customer engagement to fraud detection
- Fintechs are increasingly exploring strategic international expansion; the Middle East and Southeast Asia are top choices for Indian CXOs
- 70-90% digital payment fintech CXOs bullish on credit products, cross-border payments, and P2M payments for revenue expansion and profitability
- Digital Lending CXOs most bullish on supply chain financing, personal unsecured loans and cards / BNPL; 94% CXOs perceive a 20-50% annual AUM growth as sustainable

Indian Fintech funding has settled in the range of $0.3-0.7Bn in the past 4 quarters

Indian Fintech equity funding flow ($Bn)

Funding amount split by quarters of calendar years



	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
India Fintech equity funding as % of global Fintech equity funding	4%	3%	8%	8%	5%	6%	7%	5%	7%	9%	6%	9%	6%	3%

“

Neetu Chitkara
India Leader – Fintech, Managing Director & Partner, BCG

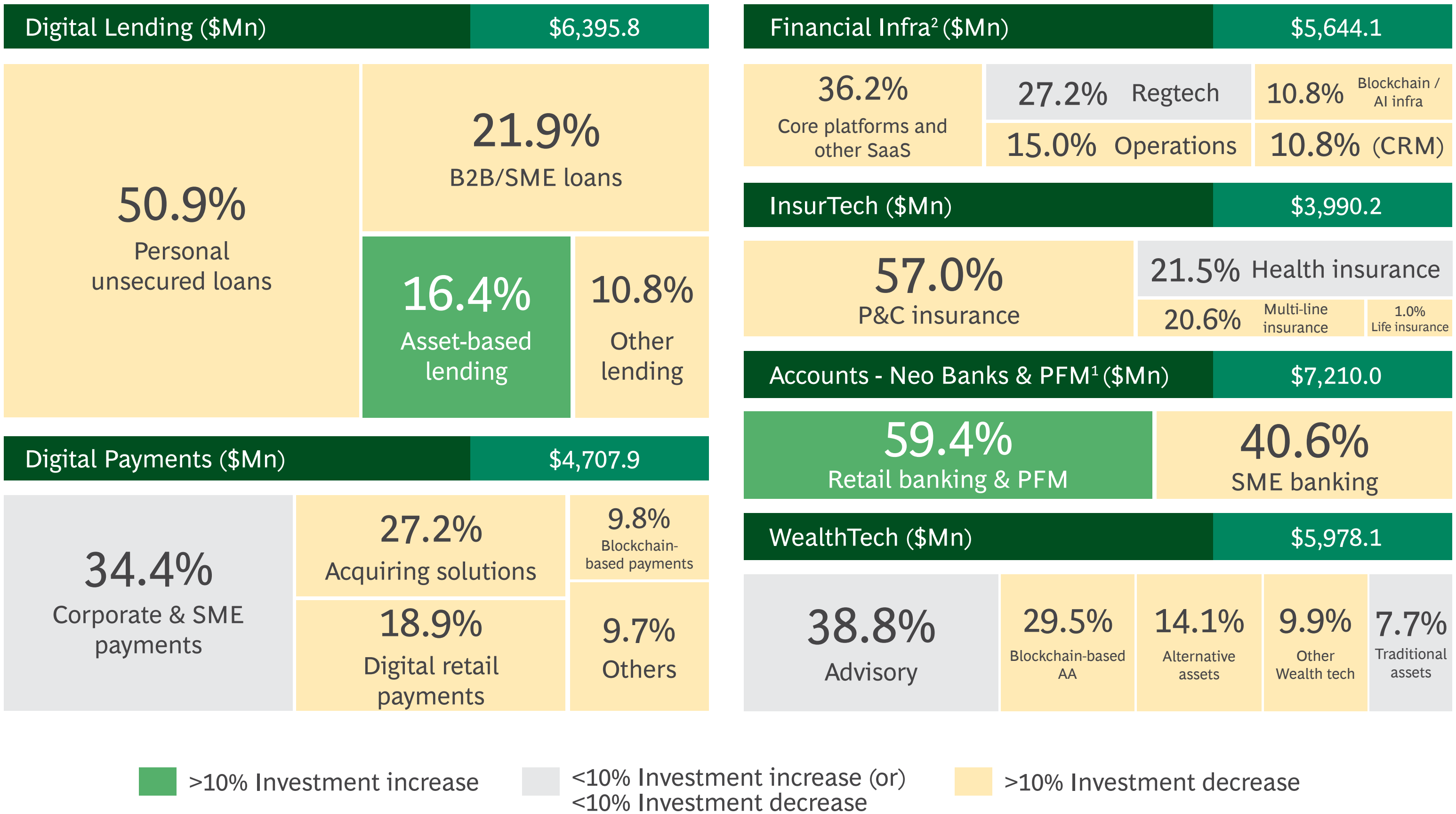
Equity funding in Indian Fintechs has moderated over the past 4 quarters. Companies demonstrating strong fundamentals, path to profitability, and thematic focus (e.g., SME, “Bharat”, “Green”) are likely to attract more interest. Funding will continue to remain selective and prudent in the short-medium term. Founders should also explore alternate sources of capital like Private Capital and Venture Debt.

Source: BCG Fintech Control Tower; BCG Analysis

India funding by segments | While overall funding pressure continued, 2 pockets witnessed an increase in funding

India Fintech equity funding flow: Jul ‘23 - Jun ‘24 v/s Jul ‘22 – Jun ‘23 ($Mn)

Size of segment boxes proportional to the funding amount from Jul ‘23 - Jun ‘24
(% indicates share of sub-segment in the overall segment)

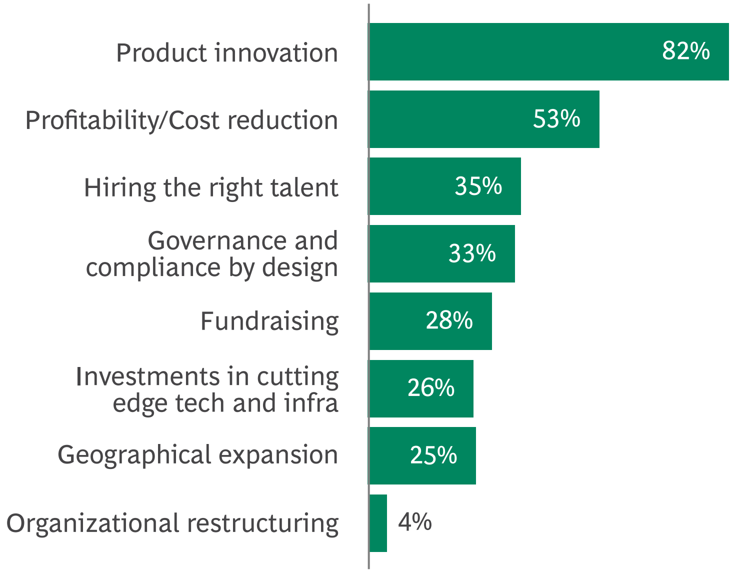


1. Neo Banks and Personal Finance Management (PFM): Includes financial comparison websites, digital banks, financial educational websites and financial planning solutions
2. Financial Infra: Includes core platform technologies, CRM and operations solutions, data aggregation and Regtech
Source: BCG Fintech Control Tower; BCG Analysis

Profitable and compliant growth is the new mantra; clearer regulations and fraud control critical to unlock next wave of growth

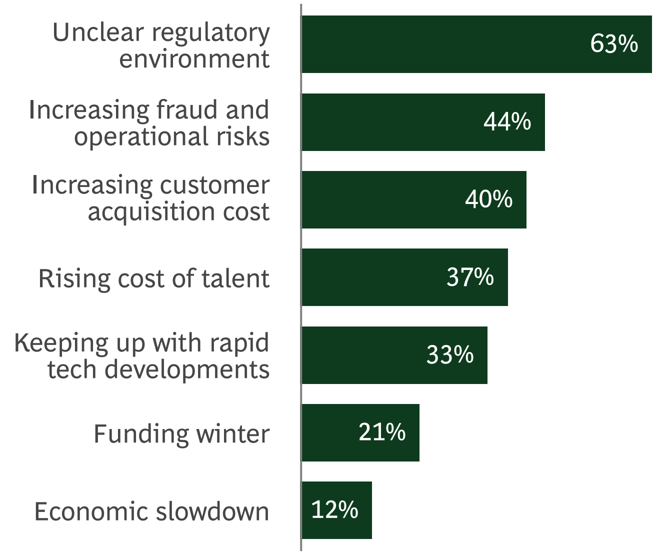
Strategic focus areas for the next 2-3 years[1]

(% of respondents selecting below in top 3)



Top challenges for the next 2-3 years[2]

(% of respondents selecting below in top 3)



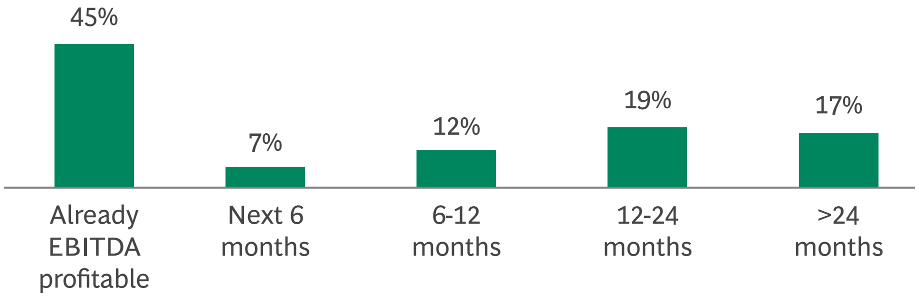
> Fintech companies remain dedicated to growth and are driving investments in cutting-edge technology and infrastructure, especially GenAI. But "prudent and profitable" is the new mantra, rather than unbridled growth.
>
> Founder (Indian Fintech)

1. What are the most important strategic focus areas for you and your business in next 2-3 years? N=36 2. What are the top challenges you foresee for you and your business in the next 2-3 years? N=36
Source: The Global Fintech Union Survey 2024 by BCG and GFF

Fintech path to profitability | Indian Fintechs have embarked on path to profitability ahead of expectations

Path to profitability[1]

(% of respondents on when they expect to be EBITDA profitable)



More than **80%** respondents are already profitable/believe that they'll become profitable in the next 24 months[1] vs **20-30%** in 2022[2]

~86% respondents believe that higher scale is critical for path to profitability[3]

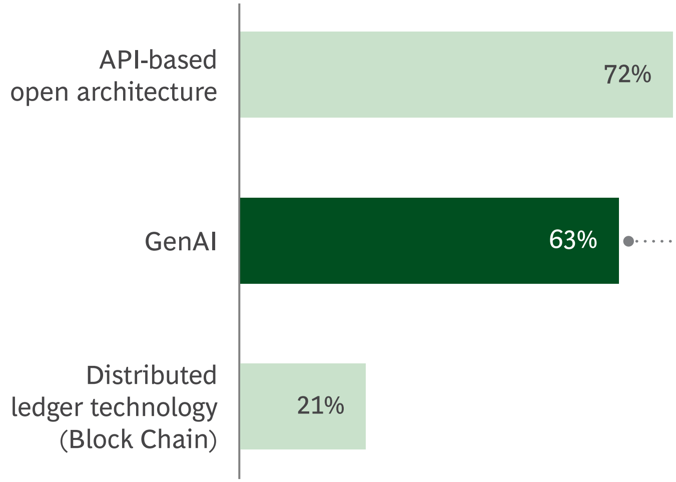
> Tech and innovation and employee benefits are the key levers driving profitability. We had the ambition of turning profitable early and achieved positive PBTs last month.
>
> Founder (Digital Lending Fintech)

1. When do you see yourself becoming EBITDA profitable? N=42 2. As per BCG-Matrix SOFTU Survey'22 3. Do you believe that in the Indian Fintech landscape, higher scale is critical for path to profitability? N=42
Source: The Global Fintech Union Survey 2024 by BCG and GFF; BCG-Matrix SOFTU Survey'22

CXOs are increasingly leveraging GenAI and API-based open architecture

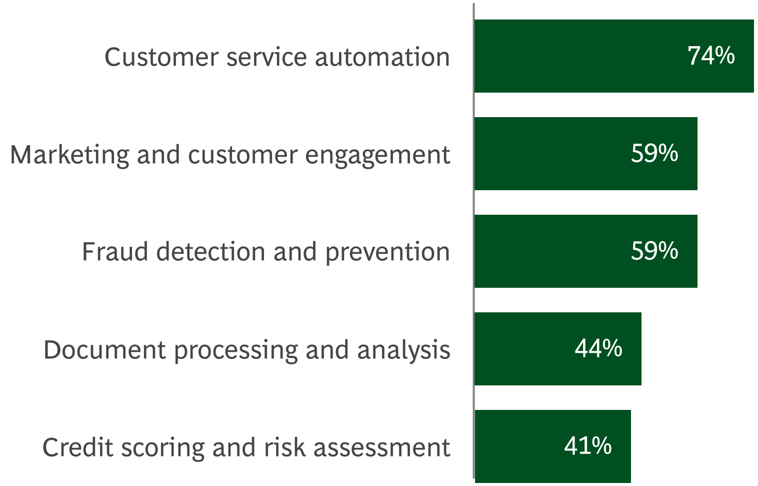
Key technologies being leveraged by CXOs for organizational success

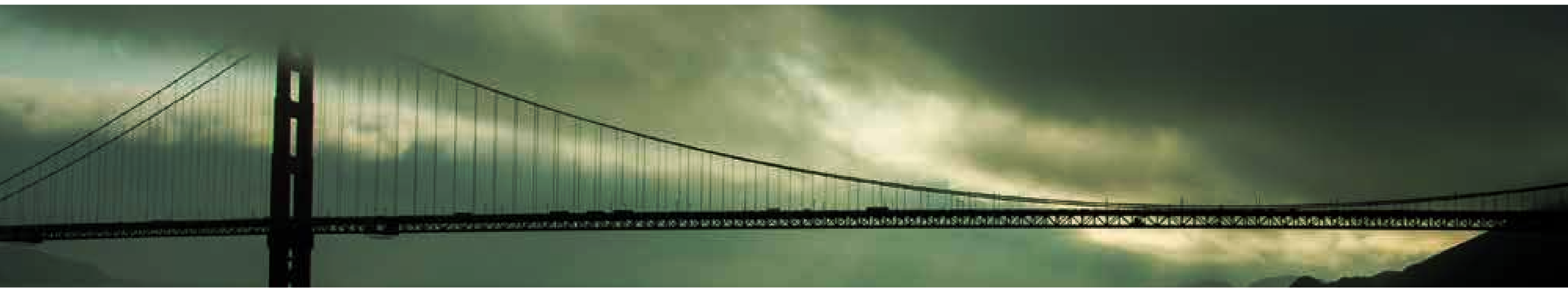
(% of respondents)[1]



Top use cases of GenAI in customer service and fraud detection/prevention

(% of respondents)[2]





1. Which of the following technologies have you leveraged/planning to leverage in your organization? N=43 2. How are you using GenAI in your organization? N=27
Source: The Global Fintech Union Survey 2024 by BCG and GFF

Fintechs target international expansion, the Middle East and SEA emerge as top choices

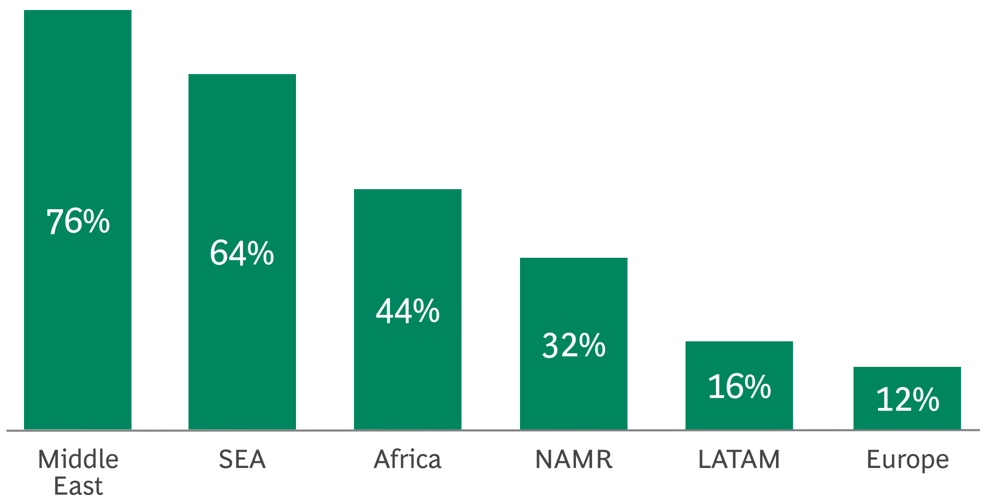
23%

of Indian Fintechs have more than one-quarter revenues from international markets[2]

67%[1]

of those not present in international markets, one in two expressed a desire to expand globally in the short-medium term[3]

Regional preferences of Fintechs for international expansion
(% of respondents choosing in top 3)[4]



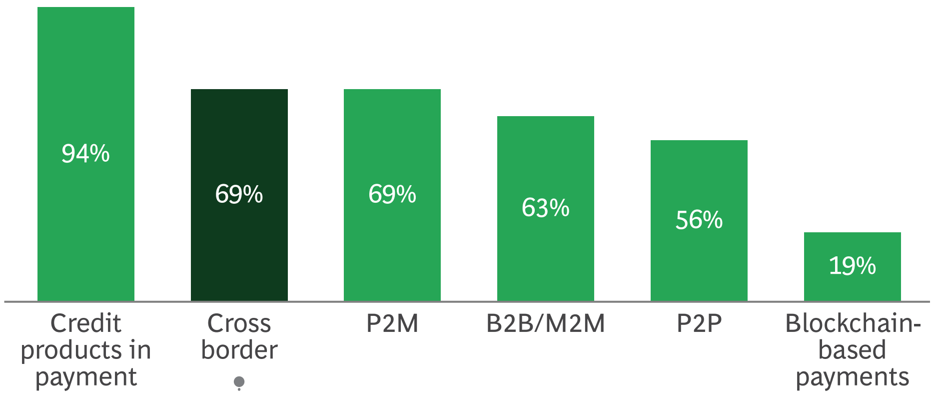
Middle East and SEA top choices for global expansion[4]

1. Are you present in international markets? N=42 2. What proportion of your revenues are derived from international markets? N=13 3. Do you have plans to expand internationally? N=28 4. What are your preferred geographies for international expansion? N=25
Source: The Global Fintech Union Survey 2024 by BCG and GFF

Digital Payments | CXOs focused on credit products and cross border payments, with plans to leverage UPI for global revenue expansion

CXOs are bullish on credit products, cross-border, and P2M payments[1]

(% of respondents)

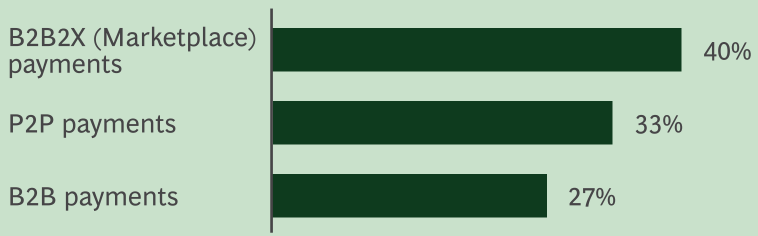


Vivek Mandhata
India Leader – Payments, Managing Director & Partner, BCG

Payment Fintechs have harnessed India's digital payment infrastructure, crafting a robust payment ecosystem. In the current MDR regime, lending as a cross-sell, credit via UPI, and the cross-border payments emerge as viable pathways to profitability. Furthermore, a significant opportunity lies in the global expansion of these offerings, leveraging the interoperable framework established by NPCI, thus positioning themselves as key players in the international financial landscape.

