



# THE BOTTOMLINE

## Elevation Fintech Report 2023

A definitive blueprint for \$400Bn value creation by 2030

[bottomline.elevationcapital.com](https://bottomline.elevationcapital.com)





# INTRODUCING THE INAUGURAL VERSION OF THE BOTTOMLINE

**Fintechs have truly come of age in the last decade.** They have made meaningful on-ground impact and captured ~3% share of a large and growing financial services revenue pool in India. This meeting of technology with financial services has both created value at-scale and catalysed the modernization of the entire financial services ecosystem.

With our unique vantage of investing in fintech and financial services over the last 20+ years, we believe that **fintechs are at an inflection point.** There is a perfect storm brewing – our fast-growing digital population, world-class digital public infrastructure (DPI), proactive regulators, and an ecosystem that is engaging with fintechs actively.

In this backdrop, we feel privileged to present the **inaugural version of “The Bottomline”** – our point of view and blueprint on India’s fintech landscape. We present our views across three parts:

- **The Macro View** on the history and future of fintech value creation
- **10 Thematic Deep-dives** that we believe to be the blueprint for this value creation
- **Key Capabilities** to be built by fintechs to capture this value and become enduring enterprises

The report captures Elevation’s deep thesis on the fintech sector, **insights from a comprehensive survey of 70+ industry experts and in-depth conversations with**

**~30 industry leaders** from prominent fintechs and financial services players. In addition, our knowledge partners, McKinsey & Company provided the analytical fact base for the report, leveraging their knowledge of the Indian financial ecosystem.

We believe that fintechs (and tech-led BFSIs) will play an outsized role in India’s ambitious economic and social aspirations over the next decade. **This report captures the Why (Section 1), What (Section 2) and How (Section 3) of that journey.**

Please reach out to us for deeper discussions or if you are building in any of the themes we outline in this report.

Regards,  
**Fintech Team @ Elevation Capital**

## “The Bottomline” Authors



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**Kshitij Jayakrishnan**

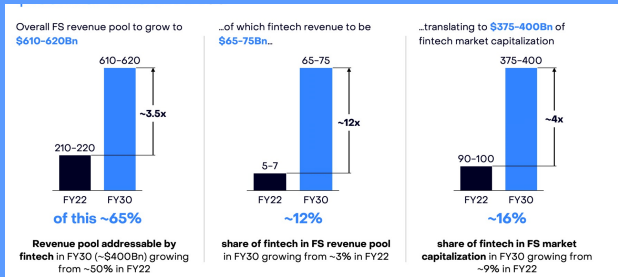


**Rahul Humayun**

# THE BOTTOMLINE: ELEVATION FINTECH REPORT 2023

## SECTION 1

### The macro view



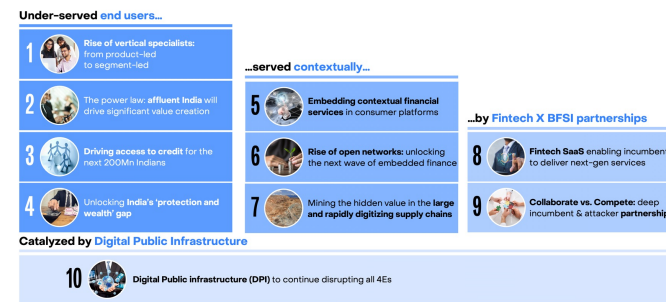
### India fintech – journey so far

- Where have fintechs focused
- Ecosystem impact
- Drivers of growth and challenges

Looking ahead, where can fintechs unlock most value

## SECTION 2

### Key themes driving value creation

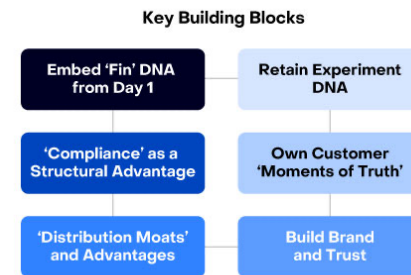


### 10 key themes that will unlock value

- Deep-dive into 10 specific opportunities for value creation
- The 'why', 'how' and 'what-next' for each theme

## SECTION 3

### Building an enduring franchise



### Key elements of the 1 to N journey

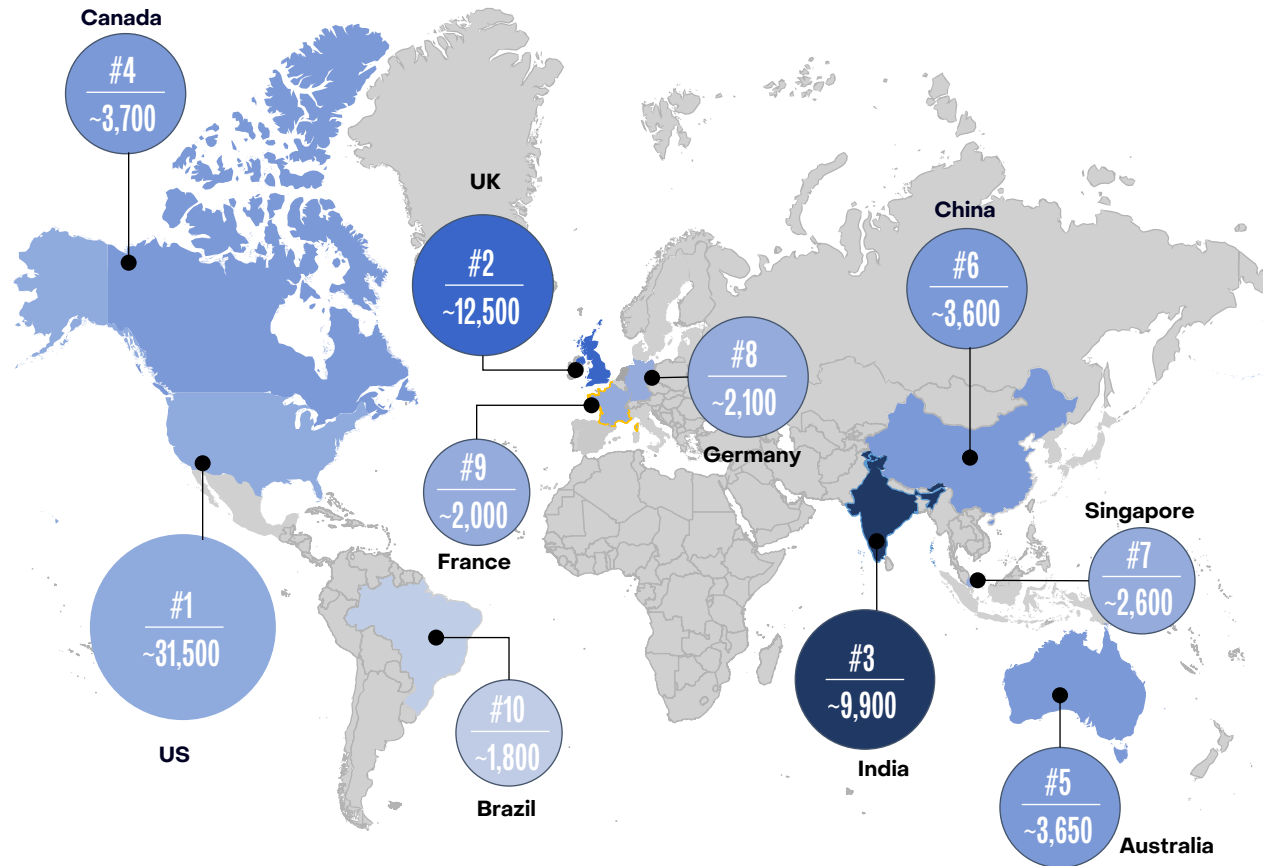
- Evolving business models to sustain scale and profitability
- Key capabilities to succeed



