

Investing in India's FinTech disruption

India FinTech deals tracker

August 2024



Executive summary

Dear readers,

India is witnessing a FinTech revolution, driven by the rapid adoption of digital technologies, emergence of innovative business models, and growing demand for convenient and affordable financial services. The FinTech sector in India has attracted more than USD 20 billion in funding in the last five years, accounting for 21% of the total funding into the startup ecosystem.

The report covers the following subsectors of FinTech: Digital lending, payments, WealthTech, InsurTech and enabling tech. We've also highlighted FinTech unicorns and their contribution to the FinTech ecosystem. As of 30 June 2024, there are 29 FinTech unicorns in India, mainly in payments, lending and enabling tech. The report explains the regional distribution of funding in FinTech companies and the role of Bengaluru city as the FinTech powerhouse of India. Bengaluru's FinTech companies attracted 47% of the total funding, and host 14 of the 29 FinTech unicorns. The report also identifies emerging trends and opportunities in the sector, such as global or offshore investments, alternative investments, digital banking, and embedded finance, and how they can shape the future of FinTech in India.

We hope that this report will serve as a useful guide and reference for FinTech entrepreneurs, investors, regulators and policymakers, and help them leverage its potential as well as address the challenges of the Indian FinTech sector.

Regards,

Amit Nawka
Partner - TMT Deals
PwC India



Funding of nearly USD 20 billion attracted by Indian FinTech start-ups, comprising 21% of the total start-up funding in the last five years



Bengaluru, NCR and Mumbai contribute to 80% of the total funding activity in India



Lending, payments and enabling tech were the top invested sectors in the last five years



133 M&A transactions reported, with major FinTech firms in payments and enabling tech leading the tally



Growth-stage start-ups attracted the highest funding in the last five years



29 FinTech unicorns as of June 2024, with payments leading the tally with nine unicorns





Funding trends

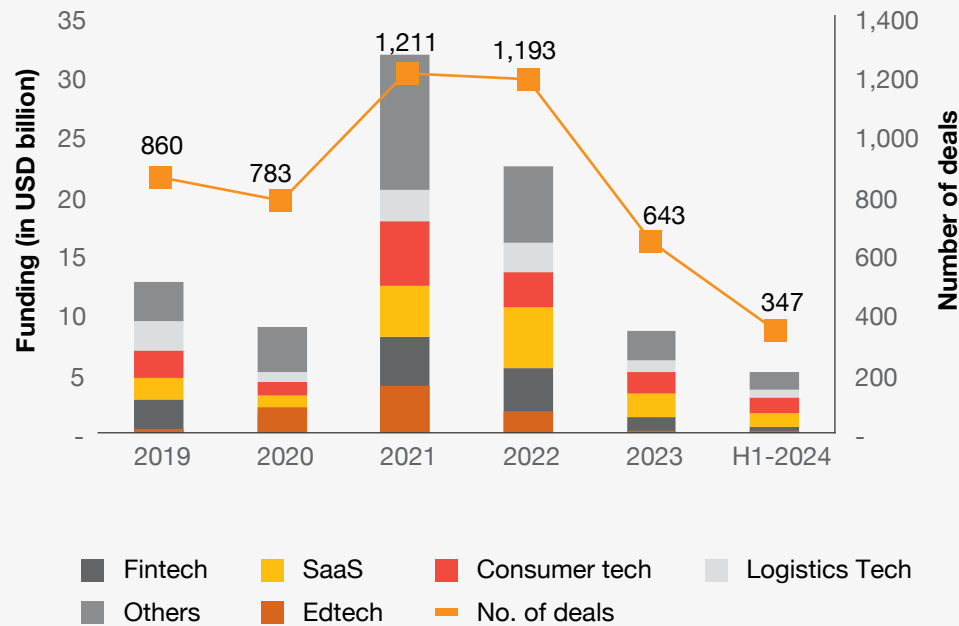
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The big picture

Funding in Indian FinTech companies comprised 21% of the total funding into the start-up ecosystem in the last five years.

Start-up funding trends in India: The Indian start-up ecosystem attracted more than USD 98 billion funding in the last five years. The top three sectors were FinTech at 21%, SaaS at 16% and consumer tech at 15%.