Most lucrative areas for Indian Fintechs in cross border payments[3]

(% of respondents)



CXOs have plans to generate revenues from UPI outside India

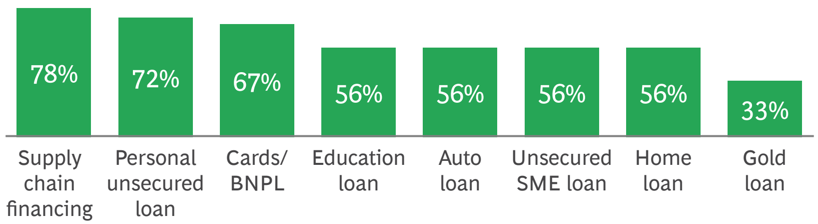
1. Which sub-sector within Digital Payments are you most bullish on in your geography in the current environment N=16 2. Rank the options below in order of priority to drive Digital Payments towards profitability N=15 3. Which of the following are the most lucrative areas for Indian Fintechs in cross border payments? N=15 4. Considering UPI's international expansion, do you intend to generate revenue from it outside India over the next 2-3 years? N=15

Source: The Global Fintech Union Survey 2024 by BCG and GFF

Digital Lending | CXOs believe 20-50% annual AUM growth sustainable; but need to ramp up investments in collections and risk-based pricing

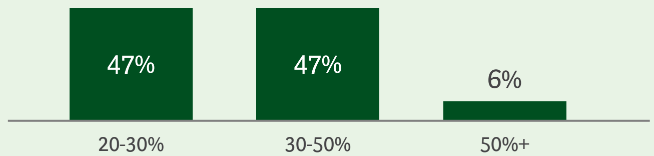
CXOs are bullish on supply chain financing, personal unsecured loans, and cards/BNPL[1]

(% of respondents)



Sustainable rate of annual AUM growth for Digital Lending fintechs[2]

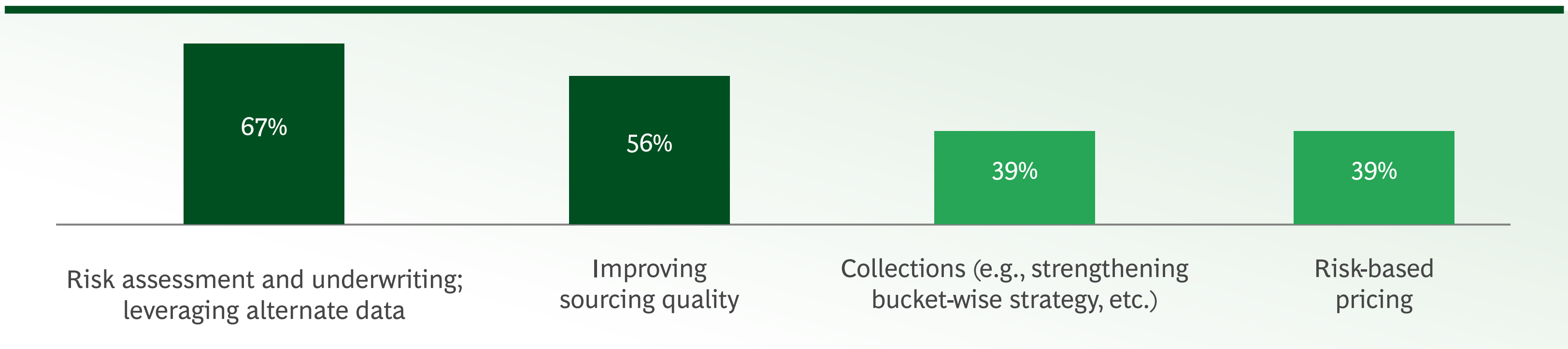
(% of respondents)



94% CXOs perceive a 20-50% annual AUM growth as sustainable

Key strategic investment areas for CXOs[3]

(% of respondents)



1. Which sub-sector within Digital Lending are you most bullish on in your geography in the current environment N=18 2. What do you think is a sustainable rate of annual AUM growth for digital lending fintechs for next 2-3 years? N=17 3. Which of the following capabilities are you investing in? N=18

Source: The Global Fintech Union Survey 2024 by BCG and GFF

03

Six Bridges for the Next Decade of Finance

SUMMARY

- India is on the journey to becoming a "Fintech Nation"
  - #3 in terms of number of Fintechs and number of unicorns
  - Indian Fintechs on track to achieving $190Bn in revenue by 2030 and have demonstrated remarkable growth of >50% in 2023
  - Share of Indian banking Fintechs in banking revenues on track to increase to 20%+ by 2030 (vs. 13% globally)

6 bridges to shape the next decade of Finance:

- **Bridge to future ready tech in FI**
  - While digitalization (front-end) in Indian FIs is a global poster child, the underlying core remains fragile with lower IT spends at ~5% vs. ~7% globally
  - Holistic approach encompassing core modernization, leveraging GenAI, cloud adoption, and building world-class tech functions crucial
- **Bridge between incumbents <> Fintechs**
  - Lines between incumbents and Fintechs blurring with incumbents building "Captive Fintechs" and Fintechs focusing on governance and compliance; collaboration and healthy competition to continue to capture the large digital native opportunity
- **Bridge to internationalization**
  - India's financial infra solutions (including SaaS) are highly mature and scalable to support the exponential digitization needs of the world
  - Opportunity for Indian BFSI SaaS firms to reach ~$45-55Bn revenue in 10 years
- **Bridge to capital access**
  - India's vibrant Fintech ecosystem will soon be gearing up for large-scale liquidity events; building a powerful equity narrative, tailored to different types of potential investors would be key for Fintech founders
- **Bridge to regulation, compliance and risk management**
  - Indian FIs need to significantly ramp up their cyber-defense (India's cybersecurity spends as % of revenue is one-ninth of global spends)
  - Increase in enforcement actions by the regulator by 1.5x last year; compliance by design is a key imperative for the Indian financial ecosystem
  - Indian regulatory framework perceived to maintain a balance between innovation and safeguarding risks; opportunity to improve clarity on regulations
- **Bridge to brighter and greener future**
  - Large headroom for India to improve quality fundamental research in critical and emerging technologies like AI
  - DPI 1.0 laid the foundations of a strong Fintech ecosystem; DPI 2.0 and Digital Public Intelligence (AI powered) will power the next wave of growth
  - $100-150Bn gap in climate finance in India; blended finance to be critical to meet gap

India – A Fintech Lighthouse

High funding activity and scale

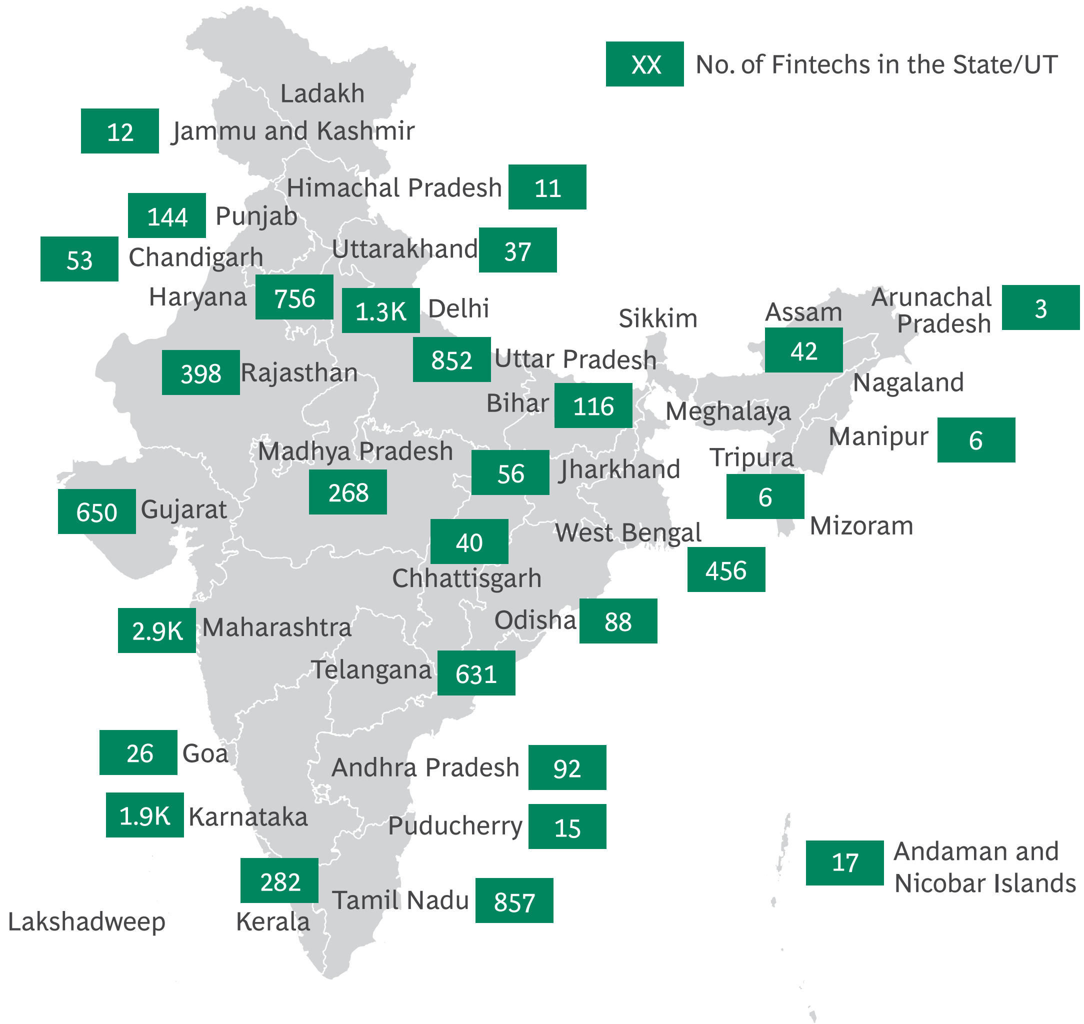
#3

in deal volume[1], with >5% share of global funding

Deep and diverse ecosystem

#3

in number of Fintechs and number of unicorns (at least 1 unicorn across all 6 Fintech segments)

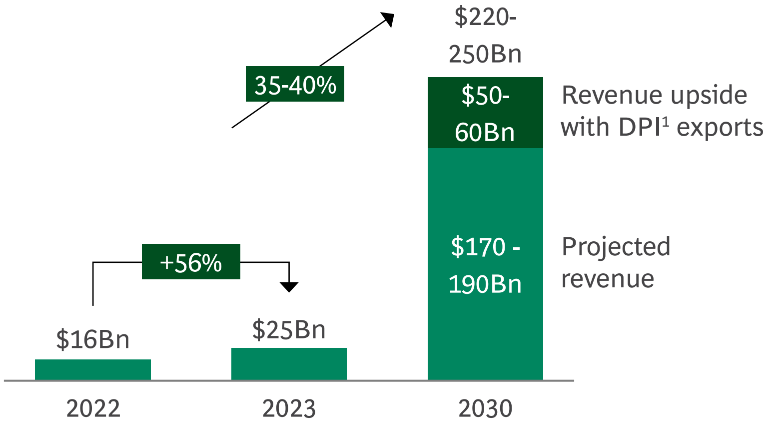


1. Global Fintech funding deals from 2020 - June 2024
Source: Tracxn as of July 2024, BCG Analysis

Indian Fintechs have demonstrated remarkable 1.5X growth in 2023 (vs 13% global); on track to achieve $190Bn in revenues by 2030

Indian Fintechs on track to achieve ~$190Bn in revenues by 2030, 2023 growth higher than projected

India Fintech revenues projection for 2030



Share of Indian banking Fintechs in banking revenues on track to increase to 20%+ by 2030

Share of banking Fintech revenues in total banking revenues

	2022	2023	2030
Indian banking Fintech revenues as % of Indian banking revenues	~5%	~7%	20%+
Global banking Fintech revenues as % of global banking revenues	~5%	~6%	13%

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

"

Vipin V
India Leader – Tech in FI, Managing Director & Partner, BCG

Indian Fintechs demonstrated a 1.5X growth in 2023 while global Fintech revenues grew 13%, a testament to the strong fundamentals of the Indian ecosystem. Indian Fintechs are on track to contribute to 20% of all banking revenues by 2023 and 25% of banking valuations. The growth is enabled by our strong digital public infrastructure, regulatory support, and increasing digital adoption among both consumers and SMEs.

1. Digital Public Infrastructure
Note: Banking and Banking FinTech revenues/valuations are excluding Insurance and InsurTech revenues/valuations respectively
Source: Traxcn; Reimagining the Future of Finance - BCG QED Report 2023; Money Control; Trading View; Capital IQ; BCG Analysis

6 bridges to shape the next decade of Finance

1 Bridge to Future Ready Tech in FI

2 Bridge between Incumbents <> Fintechs

3 Bridge to Internationalization

4 Bridge to Capital Access

5 Bridge to Regulation, Compliance and Risk Management

6 Bridge to a Brighter and Greener Future

1 Bridge to Future Ready Tech in FI

Oakland Bay Bridge, USA

A vital bridge between East Bay and San Francisco, the bridge became susceptible to new seismic activities. The "core replacement" of the East Span was critical to ensure resilience.

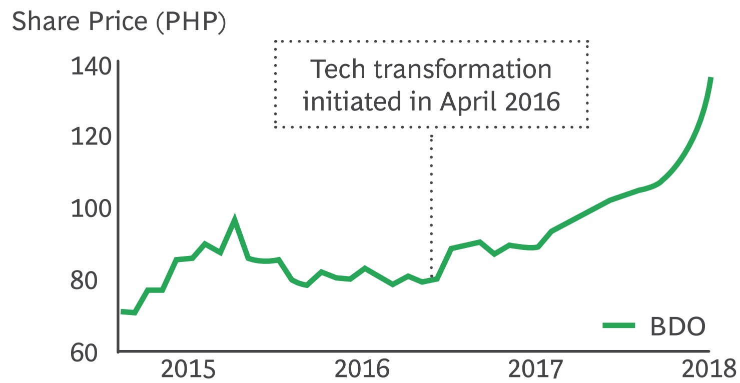
Tech enabled "Future-built" financial institutions unlock disproportionate value

Future built companies outperform peers across key financial metrics

		Future-built		Stagnating/ emerging
Financial performance	Market share increase	8.9%	1.9x	4.8%
	Revenue growth	11.4%	1.6x	7.0%
	Cost reduction	8.4%	1.5x	5.6%
	EBIT margins	11.2%	1.5x	7.3%
	Enterprise value increase	12.0%	1.6x	7.7%
Digital/AI	EBIT increase through digital	11.2%	1.9x	6.0%
	Average ROI of AI projects	11.7%	1.6x	7.4%

Case Study

Tech transformations drive business benefits including TSR[1]; BDO's share price rose +72% within 2 years



Key results

72% Increase in share price over 20 months

15-25% Reduction in development cost; freeing up digital capability budget

2x-4x Acceleration in delivery and speed-to-market enabled by frequent release cadence

2x-3x Customer satisfaction through differentiated experience

1. TSR: Total Shareholder Return

Source: BCG digital acceleration index (DAI) - global study 2023

While digitalization (front-end) in Indian financial services is a global poster child, the underlying core remains fragile

IT spends of Indian financial institutions lower than global peers

IT costs[1] by Net Revenue[2] FY'23(%)

Indian banking spends	Global banking spends[3]
~5%	7-8%

Only 30% of IT spends on 'Change the bank' (vs. 40% globally)

RBI bars a leading private bank from certain banking activities mentioning that the bank is deficient in operational resilience and IT systems

RBI asks a leading private bank to strengthen IT systems before expanding further; it also temporarily stopped the bank from launches of its digital business generating activities

RBI imposed a penalty on a leading private sector bank for contravention of RBI provisions, including provisions related to cybersecurity

RBI observed that there is a significant need to improve IT systems amidst frequent outages in the mobile banking app at a leading public sector bank

> Digital transformation in Indian banks is not just about technology, but a complete change in mindset and culture. The biggest challenge is the integration of legacy systems with new-age technologies.
>
> Former Chairman (Large PSB)

Imperative for the Indian FI ecosystem to establish actionable guardrails (e.g., % of tech spends, % of "Change the bank" spends) to meet requirements of the future

1. IT Costs include Capital Expenses and Operating Expenses; 2. Net Revenue is computed as Net Interest Income + Other Income; 3. Global benchmark includes banks and other FIs; $1 = ₹82
Note: Analysis has been made based on 22 banks; 6 banks between $250Mn - $500Mn, 2 banks between $500Mn - $1Bn, 13 banks between $1Bn-$10Bn, and 1 bank above $10Bn
Source: FIBAC Trends and Benchmarks 2023, RBI, Capitaline, Annual Report, Gartner, NPCI Portal, BCG Analysis

5 broad themes to augment tech in financial services

Legacy modernization

- Core transformation
- Digital platforms and super apps
- IT architecture blueprint and optimization

Data and GenAI

- Data platform architecture
- GenAI platform architecture
- Use case implementation: GenAI, personalization, etc.

World class tech function

- Talent build
- Platform operating model and org design
- Ways of working: agile, IT/Biz governance and demand management

Cloud

- Cloud strategy and roadmap
- Cloud architecture review
- Cloud operating model (Including Fin Ops)

Tech resilience

- Tech infra availability management
- Tech availability, stability
- Resilience

Core banking transformation can solve 5 key challenges faced by Indian FIs

~$1Bn spends required for Indian banking core modernization in the next 5 years

Scalability

- Ability to handle peak time read/ write volumes without failures due to the presence of autoscaling features
- Micro services architecture allows for better resource management and scalability

Flexibility

- Inbuilt flexibility for modern application needs such as support for event-driven architecture
- Enhanced flexibility to configure and roll-out new products quickly

Agility

- Quicker time-to-market (e.g., by 60-70%) with frequent product release cycles (from 3-6 months to 2-4 weeks)

Resilience

- High availability built in the systems to avoid downtime, especially important with increasing real time transactions and advanced tech
- Distributed architecture enables workloads to be spread across multiple servers or nodes; can handle failures without affecting the entire system

Performance

- Advanced load balancing techniques prevents any single server from becoming a bottleneck

~$1Bn required for the core modernization of Indian banks in the next 5-10 years

Source: FIBAC, IDC, Gartner, BCG Analysis

Multiple approaches to manage legacy core

	Hollowing/ leaning the core	Replace/upgrade the core		
		Big bang replacement	Migration challenger	Standalone challenger
Approach	Architectural solve to hollow the core • Re-factor • Develop APIs and microservices • Move business logic out	• Big bang cutover to new core • Freezes new features while cutting over	• Stand up a new core in parallel to legacy • Migrate in a modular way over time	• Clean stack-focused on new customers, new products • Not focused on serving existing customers
Pros and cons	+ Most popular with least risk + Economical and easy to implement − Impact constrained by the extent of de-coupling possible	+ Reduces future cost and complexity significantly − Typically slow and expensive − Highly risky with very few successes in the industry	+ Easier to implement with limited risk + Reduced cost and complexity in end state + Allows for experimentation − Longer time for full scale transformation	+ Easier to implement with limited risk + Allows for experimentation − Creates fragmentation and duplication − No benefits to existing businesses
Successful examples	A British bank used 'Hollow the core' approach to scale notification service by introducing a layer of notification microservices which interacted with the existing core. It facilitated personalized notifications at scale and enhanced system monitoring	Few/no successful examples in the industry	A US bank partnered with Finacle for a wave-based modernization to introduce a new-age core banking system through 4 waves. A new lending product was launched on the new system seven months later, leveraging the existing system of records	A leading Indian Fintech company adopted a 'Build the core' approach to replace a COTS[1] system, leveraging the public cloud to create a flexible, monetizable platform enabling it to launch new features and innovative products quickly

+ Pros − Cons

1. Commercial off the Shelf
Source: BCG Analysis

Modularization of IT architecture through APIs ...

