



India's fintech evolution... ...from growth to resilience

Perspectives on the
sustainability of the
Indian fintech sector
through the investor lens



Foreword

The Indian fintech sector has been a defining force in reshaping how financial services are accessed and consumed. Over the past decade, fintechs have successfully addressed critical frictions in payments, lending and financial inclusion, delivering immense value to both businesses and individuals. However, the journey ahead **demands a shift from addressing isolated challenges**; it calls for building **integrated value propositions** that transcend silos. **Embedded finance offers precisely this opportunity**, enabling fintechs to weave financial services seamlessly into everyday user experiences, creating an enduring impact for the broader ecosystem.

Artificial intelligence (AI) is rapidly becoming central to this transformation, unlocking unprecedented potential to scale intelligence across operations. From **enabling real-time fraud prevention to powering hyper-personalisation**, AI holds the promise to address complex, systemic challenges. However, this power must be harnessed responsibly. As AI capabilities expand, the need to balance innovation with strong safeguards, ethical frameworks and compliance standards becomes paramount. Investors today recognise this balance as a marker of long-term sustainability, placing governance and resilience at the heart of their evaluation.

Another critical imperative is talent. The future of fintech will not only be shaped by capital or technology but also by the **depth of skills and capabilities within the ecosystem**. Developing a workforce equipped to navigate advanced technologies, regulatory complexity and customer-centric innovation is essential for sustaining momentum and credibility in the years to come.

The Indian fintech story is now entering its next chapter, where resilience, adaptability and responsible innovation become as critical as speed and scale. For fintechs, investors and regulatory bodies alike, the challenge is clear: to build models that are viable, compliant and future-ready, without losing the innovative spark that has fuelled the sector thus far.

I see this moment as the beginning of a stronger, more resilient fintech story, one where innovation thrives responsibly, investors remain confident and India becomes a beacon for the global financial ecosystem.



Akhilesh Tuteja
Partner and National Leader,
Clients and Markets
KPMG in India

Foreword

India's fintech sector is entering a defining phase—one where resilience, trust and sustainable growth, **achieving profitable scale**, are becoming the cornerstones of long-term success. The journey from rapid expansion to enduring value creation reflects the maturity of an ecosystem that is now ready to lead not just nationally, but globally.

This report, '*India's fintech evolution... from growth to resilience*', offers a timely and insightful view into how investors are recalibrating their expectations. It draws on proprietary insights from KPMG in India's deep engagement with private equity and venture capital leaders and highlights the emerging priorities shaping capital flows in 2025 and beyond.

Three themes stand out. First, **compliance is becoming a competitive advantage**. Fintechs that embed KYC, data rights, explainable AI and incident response into their product architecture are accelerating enterprise adoption and reducing risk. Second, **trust is emerging as a growth enabler**. The introduction of a standardised Trust Score—covering security, reliability, governance and financial resilience—is streamlining procurement and unlocking fairer pricing. Third, **profitability is now the right-to-scale**. Investors are backing models with proven unit economics, disciplined customer acquisition cost (CAC) and differentiated outcomes.

India's Digital Public Infrastructure (DPI)—anchored by UPI, Aadhaar and Account Aggregator—has laid the foundation for frictionless origination. The next frontier is **tokenisation of real-world assets**, which promises liquidity, fractional access and new product lanes across wealthtech and credit. Meanwhile, **private credit** is emerging as a strategic lever for balance-sheet-heavy fintechs, offering scalable funding pathways for those with governance maturity and risk discipline.

This report also introduces the **Trust Score 1.0 Blueprint**, a proprietary framework (indicative) designed to certify fintechs on operational reliability, model governance and regulatory hygiene. It is a call to action for founders to institutionalise trust and for investors to align capital with credibility.

I remain deeply optimistic. India's fintechs are not just solving for access—they are setting global benchmarks in innovation, governance and impact. The opportunity ahead is immense.

To founders, investors and policymakers: Innovation is one of the key building blocks for Aatmanirbhar Bharat and the success of fintechs will be a key contributor. Let us build institutions that are not only innovative, but enduring — anchored in trust, driven by outcomes and ready to change the world.



Sanjay Doshi

Partner, Head – Transaction Services and
Head – Financial Services Advisory
KPMG in India

Foreword

India's fintech sector stands at a critical inflection point. Having successfully driven financial inclusion and digital adoption over the past decade, the sector is now being forced to transition from rapid growth to responsible scale. This evolution is not just about expanding reach, but about deepening resilience. Fintechs must now demonstrate operational maturity, regulatory alignment, and the ability to build trust at scale. Clients drive revenue and there needs to be a progressive systemic thought process to get clients to evaluate these fintechs as reliable long term partners, rather than as the cheaper option in the 'faster, better, cheaper' evaluation triangle. The Trust Score 1.0 concept is an attempt to support a transparent manner to assess reliability, governance, and compliance readiness. A higher 'Trust Score' would signify resilient product design, strong cyber posture, robust cloud based IT architecture and a data management framework that aligns to prevalent compliance frameworks.

Regulation, often seen as a constraint, is increasingly being recognized as a strategic enabler. When embedded into product architecture from the outset, it helps fintechs de-risk scaling, accelerate enterprise adoption and build early credibility - all required to attract

institutional capital in segments such as lending, payments, and wealth management where risk exposure is high. Fintechs that treat governance not as a checkbox but as a core design principle are better positioned to navigate complexity and unlock long term value.

As the sector matures, the focus must shift from innovation alone to innovation with integrity. The future of fintech will be shaped by firms that combine agility with accountability, and speed with a high degree of alignment to global regulations. For founders, investors and policymakers, the challenge is to build institutions that are not only disruptive but enduring. I remain optimistic that India's fintechs will continue to set global benchmarks - anchored in trust, driven by outcomes and ready to lead the next chapter of financial transformation.

"In fintech, trust is not built through promises but through architecture. Regulation is not a hurdle; it is the blueprint for scale."

I would like to thank Dr Abhijit Phukon, Joint Secretary, Department of Financial Services, Ministry of Finance, for his continued guidance and support in strengthening India's fintech ecosystem, and anchoring our fintech related discussions to the 'Viksit Bharat' vision.