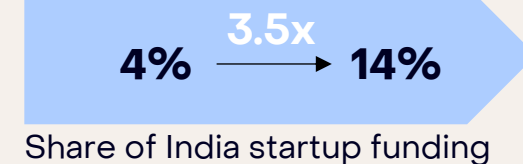
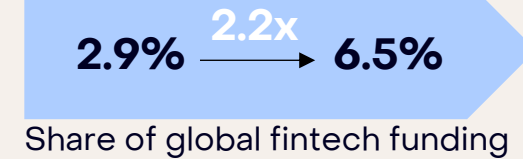
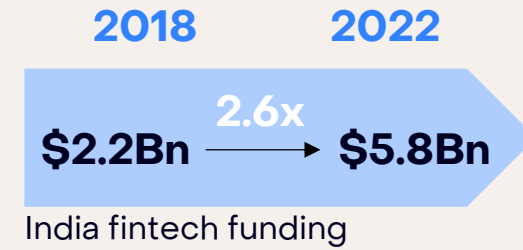
# INDIA IS HOME TO THE 3<sup>rd</sup> HIGHEST NUMBER OF FINTECHS GLOBALLY

THE BOTTOMLINE: ELEVATION FINTECH REPORT 2023

## NUMBER OF FINTECHS (launched 2000 to H12023)



## 3X GROWTH IN EQUITY CAPITAL FLOWS





# AT-SCALE FINTECHS ARE NOW PRESENT ACROSS CATEGORIES

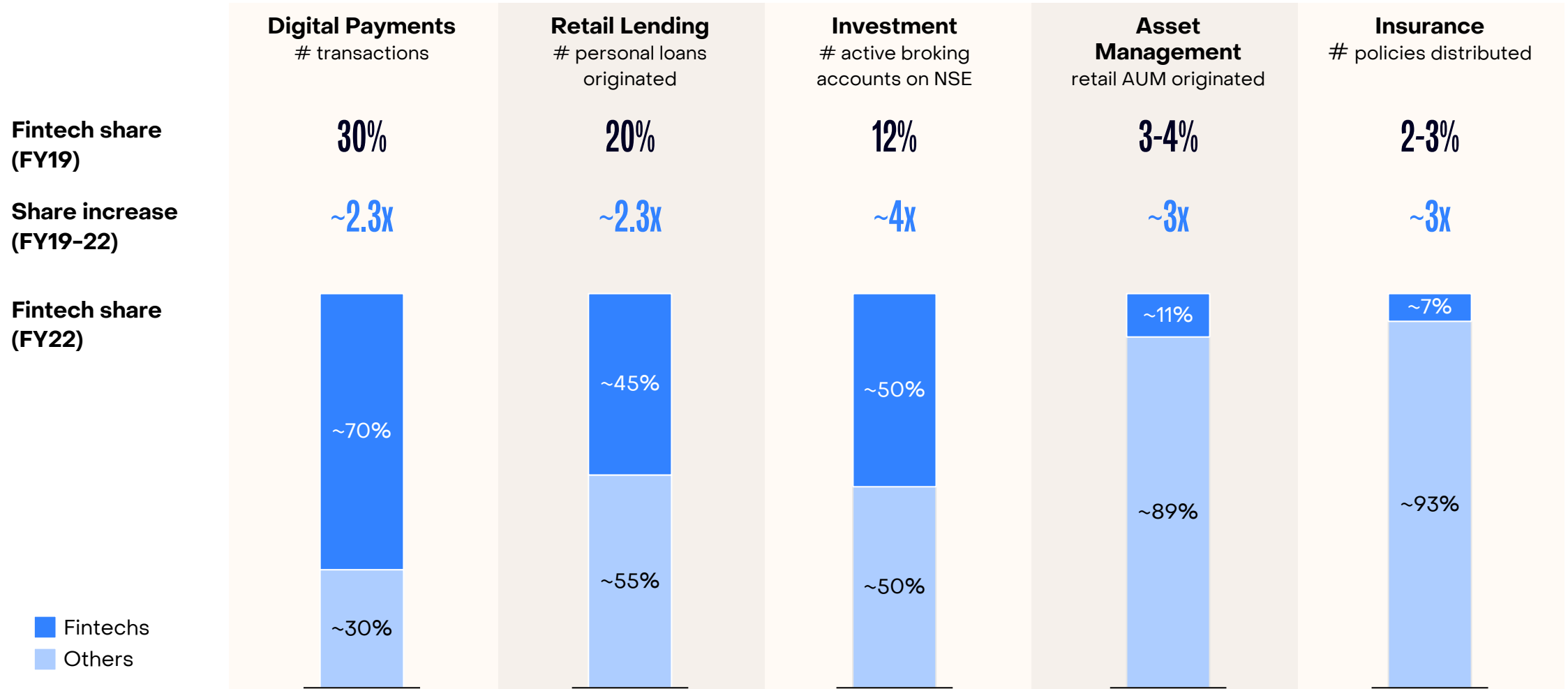
	 Digital Payments	 Retail Lending	 SME Lending	 Investment and Wealth	 Insurance	 Fintech SaaS	 Neo-Banks
<b>Total funding (\$Bn)<sup>1</sup></b>	10-11	5-6	3-4	1.5-2	3-3.5	1.5-2	1-1.2
<b># fintechs (&gt;\$5Mn raised)</b>	65-70	75-80	50-55	40-45	30-35	55-60	10-15
<b># fintechs (valued &gt;\$1Bn<sup>1</sup>)</b>	7	3	3	3	3	2	1
<b>Illustrative players</b> <i>(Not exhaustive)</i>							

1. As of July 2023; 2 Yubi: Business model focused on helping mid size fintechs help raise debt  
Source: Tracxn; Venture Intelligence; expert conversations



# FINTECHS HAVE BEGUN TO CAPTURE MEANINGFUL VOLUME SHARE

THE BOTTOMLINE: ELEVATION FINTECH REPORT 2023





# FINTECHS HAVE CREATED VALUE ACROSS 4Es

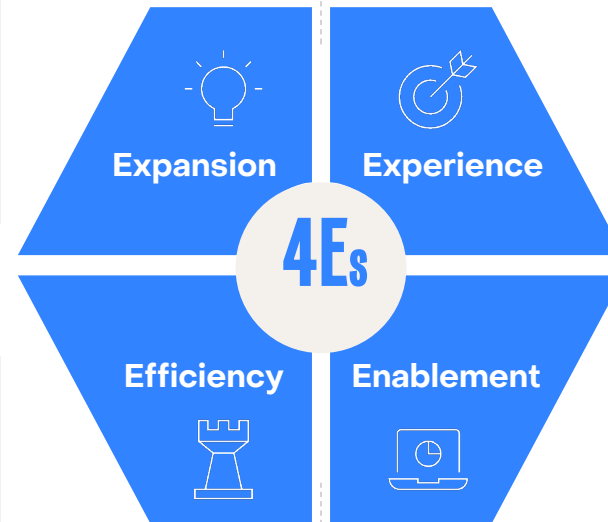
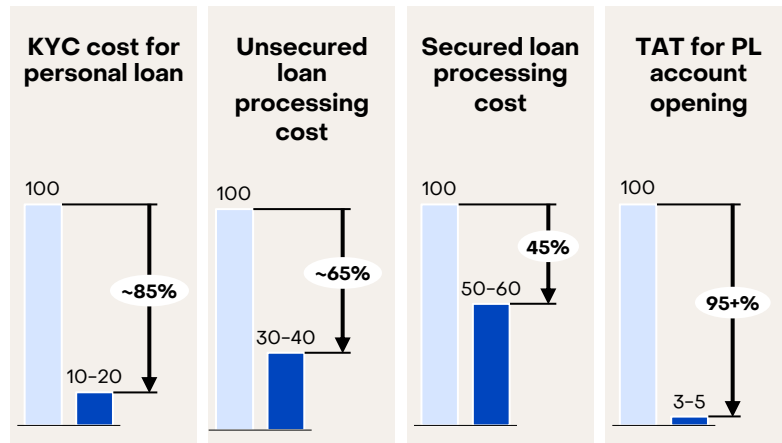
## EXPANDING access and inclusion