Monolithic architecture

Channels

Digital (Mobile, Web, etc.)	Physical (IVR, Contact Center, etc.)	Other (Branch, ATM, POS systems, 3rd party sites, etc.)

Channel services layer

Product configuration / **Core banking capabilities**

Deposits	Credit cards	Loans	Mortgages	Auto financing	Remittance
Account management	Account management	Account management	Account management	Account management	Account management
Postings	Postings	Postings	Postings	Postings	Postings
Fees and rewards	Fees and rewards	Fees and rewards	Fees and rewards	Fees and rewards	Fees and rewards
Settlement and end of day	Settlement and end of day	Settlement and end of day	Settlement and end of day	Settlement and end of day	Settlement and end of day

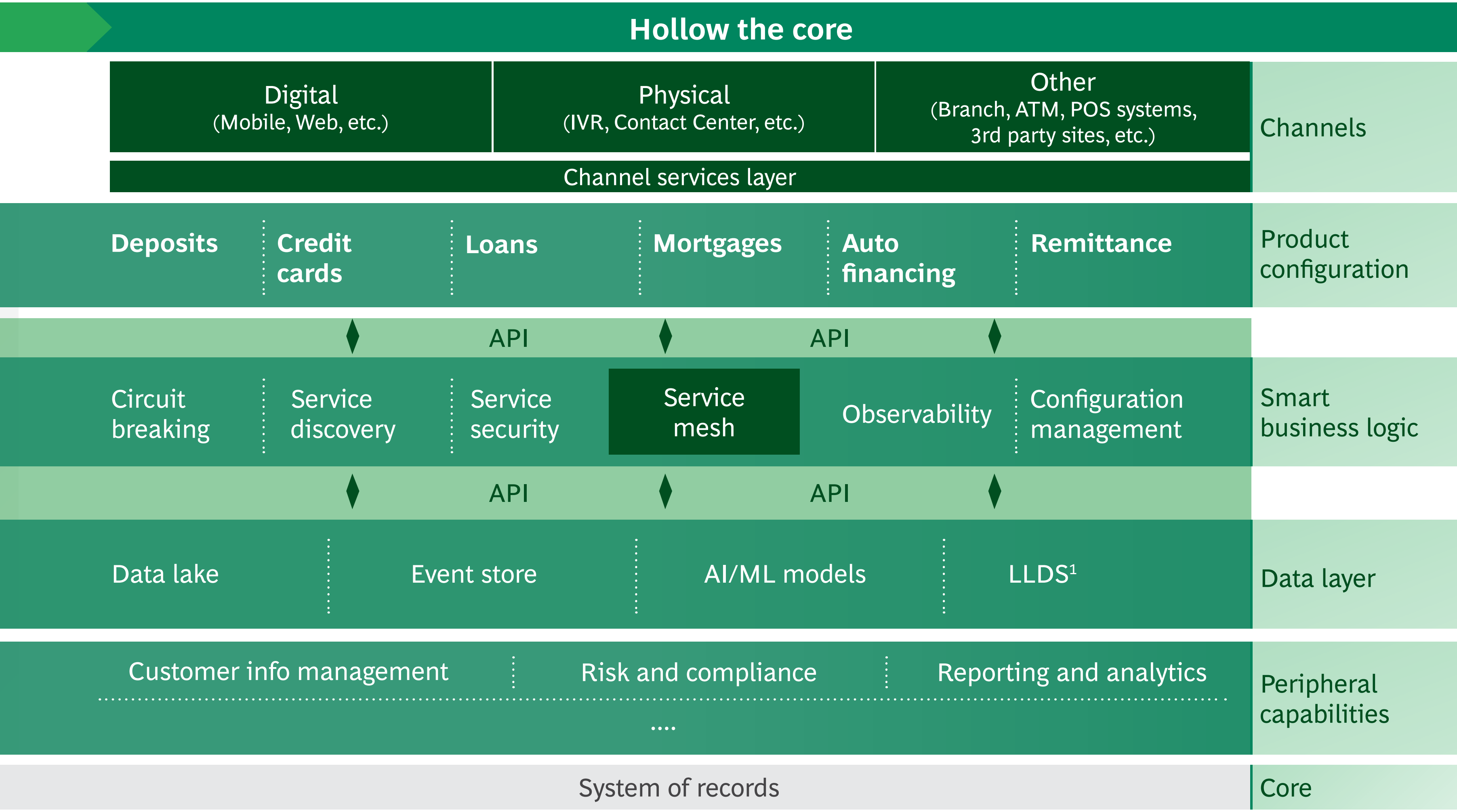
Supporting capabilities

General ledger	Customer info management	Risk & compliance	Authentication and authorization	Reporting and analytics

Elements of the core banking platform

Source: BCG Analysis

... and hollowing out the core is the most popular and low-risk approach



- Existing core system remains as a system of record
- Enables financial institutions to offer value-added and next-generation services to customers while retaining the existing, time-tested core systems

Elements of the core banking platform

1. Low Latency Data Store
Source: BCG Analysis

Blueprint for core banking transformation

Functional capabilities

- **Multi-product core** as center of new platform, providing **product-agnostic** (and product-specific) **functionalities** informed by multi-product customer journeys
- **APIs and microservices** enabling product teams to access core functionalities (e.g., account opening, closing, restricting; posting credit/debit transactions to accounts; processing standard interest, fees, rewards; settlement and end-of-day services)
- **Functional capabilities** designed with **domain driven design concepts** with clear bounded contexts and responsibilities (**e.g., accounts, postings, fees and rewards, end-of-day**)

Platform enabling capabilities

- **Clear platform architecture design**, including demarcation of in-house vs. partner-built components; core integrations with partners in company (e.g., finance, risk, compliance)
- **Data integration capabilities** for partners across the bank, which could include **data lake integration** and/or migration to **new databases** (e.g., multi-region database)
- **End-to-end, automated, continuous testing** (e.g., CI/CD pipelines, shift-left approach), including **partner testing** with cross-bank teams
- High-performing environments that are easy to provision and streamline SDLC (e.g., for **development, testing, integration, and production**)

Team and talent

- **Best-in-class talent** through **recruitment** and **upskilling;** roles include product owners, cloud developers, reliability engineers, etc.
- **New ways of working** (e.g., **agile teams** working in sprints, **agile coaching** for team leaders, joint **embedded teams** with **tech partner**)

Source: BCG Analysis

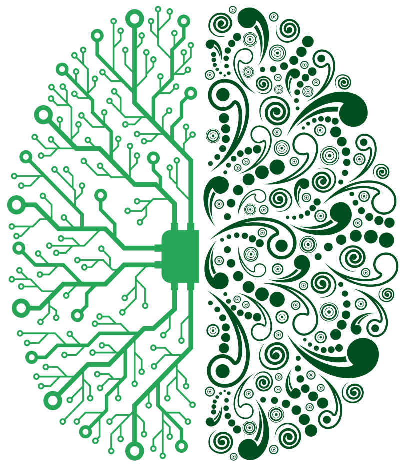
The AI convergence: "Predictive AI" and "Generative AI" to unlock exponential gains

Predictive AI and GenAI will complement each other

Predictive AI

Predictive algorithms that, among other things, can assign probabilities, categorize outcomes, and support decisions

- Risk models
- Recommendation engine
- Fraud detection
- ...

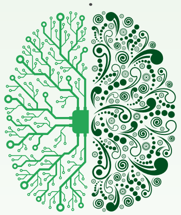


Generative AI

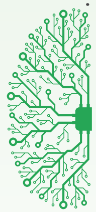
Generative algorithms that, among other things, can create text or images in human-like quality in response to prompts

- Text processing (summarization, generation, etc.)
- Multi modal content generation
- Natural language interaction, instruction
- ...

Personalization reimagined: @Scale and Segment-of-1



Communication
- Digital channels
- "Human-like" channels



Decision engine
- Customer segmentation
- Offer decisioning
- Personalization

Content generation
- Human touch
- Multi modal content – images, text, voice

Source: Navigating GenAI: An Executive Roadmap for FIs; BCG Analysis

Both traditional and Generative AI use-cases span a broad range of opportunities across the banking value chain

	Marketing and sales	Prospecting & onboarding	Product development	Ops process	Financial advice	Customer support	Risk and compliance	Supporting corporate functions
Traditional AI	Customer retention Cross-sell and acquisition Pricing and fee optimisation Omni-channel engagement	CLV modeling Personalized onboarding	Analytical banking offerings	Intelligent payment routing Smart payment repairs Differentiated collections Branch network optimization		Call transcript analysis and insights mining	Early warning credit risk monitoring Collateral risk assessment Automated credit decisioning	RWA optimization HR - AI powered talent acquisition Optimal allocation of resources
Both		Intelligent document processing and digitization			3 Support and proactive needs identification for RM/client interactions		Transaction monitoring	HR – talent retention – employee sentiment analysis
Generative AI	6 Hyper-personalization of content Client acquisition chatbots for engagement Sales training for simulating client conversations	Streamlined onboarding (incl. KYC) Initial fact find for a new client	Identification of emerging product trends to support product teams Help users discover products tailored to needs 2 Code generation and review	Document pre-population	Investment reports and research synthesis Synthesized, tailored reports for customer distribution-based on individual interests	4 Customer service/contact center support interface and chatbot Automated document classification Policy / contract monitoring and synthesis Agent coaching and performance	5 Knowledge database for legal teams SAR pre-population Ongoing customer due diligence Compliance monitoring and documentation creation 1 Document synthesis for lending reviews Enhanced underwriting	7 Knowledge management and analysis Memo writing IT - synthetic data generation and use for test cases Finance – drafting of reports and planning

1. Customer intimacy
2. Operational excellence
3. Controlling credit risks
4. Containing compliance and operational risks
5. Building workforce and culture
6. Steering and controlling
7. Analytics-based products and services

XX Use case details on next page

Source: BCG Analysis

GenAI can unlock bottom-line impact for Indian banks and NBFCs across 7 priority use cases

Use cases	Summary	Potential opex impact
Document synthesis for lending reviews and checks	AI-powered document completion and financial product monitoring-based on customer data to improve efficiency and reduce fraud	~50 bps
Supportive programming, developing, and documentation	Smart code generation and completion to help developers code faster and reduce errors using models trained on best-in-class codebases	~35 bps
Support RMs / FAs with memos, analytics, performance monitoring	Relationship summary and automated reach-outs to help RMs and FAs minimize time spent on data entry while maximizing personalized interactions	~20 bps Potential for additional ~20 bps revenue uplift
Customer service support interface and chatbot	Chatbots and knowledge interface to support call center and in-branch agents, reducing call handling and training requirements	~20 bps
Knowledge database for legal teams	Support legal teams through interface that creates drafts and analyzes documents based on previous work and best practices	~10 bps
Hyper-personalization through creative content generation	AI-generated personalized and targeted content at scale to drive more efficient marketing campaigns	~10 bps
Knowledge management and analysis	Natural language queries to rapidly find answers and synthesize insights, accelerating decision-making and improving performance	~10 bps

Source: FIBAC, BCG Analysis

Deep dive: CollectTech - GenAI applications can strengthen the E2E collection process by tapping into unstructured data sources

Pre-delinquency | Bucket X | Bucket 1 | Late buckets | Settlement & recovery

Data sources

Audio
- DM CC calls
- Voice bot recorded calls
- Field agent meeting recordings

Unstructured text
- AA data
- Process and knowledge documents
- Reports on economic trends
- Industry reports at micro geo level

Pictures/ videos

Photos and videos of assets

External data through APIs

Asset price data (e.g., scrape websites like Carwale)

Content summarization (unstructured to structured)
- Early warning signals
- Treatment strategy
- Power up models using past conversation data
- Real time pivot of strategy basis live info on call
- PTP strength
- Price estimation
- Knowledge search
- Accurate disposition tracking

Personalized content generator
- Near real-time monitoring to detect toxic score
- GenerAItor (WA, email, SMS, video message)
- Persona-based scripts for agents

Knowledge generation
- Agent Training Content Generation

Conversational interface
- Customer facing voicebot

Data analytics and visualization
- Dashboards for customer cuts

Source: BCG Analysis

Globally, banks and new digital attackers are capitalizing on the benefits of cloud across the entire stack

70% of value from public cloud

Private cloud
% value derived

30%

Cost containment and faster time-to-market

- Lower DC costs across facility, network, firewall
- High automation leading to lower FTE costs
- Cost reduction due to usage-based pricing

Public cloud
% value derived

30%

Increased infra-agility and management bandwidth

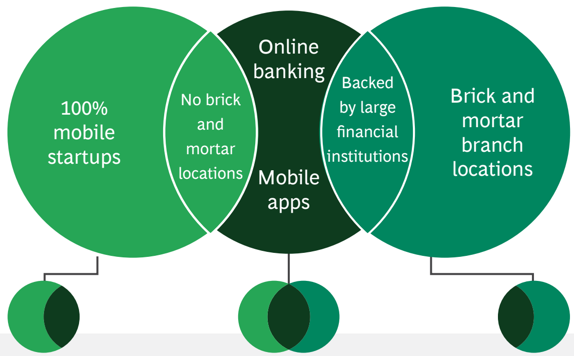
- Increased agility due to minimal up-front investment
- Higher service levels from increased automation
- Faster time-to-market for new products, features and services
- Detect and prevent fraud in new and innovative ways

40%

Increased access to innovation and enhanced customer exp

- Integrate 3rd party data sets
- Access new customers through partners and new channels
- Improve credit decisions through embedded AI/ML
- Deliver omnichannel experience to improve onboarding and service

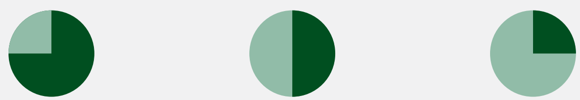
Source: BCG Analysis



Banking models

Greenfield banks	Digital bank spin-off	Traditional banks
Grab Singtel N26 Revolut YouTrip KakaoBank	DBS digibank mBank ING DiBa TMRW	Physical banking locations; brick-and-mortar heavy

Banking tech stackhosting model
Cloud vs. on-premise



Greenfield banks	Digital bank spin-off	Traditional banks
Cloud pure-play; (almost) entire bank hosted on a cloud platform with adherence to financial regulations	Preference for public cloud; typically characterized by existing legacy applications hosted on premise	Majority on-premise; commencing migrating consumer engagement systems to the Cloud

Public Cloud
On-premise

Regulations on cloud and data privacy supportive in India, but responsibility remains with Regulated Entity (RE)

Outsourcing permitted, but with appropriate safeguards

Outsourcing regulations

Banks don't require prior approval from the RBI to outsource cloud-related financial services for both Indian and foreign service providers

Corporate governance

Banks outsourcing any financial activities should have a comprehensive outsourcing policy approved by the board

Risk management

Banks can shift non-critical and critical business applications to cloud-based platform basis extensive risk assessment

Data transfer permitted, but privacy remains the responsibility of the bank

Data transfer

Can transfer personal data within or outside India, given no restriction by the central government

Additional checks[1] defined by the Data Privacy Bill, Aug'23

Restricted to India

Rules on sensitive data transfer are limited in jurisdiction to Indian bodies[2], and do not apply to bodies abroad

Data privacy

Banks are responsible for the actions of their cloud service providers including confidentiality and recovery of customer information

Key implications

Supportive regulatory environment for banks to outsource cloud services

Risk assessment guidelines should be defined by the RBI; currently open ended

Banks to recalibrate their cloud stance basis the data privacy bill

1. Central govt. may restrict transfer of personal data to outside India but no changes yet on applicability of any Indian law that provides a higher degree of restriction 2. Corporate or legal entities

While FIs are increasingly adopting cloud in India, 6 challenges persist

Regulatory compliance: Absence of concrete standardized protocols and guidelines for the effective adoption of public cloud solutions

Security and data privacy concerns: Apprehensions on the ability of cloud service providers to meet the stringent security and compliance requirements of the data involved

Resource availability: Lack of cloud literacy; no existing experience on skill requirements to cope up with the transition to cloud

Change management: Lack of majority stakeholders' buy-in on migration to public cloud; resistance to new technology adoption

Legacy system integration: Major FIs operate on legacy systems, which increases the complexity of managing multiple interfacing requirements

Lack of internal strategy: Maturity of cloud implementation is at a nascent stage; no clear roadmap for tackling potential discrepancies; unclear estimation of migration efforts

Source: Interviews with tech and IT teams of Financial Services firms; Cloud committee report; Discussion with cloud committee members

Four key enablers to help FIs drive their cloud blueprints to reality

Define goals and build an integrated business plan

- Drafting of bank specific cloud adoption policies and guidelines
- Clarity on regulations for compliance and security standards
- Risk assessment to identify and mitigate potential challenges

Ramp-up people and organization readiness

- Setup of cloud strategy team for prioritization of migration of applications
- Support function integration to bring expertise from finance, procurement, etc.
- Skill empowerment through training and upskilling of IT workforce
- Embed culture change agenda through exhaustive plan to drive digital mindset

Accelerate the transition of data to cloud

- Current infrastructure assessment to identify applications for migration
- Data migration plan to ensure minimal disruption and maintain data integrity
- Data security protocols on encryption, access control, and monitoring mechanism
- Stringent testing to detect and address any potential migration issues

Invest in building resilient infrastructure

- Cloud provider selection basis bank expectations and right partnership ecosystem
- Formulation of an active exit plan in case of unavoidable circumstances
- Ongoing monitoring to assess cost, system security, and performance
- Prioritize use-cases for implementation, (e.g., personalization, customer service, fraud prevention)

Source: Discussions with FS IT and tech teams, Gartner Report, BCG Analysis

Imperative to control transition cost to cloud

Comprehensive framework to control cloud costs

Allocation
- Detailed overview of used cloud components
- Tagging strategy
- Chargeback

Optimization
- Usage of resources
- Rates
- Usage of cloud native components

Transparency
- Budgets and tracking
- Dashboards and reporting
- Taxonomy

Forecasting
- Budget forecasting
- TCO calculation
- Cost benchmarking

Culture
- Collaboration
- Cost accountability
- Business value decisioning
- Centralized finOps
- Transparent reporting

Governance
- Operating model
- Upskilling and training
- Playbooks
- Organizational design

Source: BCG Analysis

Optimize cloud costs by 20-25%

Optimize tech architecture
- Built/bought cloud native applications
- Leveraged micro-services, containers, etc., to reap 100% cloud benefits
- Optimized network costs

Talent build
- Onboarded cloud experienced team for planning and usage optimization
- Setup finOps (finance + devOps) team

Proper planning and purchase strategy
- Right sizing basis expected utilization
- Reserve instances for baseline usage
- Rationalization of core infra

Structured monitoring and governance
- Rationalization of licenses
- Snoozing of non-production servers
- Ramp-down of capacity while not required; leverage auto-scaling

20-25% reduction in cloud costs

2 Bridge between Incumbents<>Fintechs

London Millennium Footbridge, UK

The bridge, a brainchild of traditional engineers, modern architects and sculptors, is an example of modern architecture blending seamlessly with London's historic landscape.