Vishnu Pillai

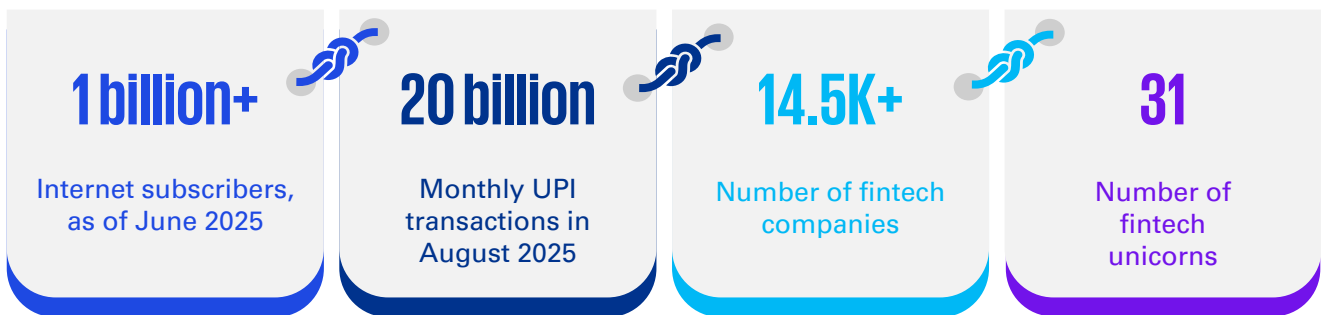
Partner, Financial Services Technology Leader,
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Executive summary

India's fintech sector has seen meteoric growth over the past decade and is now transitioning from rapid expansion to sustainable resilience. With a projected **31 per cent CAGR through 2029**, India continues to offer a strong growth narrative, powered by deepening Digital Public Infrastructure (DPI), widespread Unified Payments Interface (UPI)

adoption and expanding financial services access in tier-II and III cities. Moreover, emerging business models such as decentralised finance (DeFi), embedded finance are helping India leapfrog into the next wave of fintech innovation.

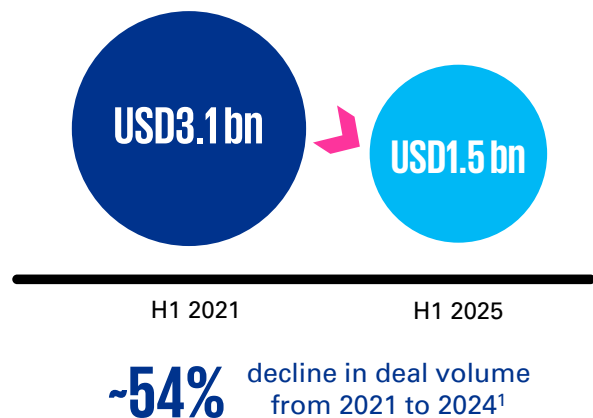
India's digital ecosystem scales new heights



While Indian fintechs continue to show strong fundamentals, private equity (PE)/venture capital (VC) funding has become more selective since its 2021 peak, reflecting global trends and a shift toward more cautious, quality-focused capital deployment, especially at early stages. Capital is increasingly being directed towards mature fintech sub-sectors like lending and payments, which together **accounted for approximately 60 per cent of total funding in H1 2025¹**. These segments are favoured by investors for their ability to deliver more predictable and stable returns.

This reflects a deeper, long-term evolution in investor priorities and approach.

Funding received by the fintech sector



From growth to governance: The new investor playbook

Investor priorities have shifted from aggressive expansion to strategic resilience. Sustainable unit economics, regulatory alignment and a clear path to profitability are now being considered among the key benchmarks of success, replacing the once-dominant fast-paced growth mindset. This shift is driven by multiple factors:



Sources for the data indicated in the executive summary are provided in the subsequent sections

1. VCCEdge, KPMG in India analysis

PE/VC firms are recalibrating their investment strategies, prioritising:

Scalable growth metrics

Fintechs must optimise customer acquisition cost (CAC) and deliver measurable and high-impact outcomes



Governance as a growth enabler

Fintechs with built-in governance reduce risk and attract sustainable investor interest



Monetising the invisible

Fintechs should build interoperable, application programming interface-driven (API) platforms to scale and monetise middleware



Talent and leadership quality

Fintechs with glocal, execution-driven leadership are better positioned for sustainable value creation and funding



Fintechs can boost credibility by adopting a trust score covering security, governance and reliability. This aids due diligence, supports fair pricing and signals operational maturity to investors focused on resilience and transparency.

Opportunities shaping the next wave

Digital lending	With millennials and Gen-Z driving credit adoption, fintechs can develop digital-first lending experiences focused on embedded finance
Regtech	Rising cyber threats drive demand for regtech solutions that combine fraud analytics, biometrics and blockchain
Insurtech	Mobile-first life insurance products developed for gig workers and youth, can expand coverage and enhance customer experience
Wealthtech	Artificial intelligence (AI)-powered investing tailored to India's digital investors grows through scalable, trust-building hybrid advisory models

Charting the future of fintech in India

Tapping the vast, underpenetrated domestic market will be key to sustainable scaling

Fintechs must deliver value beyond AI, anchored in clear intellectual property and validated outcomes

Tokenisation will unlock micro-investment opportunities and enable real-time portfolio management

Private credit is poised to become a long-term funding engine for fintech expansion.

Investor perspectives on the Indian fintech landscape



Hemant Mundra, Managing Director, Warburg Pincus India Private Limited

"Valuation is an outcome. Build a core business with a clear right-to-win, and leverage trust frameworks to reduce friction and accelerate adoption."



Niren Shah, Managing Director and Head of NVP India, Norwest Venture Partners

"Capital is plentiful in FinTech, but true differentiation defines the winners. Long-term success in FinTech demands a focus on profitability-first approach. Within FinTech in lending, unlock the power of 4Cs (Compliance; Cost-to-AUM; Credit; Collections) to earn the right-to-play, right-to-win, and right-to-scale."



Vinit Mehta, Managing Director, Motilal Oswal Alternates

"Regulation acts not only as a safeguard but as a catalyst for innovation. Strong governance provides clear boundaries and fosters creative freedom to achieve accelerated, sustainable growth."



Saravanan Nattanmai, Partner, Premji Invest

"India's Digital Public Infrastructure has been transformative. The next big unlock lies in expanding wealth and asset management, private credit and enabling tokenisation under clear policy frameworks."

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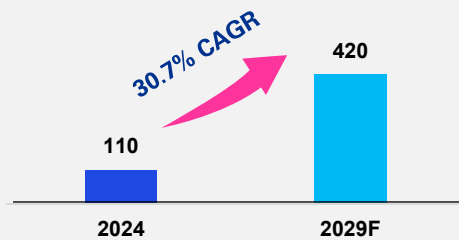
1. India's evolving fintech ecosystem

India's fintech sector has undergone a remarkable transformation over the past decade, evolving from a niche enabler of digital payments into a foundational pillar of the country's digital economy. The journey began with the digitisation of banking services and accelerated with the launch of the UPI in 2016, which revolutionised real-time, interoperable transactions and set a global benchmark for innovation. Building on this foundation, the sector has expanded into diverse financial services, including lending, insurance and embedded finance, driving financial inclusion

and innovation across diverse demographics.

Today, Indian fintechs are not just bridging the access gap but are also shaping global best practices in digital finance, playing a key role in the nation's digital economy. Recognising their importance, the Department of Financial Services (DFS) of India established the Inter-ministerial Industry Committee on Fintech (IMICF) in 2025 to develop a cohesive national strategy and address regulatory priorities for long-term sectoral growth.