Payments	Investing	Retail lending	SME lending
>250Mn	>50Mn	~1.5-2x	>1Mn
UPI users	demat accounts opened in the last 3Y	new to credit sourcing by fintechs vs private lenders	SME loans disbursed
>50Mn merchants			

## Setting the bar on EXPERIENCE

Simplification	End to end digital journeys	Engagement
<p>Payments</p>	<p>SME lending    Retail lending</p>	<p>Payments, rewards</p>
<p>Investing</p>	<p>Savings a/c    Insurance</p>	<p>Personal finance</p>

## Redefining EFFICIENCY<sup>1</sup> for the industry



## ENABLING the modernization of India's FS Stack

Digital payments	Data analysis and enrichment	New age products and platforms	Solutions to leverage DPI <sup>2</sup> and beyond
<p>Digital payment acceptance</p>	<p>Financial data aggregation and analysis</p>	<p>Digital lending tech solutions APIs for payments, lending and banking Tax and finance solutions</p>	<p>Digital identification and signatures Identity verification</p>

NOT EXHAUSTIVE

1. Indexed to 100; 2. Digital Public Infrastructure e.g., Aadhaar  
Source: NPCI; SEBI; CRIF; Experian – Fintech-led Digital Lending; Coming of Age; Macquarie research; expert conversations



# SEVERAL TAILWINDS HAVE UNDERPINNED THE FINTECH GROWTH STORY

## India's fast-growing digital population



>500Mn

New smartphone users (in last 10Y)

>200Mn

Users digitally transacting

~2x

Rural smartphone users (in last 5Y)

## Rapid increase in digital banking penetration



#1

India's ranking in the number of digital transactions

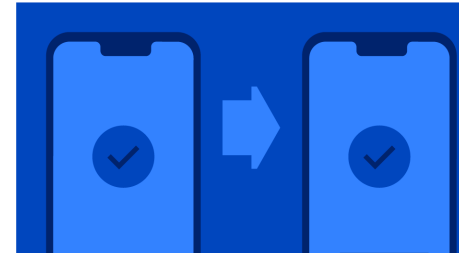
~3x

Digital banking penetration growth (2018-21)

~12x

Digital loan disbursement vol growth (2017-2020)

## World-class digital public infrastructure



### India's maturing digital public infra



### Emergence of large open networks



Detailed ahead

## Enabling regulatory environment



Increased engagement of fintechs with regulators and the ecosystem

### Enabling digital journeys



Progressive stance on digital data and instruments



Mandated interoperability and consent-based data movement



# TAILWINDS: INDIA'S **UNIQUE DPI** IS AN ACCELERANT TO FINANCIAL SERVICES

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**EMPOWER**  
Data layer



**New protocols**  
(e.g., OCEN, ULIP, Beckn)

**>17Mn**  
**Accounts discoverable on AA (Aug-23)**

**~2Mn**  
**AA consents processed per month**

**ENGAGE**  
Payment layer



**>9Bn**  
**Monthly UPI transactions**

**>100Mn**  
**Monthly bills paid via BBPS**

**ENABLE**  
Identity layer



**e-KYC**

**e-Sign**

**>99%**  
**Aadhaar penetration**




**>300Mn**  
**Monthly e-KYC transactions**







# TAILWINDS: ECOSYSTEM ENGAGING PROACTIVELY WITH FINTECHS

NOT EXHAUSTIVE

## Regulators

 <p><b>भारतीय रिज़र्व बैंक</b> RESERVE BANK OF INDIA</p>	<p><b>Dedicated fintech department</b> for facilitating innovation and addressing challenges</p>	<p><b>Establishing regulatory sandboxes</b> for testing innovations in retail payments, fraud prevention etc.</p>
 <p><b>SEBI</b> भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India</p>	<p><b>Relaxation of entry barriers</b> for fintechs to obtain AMC licence<sup>1</sup></p>	<p><b>Interoperable regulatory sandboxes</b> (with RBI) for testing hybrid financial products<sup>2</sup></p>
 <p><b>irdai</b> भा बी वि प्रा</p>	<p><b>Monthly Open House</b> for insurtechs / fintechs to enable exchange of ideas and solutions</p>	<p><b>Established regulatory sandboxes</b> for testing innovations in group insurance, usage-based insurance etc.</p>

## Ecosystem partners

 <p><b>NPCI</b> भारतीय राष्ट्रीय भुगतान निगम NATIONAL PAYMENTS CORPORATION OF INDIA</p>	<p><b>Launched partner program NPP</b> for co-creation of solutions with Fintechs</p>	 <p><b>ISpirit</b></p> <p>Fintech collaboration for <b>driving implementation of new protocols</b></p>
 <p><b>Sahamati</b></p> <p>Numerous fintechs were the <b>first wave of adopters</b> of AA</p>	 <p><b>ONDC</b> Open Network for Digital Commerce</p> <p>Engaging fintechs on the sale of <b>financial services on the network</b></p>	

1. SEBI relaxed norms (profitability, experience etc.) for fintechs to enter MF business 2. Applicable for fintech products & services falling in the ambit of more than one regulator  
Source: IRDAI; RBI; SEBI; NPCI; press search