Traditional institution <> Fintech lines are blurring to capture the digital India opportunity at scale

Fintechs with incumbent's functional capabilities and trust

- Responsible growth
- Regulatory compliance
- Strong governance
- Path to profitability
- Functional capabilities (e.g., collections)

Fintechs are hiring for leadership roles (from legal firms and ex-officials of the RBI) to strengthen legal and compliance teams

Fintechs within incumbent

- Digital assets
- Open architecture
- E2E digital customer journeys
- Use of alternate data for underwriting
- Best-in-class customer service
- ....

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Tirtha Chatterjee
Co-Lead, GFF-BCG Thought Leadership, Principal, BCG

As Fintech and Traditional BFSI collaboration matures, the line between them continues to blur. Fintechs are augmenting core capabilities (e.g., lending players strengthening collections), enhancing governance, and prioritizing profitable growth. Meanwhile, incumbents are increasingly building tech-first capabilities, particularly in customer-facing areas (e.g., D2C journeys), and amplifying the use of analytics and GenAI across the value chain

Source: BCG Analysis

Incumbents are building digital-first capabilities to acquire or defend primary customer relationships and create moats

Non exhaustive

Leading wealth manager

- Leading wealth management firm built the first digital led end-to-end wealth management platform in India to cater to the underserved $1-5Mn segment
- First to India ability to create a portfolio digitally with automated support
- Modular, scalable tech stack with capabilities at par with latest Fintechs

Leading private bank

- A leading private sector bank launched a mobile banking super app with hyper personalization as a key feature to increase customer onboardings by 10Mn in 3 years
- The app was launched in response to changing customer behavior in preference of digital offerings (95% incremental onboarding for credit cards, deposits, and personal loans is digital)

Leading NBFC

- D2C Digital Lending offering with both cross-sell and open market capabilities
- Fraud control suite and system circuit breakers built in–house; capabilities transferred horizontally across business units
- Super-app architecture; future-ready for ecosystem play

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

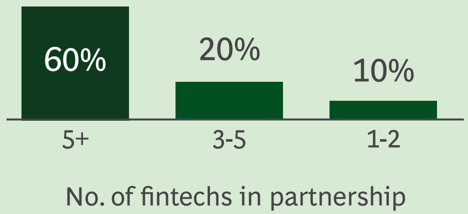
Fintechs and traditional institutions continue to collaborate; however, need to harmonize ways of working to unlock full potential

90%

Traditional institution CXOs have existing partnerships with one or more Fintechs[1]

Traditional institutions collaborating with multiple Fintechs[1]

% Traditional institutions in partnership with Fintechs[1]



60%

Traditional institution CXOs believe that partnering with Fintechs has given/will give access to population to which they were not initially catering to[2]

Growth projections, track record of other partnerships and founder profile biggest reasons for partnerships

Top reasons for traditional institutions to partner with fintechs
(% of traditional institution CXOs selecting below in top 3 reasons)[3]

1. **60%** Robust growth projections
2. **60%** Founder profile
3. **60%** Track record of other partnerships

Tech maturity, regulatory nuances, and ways of working bottlenecks for traditional institutions while partnering

Key challenges in Fintech-traditional institution partnerships
(% of traditional institution and Fintech CXOs selecting below in top 3 challenges)[4]

1. **70%** Tech maturity
2. **56%** Ways of working
3. **47%** Regulatory challenges

1. How many Fintechs are you in partnerships with across product segments? N=10 2. Do you believe partnering with Fintechs has given/will give access to population to which you were not catering to? N=10 3. What do you look for in Fintechs when you partner with them? N=10 4. What is/will be the biggest challenge for you while partnering with Traditional banks / Fintechs? N=43
Note: Traditional Institutions include Banks, NBFCs, Asset Management and Insurance companies
Source: The Global Fintech Union Survey 2024 by BCG and GFF

RBIH a key enabler in boosting Fintechs' readiness for banking partnerships and fostering collaboration with incumbents

4 key initiatives by RBIH to augment Fintech capabilities

Masterclasses on bank partnerships: Fintechs connect with mentors from banks who guide them through banking ecosystem, regulatory and operational expectations.

Mentorship on Bank Readiness: Fintechs learn about bank-compatible products and APIs, onboarding and approval processes facilitating smooth integration.

Market Access via Bank-Fintech Demo Days: Platform for fintechs to pitch solutions to numerous banks and NBFCs, accelerating partnerships and POCs.

Mixers and Roundtables: Monthly networking events for fintechs to network and pitch their products to potential banks and partners.

Source: Discussions with the RBIH team, BCG Analysis

Rajesh Bansal
CEO, Reserve Bank Innovation Hub

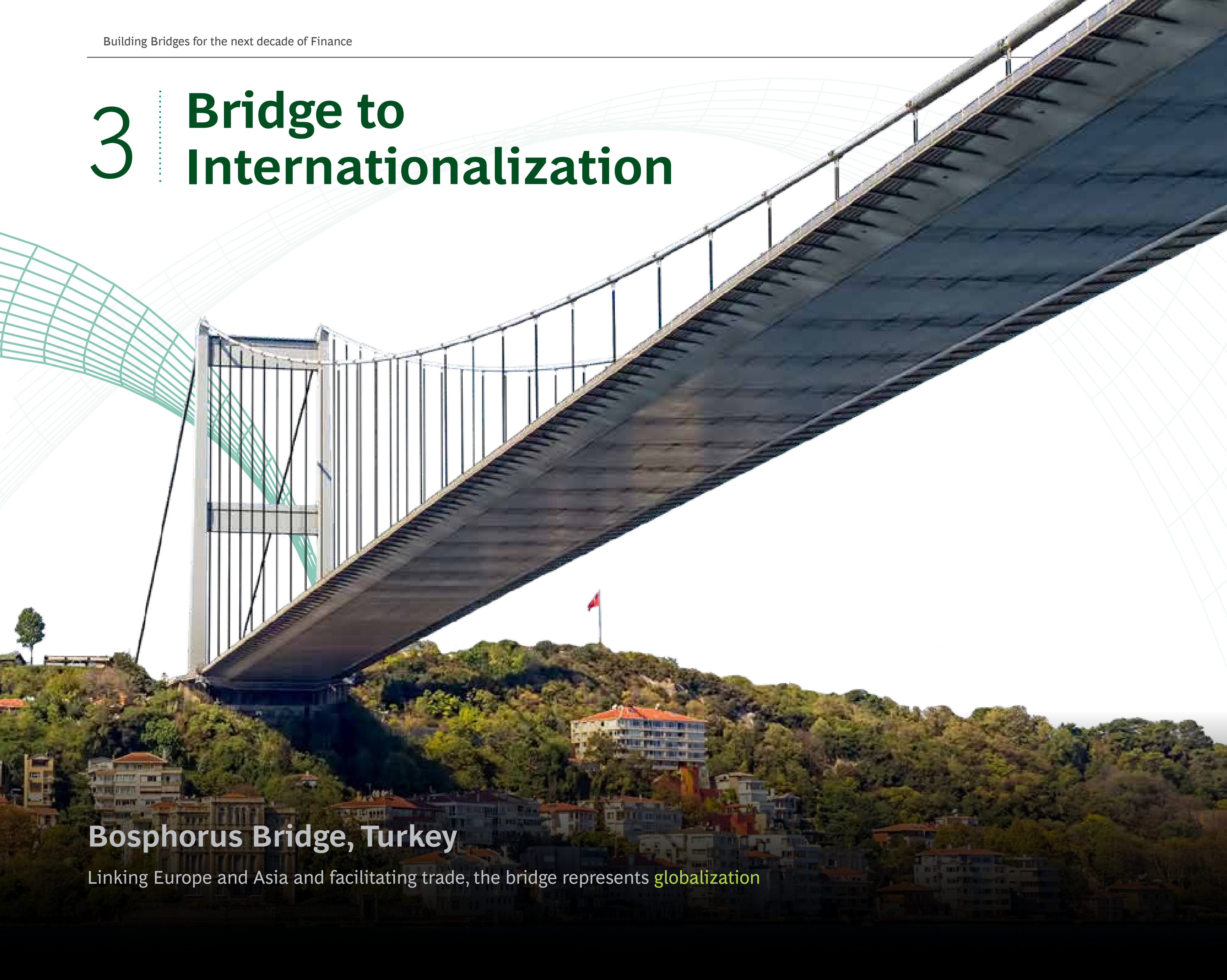
Fostering a robust partnership between fintechs and banks is essential for driving financial innovation. While banks have shown a strong interest in collaborating with fintechs, it has typically taken ~18 months to establish these partnerships due to various internal and external challenges.

To overcome these hurdles, creating streamlined linkages is crucial. At RBIH, we play a pivotal role in developing the capabilities that banks expect fintechs to have for sustainable partnerships. Our recent 'Bank-Fintech Demo Day' was a significant step forward achieving the following:

- 6X reduction in TAT (from 12 to 18 months to 2-3 months) for confirmation of POCs
- 16 POCs in pipeline within 2 months of Demo Day
- 50% of participating Fintechs received at least 1 POC within 2 months

This success marks the beginning of a deeper collaboration journey in the financial sector.

3 Bridge to Internationalization



Bosphorus Bridge, Turkey

Linking Europe and Asia and facilitating trade, the bridge represents globalization

Financial Infra with maximum opportunity for internationalization of Indian Fintechs, followed by Digital Payments

Digital Payments

- Interoperability with local banks and networks a challenge; but UPI interoperability creating new opportunities
- Cross-border payments with positive unit economics; lucrative if executed effectively
- Multiple tailwinds including fast growth in global e-commerce, rise of freelancers, etc.
- Large cross-border payment pools (e.g., overseas education payments ripe for disruption)

Digital Lending

- High complexity in integrating with local banking tech stacks, identity stacks, bureau, etc.
- Difficult to get regulatory approvals; local players preferred for lending licenses
- Opportunity exists for B2B solution providers (e.g, CollectTech)

WealthTech

- Emerging market WealthTech solutions in early stages; mature markets with advanced solutions
- Customer trust and brand recognition critical; stiff competition from local players

InsurTech

- High complexity in integrating with local legacy insurance systems
- Limited path to profitability for InsurTech globally for B2C segment
- Difficult to get regulatory approvals; local players preferred for InsurTech licenses
- Opportunity for B2B players (e.g., Insurance SaaS platforms, GenAI and data in claims and customer service, etc.)

Accounts/ Neo-Banking

- Building trust against long standing financial institutions is difficult
- Evolving regulations for Neobanks across geographies
- Difficult to get regulatory approvals; local players preferred for Neobanks licenses

Financial Infra (including B2B SaaS)

- India's Financial Infra solutions 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)
- Easier to get regulatory approvals for infra solutions across all segments

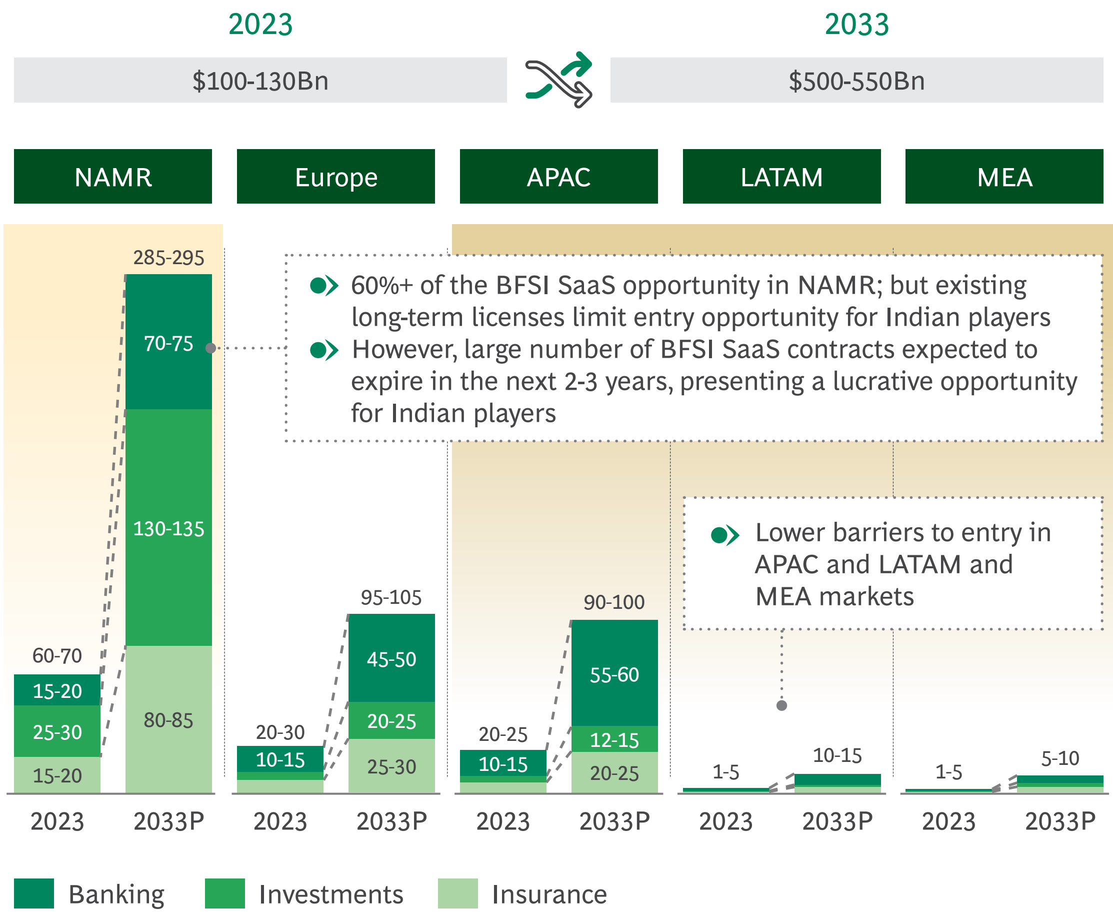
Deep-dive

Source: BCG Analysis

Degree of Opportunity for Indian Fintechs

Total addressable market for BFSI SaaS to reach $500Bn+ by 2033

Total addressable markets across regions and verticals (in $Bn)



Major factors contributing to growth

Sectoral drivers:

- Focus on e-banking
- Contactless payment methods and digital lending
- Increased tech enabled monitoring
- Regulatory & risk management, and security using AI
- GenAI driven customer support, regulatory reporting, etc.

SaaS advantage:

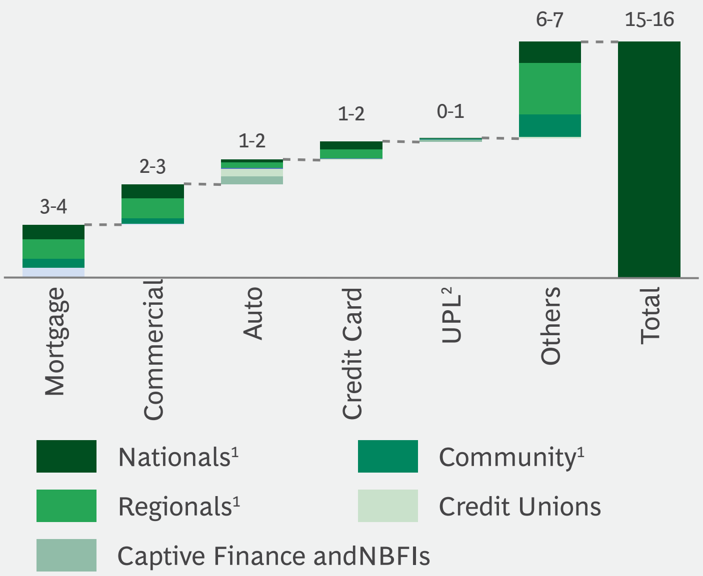
- Fast speed to market enabled by modular re-usable components
- Enables BFSI players to focus on core capabilities
- Cloud native SaaS solutions enable rapid scale-up and high reliability
- Reduced total cost of ownership: SaaS proven to be fast and effortless, reducing TCO by 20-25%

Source: IDC, Gartner, BCG Analysis

Large US opportunity for Indian Financial Infra players; differentiated approach needed for national and regional players

Large US opportunity across segments

Products by presence on balance sheet of depositories/ NBFIs (in $Tn)



Differentiated GTM required across products and type of FI

Mortgage:
- High share of national players → opportunity for Indian Fintechs to build solutions that can cater to significant addressable market
- Process and cost optimization top priority for regional FIs to counter higher CAC and TAT

Commercial:
- High share of national players → opportunity for Indian Fintechs to build solutions that can cater to significant addressable market
- Complete end-to-end automated journeys are currently not provided by any player in the segment

Auto:
- 80% sourcing through complex indirect ecosystem needing integration with network of dealers to build share of wallet

Credit card:
- National players hold ~50% of the share → opportunity for Indian Fintechs to build solutions that can cater to significant addressable market

Personal:
- Fintechs commanding major share, targeting near and low prime segments → limited opportunity for Indian Fintechs

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Sreyssha George
Managing Director & Partner, BCG

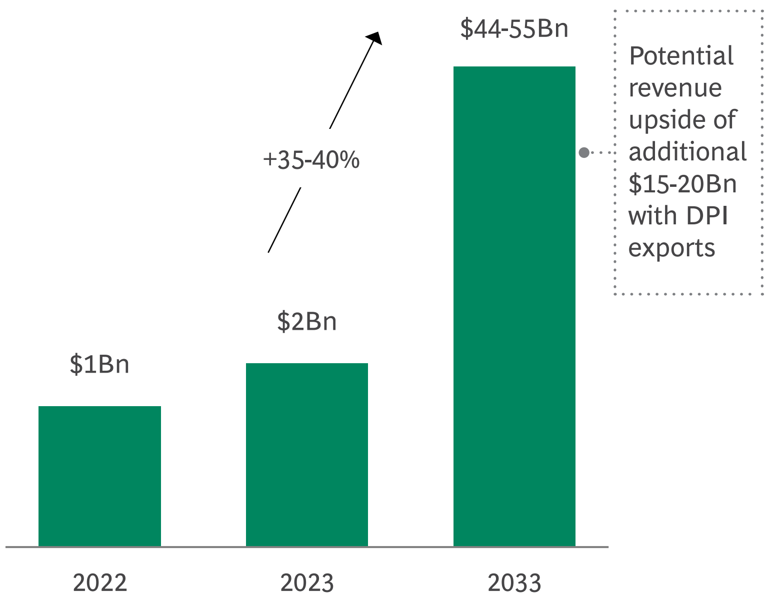
Though the US is the largest market for BFSI SaaS, the market characteristics vary a great deal by states, products, and banks. Differentiated opportunity exists across segments. National players have large IT budgets and onboarding one marquee client can drive large revenues, regional players are looking to leapfrog in digitization looking for cost-effective partners given limited budget and tech capabilities.