India's fintech market size (USD bn)¹



Signals a shift towards **structural maturity and resilience**



Presents an upward trajectory for **long-term sustainability and global relevance**

As India's fintech ecosystem matures, its growth is anchored by strong core drivers building scale and resilience, while disruptive forces are expanding global relevance. Together, these dynamics position the sector for deeper inclusion and sustained innovation.

Core drivers

Digital connectivity is powering fintech reach with over 1 bn internet users (as of June 2025)²

UPI crossed 20 bn monthly transactions in August 2025, signaling scale and infrastructure maturity³



Tier-II and III cities fuelling fintech growth, with 51 per cent of startups emerging from them⁴

Payments Vision 2025 and IndiaStack, among other frameworks, are supporting the growth in fintech sector

Startups surge from 502 (2016)⁴ to 1.93 lakh+ (2025)⁵, creating a ground for fintech innovation and structured growth.

Disruptive drivers

DPI integrated identity, payments and data layers to enable secure transactions across India

Decentralised finance uses blockchain to enable low-cost, peer-to-peer financial transactions



Indian fintechs are **expanding into Southeast Asia, Africa and the Middle East**, leveraging their tech stack

UPI is evolving with offline payments and voice-based transactions for feature phone users, enhancing accessibility

Embedded finance simplifies access to financial products by integrating them into non-financial platforms.

1. FinTech, AI and Digital Payments: Shaping the Future of Finance, NPCI, 29 August 2024

2. The Indian Telecom Services Performance Indicators, April-June 2025, Telecom Regulatory Authority of India (TRAI), 3 September 2025

3. UPI product statistics, NPCI, accessed on 24 September 2025

4. India's Startup Revolution, PIB, 1 February 2025

5. Startup India website, DPIIT, accessed on 24 September 2025

2. Global competitiveness of Indian fintechs

India has firmly positioned itself as one of the fastest-growing fintech ecosystems globally. Driven by a large, digitally savvy and mobile-first population, progressive regulatory frameworks and a vibrant startup landscape, the country continues to strengthen its position among global fintech leaders such as the U.S. and the U.K.

A key contributor to this success is India's leadership in digital payments and financial infrastructure, powered by its robust DPI. This foundational stack, comprising Aadhaar, UPI and the Account Aggregator (AA) framework, has revolutionised the way financial services are

delivered. As of April 2025, Aadhaar had facilitated over 150 bn authentication transactions¹, while UPI averaged 657 mn daily transactions as of 21 September 2025² and currently ranks among the world's leading retail fast payment systems by transaction volume³.

The adoption of AA is gaining momentum, enabling secure, consent-driven data sharing that supports faster underwriting and more personalised credit experiences. Together, these interoperable layers have significantly reduced friction, spurred innovation and fostered a more inclusive and dynamic digital finance ecosystem.

Parameters	India	U.S.	U.K.	Australia	China	Singapore
Overview of the fintech sector						
Number of fintech firms ⁴	3rd 14,542	44,595	16,088	4,530	4,253	3,471
Unicorns ⁴	4th 31	197	41	3	37	11
Unicorn valuation, % of GDP - Country rank ⁵	4th 8	1	1	14	12	1
Fundings received in the last 10 years (USD bn) ⁴	4th 40.8	365	105	13.8	46.3	15.3
Key drivers supporting the growth of the sector						
Smartphone users (in mn) ⁶	2nd 701	310	57	25	859	6
Share of people using mobile payments (%) ⁷	2nd 59	22	33	37	66	48
Digital skills index rank ⁸	3rd 12	11	33	38	16	2

1. Aadhaar authentication crosses 150 billion transactions, powering India's digital economy and welfare services, IBEF, 19 May 2025

2. Monthly Product Statistics, NPCI, accessed on 29 September 2025

3. Growing Retail Digital Payments: The Value of Interoperability, International Monetary Fund (IMF), 25 June 2025

4. FinTech Sector, Tracxn, accessed on 29 September 2025

5. Global Innovation Index 2024, World Intellectual Property Organization (WIPO), 26 September 2024

6. Number of smartphone users in 2024, by country, Statista, 25 June 2025

7. Share of people using mobile payments in 53 countries & territories worldwide, as of January 2025, Statista, 10 July 2025

8. IMD World Digital Competitiveness Ranking 2024, IMD, November 2024

India and its global peers driving fintech innovation forward

India

- Jan Dhan, Aadhaar and mobile (JAM) Trinity and UPI have enabled financial inclusion and digital payments at scale¹
- The volume of digital payment transactions, including UPI, surged from 21 bn in FY18 to 228 bn in FY25, marking a 41 per cent CAGR². This surge reflects strong government support for fintech innovation through platforms that provide regulatory and infrastructure backing
- The regulatory sandboxes introduced by SEBI, RBI, IFSCA and IRDAI, allowing fintechs to test in controlled environments, with cohorts focused on retail and cross-border payments and micro, small and medium enterprise (MSME) lending³.

SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; IFSCA: International Financial Services Centres Authority; IRDAI: Insurance Regulatory and Development Authority

The U.S.

- The centralised portal for federal grants through Small Business Administration (SBA), offers access to project-specific grants for R&D and digital innovation⁴
- The White House's 2025 strategy prioritises AI innovation, open-source development and adoption. The U.S. also outlined regulatory and legislative proposals in July 2025 for anti-money laundering (AML)/countering the financing of terrorism (CFT) compliance, DeFi and blockchain oversight⁵
- California's consumer protection laws require fintechs to enhance transparency and strengthen data protection. U.S. fintech innovation is focused on emerging areas, including AI, blockchain, quantum computing and regtech⁶
- Fintechs could leverage momentum from large tech participation in payments, lending and blockchain, while strengthening differentiation to navigate emerging challenges⁷.

The U.K.

- The Regulatory Innovation Office (RIO), launched in 2025, aims to streamline digital regulation and reduce compliance burdens for fintech firms⁸
- The Centre for Finance, Innovation and Technology (CFIT) was introduced in 2023 to form time-bound coalitions of experts from finance, technology, academia and policy to identify and remove barriers to fintech growth⁹
- The U.K.'s Digital Regulation Plan, launched in 2021, promotes a pro-competition regime for digital markets, including fintech and supports innovation through coordinated oversight and streamlined approvals¹⁰.