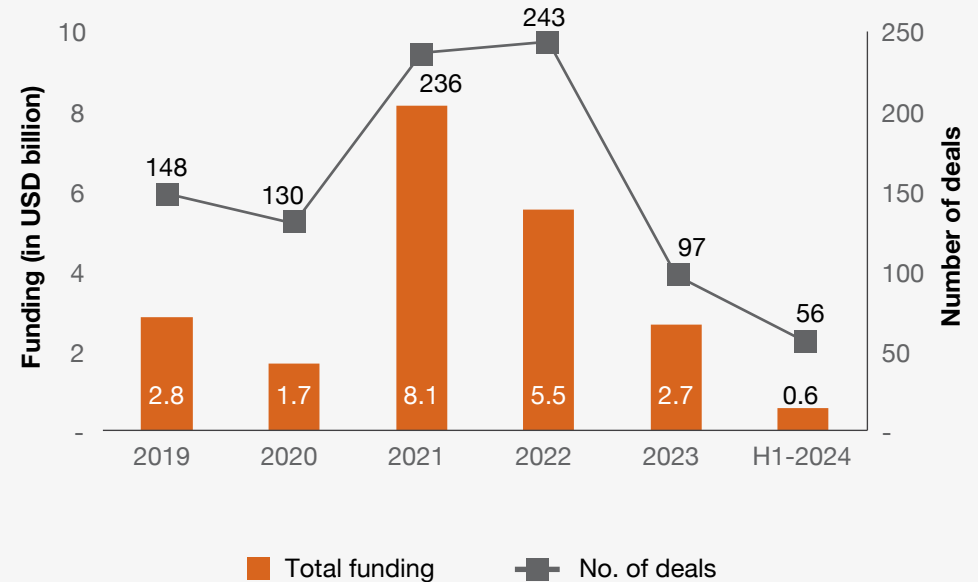
Start-up funding trends in India



Source: PwC analysis of Venture Intelligence data

FinTech funding trends: The Indian FinTech ecosystem attracted more than USD 20 billion funding in the last five years. After reaching a peak in 2021, funding trends have slowed; 2024 mid-year data reveals lowest funding levels in five years.

FinTech funding trends



Source: PwC analysis of Venture Intelligence data

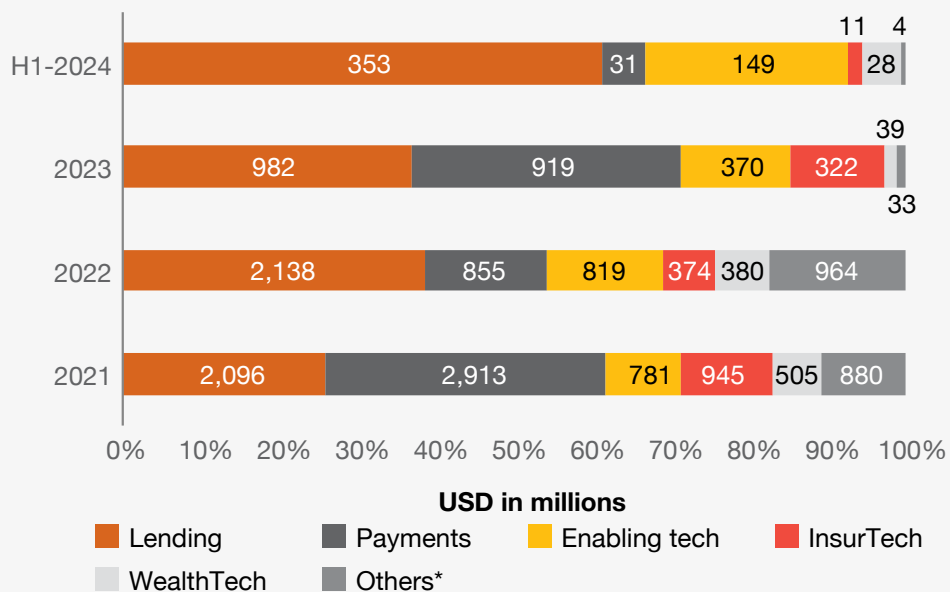
FinTech sector in focus

The digital lending and payments subsectors attracted more than 50% of the total funding in the FinTech sector. The historical average funding round size in the FinTech sector was about USD 25 million.

Share of subsectors: Digital lending attracted most funding (33% of total) in the last three years. Payments, enabling tech, InsurTech and WealthTech made it to the top subsectors.

Subsector-wise funding

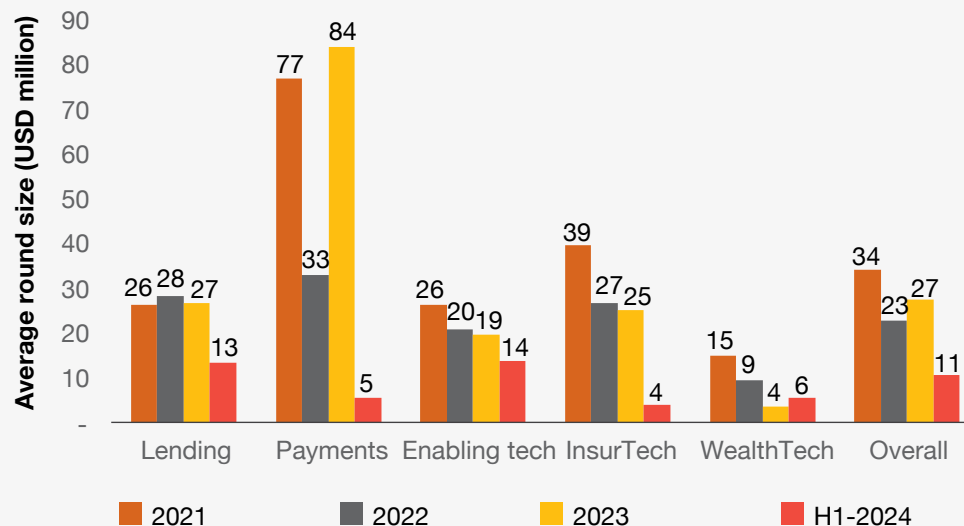
Funding amounts (in USD million)