1. Segment by assets: Nationals - >$1Tn; Regionals - $50Bn to $1T; Community - <$10Bn
2. Unsecured personal loans: UPLs by NBFIs appear on balance sheet of banks who extend credit to them
Source: S&P Capital IQ; investor reports; BCG Analysis

Opportunity for Indian Financial InfraTechs

Indian BFSI focused SaaS Fintechs expected to generate $45-55Bn in revenues in 2033

Revenue projection for Indian BFSI focused SaaS players



% Market share		2%	9-10%[1]

> We see a massive opportunity for ourselves in the retail assets and business banking areas worldwide. With our recent funding, we aim to strengthen our product offerings and establish a strong footprint in the US market.
>
> Founder (Leading B2B SaaS)

> Africa represents a significant growth market for us. Our focus will be on leveraging our advanced analytics and credit decisioning solutions to help financial institutions. We are committed to supporting financial inclusion and fostering economic growth in the region.
>
> Founder (Leading B2B SaaS)

> Southeast Asia and the Middle East are dynamic regions with immense potential for digital transformation in identity verification and fraud detection. We aim to bring our cutting-edge technology to these markets.
>
> Founder (Leading B2B SaaS)

1. India to gain 9-10% market share excluding DPI export potential
Source: IDC, Gartner, BCG Analysis

Opportunity for Indian Fintechs to leverage 4 models for international expansion

Models for international expansion

Hero product

Zeta
- Initiated with payment BaaS solutions, subsequently expanded to related products

Mambu
- Started with lending BaaS solutions, now serves a diverse customer base

Anchor client

Intellect / **Citi**
- Intellect started as a core banking solution provider with a large foreign bank. Currently has lending, treasury, brokerage, core banking, payments, wealth, etc., as a service

Partnership led growth

Razorpay / **Paypal**
- Razorpay has a partnership with Paypal to enable MSMEs and freelancers to accept payments from over 200 markets across the world

Inorganic growth through acquisitions

Pine labs / **Fave**
- Pine labs acquired Fave in 2021, a southeast Asian Fintech allowing customers to pay merchants via a QR code to expand its presence in international markets

Source: Press search, BCG Analysis

4 Bridge to Capital Access

IPO Readiness

Revolutionizing “India for the World”

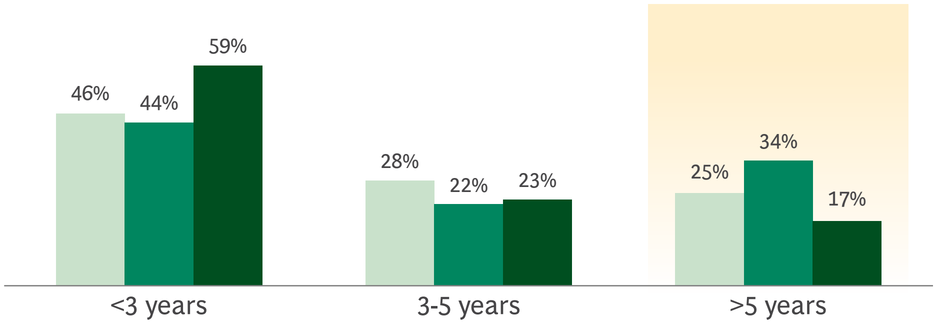
Golden Gate Bridge, USA

The bridge which boosted San Francisco’s economy during the Great Depression is a testament to the centrality of capital access for growth

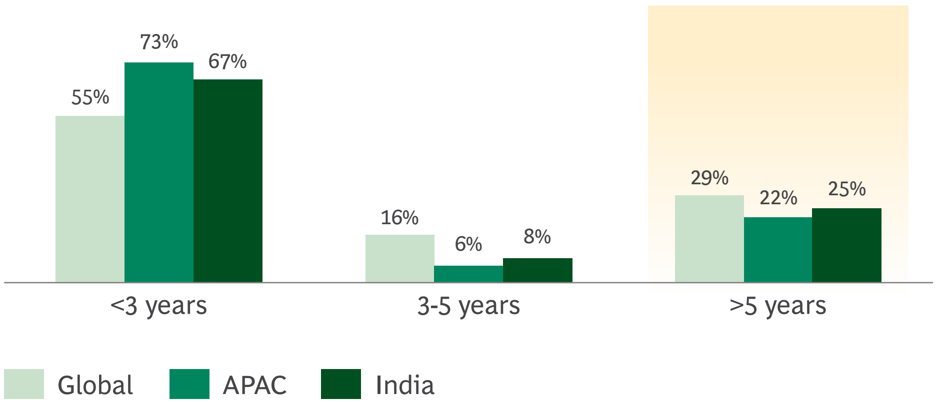
20-30% of VC/PE investments in Fintechs approaching the end of their investment lifecycle; large-scale liquidity events expected

Significant share of Fintech investments are approaching the end of their investment lifecycle

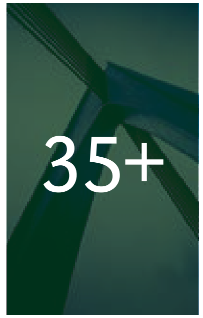
Venture capital investment vintage (% investment value)



Private equity investment vintage (% investment value)



Large Fintech ecosystem gearing up for liquidity events



Start-ups in Fintechs with 20 unicorns (e.g., CRED, Razorpay, Groww, Yubi, Acko, etc.) and 17 Soonicorns (e.g., Mobikwik, Oxyzo, etc.)

Years is the average age of unicorn Fintechs in India and it takes ~3.5 years for unicorns to file for an IPO

Source: Preqin, Tracxn, BCG Analysis

Preparing for a successful IPO journey and beyond involves focusing on 3 key stages

Journey to IPO
18-24 months pre

Strategic planning and structural decisions
- The Why? "Go" or "No go" decision
- The Where? Domestic or international
- The When? Market conditions and readiness
- The What? Investor study, peer reference

Equity story development
- Develop unique value proposition tailored to investor profile with a convincing investment rationale
- Prepare a sound business plan with a long- term vision
- Identify and mitigate risks

Financial planning
- Plan use of IPO capital
- Define target valuation
- Define MOIC and TSR targets

IPO window
6-9 months pre

Stakeholder management
- Select merchant bankers
- Ensure key stakeholders benefits are covered
- Plan analyst engagement in advance

Financial readiness
- Establish expected valuation
- Conduct necessary pre-IPO rounds
- Internal scorecard with key metrics

Risk management
- Corrective actions (organic and inorganic) to strengthen narrative
- Forecast first two quarters' performance
- Prepare for major risks
- Prepare IPO checklist

Market preparation
- Determine required participation
- Understand strengths and weaknesses
- Investor roadshows to generate interest and gauge share demand

Journey beyond IPO
3-6 months pre

Market integration
- Establish analyst coverage model
- Ensure that the right investors are in our stock

Performance tracking
- Establish TSR equation for 3 and 5 years
- Settle into 'guide-beat-rhythm' with markets

Ongoing risk management
- Manage negative overhang

Operational monitoring
- Monitor IPO fund utilization
- Ensure on-track delivery of first quarter
- Maintain visibility into next four quarters

Source: BCG Matrix SOFTU Report 2024

Critical to tailor equity narrative basis company's investors base; adjust for risks to ensure strong upside potential of stock

Fintechs can draw inspiration from successful Indian narratives to drive premium

Leaders in long-term trends
HUL in India consumption, Jio in data and digital

Leaders in consolidating industry
Jio, Tatas through acquisition

New player with strong parent
Tata Power renewables unit

Repositioning towards higher multiple
Bajaj Finserv as Fintech, Havells as consumer company

Leader in organizing a sector
Udaan in retail

Expert tips to design a great stock

1. High multiples are inherently intertwined with grand, high-growth macro trends. Position your opportunity to resonate with a prominent macro trend.
2. As companies evolve, investors favor teams that place multiple bets on grand opportunities, creating optionality and reducing risk of a single point of failure
3. Cultivate a rich talent density and a high-performance culture to amplify your chances of success
4. Lavishly invest, more than competition, in assets critical for forging unique IP and ensuring victory—such as data, algorithms, UX design, and strategic partnerships
5. Remain accessible to stakeholders—analysts, key media, regulators, etc. —and provide them with the apt level of disclosure for them to do their job properly
6. Align your incentives with investor incentives (even downside) - this symmetry ensures all parties share in both the rewards and the risks
7. Understand what to anticipate from investors—will they support you or exit at the first hint of risk? It depends on the role your investment plays in their portfolio

Source: BCG Analysis

GIFT City and IFSCA revolutionizing “India for the World”

GIFT-IFSCA well-positioned as a Global Fintech Hub

Favorable regulatory framework

- Unified regulatory authority: No need for separate approvals from multiple regulators; focus on transparency and streamlined licensing
- Streamlined accounting standards: Permitted to adopt International Financial Reporting Standards (IFRS) in line with global parents
- Innovation sandbox: Innovation and inter-operable regulatory sandboxes for testing ideas and solutions
- Ease of doing business: Single window IT system for all regulatory approvals and clearances

Tax advantages

- Ten-year tax holiday: No taxes on profits for ten years, along with relief from commodity, security, and dividend taxes
- Zero GST: No Goods and Services Tax on transactions within IFSC exchanges, nil customs duty for all goods imported into SEZ

Capital access

- Access to global investors: Access to PE/VC funds and angel investors (e.g., 70+ FMEs have launched 60+ funds/schemes in GIFT already)
- Foreign currency transactions: Deemed offshore status; units in IFSC can freely transact in foreign currencies allowing ease of capital movement

Talent Pool

- Located near educational institutions like IIM Ahmedabad ,IIT Gandhinagar, Gujarat National Law Univesity ensuring availability of skilled professionals

Opportunity for GIFT-IFSCA to accelerate reverse flipping of Indian Fintechs

Indian start-ups reverse flipping to capture “India opportunity”; however, key challenges exist

Groww	**Razorpay**	**PhonePe**	**Pine Labs**	**Meesho**

Tax burden

- When a foreign holding company merges into an Indian entity, it can trigger capital gains tax liabilities in India and abroad
- Startups that reverse flip may lose the ability to offset accumulated losses against future profits

Operational complexities

- GIFT IFSC considered as “person resident outside India” preventing investments by India’s AIFs and Mutual Funds
- Migrating employees to a new India-level ESOP plan can be complex

Regulatory framework

- Setting holding companies in India poses several regulatory challenges such as, compliance and disclosure requirements, corporate governance standards, etc.

Source: IFSCA Committee Report, BCG Analysis

Key recommendations for IFSCA to accelerate reverse flipping

“

G Padmanabhan
Former Executive Director, RBI

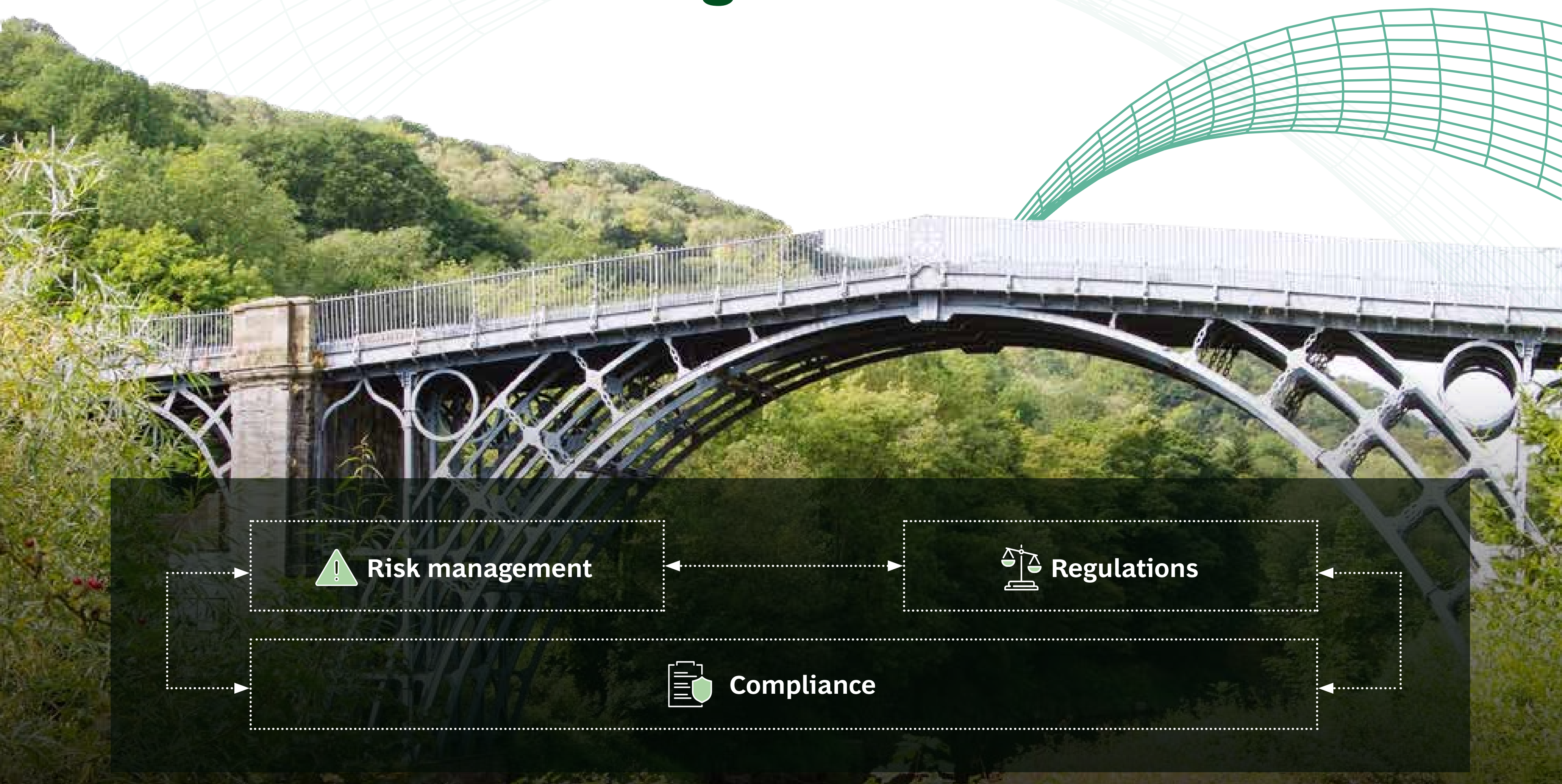
I believe GIFT-IFSCA is uniquely positioned to facilitate the reverse flipping of Indian startups. To address the challenges startups currently face in reverse flipping, we have provided a list of recommendations to enable offshoring at GIFT-IFSCA.

Some of the key recommendations include:

- Simplified incorporation processes for holding companies
- Ensure tax neutrality to avoid adverse tax consequences for offshore holding companies
- Exemptions on capital gains tax on transfer of shares
- Exemption of angel taxation provisions
- Carry forward losses or extend tax holiday period beyond 10 years
- ....

By amending the current statutes, GIFT-IFSCA can offer a favorable regulatory and tax environment, making it an attractive destination for Indian startups to return, grow, and help realize the vision of an ‘Atma-Nirbhar Bharat.’

5 Bridge to Regulation, Compliance, and Risk Management



Iron Bridge, UK

An exemplar of durability and safety in architecture, the bridge exemplifies principles that ensure trust and mitigate risks

Financial institutions need to combat a myriad of risks

Non-financial risks

Data risk
- Data integrity risk
- Data gov. risk

Fraud risk
- Application fraud risk
- Credit fraud risk

Outsourcing and vendor risk
- External outsourcing risk
- Vendor risk

Other operating risks
- Legal risk
- Reporting risk
- Model risk

Cybersecurity risk ☆

Regulatory compliance risk

Financial crime risk

Financial risks

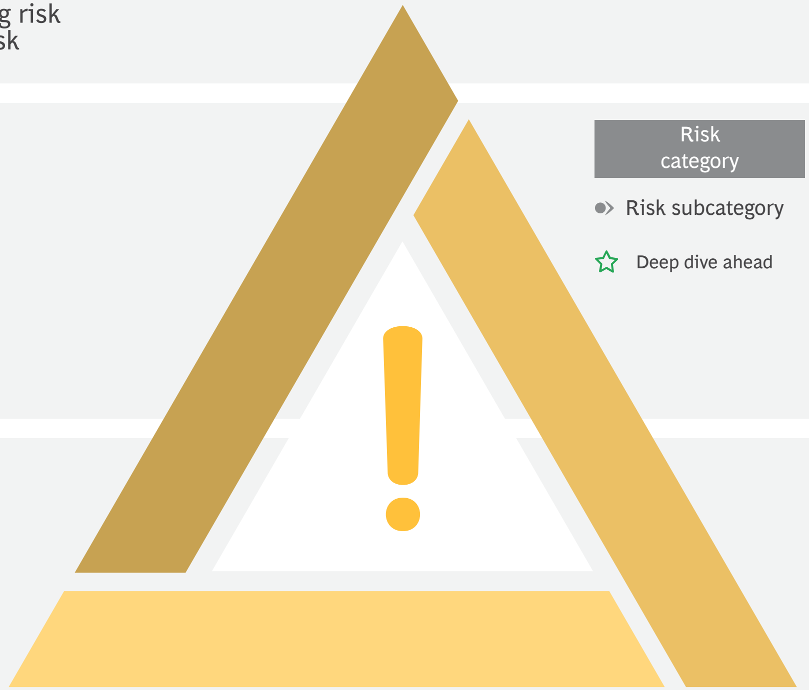
Credit risk
- Obligor risk
- Counter-party risk
- Securitization risk
- Concentration risk

Market risk
- Interest rate risk
- Market liquidity risk

Liquidity and funding risk
- Interest rate risk
- Market liquidity risk

Strategic risk

Business risk
- Forecasting risk
- Inorganic growth risk
- Investor relations risk



Risk category
- Risk subcategory

☆ Deep dive ahead

“

Abhinav Bansal
APAC Leader – Risk in FI, Managing Director & Partner, BCG

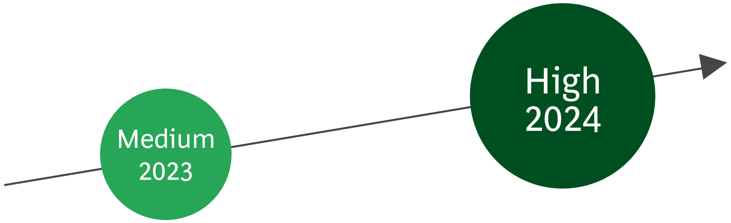
The next decade of finance presents novel opportunities as well as risks. Many of these categories of risk are unprecedented. Financial institutions must keep pace with these developments, and risk management departments need to work cross-functionally to understand and mitigate exposures. Risk management changes that will help succeed in crisis include centralizing risk management activities, embedding risk management into overall strategy post management buy-in, and intensifying the usage of data and analytics.

Source: BCG Analysis

Cyber threat is real, especially for FIs

It's not a question of if, but when a cyber incident will happen

RBI has increased the risk from cyber security incidents from medium to high



Indian banks spend significantly less on cyber security

Cyber security spend as % of revenue (2022)

0.9%	0.1%
Global banking Spends	Indian banking Spends

> Financial institutions must dedicate substantial efforts to protect customer information and ensure that vulnerabilities exposing customers to risk are promptly identified and addressed
>
> Governor (RBI)

Cyber incidents result in significant impact for organizations as well as entire countries

>2.5Mn customers were impacted by a data breach at a leading stock broking company leading to leakage of sensitive information like bank account number, names, email, Aadhaar, PAN, etc.