1. JAM (Jan Dhan, Aadhar, Mobile) TRINITY and digital revolution: A Decade of Financial Inclusion, Transparency and Corruption Free India, PIB, 20 December 2024
 2. Comprehensive reforms taken up to instill credit discipline in PSBs, PIB, 11 August 2025
 3. Inter-operable Regulatory Sandbox (IoRS), RBI, 17 September 2025
 4. U.S. Small Business Administration, accessed on 30 September 2025
 5. Winning the Race America's AI Action Plan, The White House, 10 July 2025

6. California Consumer Privacy Act (CCPA), State of California Department of Justice, 13 March 2024
 7. KPMG in India analysis
 8. Regulatory Innovation Office to help streamline regulation, helping the UK's world-leading fintech sector, UK Government, 1 July 2025
 9. Landmark moment for UK fintech with the launch of CFIT, Centre for Finance, Innovation and Technology (CFIT), 28 February 2023
 10. Digital regulation: overview of government activity, UK Government, 6 July 2021

Singapore

- Singapore's fintech sector operates under a layered regulatory framework, including the PSA, SFA, FAA on their specific activities and the phased Financial Services and Markets Act 2022¹¹
- Since 2015, MAS has announced three tranches of funding totalling over ~USD351 mn* under the FSTI scheme¹², with the latest phase focusing on advancing AI, analytics, cybersecurity and ESG innovation. It also launched the fintech sandbox in 2016, which has expanded through two additional iterations to enable experimentation and innovation¹³
- The MAS established the Fintech And Innovation Group (FTIG) in 2015, to drive technology-led financial sector efficiency and risk management through progressive regulatory and development strategies¹⁴
- The Global Finance And Technology Network (GFTN) strengthens Singapore's position as a global fintech hub by fostering international collaboration¹⁵, while the RegTech Grant (2021) provides financial assistance to fintechs to improve risk management and compliance functions¹⁶.

PSA: Payment Services Act; SFA: Securities and Futures Act; FAA: Financial Advisers Act; MAS: Monetary Authority of Singapore; FSTI: Financial Sector Technology and Innovation; ESG: Environmental, Social and Governance

China

- The Shanghai fintech action plan, launched in 2024, outlines measures to position the city as a global fintech hub, including support for startups, digital yuan (e-CNY) applications and infrastructure development¹⁷
- The high-quality digital finance action plan, launched in 2024, aims to accelerate digital transformation, strengthen data governance and integrate AI and big data into financial services¹⁸
- The Hong Kong Monetary Authority (HKMA) introduced the second round of the Fintech Supervisory Sandbox 3.1 pilot in 2024 to support promising fintech projects with development-stage funding and regulatory guidance¹⁹.

*The currency has been converted as per the conversion rate of USD1 = SGD1.28, as of 24 September 2025

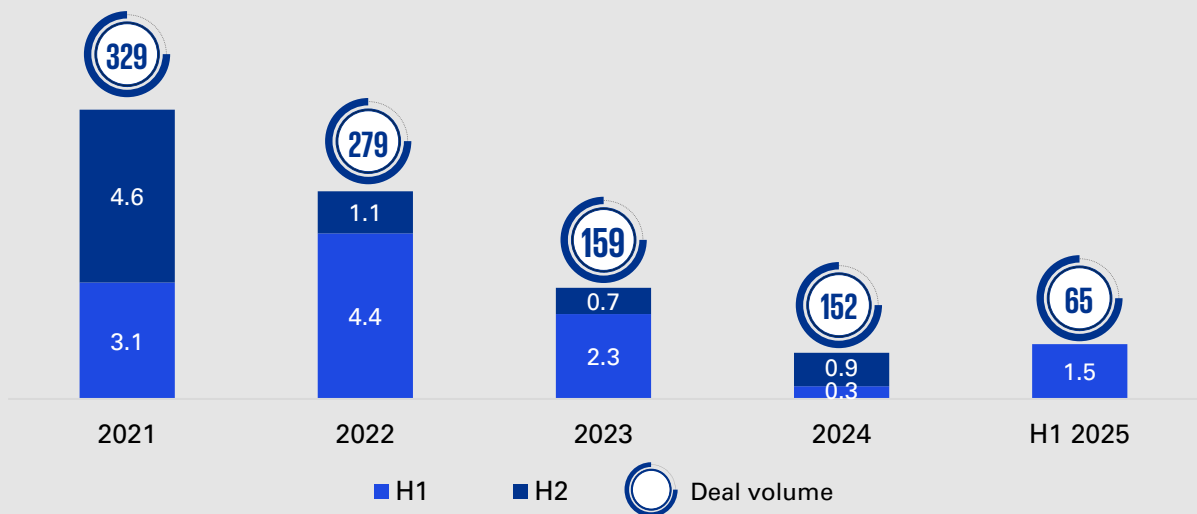
11. Financial Services and Markets Act 2022, Monetary Authority of Singapore, 10 May 2024
12. MAS to commit S\$150m for FSTI scheme over next 3 years; consults on ending corporate cheques by 2025, Singapore Economic Development Board, 2 November 2022
13. MAS Enhances FinTech Regulatory Sandbox with Sandbox Plus, Monetary Authority of Singapore, 9 November 2021
14. MAS sets up new FinTech & Innovation Group, Monetary Authority of Singapore, 27 July 2015
15. MAS Announces Establishment of Global Finance & Technology Network for Next Phase of FinTech Growth, Monetary Authority of Singapore, 30 October 2024
16. Regulatory Technology Grant, Monetary Authority of Singapore, accessed on 30 September 2025
17. Shanghai unveils action plan to be leading global fintech hub, Shanghai Municipal People's Government, 19 September 2024
18. Action Plan for Promoting High-Quality Development of Digital Finance is Unveiled, People's Bank of China, 21 November 2024
19. Fintech Supervisory Sandbox (FSS), Hong Kong Monetary Authority, accessed on 30 September 2025

3. India's fintech funding reset: Moving towards long-term value

India's fintech sector experienced a surge in deal activity in 2021, propelled by accelerated digital adoption, the rollout of robust DPI and heightened demand for digital payment solutions in the post-pandemic landscape. However, deal activity has steadily declined since, largely due to tightening global liquidity, compressed valuations and

increased investor caution amid macroeconomic volatility. Overall deal activity saw modest growth in H1 2025. However, investor appetite for large-ticket transactions surged, with deals over USD50 mn rising to 12 in H1 2025, up from just 1 in H1 2024¹, signalling a pivot towards larger, more strategic investments in fintech startups.