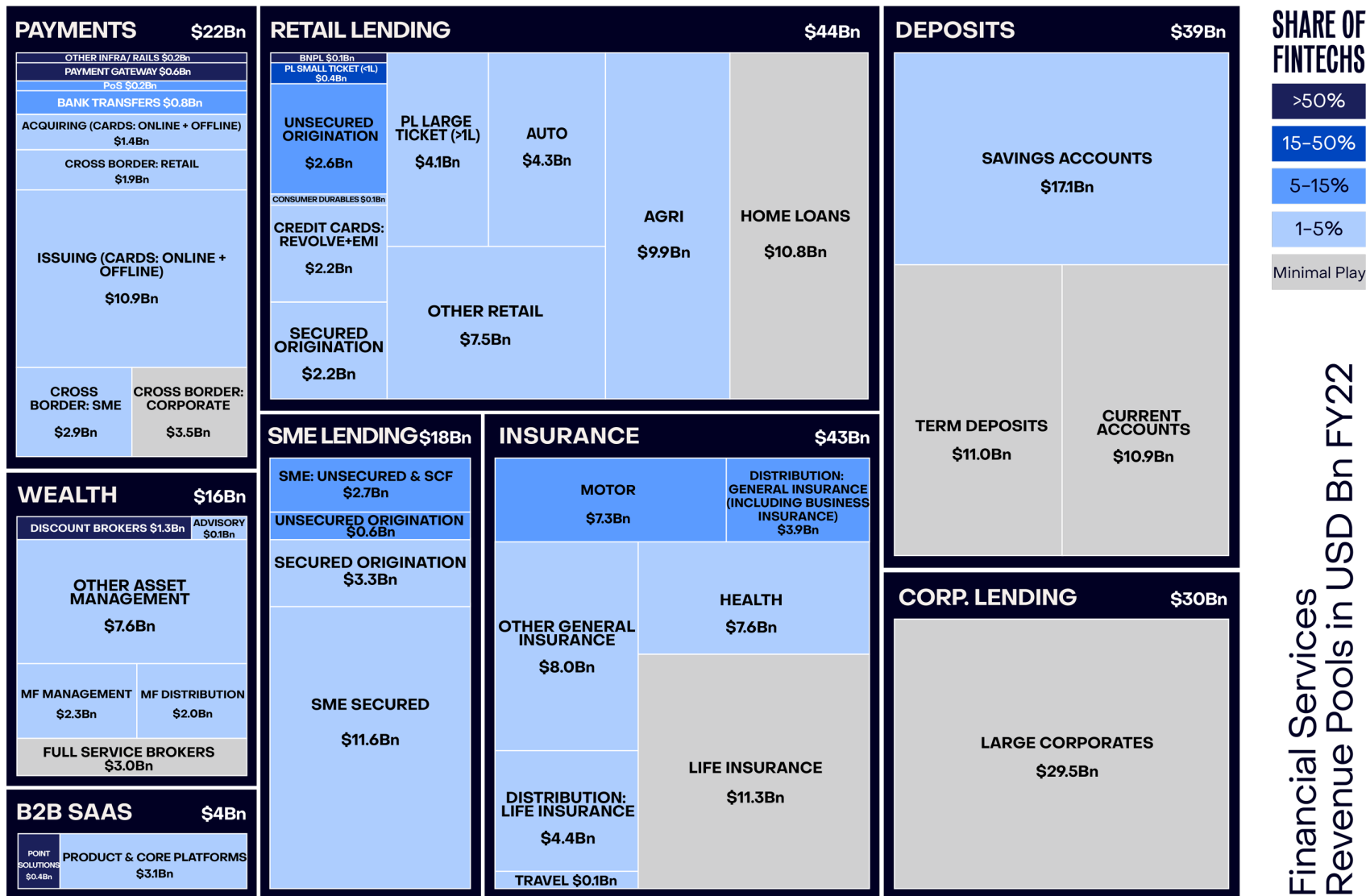
# SO FAR, FINTECHS HAVE CAPTURED

~3%  
of financial services revenue

**\$210-220Bn**  
financial services revenue pool in India

Of which...  
**\$5-7Bn**  
is estimated fintech revenue

# FINTECHS ARE CAPTURING SHARE ACROSS NUMEROUS CATEGORIES

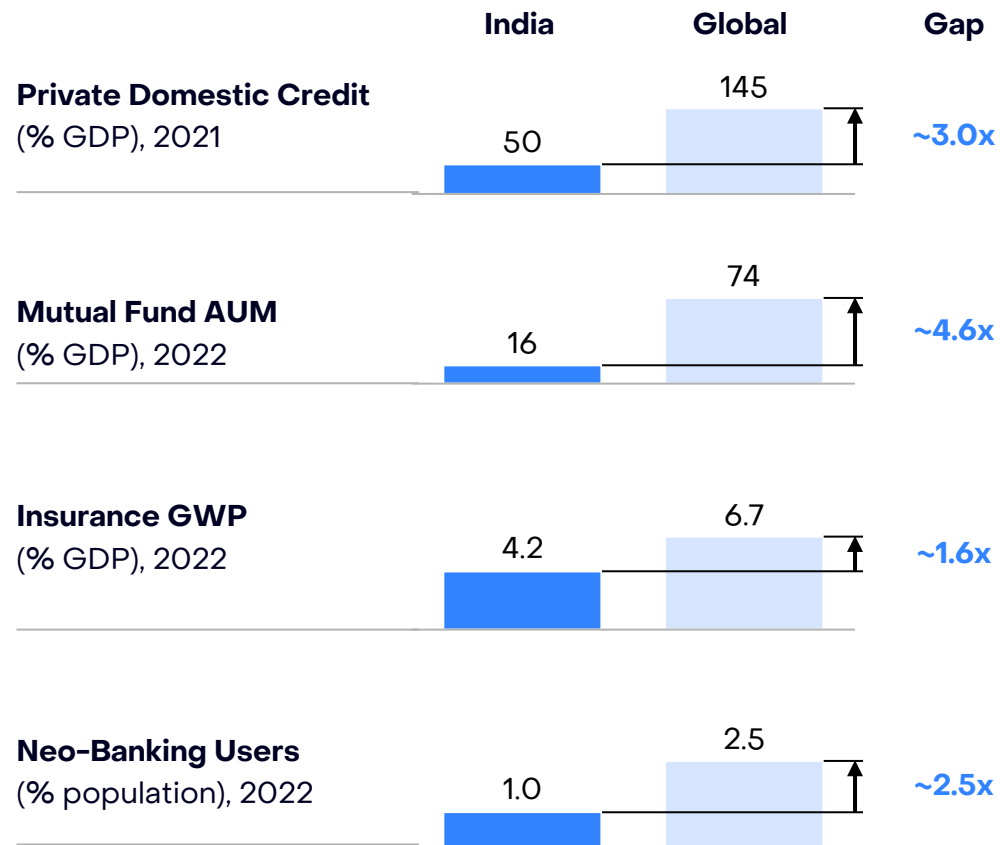


Note: Lending pools (retail and SME) refer to the NIM income less of origination cost (shown separately); Insurance pools refer to Annual Premium Equivalent for LI and Gross Underwritten Premium for GI less of distribution commission (shown separately); Deposit pools refer to the float charged on the funds transferred for lending  
Source: CRIF, RBI; CRIF How India Lends report; AMFI; NPCI; SEBI; IRDAI handbook