~3.5Mn user accounts were compromised in one of the largest cyber attacks in India at a leading payment processor

>$10Bn damages recorded across 64 countries in a global cyber attack originating from an accounting software

>$80Mn embezzled from the National Bank of an Asian country by infiltrating the **SWIFT network** reflecting vulnerabilities in payment systems

- Massive increase of cyber incidents due to "attack as a service"
- Emerging tech adoption (e.g., accelerated digitization, cloud transformation, GenAI) amplifying exposure to new risks
- Increasingly critical external threats (e.g., geopolitics, regulations), especially for financial institutions, allowing no room for missteps

Source: RBI Systemic Risk survey, Cyber Security in post pandemic world report, Press Search, BCG analysis

Opportunity for FIs to realize business benefits while mitigating cyber risk

1 — Proactively manage cyber risk exposure
- Cyber posture and strategy

2 — Optimize your budget
- Cybersecurity cost optimization
- Advanced cyber risk quantification

3 — Invest in cyber capabilities to enable strategic growth
- Secure by design: GenAI, Cloud
- Zero-trust security architecture
- Cyber operations
- Third-party and ecosystem cyber risk

4 — Be ready to act
- Crisis management and resilience

20%
Reduction of cyber risk exposure at a leading global bank

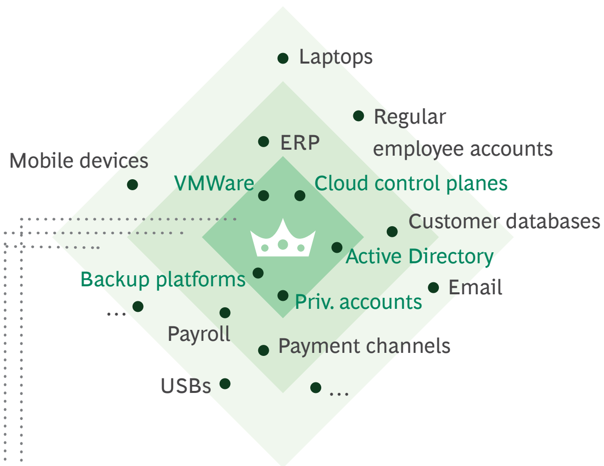
30%
Reduction in fraud losses, at a leading European bank

20%
Reduction of average likelihood of successful attack

Source: BCG Analysis

Imperative for FIs to protect “inside out”

Protect inside out, not outside in



Tier 0: Core business critical assets
Compromise or disruption at this layer has the potential to cause organization wide outage or pervasive compromise of other systems, affecting business viability. E.g., Active Directory,Azure AD, VMWare, other key identity systems, etc.

Tier 1: Secondary business critical assets
Disruptions at this layer impact one or more business processes and can cause significant loss of value

Tier 2: Supporting business assets
Disruptions at this layer cause additional work for IT teams and lead to productivity loss; can also be stepping stones for more disruptive events

Cyber security architecture needs to be optimized across 7 key layers for protecting the core

A Infrastructure security
Ensuring IT infrastructure security
- Data center security (DCS)
- OS and platform patch management

B Network security
Ensuring network access is controlled and managed and known attack types at network level are addressed
- Network DLP
- WAF
- DDOS
- Network access control
- Firewall
- IPS, APT
- NDR
- Proxy servers
- Network forensics

C Identity and access management
Managing user authentication and authorization
- Authentication
- PIM
- Single sign-on
- IDAM

D Data security
Data protection (rest and in motion) with information management & malware protection
- Encryption
- Endpoint DLP
- DRM
- Server antivirus

E Endpoint security
Data, information, and malware protection on end-user devices
- Endpoint antivirus
- EDR / XDR
- Mobile device management (MDM)

F Monitoring
Anomaly detection and analysis through continuous monitoring
- Vulnerability assessment
- Threat intelligence (TI)
- Threat Simulation
- SOAR
- SIEM

G Application security
Security related tools in the application layer
- Code Quality management
- Static and dynamic security testing

Note: OS – Operating system, DLP: Data loss prevention, WAF: Web application firewall, DDOS: Distributed denial-of-service, IPS: Intrusion prevention system, APT: Advanced persistent threat, NDR: Network detection and response, PIM: Privileged identity management, IDAM: Identity and access management, DRM: Digital rights management, EDR: Endpoint detection and response, XDR: Extended detection and response, SOAR: Security orchestration, automation, and response, SIEM: Security information and event management
Source: BCG analysis

Indian regulatory framework promotes innovation while protecting risks; opportunity for collaborative approach to improve clarity and consistency

% CXOs selecting below in top 3 enablers[1]

1 64%	2 46%	3 42%
Safeguards systemic risks	Future oriented and pro innovation	Offering a level playing field

> The digital lending guidelines were a step in the right direction. It provided clarity to the ecosystem and ensured a level playing field
>
> CXO, (Digital Lending Fintech)

% CXOs selecting below in top 3 painpoints[2]

1 46%	2 42%	3 41%
Needs more clarity	Needs more consistency	Bureaucratic and time consuming

> There is still some ambiguity in the regulatory framework. The landscape is rational in the long-term but unpredictable in the short-term
>
> Founder, (Digital Lending Fintech)

3 key asks for regulators from the ecosystem

Foster more collaboration
Facilitate more dialogue among Fintechs, regulators, and other related industry participants. A Fintech SRO in India will be a key step in this direction.

Predictability
Publish long-term roadmaps to ensure predictability and consistency as to where we are heading rather than the current black box way of working

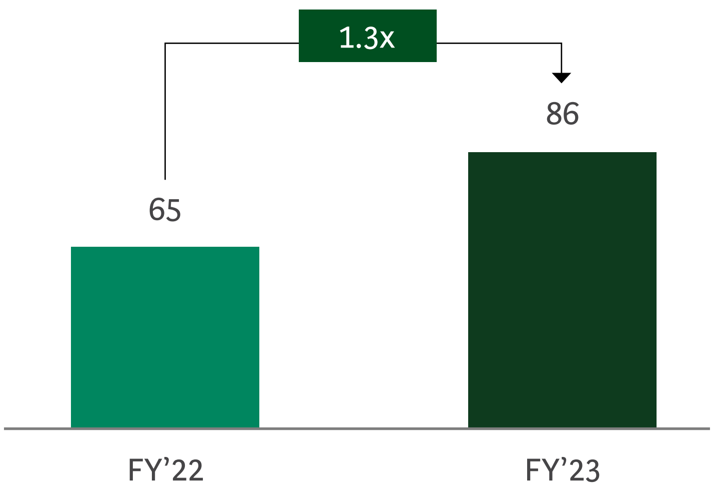
Agile regulatory adaptation
Consistently monitor and adapt the regulations basis need since regulations may suddenly become outdated owing to advancements in technology or rapid changes in consumer behavior, or both

1. What are the best features of the regulatory environment in your business area? N=59 2. What are the biggest pain points of the regulatory environment in your business area? N=59
Source: The GFF Survey 2024, BCG Analysis

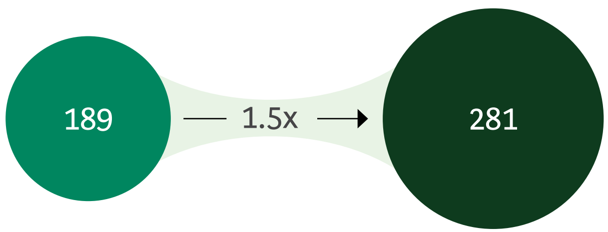
Non-compliance leads to significant value destruction for FIs

Regulatory action has intensified over the last 2 years

Fine value (INR Cr)



No. of instances



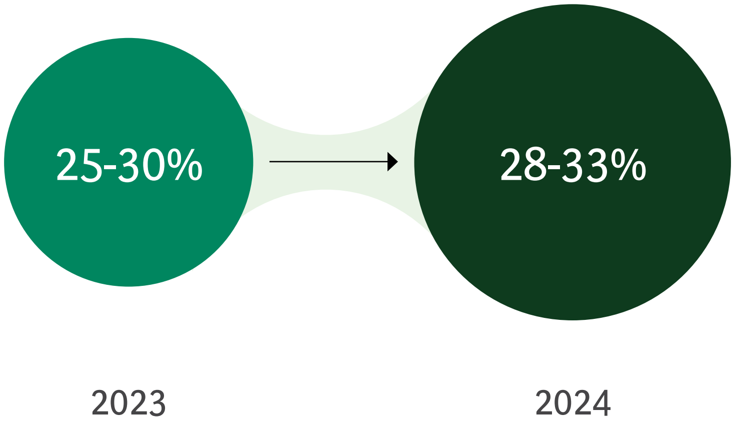
Regulatory action impacts stock price as well as disrupts business

	14-day impact on stock price
1 RBI ordered one of India's payment banks to stop accepting deposits or top-ups after major irregularities in KYC	50%+
2 RBI directed to stop extending fresh gold loan at a leading Indian financial and investment services company due to LTV challenges	35%+
3 RBI barred a leading Indian investment banking firm from providing any form of financing against shares and debentures, including loans against IPO	20%+

Source: RBI Annual Report, RBI Press Release, Moneycontrol, BCG Analysis

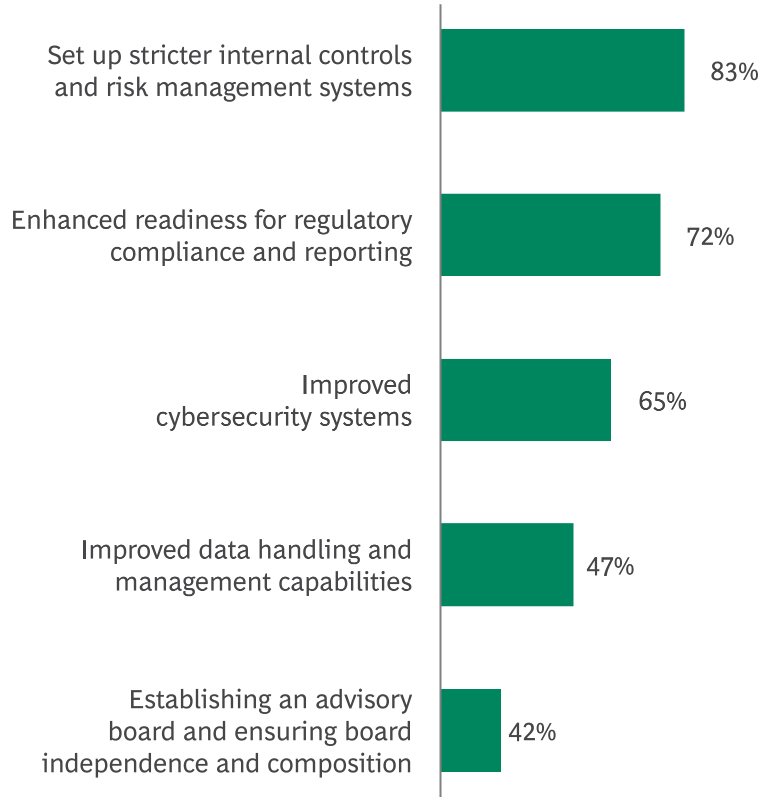
While outlook for Fintech governance has slightly improved, conscious efforts required from Fintechs

% respondents who believe Fintechs are at par with incumbents in terms of governance[1]



> Some form of compliance certification can be evolved for Fintechs. Scale based audit mechanisms can also be thought about, based on revenue, customers, etc.
>
> CXO (Fintech)

% respondents who chose this step to improve governance standards over the last year[2]



1. Q: Fintechs are at par with incumbents in terms of governance mechanism? N=51, 2. Q: What has your business done to improve governance standards over the last year? N=60
Source: BCG Matrix SOFTU Survey 2023/24, BCG Analysis

6 Bridge to a Brighter and Greener Future

Fundamental Research

Digital Public Infrastructure

Sustainable Financing

Helix Bridge, Singapore

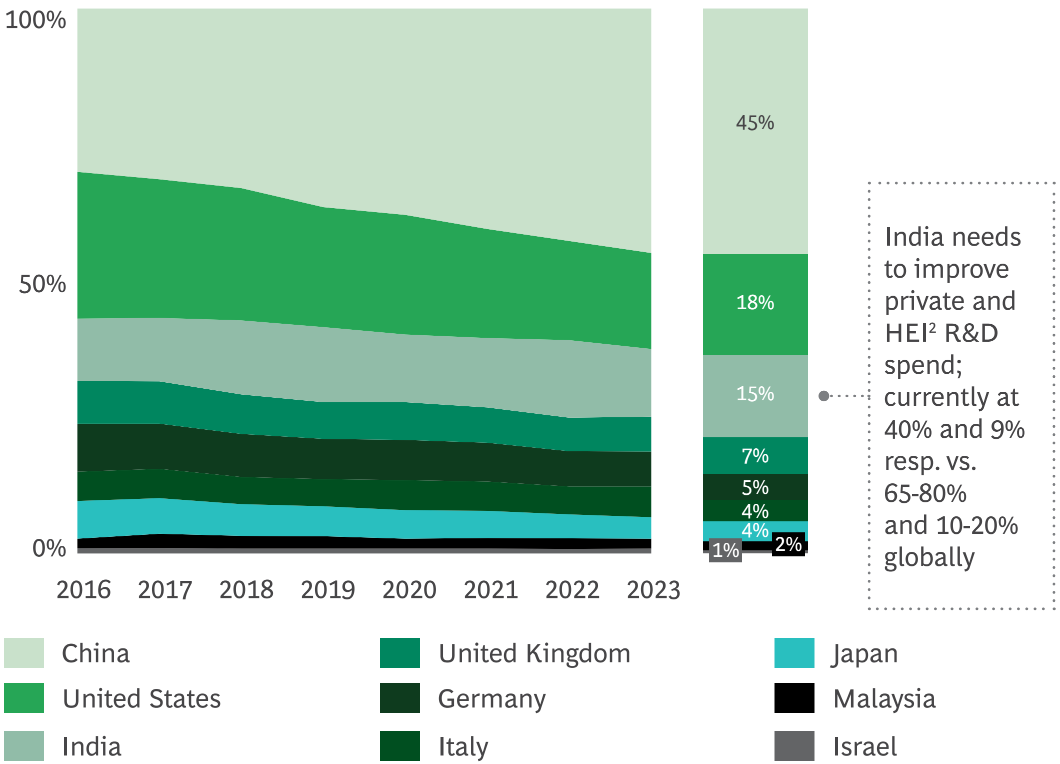
The Helix Bridge stands as an architectural marvel, showcasing a blend of innovation and sustainability, constructed from 100% recyclable duplex stainless steel and inspired by the intricate structure of DNA

Large headroom for India in quality fundamental research in critical and emerging tech (e.g., AI)

India lags behind China and US in fundamental research in computer science, especially AI; gap has widened since 2020

No. of journals published in computer science

% contribution towards AI journals (2023)



Research quality low vs other major economies

Country	H-Index[1] (computer science)	H-index (AI)
United States	1404	647
United Kingdom	700	360
China	678	403
Germany	640	287
Italy	453	219
Japan	400	211
Israel	393	186
India	369	211
Malaysia	240	134

Opportunity to improve quality of research vs other major economies

1. The H-index captures research output-based on the total number of publications and the total number of citations to those works, providing a focused snapshot of an individual's research performance.
2. Higher Educational Institutes
Source: SCImago, Department of Science and Technology India, BCG Analysis

Key imperatives for the Indian ecosystem to boost fundamental research in critical and emerging technologies

Roll out preferential incentive policies to attract private R&D investments

Lower corporate taxes, low-cost loans, and tax exemptions on innovative products

E.g., 15% corporate tax in China for High and New Technology Enterprises (HNTE) vs. 25% standard tax

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

Drive integration of corporate ecosystem with academia to reduce knowledge asymmetry

Establish industry-led R&D centers on campuses to bridge the gap between academia and commercial researchers

E.g., State University of New York's College of Nanotechnology Science and Engineering has setup Albany Nanotech Complex with R&D centers of 10+ semiconductor firms like IBM, ASML etc. within college campus

Enable the commercialization of university research

Spin off companies to commercialize innovations while providing them funding, mentorship, and facility support

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

Attract and retain world class researchers to build a robust R&D ecosystem

Launch talent attraction programs to attract and retain world's top R&D talent, through incentives such as best in class compensation packages, support services for researchers and families, etc.

E.g., China's Thousand Talent Program targets researchers with lucrative incentives such as 1Mn RMB one-time bonus; 1-3Mn RMB startup grant, subsidized housing and transport, job offers for spouses etc.