Source: PwC analysis of Venture Intelligence data

Average round size of a FinTech deal was nearly USD 25 million in 2022 and 2023. It fell to USD 11 million in H1-2024.

Subsector-wise average round size



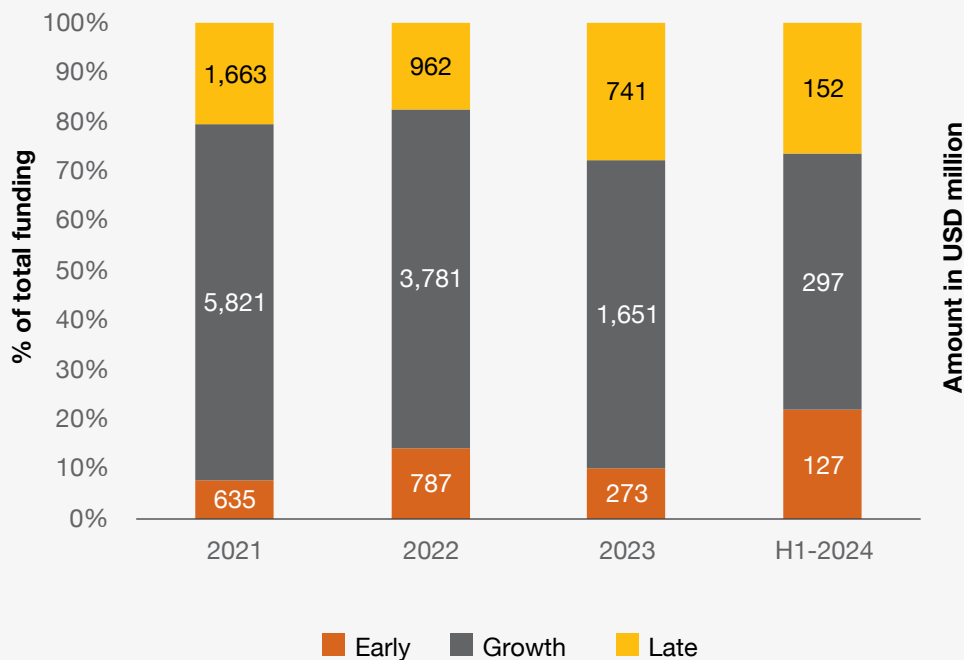
Source: PwC analysis of Venture Intelligence data

Stages of investment

Growth-stage funding was the most affected in H1-2024, with decline in the average ticket size at USD 15 million (from ~USD 50 million). This was offset by the increased share of activity in early-stage deals.

Stage of funding: Share of early-stage deals has doubled to 22% of total funding in H1-2024 as compared to historical average share of 10%; this is offset by growth-stage deals.