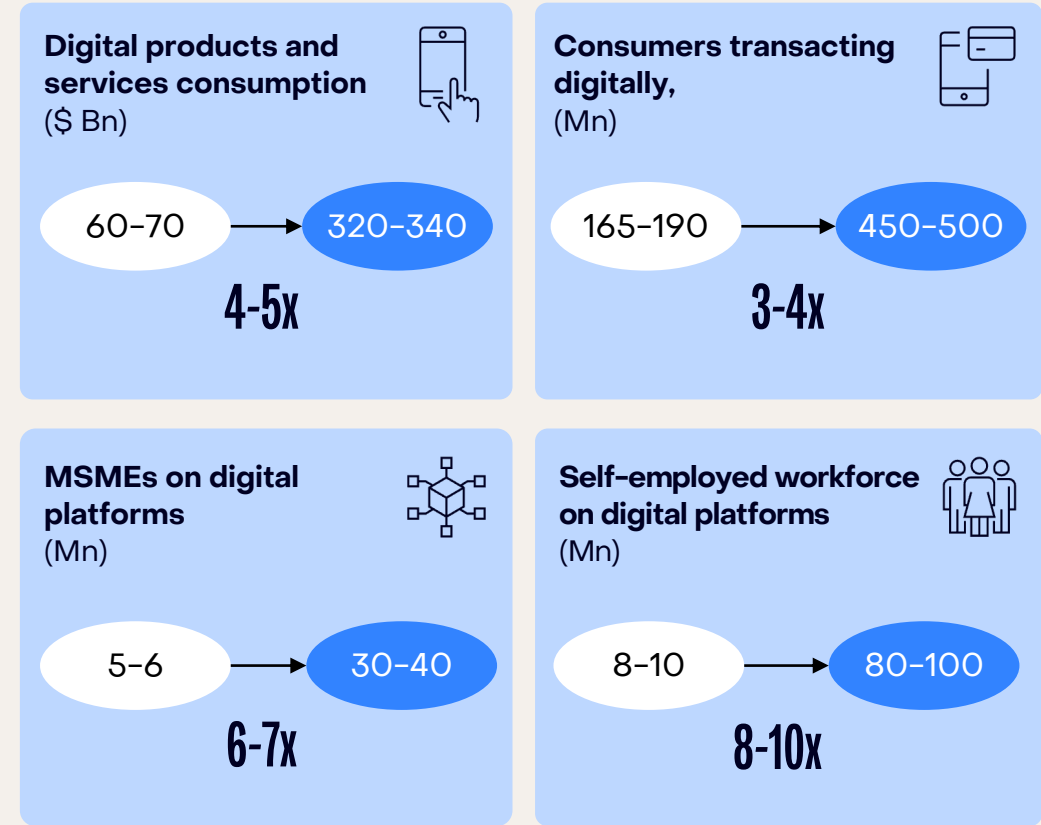
# LOOKING AHEAD, FINANCIAL SERVICES PRESENTS SIGNIFICANT HEADROOM FOR GROWTH

## Financial services remains under-penetrated...



## ...digital penetration is high and accelerating

2022 2030

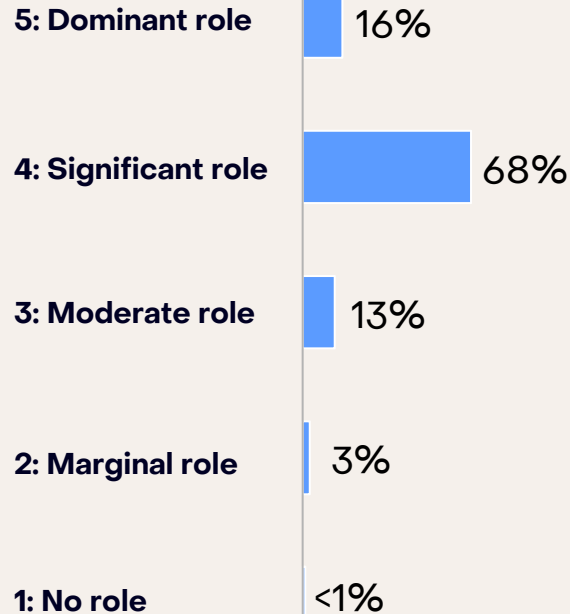




# AMONG INDUSTRY PARTICIPANTS, FINTECH SENTIMENT IS STRONG...

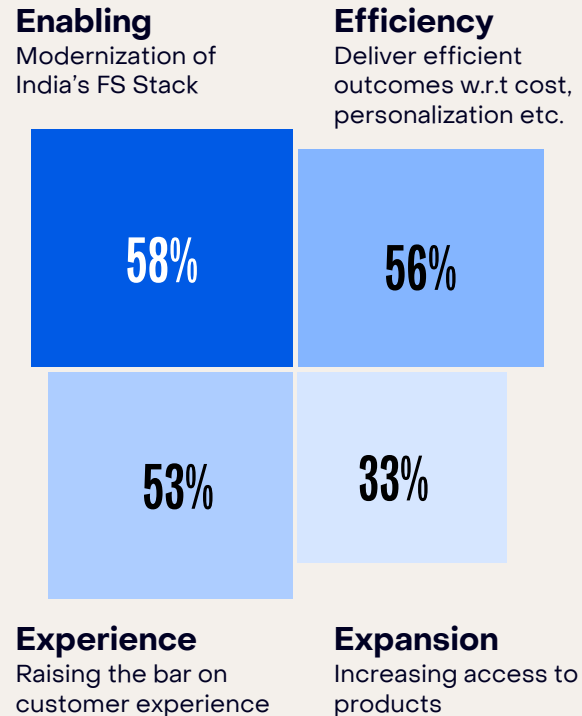
## Fintechs expected to play a key role going forward<sup>2</sup>

% of respondents selecting option



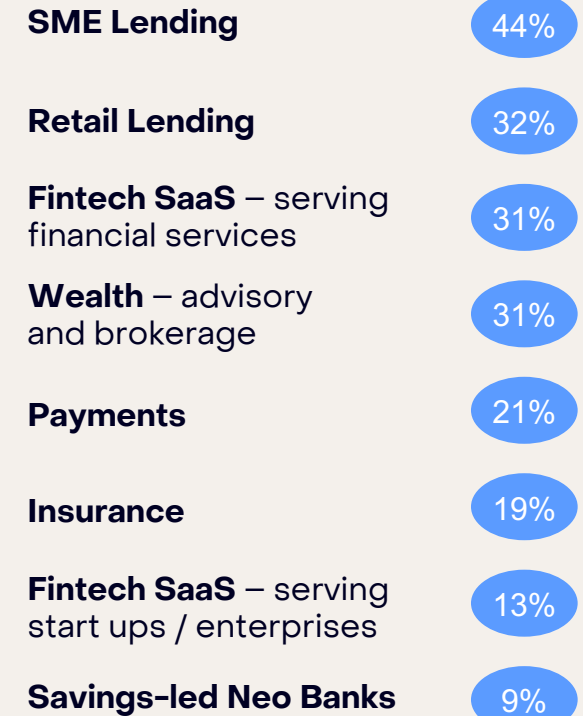
## Significant potential seen across the 4Es for collaboration<sup>3</sup>

% of respondents selecting option



## Going forward, categories most likely to see fintech growth & innovation<sup>4</sup>

% of respondents selecting option



1. Respondents – CXOs from fintechs and incumbents

2. Q – On a scale of 1 (no role) – 5 (dominant role) how significant will be the role of fintechs in the Indian financial services growth story?

3. Q – As we look forward, where do you see the most opportunity in fintechs collaborating with FS (regulated entity) players? (select top 2)

4. Q – Within fintech sub-categories, where are you most bullish on growth and innovation? (select top 2)



# ...HOWEVER, CONTINUED GROWTH WILL REQUIRE **OVERCOMING HEADWINDS AND CHALLENGES**



1

Search for sustainable **profitability**



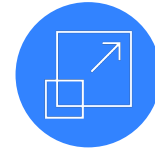
2

Ensure **regulatorily compliant** business & operating model



3

Adhere to **risk compliance, and security** standards



4

Expand **beyond initial niches** to build scale

'The Bottomline' Fintech Survey 2023 respondents believe that... (n=69)

**~40%**

...fintechs will find it challenging to find **durable business models**

**~50%**

...**navigating regulations** will be core challenge for fintechs to overcome

**~30%**

**increasing competition from incumbents** may hinder fintechs' growth

**Overcoming these headwinds, will be critical to unlock the next phase of fintech evolution**

Source: The Bottomline Elevation Fintech Survey 2023  
Q: As we look forward, what factors will be headwinds to the fintech growth story? n = 69