Source: World Bank, Deloitte, Business.gov.nl, Press search, BCG Analysis

DPI 1.0 laid the foundation for a strong Fintech ecosystem, DPI 2.0 and Digital Public Intelligence (DPI 3.0) to power the next wave of growth

Digital Public Intelligence (DPI 3.0)

DPI 2.0
- Open Network for Digital Commerce ☆
- Open Credit Enablement Network
- Central Bank Digital Currency
- Account Aggregator
- National Health Stack
- National Agri Stack
- …and more

DPI 1.0
- UPI
- Aadhaar
- Goods and Services Tax (GST)
- DigiLocker
- …and more

☆ Deep dive ahead

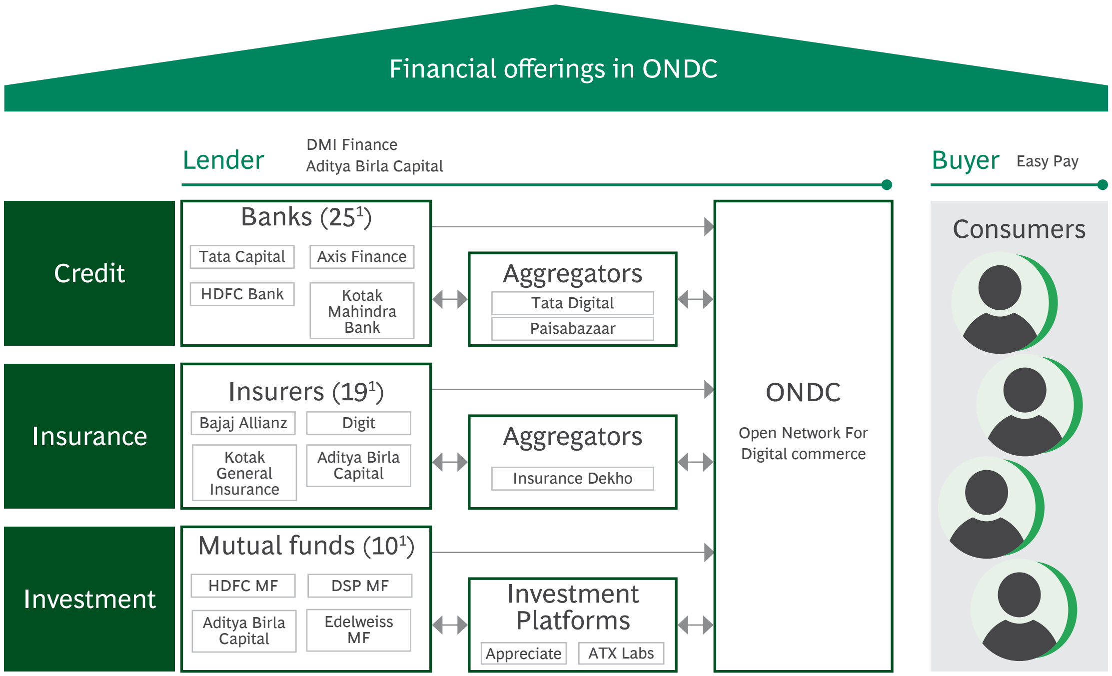
Multiple AI powered DPI use cases emerging

ALL	Assisted Language Learning piloted in 500 schools and used over 45,000 hours
Saral	450K teachers, 130K schools, 17Mn students (UP)
Hello UPI	6,500 calls since Sep 2023 launch
Kisan eMitra	>10 lakh users over mobile and web

> "Developing AI models tailored to specific use cases is crucial, rather than creating generalized models. I believe that small, targeted AI models trained on relevant data can produce better results and have a more significant impact on people's lives. This approach aligns with the philosophy of digital public infrastructure, which aims to make technology accessible and beneficial to the common man.
>
> Nandan Nilenkani (Co-Founder and Chairman of Infosys)

Source: Discussions with industry leaders, BCG Analysis

ONDC driving a two-fold strategy: Democratization of commerce and financial inclusion in India



Five pillars for ONDC to drive financial inclusion

Access	Affordability	Cost efficiency	Commercial viability	Policy and regulatory alignment
Develop standardized APIs for manufacturer-distributor linkage	Lower cost and size of finance products	Keep operational costs and toll prices low	Create a sustainable incentive model for distributors	Advocate for policy changes and regulatory collaboration

“

Hrushikesh Mehta
Senior VP, Financial Services, ONDC

The goal at ONDC is two-fold: Democratizing e-commerce and financial inclusion. ONDC continues to offer small sellers market access, provide buyers with greater choices, and reduce commissions to redistribute profit more equitably along the supply chain. In financial services, ONDC is offering the full suite of services: Credit, Insurance and Investments
We envisage an explosion of rich underwriting data to be available as network effects kick-in.
We are collaborating with ecosystem partners to pilot use cases using alternate data to serve underserved segments through our network (e.g., Absolute, Stellapps)**

Unlocking full potential of the ONDC will require regulatory and policy support:
- Standardization of KYC norms across industries
- Implementation of real time credit reporting
- Incentive to onboard on sachet sizes
- Standardization of legal contracts, LSP and distributor agreements

ONDC can also drive value-added-services for the overall ecosystem e.g., single 3rd party audit for each LSP, accessible for all

** Deep dive on next page

1. Includes sellers in pipeline to be onboarded
Source: Discussions with industry leaders, BCG Analysis

ONDC partners with tech-first players to drive use cases with alternate data, to provide financial access to underserved segments

Upaj, a digital agri value chain solution from Absolute uses proprietary data to underwrite farmers for agri and insurance solutions

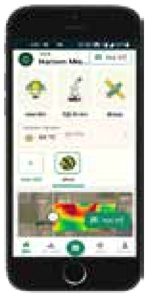
Proprietary data used to guide the credit decisioning process

Market dynamics and insights

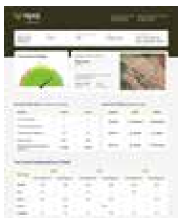
- Mandi prices pan India and near farm locations
- Market accessibility of Mandi locations
- Earning estimations on the district

Farm level insights

- Yield estimation of a crop
- Satellite-based crop identifications
- Cropping pattern for location
- Ground water level



Farmer shares interest for loan on Upaj app



Comprehensive farm performance score generated to guide credit decision

Stellapps is an end-to-end value chain company, enabling access to payments, credit, insurance, and savings for dairy farmers through their mooPay Fintech platform

14Mn Milk flow (10% of organized milk)

3.5Mn Farmers

40K+ Point of presence

Customer acquisition

Access to farmers via collaboration with dairies and lenders

Credit underwriting

Assessment using milk pouring data – quality, quantity and income-based analytics and unique statistical credit-risk scorecard "mooScore" (sample below)

Risk management

Ability to digitally monitor daily milk pouring and cattle productivity data for early risk detection capability

Sample Model Output

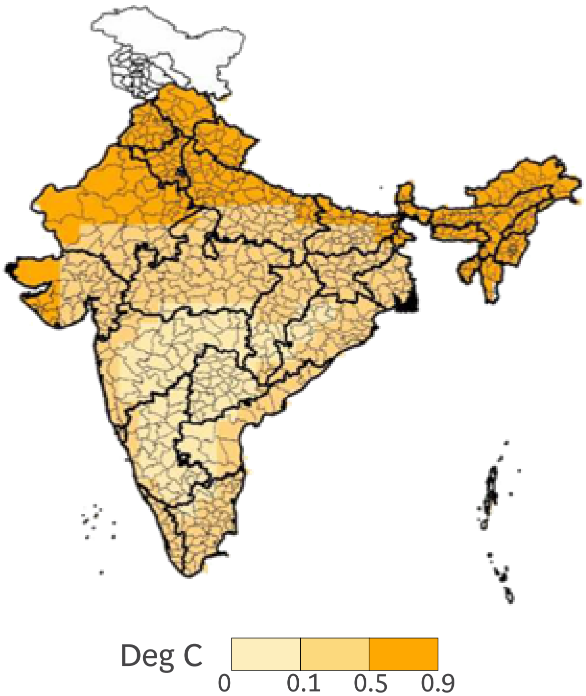
Min Score	Max Score	Bad Rate[1]
300	456	14.3%
456	505	6.15%
505	525	3.27%
525	532	3.39%
532	536	2.74%
536	544	2.39%
544	551	1.99%
551	633	1.21%
633	732	0.55%
732	900	0.15%

1. Ever 60 days past due

Source: Press search, BCG Analysis

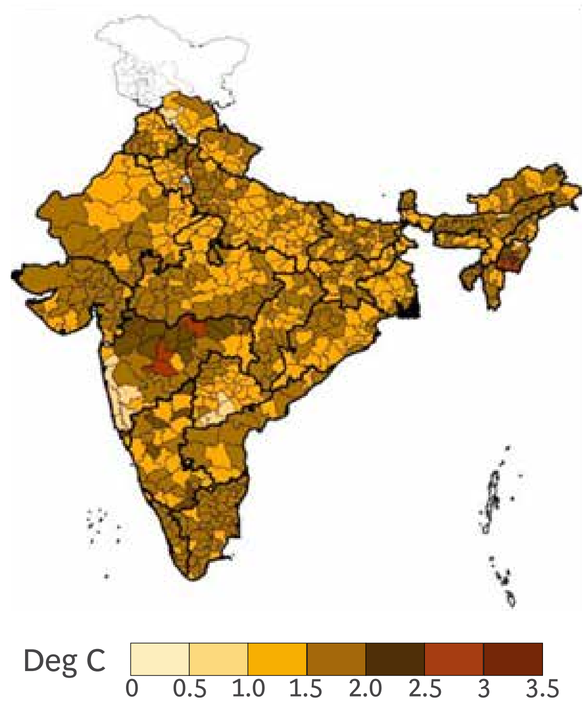
Tackling climate change is a key priority for India both from financial impact and global political diplomacy

During 2021-2050, 70% of India's districts are projected to experience temperature rise by more than 1.5⁰ C



Maximum temperature trends

(1991-2019)



Maximum temperature trends

(2021-2050)

Note: 1. The graphs highlight maximum summer temperature trends under RCP 8.5 scenario 2. Changes in temperature were computed as a difference between projected 30-year period (2021–2050) and the historical 30-year period (1990–2019) in consensus with the World Meteorological Organization's approach.
Source: CSTEP (2022) Climate atlas of India: District-level analysis of historical and projected climate change scenarios, BCG Analysis

FIs have a 'double materiality' relation with climate; approach to decarbonize portfolio and manage risks to yield longer term rewards

Banks' activities are dependent on climate

- **Extreme weather events can increase the cost of capital, disrupt value chains, and create market volatility**
- **These lead to increased risk of portfolio delinquency, losses on corporate loans and increased cost of refinancing**

E.g., Shut-down of thermal power plants due to water scarcity, leading to rising NPA for bank

Banks' activities have an impact on climate

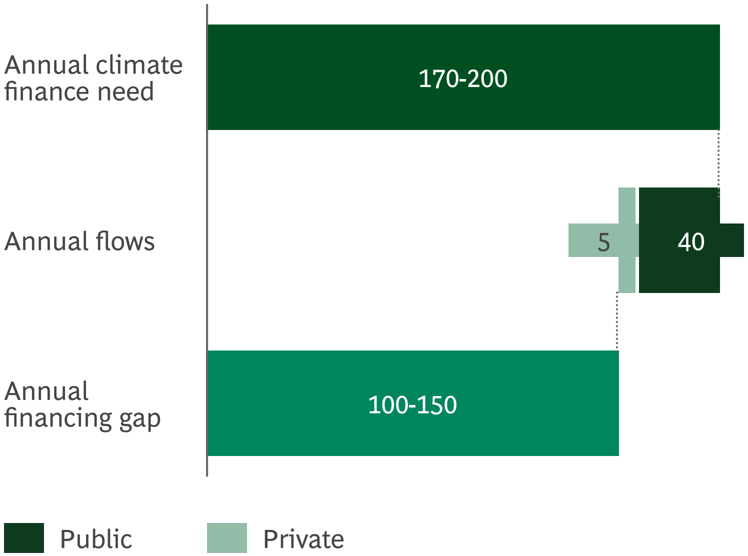
- **Banks financing to emission intensive activities such as mining, oil production, etc.**
- **Portfolio emissions of global financial institutions over 700x larger than direct emissions: CDP analysis**

E.g., Financing hard to abate industries without assessing emissions intensity of operations

Significant gap in India’s climate financing requirements; blended finance can be a key unlock

Significant capital shortfall anticipated in India’s target to achieve NDC[1] commitments

Annual climate financing ($Bn)



Need for private sector investments to step up green financing in India

Blended finance would be critical to meet credit gap

- Merges private and public capital, maximizing the impact of investments, thus mobilizing significant private investments
- With structures like first loss capital, guarantees, and insurance, blended finance reduces the overall risk for private investors
- Interest subsidies can lower the cost of capital encouraging in sustainable and high-impact projects

Vivek Adhia
Associate Director, BCG

India’s sustainable future hinges on mobilizing and deploying capital at an unprecedented scale. Bridging climate finance gaps requires aligning financial flows with overall economic development, climate resilience, and low-carbon transitions. This will scale-up funding in underfunded green sectors. Financial institutions creating innovative instruments through blended finance, strategic lending tie-ups, and derisking measures like guarantees and carbon credit prefinancing, can significantly move the needle

1. Nationally Determined Contribution
Note: The annual climate finance requirements and the gaps thereof are based on CPI’s 2022 estimates.
Source: CPI, Business Standard; World Economic Forum; Council on Energy, Environment and Water

Transition finance - the next frontier in green financing

For reducing emissions in hard-to-abate sectors or sectors lacking suitable green alternatives

Hard to abate sectors facing unique challenges

Case study: Textile MSME cluster

Current situation

- For most MSMEs in the textile sector, energy costs account for nearly 20-30% of opex
- Operating on thin margins, most MSMEs in India resort to low-cost fuel and energy solutions leading to rampant usage of coal fired boilers

Transition risk that came in

- As a part of their Scope 3 supply chain decarbonization, most apparel brands globally have committed to eliminate fossil fuels from their supply chains

Barriers to transition

For an MSME to comply with such requirements, there are typical barriers like:

- Less ability to make upfront investments into a low carbon product
- Residual life of an existing coal fired boiler, not fully depreciated and therefore challenging from cost-economics angle
- Lack of availability of alternative solutions

Potential solutions

To address these barriers, transition financing products come to the fore:

- Ability to further seek interest subventions or other incentives by plugging in carbon credits, biodiversity credits, etc.
- More targeted use of proceeds, enabling bankers and FI's to showcase clear impact

Examples of transition financing products in India

Leading South East Asian bank

Loan provided to one of the largest Indian sugar and green energy producers to **expand biofuel business**, support sugarcane farmers, and **adopt sustainable and climate smart farming**

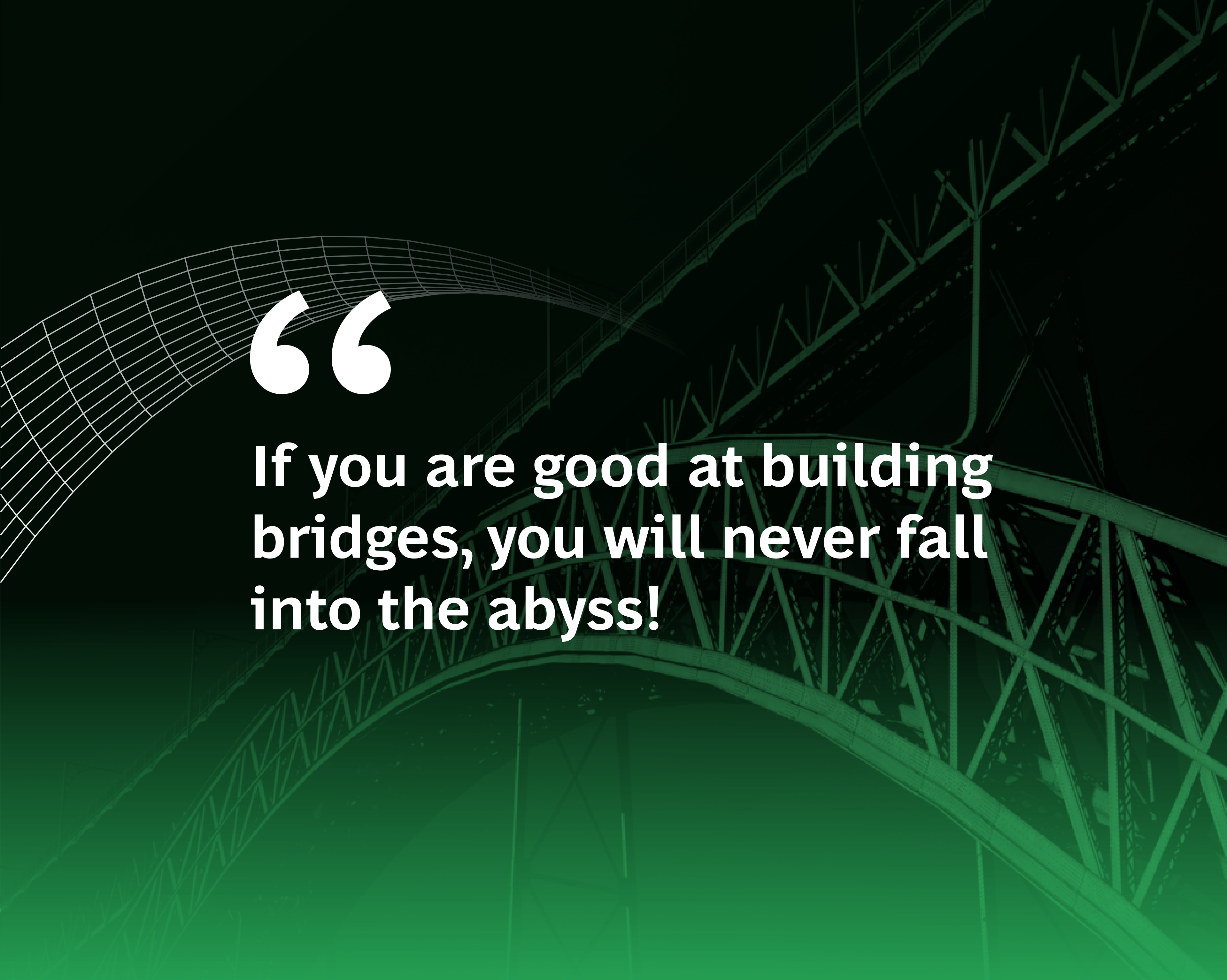
Leading Indian Steel company

A leading Indian steel company raised $500Mn transition finance, via sustainability linked bonds, with a KPI hinged on **reduced steel emission intensity by 23%**

Leading Indian Cement company

A leading Indian cement company raised $400Mn transition finance, via **GHG-linked bonds**, with a KPI hinged on **reduced cement emissions intensity**

Source: Press research, BCG Analysis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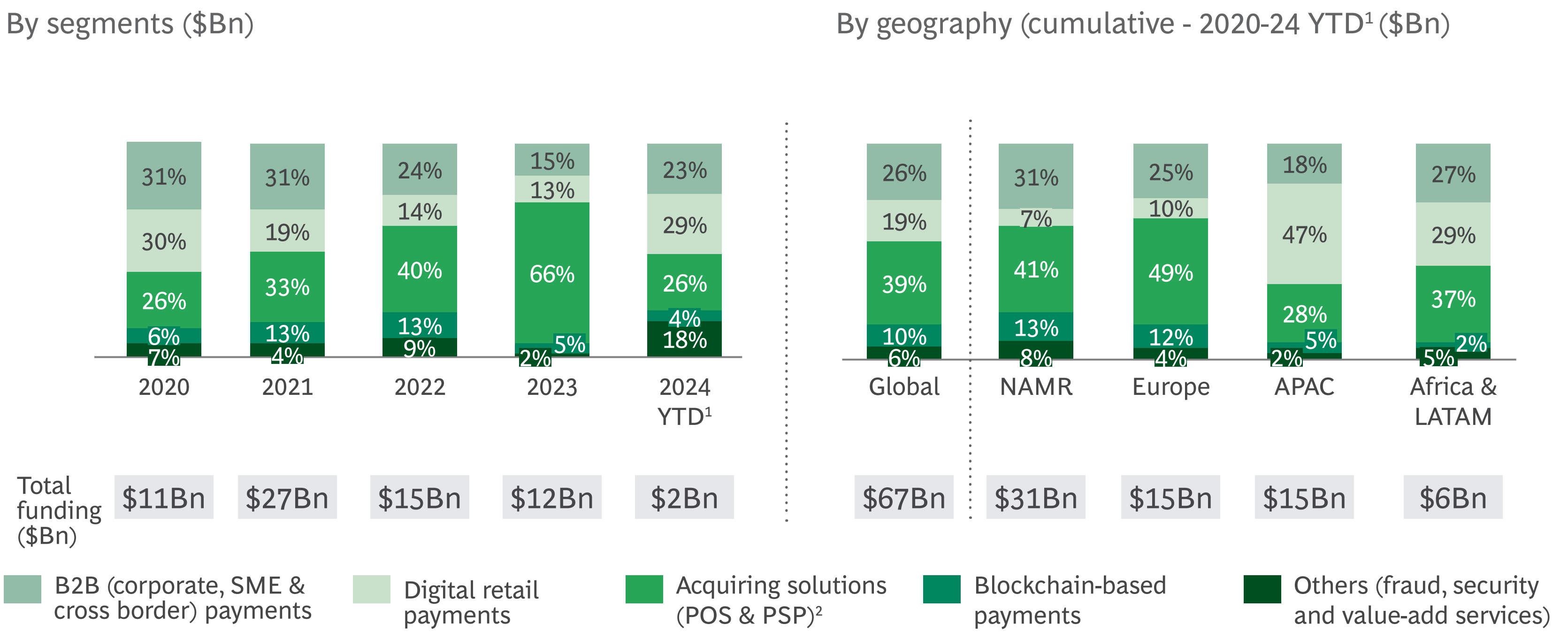
If you are good at building bridges, you will never fall into the abyss!