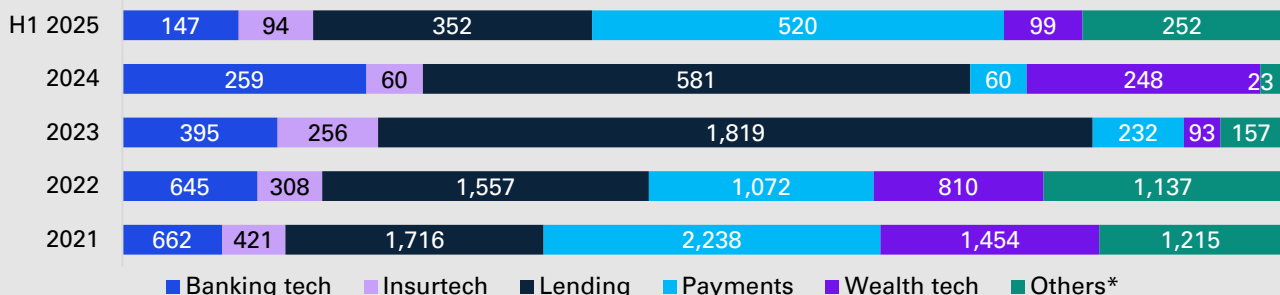
Deal activity in fintech has remained subdued over the past 3 years¹ (USD bn)



The payments and lending segments have led the deal activity during H1 2025 in the fintech sector, maintaining a dominant share of funding. Strong consumer demand for digital payments and credit continues to fuel this momentum. India's expansive addressable market, combined with monetisation potential and key enablers such as a mature digital ecosystem, supportive regulatory

environment and widespread smartphone adoption, has created fertile ground for scalable fintech solutions. As observed in KPMG International's Pulse of Fintech H1 2025, this trend also resonates in other emerging markets across Southeast Asia, Latin America and Africa, driven by mobile-first behaviour and rapid infrastructure advancements.

Lending and payments subsectors are dominant drivers of fintech funding¹ (USD mn)



*Others include remittance, crowdfunding, trading platforms and accounting software, among others

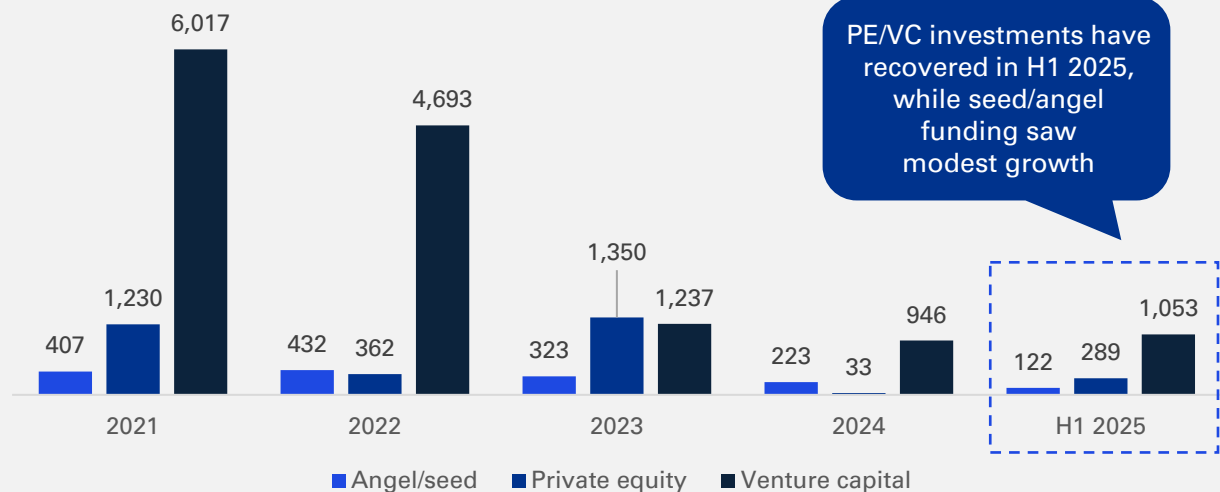
1. VCCEdge, KPMG in India analysis

Investor focus shifts to late-stage startups with clear paths to sustainable growth

Deal activity in India's fintech sector has undergone a notable realignment, with seed-stage funding declining steadily since 2023. This downturn in early-stage capital flows reflects broader macroeconomic headwinds, including elevated interest rates, persistent inflation and

geopolitical uncertainty. In contrast, PE/VC investments rebounded in the first half of 2025, with investor capital increasingly concentrated around late-stage startups with validated business models, leaving early-stage ventures with limited access to funding.

Investor appetite has shifted towards late-stage ventures, with renewed interest in H1 2025¹ (USD mn)



Average deal value experienced a sharp rise in H1 2025¹

Year	2021	2022	2023	2024	H1 2025
Average deal value (USD mn)	21.4	20.0	16.0	10.0	22.5

Note: Deals covered pre/accelerator/incubator, angel, seed, early-stage VC, later-stage VC and others

1. VCCEdge, KPMG in India analysis

4. PE/VC firms' focus shift from scale to stability

The investment climate in India's fintech sector continues to evolve, influenced by a complex mix of global economic challenges and domestic factors. This has led investors to exercise greater caution, placing increased importance on the ability of startups to operate efficiently and generate sustainable cash flows without relying heavily on continuous capital injections.

Fintechs are navigating tighter compliance around data privacy, risk and customer protection, raising governance demands. These requirements drive significant costs across corporate governance, domain-specific regulations and maintaining secure technology standards, especially in payment infrastructure. The Digital Personal Data

Protection Act (DPDPA) introduces additional compliance considerations, prompting early investments in secure infrastructure and consent management systems.

As consolidation gains momentum, investors are focusing on scalable platforms with strong governance and compliance readiness. Fintechs that maintain transparency and internal controls while scaling are better positioned for partnerships, acquisitions and funding. To thrive in this environment, fintechs must evolve from growth-driven disruptors to resilient, compliance-ready institutions capable of delivering long-term value.

Key factors driving the investment landscape

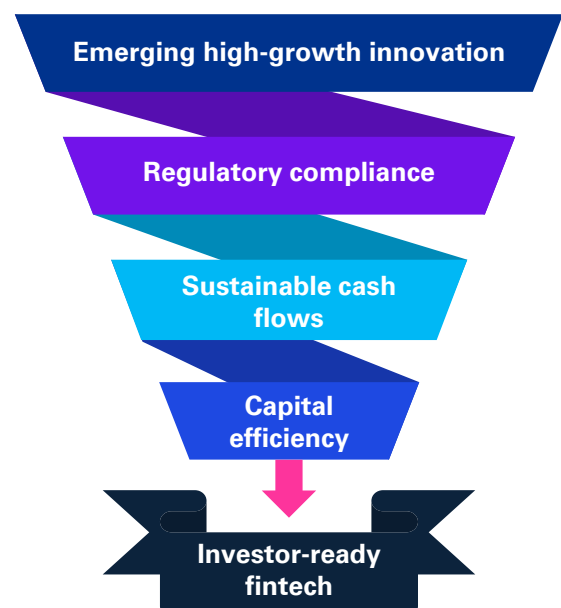
Calibrated funding

While capital remains accessible, the current funding slowdown reflects a more selective approach, favouring ideas with clearer profitability trajectories. Investors are becoming more selective, prioritising viable business models over high-growth expansion plans. This shift stems from multiple pressures converging across markets. Limited exit opportunities are tempering enthusiasm for late-stage bets. Portfolio corrections from previous overvaluations are prompting a sharper focus on fundamentals.