# FINTECH'S ROLE ACROSS FS CATEGORIES WILL TAKE THREE KEY FORMS

FINTECH ROLE IN A GIVEN CATEGORY



## Shaper

Setting the paradigm, leading in market share

- Products exist, but can be **'10X' better**
- **High-engagement** category: delightful experiences can drive stickiness
- **Fee-based revenue**, limited need for balance sheet management skills

CATEGORY CHARACTERISTICS



## Attacker

Challenging incumbent share

- Consumers **'under-served'** by incumbents
- Need **manufacturing and risk management** skills to exploit gap left by incumbents
- **Large fee + Nil** based value pools

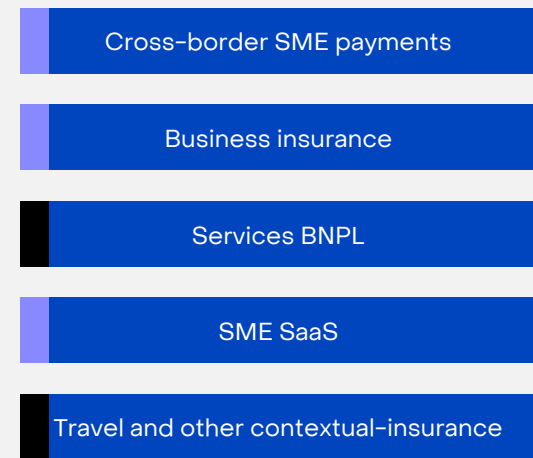
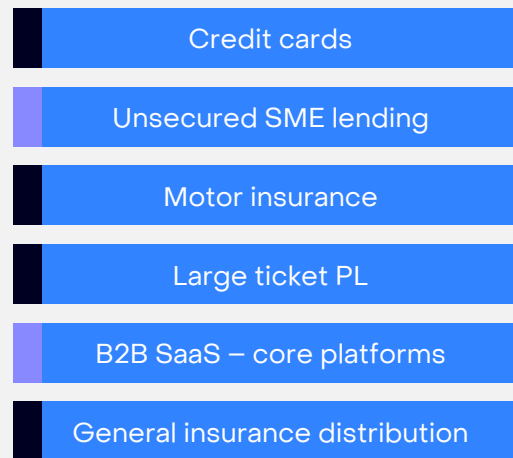
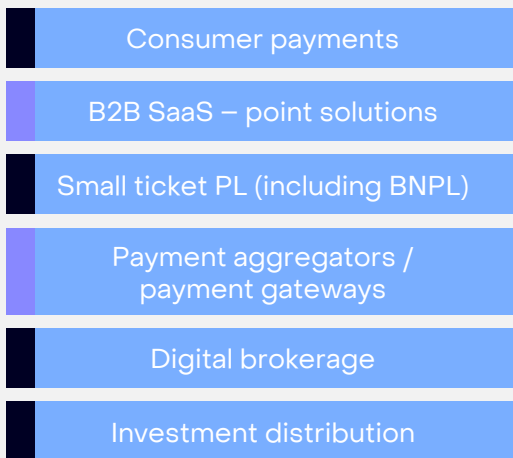


## Catalyst

Creating and expanding new categories of FS

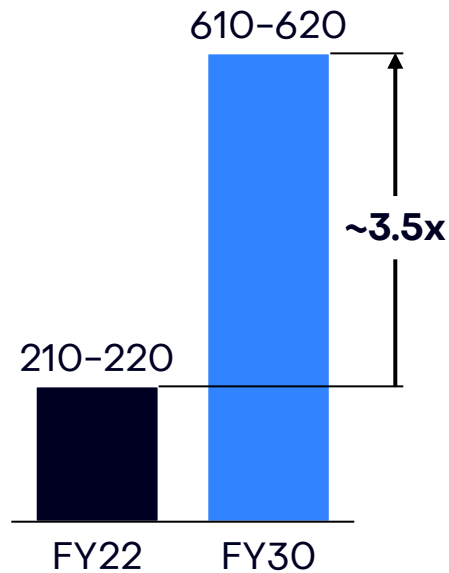
- Consumers often **'un-served'** – typically, not the focus of incumbents
- Need **strong product and go-to-market** capabilities
- Small/**unproven value pools**

ILLUSTRATIVE CATEGORIES



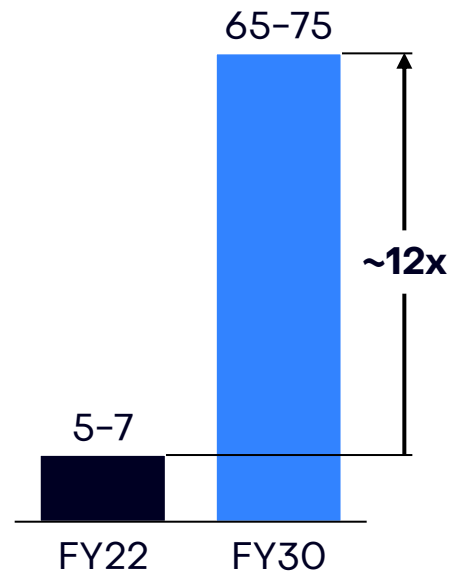
# FINTECHS (AND FINTECH-LED BUSINESS MODELS) CAN CREATE \$400BN OF VALUE BY FY30

Overall FS revenue pool to grow to **\$610-620Bn**



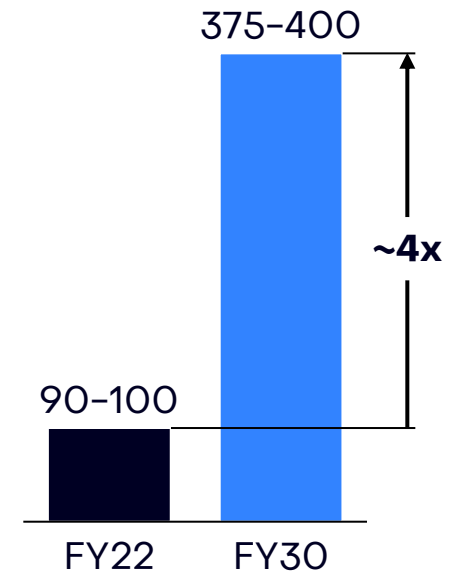
**of this ~65% addressable by fintech** in FY30, i.e. ~\$400Bn (~50% in FY22)

...of which fintech revenue to be **\$65-75Bn...**



**~12% share of fintech in FS revenue pool** in FY30 growing from ~3% in FY22

...translating to **\$375-400Bn** of fintech market capitalization



**~16% share of fintech in FS market capitalization** in FY30 (~9% in FY22)



# 10 KEY THEMES WILL SHAPE THE FUTURE OF FINTECH VALUE CREATION

## Under-served end users...

1



**Rise of vertical specialists:** from product-led to segment-led

2



The power law: **affluent India** will drive significant value creation

3



**Driving access to credit** for the next 200Mn Indians

4



Unlocking **India's 'protection and wealth' gap**

## ...served contextually...

5



**Embedding contextual financial services** in consumer platforms

6



**Rise of open networks:** unlocking the next wave of embedded finance

7



Mining the hidden value in the **large and rapidly digitizing supply chains**

## ...by **Fintech X BFSI partnerships**

8



**Fintech SaaS** enabling incumbents to deliver next-gen services

9



**Collaborate vs. Compete:** deep incumbent & attacker **partnerships**

## Catalyzed by **Digital Public Infrastructure**

10



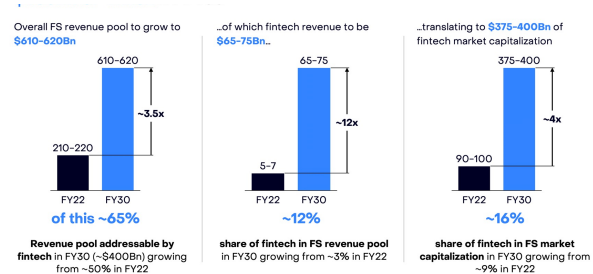
**Digital Public infrastructure (DPI)** to continue disrupting all 4Es