04

Appendix: Segment-wise Global Trends

Global Digital Payments | B2B and digital retail payments resurgent; acquiring solutions continue to dominate in NAMR / Europe

Global Digital Payments equity funding



- B2B payments has seen a rise in share of funding, with increasing digitalization and formalization of SMEs (E.g., Ramp in USA, Bezahl.de in Germany)
- Digital retail payments have seen a resurgence in share of funding, especially in leading markets of APAC, Africa, and LATAM

- Funding in developed economies (NAMR and Europe) dominated by acquiring solutions followed by B2B payments; 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

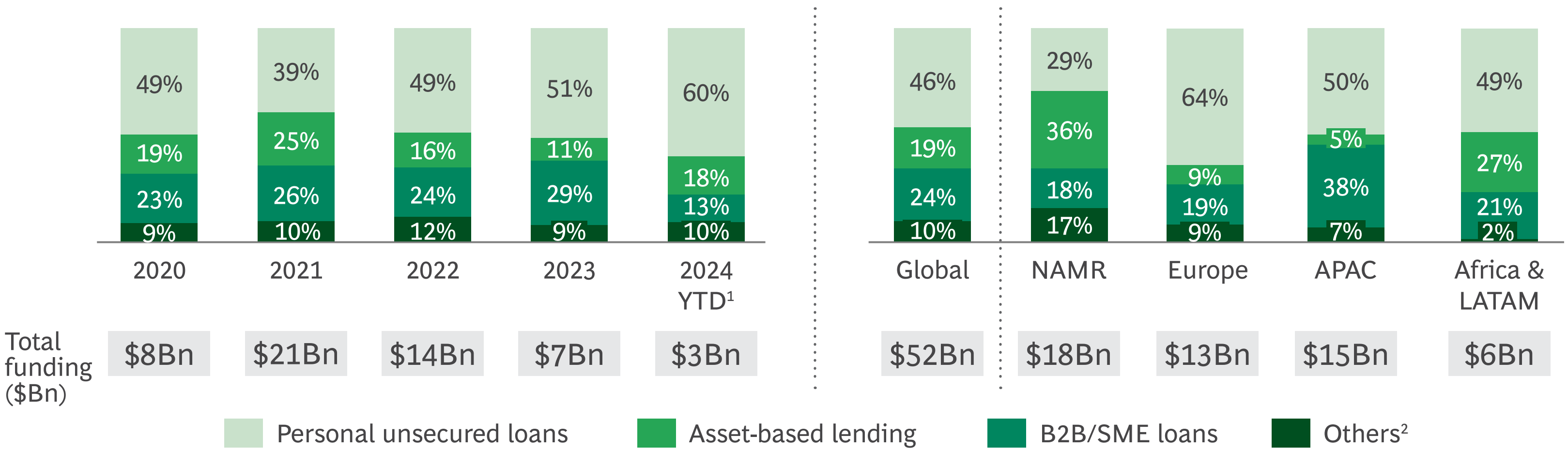
1. Includes funding deals till June 2024 2. Point of Sale and Payment Service Provider
Source: BCG Fintech Control Tower; BCG Analysis

Global Digital Lending | Personal unsecured loans continue to capture >50% of global equity funding

Global Digital Lending equity funding

By segments ($Bn)

By geography (cumulative - 2020-24 YTD[1] ($Bn)



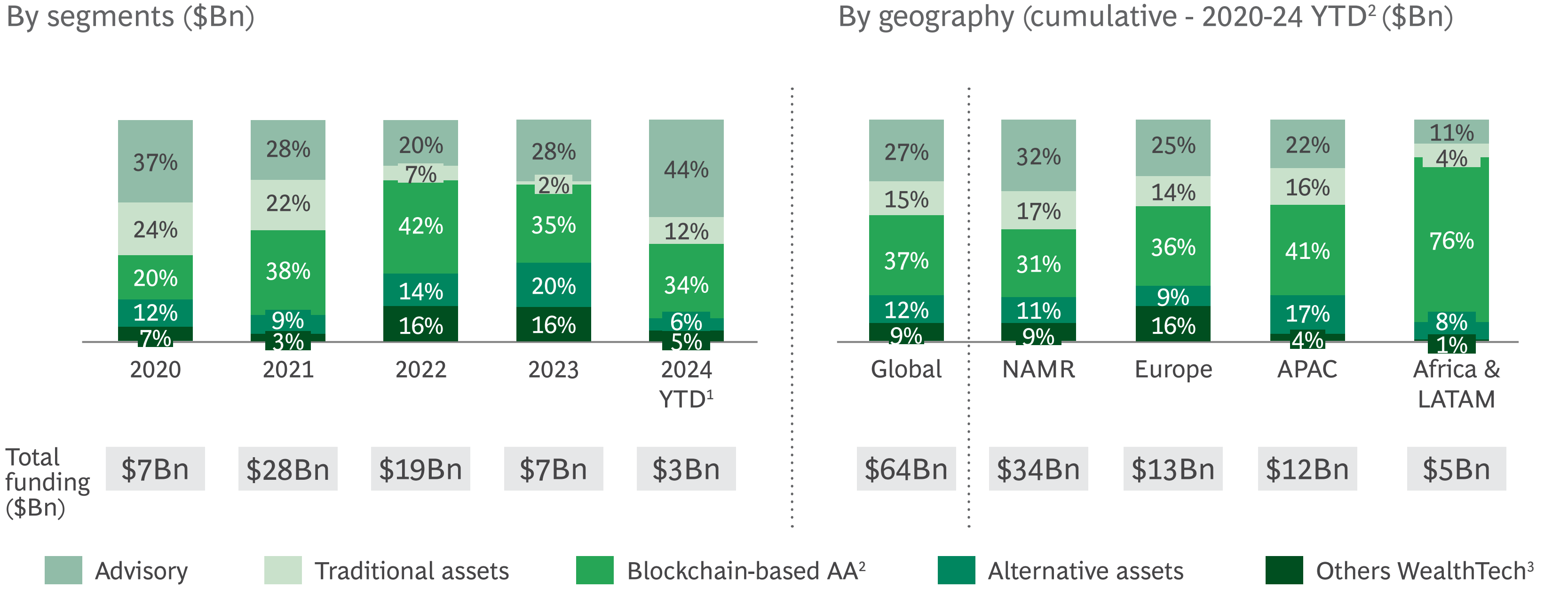
- **Personal unsecured loans continue to drive more than half the share of investments** in Digital Lending; driven by increased availability of alternate data, enabling catering to underserved segments (E.g., Avanse in India)
- **Share of asset-based lending is gradually increasing** due to increased usage of alternative data sources, digital customer interfaces, etc.

- As the **asset-based lending matures in NAMR,** the next wave of growth is likely to come from APAC, Africa, and LATAM
  - Asset-based lending gaining share of investments in Africa & LATAM driven by **mortgage and vehicle financing**
  - Despite initial promise (especially in Gold loans), **asset-based lending has gained limited traction in APAC; tokenization can be a key unlock**
- High share of investments in **unsecured lending in Europe** (driven by the surge of BNPL players) **and APAC, Africa, and LATAM** (catering to underserved segments)
- Investment-based crowdfunding rising in NAMR

1. Includes funding deals till June 2024 2. Others: Includes Credit Score Management, Investment-based Crowdfunding and Donation/rewards companies
Source: BCG Fintech Control Tower: BCG Analysis

Global WealthTech | Advisory segment revitalized by GenAI; alternative assets (esp. blockchain-based) continue to attract investors

Global WealthTech equity funding



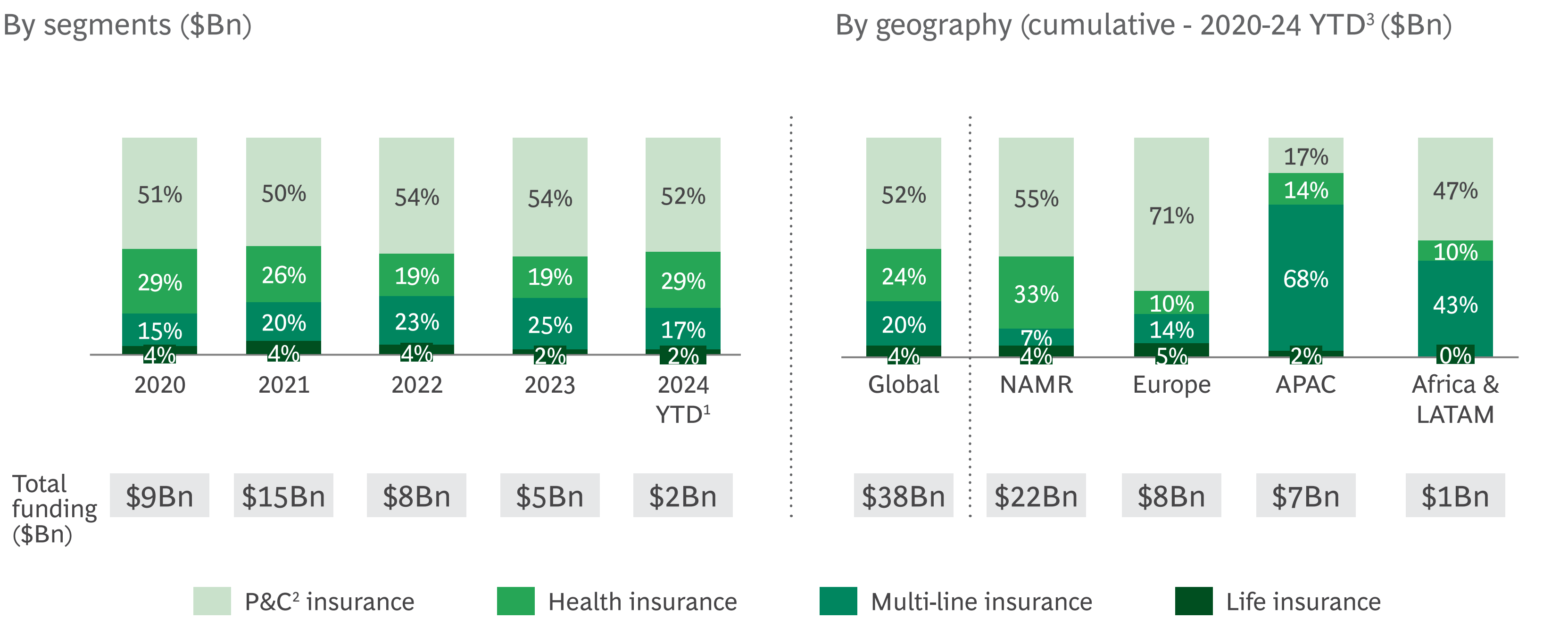
- Advisory gaining share of investments since 2023; GenAI likely to enable disruptive growth in this segment (especially for mass and mass-affluent segments) (E.g., AlphaSense in the USA, Vortexa in the UK)
- Blockchain-based AA maintain share of investments with increasing shift towards digital assets and tokenization use cases

- WealthTech funding dominated by NAMR with ~55% share, funding in emerging economies to grow with increasing affluence
- Blockchain-based WealthTech platforms driving investor attention, with tokenization use cases on the rise (E.g., BitGo and EigenLayer in the USA)

1. Includes funding deals till June 2024 2. Blockchain-Based Alternative Assets 3. Other WealthTech: Includes trade lifecycle management, collaboration and communication, clearing and settlement, risk and compliance, syndication and structuring and core trading tech
Source: BCG Fintech Control Tower; BCG Analysis

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

Global InsurTech equity funding



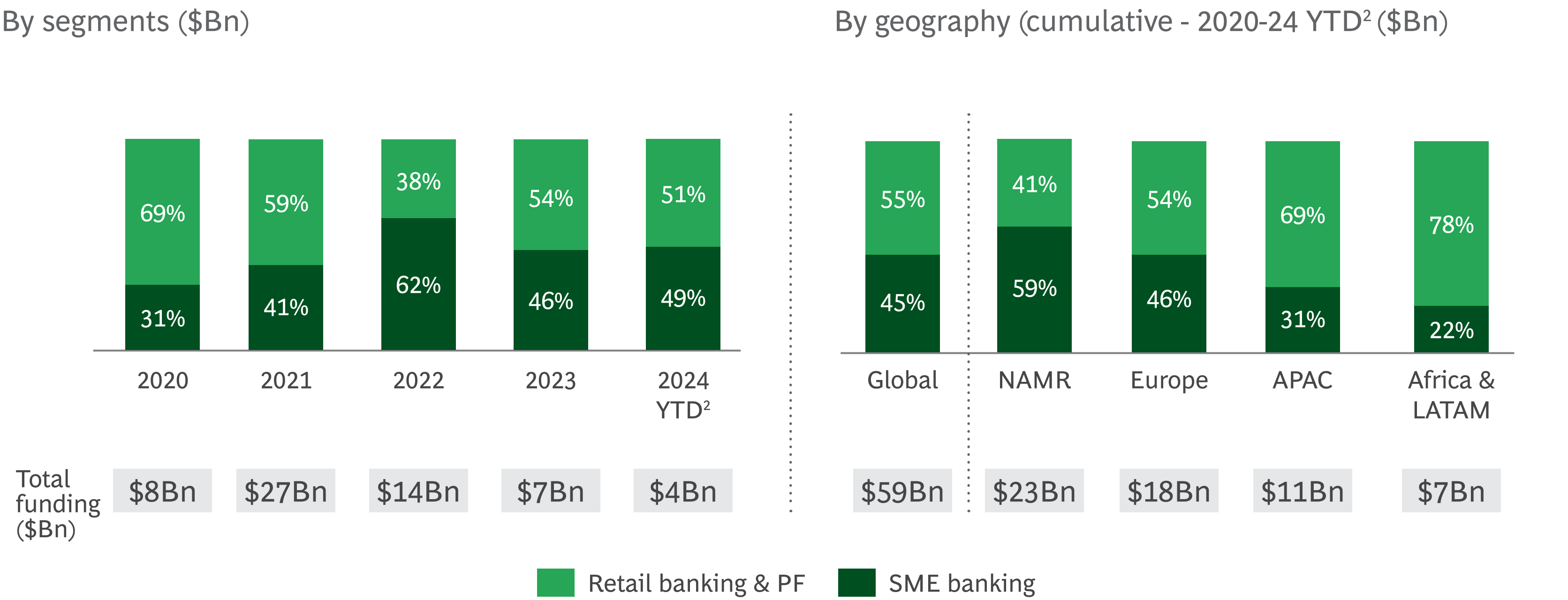
- P&C and health InsurTech, with shorter policy durations continue to drive largest share of funding (E.g., Tractable in the UK)
- Low share of investor interest in life InsurTech; mature market globally

- Funding in InsurTech dominated by developed economies of Europe and 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 2024 2. Property & Casualty
Source: BCG Fintech Control Tower; BCG Analysis

Global Accounts[1] | SME Neo Banks lead in NAMR; retail Neo Banks thrive in APAC, Africa & LATAM

Global Accounts equity funding



- Retail NeoBanks' resurgent in share of funding; especially driven by emerging geographies of APAC, Africa, and LATAM
- SME Neo Banks continue to attract fair-share of funding; B2B model shows potential for generating a scalable, sticky client base to generate steady profits

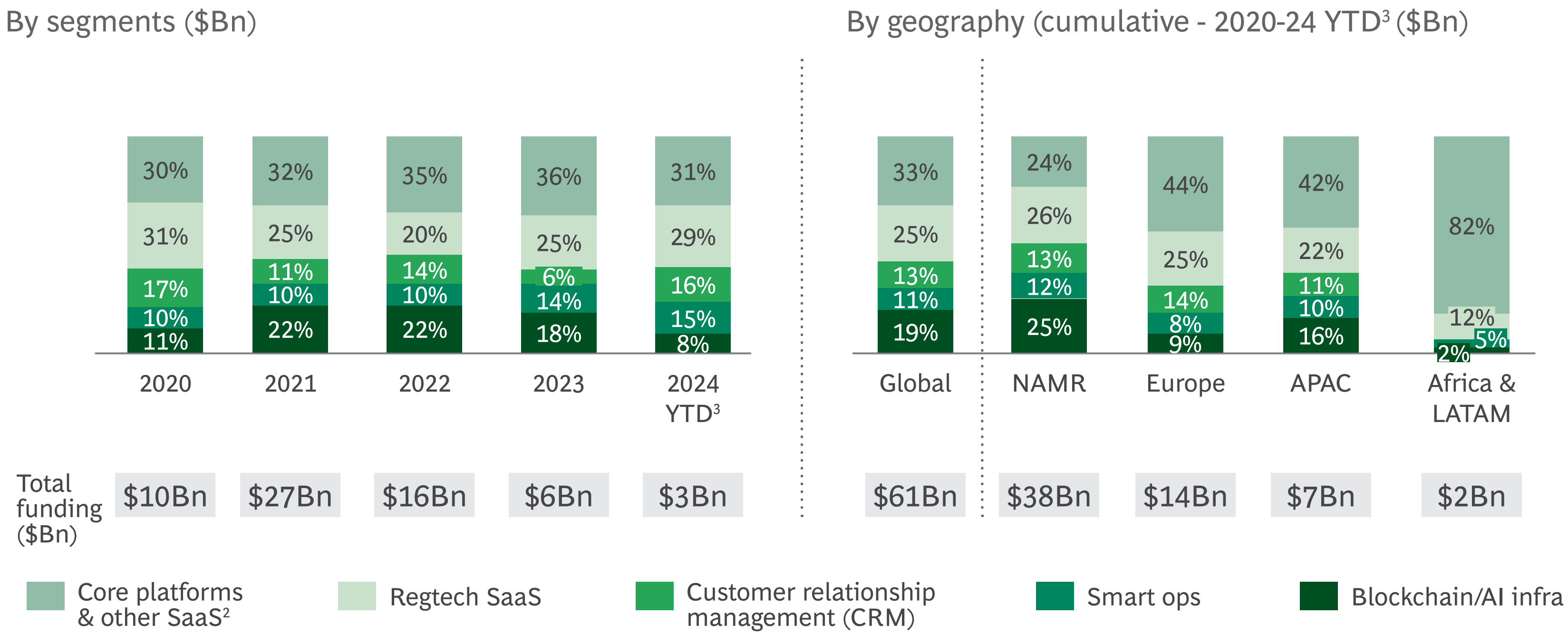
- Retail Neo Banks with lower share of investments in NAMR as traditional banks amp up digitization; to fare better in emerging economies with headroom for financial inclusion
- SME Neo Banks with lower share of investments in APAC/ Africa/LATAM, offering opportunities for disruption

1. Includes financial comparison websites, digital banks, financial educational websites and financial planning/savings solutions
2. Includes funding deals till June 2024

Source: BCG Fintech Control Tower; BCG Analysis

Global Financial Infra[1]| Core platforms and SaaS lead investments; blockchain / AI infra on a decline

Global Financial Infra equity funding



- Core platforms remain steady in the mix of funding, likely to increase as BFSI SaaS Fintech platforms drive global digital maturity (E.g., Solaris in Germany, Perfios in India)
- Blockchain and AI Infra's share in investments declining gradually as investors wait to see evolution of sustainable business models

- 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 ~15% of funding; poised for breakout growth as BFSI SaaS Fintechs (esp. India) drive innovation (E.g., Idfy, Perfios, Lentra in India)

1. Financial Infra: Includes core platform technologies, CRM and 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 2024
Source: BCG Fintech Control Tower; BCG Analysis

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Note: All the names are in alphabetical order

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