Responding to this recalibrated environment, fintech companies are contending with slower funding cycles and higher thresholds for capital access. Models reliant on scale-first approaches without sustainable margins are drawing less attention. With capital flowing more conservatively, investors are focusing on companies that have innovation, along with commercial clarity, execution capability and fiscal responsibility.

This recalibration of expectations places greater value on resilience and operational clarity over ambitious growth projections. In response, companies are pivoting their strategies to preserve runway and align with investor priorities:

- **Enhancing cash efficiency:** Focused efforts on improving cost efficiency through streamlined marketing strategies and revised vendor agreements
- **Driving revenue growth:** Emphasis on enhancing customer value via upselling, introducing new offerings and exploring diversified income channels
- **Optimising cash flow:** Startups are shaping clear pathways to breakeven and sustainable cash flows, with attention to unit economics and governance
- **Securing bridge round:** Many firms are securing bridge rounds from existing investors to support short-term growth needs.



Data security and technology shifts

Changing technological landscapes and rising concerns over digital safety are reshaping investor expectations in fintech. With financial services becoming increasingly digitised, firms are placing greater emphasis on platforms that can seamlessly incorporate emerging technologies while maintaining robust safeguards around user data.

Cloud-native architecture, AI-led infrastructure and API-driven models are gaining traction, but with them comes heightened scrutiny around

system resilience and cyber readiness. Investors are becoming more selective due to growing risks and regulatory demands, driven by:

- High-profile cyber incidents, raising red flags about operational resilience
- Tighter regulatory oversight, increasing accountability around digital compliance
- Heightened user awareness, amplifying reputational risks tied to data misuse.

Regulatory maturity

India's evolving regulatory framework is shaping up to bring order, transparency and consumer protection to an increasingly complex fintech ecosystem, reinforcing investor confidence in financial stability and responsible innovation. Investors recognise that with rapid digital adoption and increasing transaction volumes, robust guardrails are essential to prevent systemic risks such as fraud and data breaches.

To support long-term growth and ease of doing business, a continued focus on simplified and customised regulatory guidance is essential, especially in fast-moving fintech and startup

markets where compliance planning can be complex.

Key regulations include:

- Standardised know-your-customer (KYC) protocols and restrictions on default loss guarantees to enhance systemic resilience
- RBI's advocacy for Self-Regulatory Organisations (SROs) to ensure responsible innovation and scalable governance
- The enactment of the DPDPA and the data localisation mandate adds new layers of compliance.

Macroeconomic and geopolitical concerns

Shifting dynamics in the global economy and evolving geopolitical factors are influencing the investment landscape for fintech enterprises in India. Investors are increasingly considering external variables that may affect market stability, capital flows and regulatory environment beyond domestic controls.

Key factors being closely monitored include:

- Changes in trade and partnerships shaped by external market conditions

- Fluctuating currency trends contributing to elevated funding costs and pressure on profitability
- Operational cost adjustments and evolving consumer behaviour influenced by global inflationary patterns
- Increasing compliance requirements arising from policy developments in international markets.

5. What PE/VCs are prioritising in 2025?

Scalable growth metrics



Investor priorities are shifting from scale to building sustainable, measurable growth. To attract investor confidence, fintechs should demonstrate strong unit economics by optimising CAC, adopting capital-light models and delivering differentiated outcomes, such as enhanced profitability, reduced fraud and higher customer lifetime value. Additionally, pricing strategies need to evolve towards value-based models, charging for real impact like faster collections and lower losses, rather than volume or access. The emphasis is shifting towards fintech companies that demonstrate:

- Improved profitability ratios by streamlining operations and optimising cost structures
- Internal systems for tracking unit economics, contribution margins and efficiency ratios, making performance transparent
- Moving focus from rapid user acquisition to engaging and retaining high-value users with strong lifetime value potential.

Governance as a growth enabler



Governance has emerged as a central pillar in investor evaluation, reflecting enterprise maturity, operational discipline and readiness for sustainable scale. In fintech, where innovation can be disruptive, strong compliance is essential to safeguard financial system stability. Companies that proactively embed KYC, data rights, explainable models, collections governance and incident response into their product architecture reduce risks such as financial fraud and money laundering and build long-term resilience and trust. To align with this shift, the companies could focus on:

- Establishing adaptive risk and audit functions to continuously monitor operational integrity and regulatory adherence
- Creating and continually enhancing robust governance policies that align with privacy regulations and instil trust in data handling
- Integrating regulatory compliance checks at the prototype stage to support de-risk scaling and ensure readiness for evolving demands.

Monetising the invisible



Fintechs that automate support-layer infrastructure, such as payment rails and backend systems, are increasingly attracting investor interest. Scalable automation across sub-segments, including lending, payments and other verticals, is emerging as a key growth driver. Rather than focusing on consumer-facing scale, fintechs can monetise middleware by offering API-based platforms, anchored by decisioning engines, collection platforms and fraud layers to create scalable and defensible business models. To stay investment-ready in this evolving landscape, fintechs are expected to prioritise:

- Reducing dependency on legacy systems by adopting cloud-native middleware solutions and ensuring disaster recovery capabilities
- Real-time fraud monitoring layers using behavioural analytics and anomaly detection
- Developing of interoperable systems that integrate easily across banks, non-banking financial companies (NBFCs) and fintech ecosystems.

Talent and leadership quality



In an increasingly selective funding environment, people strategy is emerging as a critical determinant of long-term value creation in the fintech sector. Investors are looking beyond the founder vision to assess the depth, diversity and maturity of leadership across the organisation. Leadership strength is now defined not only by the ability to navigate uncertainty and attract top-tier talent but also by the capacity to build teams with a global quotient, professionals who bring global perspectives while remaining deeply attuned to local market dynamics.

While India's fintech market is attractive, adopting efficient solutions successfully applied in other geographies could accelerate problem-solving and innovation domestically. This blend of global

insight and local execution is increasingly viewed as a strategic advantage in shaping resilient, scalable and future-ready fintech enterprises. To position themselves for sustainable capital inflows, fintechs should prioritise:

- Building experienced leadership teams with demonstrated expertise across financial services and technology
- Strengthening organisational design by aligning roles, incentives and accountability across business functions
- Attracting and retaining domain specialists in key areas such as compliance, product and data science.

Exit visibility: Initial public offering (IPO)-readiness, mergers and acquisitions (M&A) potential



For fintechs in India, the ability to present clear, credible exit pathways has become a key consideration during capital deployment. With extended investment horizons and increased expectations around capital returns, clear visibility into value realisation has become a critical part of investor evaluation.

Beyond growth trajectories, investors are assessing a company's ability to translate scale into tangible exit opportunities, including IPOs, an acquisition or secondary liquidity. To strengthen their investment appeal, fintechs should focus on:

- Institutionalising IPO-readiness by adopting public-market standards in governance, financial reporting and internal controls well ahead of a potential listing
- Enhancing M&A attractiveness through a differentiated product portfolio, strong market positioning and integration-ready operations
- Structuring capitalisation tables to facilitate secondary liquidity, enabling early investors to exit without compromising ownership stability.