**SECTION 2 EXPLORES THESE THEMES IN DEPTH**

# THE BOTTOMLINE: ELEVATION FINTECH REPORT 2023

## SECTION 1

### The macro view



### India fintech - journey so far

- Where have fintechs focused
- Ecosystem impact
- Drivers of growth and challenges

### Looking ahead, where can fintechs unlock most value

## SECTION 2

### Key themes driving value creation

**Under-served end users...**

- 1 Rise of vertical specialists from product-led to segment-led
- 2 The power law, affluent India will drive significant value creation
- 3 Driving access to credit for the next 200Mn Indians
- 4 Unlocking India's 'protection and wealth' gap

**...served contextually...**

- 5 Embedding contextual financial services in consumer platforms
- 6 Rise of open networks: unlocking the next wave of embedded finance
- 7 Mining the hidden value in the large and rapidly digitizing supply chains

**...by Fintech X BFSI partnerships**

- 8 Fintech SaaS enabling incumbents to deliver next-gen services
- 9 Collaborate vs. Compete: deep incumbent & attacker partnerships

**Catalyzed by Digital Public Infrastructure**

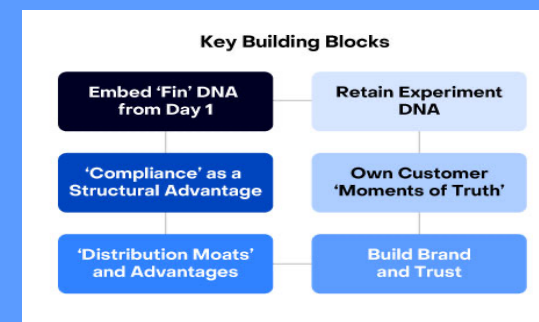
- 10 Digital Public Infrastructure (DPI) to continue disrupting all 4Es

### 10 key themes that will unlock value

- Deep-dive into 10 specific opportunities for value creation
- The 'why', 'how' and 'what-next' for each theme

## SECTION 3

### Building an enduring franchise



### Key elements of the 1 to N journey

- Evolving business models to sustain scale and profitability
- Key capabilities to succeed

RELEASING SEPTEMBER 2023

# ABOUT ELEVATION CAPITAL

## Elevation Is India's Leading Venture Fund With A >20 Year History Of Investing

Elevation Capital is an India-focused venture capital firm with over \$2Bn capital deployed in 150+ companies. We have been investing in India since 2002, and our portfolio includes companies such as Paytm, MakeMyTrip, Swiggy, Meesho, Urban Company, Unacademy, Sharechat and NoBroker.

## >\$500Mn Invested In Fintech And Financial Services

We focus deeply on fintech and financial services, and are proud partners to 25+ category defining companies across payments, lending, wealth, insurance and fintech SaaS. We follow a thesis-first approach, and comprise a 12-member team investing across the seed, growth and post-IPO stage.

Reach out to us at [fintech@elevationcapital.com](mailto:fintech@elevationcapital.com)





# ACKNOWLEDGEMENTS

Like most endeavours in the Indian fintech ecosystem, this report would not have been possible without the coming together of numerous ecosystem participants, who have generously shared their time and insights.

We are grateful to the following **senior fintech and financial services leaders** for sharing their first-hand perspectives of building and operating in India's financial services industry over many years.

- Acko – Varun Dua
- Axis Bank – Sameer Shetty
- Axio – Sashank Rishyasringa
- Clear – Archit Gupta
- Dezerv – Sandeep Jethwani
- Digio – Sanket Nayak
- ICICI Bank – Bijith Bhaskar
- Jodo – Atulya Bhat
- Jupiter – Jitendra Gupta
- M2P – Madhusudanan R
- Mintifi – Anup Agarwal
- OneCard – Anurag Sinha
- OfBusiness – Asish Mohapatra
- ONDC – Hrushi Mehta
- Paytm – Bhavesh Gupta
- Paytm – Vijay Shekhar Sharma
- Perfios – VR Govindarajan
- Piramal Capital – Vipul Agarwal
- ProgCap – Himanshu Chandra
- Sahamati – BG Mahesh
- Sahamati – Vamsi Madhav
- SBI – Nitin Chugh
- Skydo – Srivatsan Sridhar
- Tata Digital – Akash Mohan
- TSMG – Amit Deshpande
- Uni – Nitin Gupta
- Yes Bank – Ajay Rajan
- Yes Bank – Naveen Chaluvadi

We would also like to thank respondents to **'The Bottomline Elevation Fintech Survey 2023'** (~70 CXOs across fintechs and BFSI) for their detailed inputs, candour and feedback.

We also deeply acknowledge the work by **the Elevation Capital and McKinsey & Company teams:**