Investor lens on fintech growth

Resilience is emerging as fintech's competitive edge. Embedding compliance from the outset and elevating operational resilience to a board-level priority are no longer optional; they are foundational. Firms that design for regulatory alignment and robust governance earn investor trust and position themselves for sustainable growth. Today, resilience through cybersecurity, incident response and business continuity planning is considered a baseline expectation.

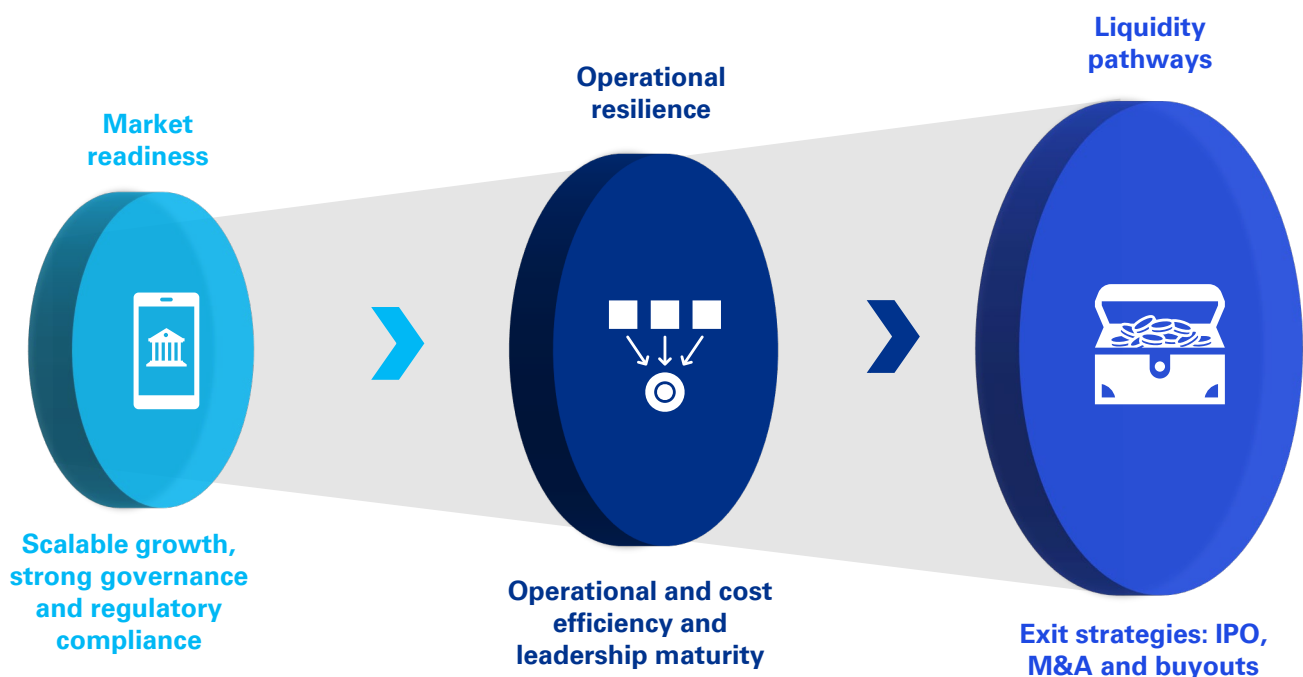
To build credibility, fintech companies can adopt an auditable trust score encompassing key dimensions such as security, reliability, governance, complaint ratios and loss experience. This helps streamline vendor due diligence and promote fair pricing and signals maturity to investors. As the sector matures, investor focus is shifting beyond pure innovation towards operational discipline, transparency and resilience.

However, resilience alone is not enough. For fintechs to remain truly productive and

competitive, they must solve problems in a faster, better and more cost-efficient manner, with all three attributes applied simultaneously rather than selectively. This triad of efficiency is becoming a litmus test for scalability and relevance in a crowded market.

Beyond resilience, trust and credibility, embedded compliance and governance are emerging as critical differentiators. Fintechs that integrate governance at the design stage, covering board independence, financial discipline and compliance rigour, signal long-term viability and readiness for institutional partnerships.

Together, these elements form a robust framework for capital deployment in India's dynamic fintech landscape. Investors are increasingly backing companies that treat resilience, governance and compliance as core assets that enable sustainable growth, fair pricing and institutional trust.



6. Opportunities shaping the next wave

India's fintech sector has advanced beyond the maturity of digital payments, entering a new phase marked by innovation across verticals, such as digital lending, regtech, cross-border finance, insurtech, embedded finance and wealthtech.

Fueled by rising consumer demand, regulatory tailwinds and scalable technology, these segments are redefining financial access, personalisation and compliance in a digital-first economy.

Digital lending



- A significant portion of India's population remains underbanked; leveraging Aadhaar-based electronic-KYC (e-KYC) and alternative credit scoring can unlock access to formal credit for first-time borrowers in rural and semi-urban regions
- With millennials and Gen-Z driving credit adoption, fintechs can craft seamless, digital-first lending experiences focused on speed, convenience and embedded finance, including

buy now, pay later (BNPL) offerings. For instance, the BNPL customer base for online retail in India is expected to grow at a robust CAGR of 43 per cent (2021-2026)¹

- Developing specialised lending solutions, such as invoice financing, micro-loans and sector-specific credit products can address the evolving needs of emerging consumer and business segments.

Regtech



- AI-powered regtech can streamline complex regulatory workflows, enabling automation of compliance processes related to KYC, AML and data privacy under RBI, SEBI and IRDAI norms while significantly reducing manual effort
- Rising cyber threats present an opportunity for developing regtech solutions that integrate fraud analytics, behavioural biometrics and

blockchain to strengthen digital security and regulatory compliance

- Financial institutions can benefit from cloud-based platforms that offer real-time monitoring and automated alerts, helping them stay ahead of frequent regulatory changes and reduce compliance risk.

Cross-border finance



- Empowering small exporters, particularly MSMEs that drove ~46 per cent of India's total exports in FY24², through embedded trade finance, automated compliance and foreign exchange (FX)-hedging can unlock liquidity and enhance global competitiveness amid slow settlements and complex documentation
- Capturing India's growing remittance market, which saw a 14 per cent rise in FY25³, is

possible through digital channels offering instant transfers, multi-currency wallets, mobile remittance solutions and low-cost corridors

- Strengthening cross-border flows by embedding AI-driven KYC, dynamic compliance checks and automated risk monitoring can mitigate AML and FX compliance risks while improving operational efficiency.

1. Number of buy now pay later (BNPL) users in retail in India in 2021, with projections for 2026, Statista, 2 July 2025

2. Budget 2025-26: Fuelling MSME Expansion, PIB, 4 February 2025

3. Remittances by Indians working abroad scale record high of \$135 billion in FY25, newsonair.gov, 1 July 2025

Insurtech



- Flexible, bite-sized and group-based digital life policies products tailored for gig workers and younger demographics can gain traction as employment models shift away from traditional structures
- Expanding coverage through mobile-first platforms and embedded insurance via partnerships with e-commerce players, NBFCs and rural networks can address the large uninsured population affected by limited access and low awareness
- Deploying AI/machine learning (ML) in claims processing can transform customer experience by enabling real-time fraud detection, faster settlements and seamless digital claims journeys.

Embedded finance



- Engaging retail investors through gaming, content and commerce apps by integrating systematic investment plans (SIPs), micro-investments and fractional equity can drive participation and democratise wealth creation, overcoming low engagement with standalone platforms
- Embedding working capital and invoice financing into enterprise resource planning (ERP) tools, point of sale (POS) systems and digital marketplaces enables real-time credit access for small and medium businesses (SMBs), addressing challenges of fragmented data and limited collateral
- Integrating instant pay, earned-wage access and micro-savings into gig and delivery platforms can unlock financial inclusion and stability for gig workers lacking timely payouts, savings tools and credit history.

Wealthtech



- AI-powered advisory enables hyper-personalised investing tailored to India's digitally native investor base. Scaling advice-led engagement through hybrid models blending tech and human insight presents an opportunity to deepen trust and expand reach across wealth segments
- Fractional ownership models in real estate, gold and global assets reshape how retail investors build wealth. Wealthtech platforms are redefining exclusivity by making non-traditional assets accessible to the masses
- With a significant portion of household wealth currently outside professional management, solutions such as mutual funds and goal-based investing provide a pathway to engage first-time investors and support broader financial inclusion.



Key learnings from leading fintechs around the world

Fintechs globally are redefining how digital-first financial institutions can scale profitably by aligning with regulations, embracing customer-centric design and leveraging technology for operational efficiency. This approach reflects a sustainable growth model, one that integrates

financial services seamlessly into digital ecosystems and broadens access through inclusive offerings, fostering a resilient financial ecosystem that empowers individual and businesses alike.

Pathways to market leadership



Full stack digital model

Seamless digital infrastructure drives operational efficiency while ensuring compliance, integrity and enabling scale



Profitability with scale

Diversification across credit, savings and investments reinforces unit economics, paving the way for sustainable profitability



Trust as a growth lever

Strong governance and risk management practices foster market trust, facilitating access to capital on favourable terms and accelerating expansion

Key takeaways for Indian fintechs

Regulation as a design principle

Viewing regulation as a core part of product architecture rather than a post-launch fix can ensure smoother scaling and help build early trust with investors.

Diversification for resilience

Expanding beyond single-product focus to include lending and wealth solutions creates resilient revenue streams and supports long-term profitability.

Trust infrastructure for scale

Robust governance and risk frameworks reduce procurement friction and capital costs, accelerating scale through institutional trust

Strategic leadership capability

Identifying leadership gaps and appointing individuals with relevant expertise enhances strategic decision-making and reinforces long-term organisational resilience.

The evolution of fintech across the globe highlights a powerful shift toward customer-centric, technology-driven financial services. Leading innovators have succeeded by simplifying access, removing traditional barriers

and designing intuitive, data-informed solutions. Their ability to scale responsibly while maintaining trust and credibility underscores the critical role of innovation, agility and strong governance in today's financial landscape.

7. Future outlook

As private equity and venture capital firms recalibrate their investment strategies in response to evolving market dynamics, India's fintech sector is transitioning from a phase of hypergrowth to one of purposeful resilience. The next wave of capital deployment will be more

selective, anchored in long-term value creation, robust governance and sustainable business models. India's rapidly digitising economy continues to offer fertile ground for fintechs to drive both commercial success and inclusive impact, particularly in underserved markets.

Advancing global and investor readiness



- India can draw actionable insights from global fintech hubs by adopting the U.S. approach for regtech, the U.K.'s use of regulatory sandboxes and Singapore's focus on digital identity and sustainable finance to build investor-aligned innovation frameworks
- Fintech companies in India should focus on authentic differentiation, referenceable outcomes and repeatable deployment models to tap the vast and underpenetrated domestic market, laying the foundation for disciplined global expansion and attracting long-term capital.

AI adoption with a competitive edge



- According to KPMG International's Pulse of Fintech H1 2025, generative AI and agentic AI are gaining traction globally among fintech firms that are actively exploring their applications. This trend can also be seen in the Asia Pacific (APAC) region and is expected to continue in the near future
- In parallel, AI is also being increasingly used by internal development teams of businesses across global and emerging markets, intensifying competition. To remain competitive, fintech firms need to offer distinctive value beyond AI capabilities, through clear intellectual property, validated use cases and measurable outcomes.

Tokenisation as the next frontier



- Tokenisation is set to unlock new product avenues for fintechs, enabling fractional investments, tokenised lending and dynamic secondary markets. This positions them at the forefront of wealthtech and credit innovation
- By leveraging tokenised assets, platforms can offer micro-investment products, real-time portfolio management and seamless secondary market exits, making wealth solutions more accessible, affordable and differentiated for a broader customer base.



Scaling fintechs with private credit

- Early-stage equity is available, but growth equity and private credit require proof of unit economics, path to profitability and strong risk and governance framework
- Private credit is increasingly viewed as a strategic enabler for fintechs operating balance-sheet-intensive models, particularly as their risk performance stabilises. It offers a scalable funding pathway that can support long-term growth and operational expansion
- India is witnessing a surge in private credit, driven by the funding requirements of NBFCs and a cautious bank lending. Broader institutional participation and standardised frameworks can help unlock scale without compromising prudence.

Looking ahead, innovation is expected to remain the key differentiator. But innovation alone is not enough; investors are prioritising execution, governance and a clear path to profitability. Founders must move beyond “growth at all costs” to build institutions grounded in financial discipline, transparency and regulatory alignment. Capital will follow companies that demonstrate leadership, operational maturity and measurable impact.

Investors are not only looking for disruptive ideas but also for credible execution and long-term value creation. In this evolving landscape, investor-fintech collaboration will be central to unlocking sustainable growth and shaping the next era of financial innovation.



8. Trust Score 1.0 Blueprint

Procurement readiness index for fintechs

Objective

Minimise onboarding challenges and pricing inconsistencies by transparently certifying operational reliability, security, model governance and regulatory compliance in a way that is both auditable and trustworthy.

Approach

Develop a Trust Score 1.0 that aligns with RBI information technology (IT) Directions, the DPDP Act and AA consent protocols. This will help streamline procurement processes and lower governance risks.



Acknowledgements

We sincerely thank everyone involved in the publication of this report. We acknowledge the efforts put in by the core team, from the initiation to the publication of this report.

Special thanks to Hemant Jhahria, Partner, Head of Consulting, KPMG in India, for his valuable insights and support in shaping this publication.

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