## **Elevation Capital**

**Fintech Investing:** Rahul Humayun, Utkarsh Bajpai, Vikram Nanda, Vardhan Shah, Raghav Gupta and Prerna Chhapparwal

**Marketing & Communications:** Krishna Veera Vanamali, Namitha DV, Shubham Sharma, Vishy V



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# THE BOTTOMLINE 2023

**Section 1 Addendum: Fintech and Financial Service Revenue Pool Maps (FY22 and FY30E)**

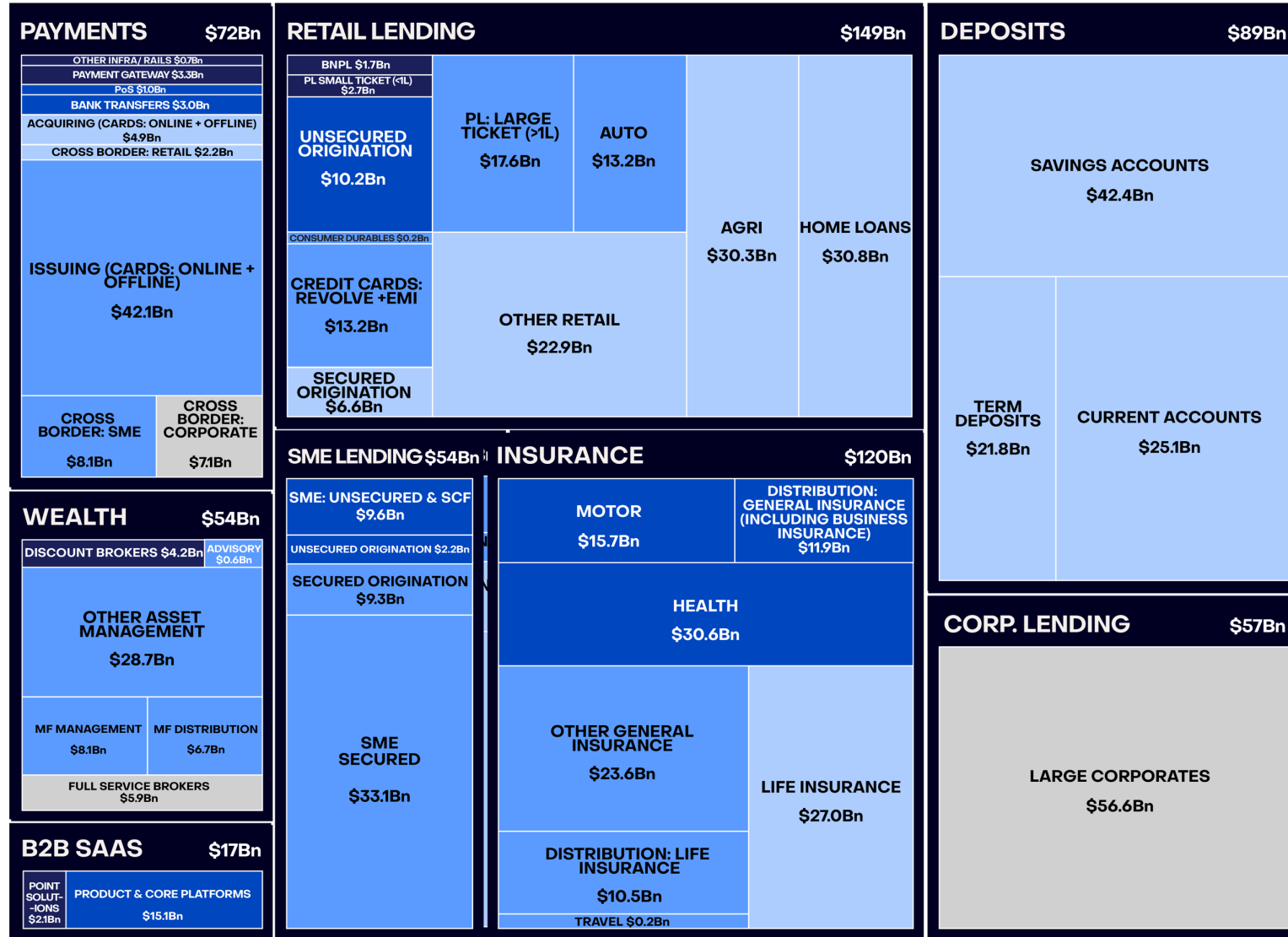
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~3% of financial services revenue

\$210-220Bn financial services revenue pool in India

Of which... \$5-7Bn is estimated fintech revenue

# FY22: FINANCIAL SERVICES REVENUE POOL MAP



Financial Services Revenue Pools in USD Bn FY20

Note: Lending pools (retail and SME) refer to the NIM income less of origination cost (shown separately); Insurance pools refer to Annual Premium Equivalent for LI and Gross Underwritten Premium for GI less of distribution commission (shown separately); Deposit pools refer to the float charged on the funds transferred for lending  
 Source: CRIF, RBI; CRIF How India Lends report; AMFI; NPCI; SEBI; IRDAI handbook

# BY FY30, FINTECHS WILL CAPTURE

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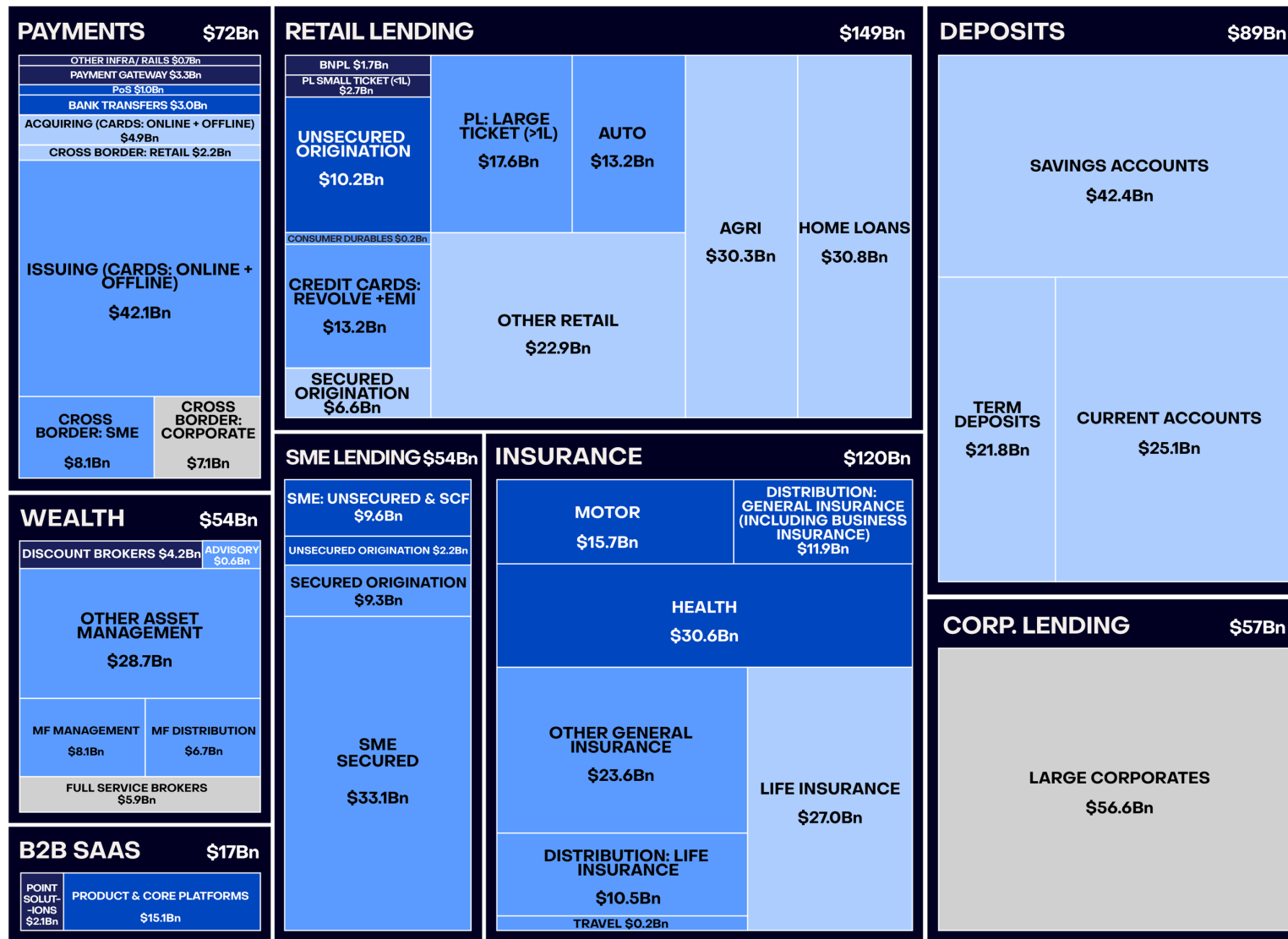
FY30 financial services revenue pool in India

Of which...

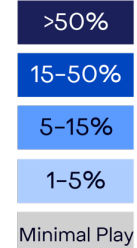
**\$65-75Bn**

is estimated FY30 fintech revenues

# FY30E: FINANCIAL SERVICES REVENUE POOL MAP



## SHARE OF FINTECHS



Financial Services Revenue Pools in USD Bn FY30

Note: Lending pools (retail and SME) refer to the NIM income less of origination cost (shown separately); Insurance pools refer to Annual Premium Equivalent for LI and Gross Underwritten Premium for GI less of distribution commission (shown separately); Deposit pools refer to the float charged on the funds transferred for lending  
Source: CRIF, RBI; CRIF How India Lends report; AMFI; NPCI; SEBI; IRDAI handbook



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