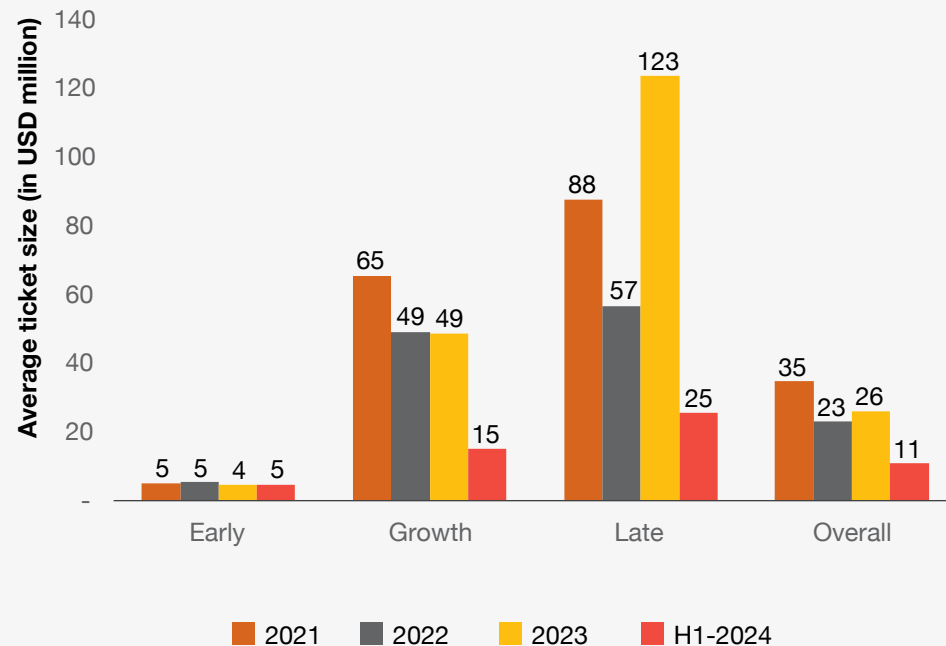
Funding trends by stage



Source: PwC analysis of Venture Intelligence data

Average ticket size: Early-stage funding ticket sizes were largely consistent at approximately USD 5 million. H1-2024 showed significant decline in growth-stage deals with average ticket size of USD 15 million.

Average ticket size by stage



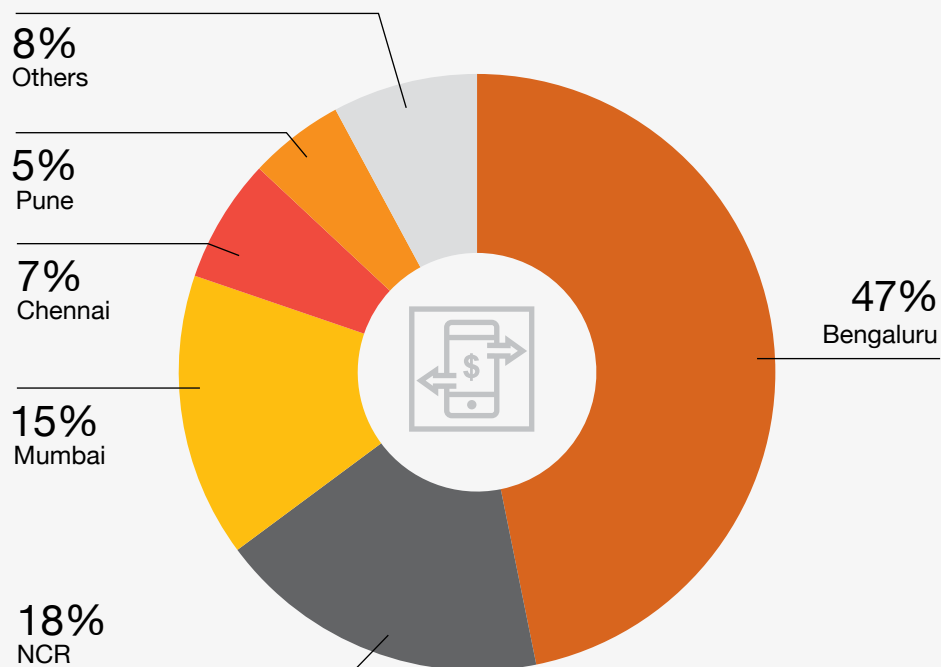
Source: PwC analysis of Venture Intelligence data

FinTech powerhouse – Bengaluru

As India's start-up capital, Bengaluru's FinTech companies attracted 47% of the total funding.

As of 30 June 2024, there are 29 FinTech unicorns – mainly in payments, lending and enabling tech.

Domicile of funded FinTech companies*: Bengaluru remains the start-up capital of India, with FinTech companies based in the city attracting 47% of the total funding. Other major locations are NCR and Mumbai.



*Basis 2022, 2023, H1-2024 data

Source: PwC analysis of Venture Intelligence data

FinTech unicorns: As of 30 June 2024, there were 29 unicorns – with most in the payments subsector, followed by lending.

Unicorn count	Before 2020	2020	2021	2022	2023	H1-2024	On 30 June 2024
Payments	2	3	3	1			9
Lending			3	2	2	1	8
Enabling tech			1	1		1	3
InsurTech	1		2				3
WealthTech		1	2				3
Virtual assets			1	1			2
Neo-bank				1			1
Total	3	4	12	6	2	2	29

FinTech soonicorns (soon to be unicorn): In addition, there are four FinTech companies that have raised more than USD 200 million. Basis past trends, the next round is likely to be a unicorn valuation round – out of these four, three belong to the lending subsector and one belongs to InsurTech.

Source: PwC analysis of Venture Intelligence data

M&A transactions

A total of 133 M&A transactions were reported by 88 companies, with major FinTech firms in payments and enabling tech leading the tally, including five deals over USD 100 million.

M&A transactions*: A total of 133 M&A transactions were reported by 88 companies. Most transactions were in the payments and enabling tech space with a rationale to acquire technology/product capabilities. InsurTech and lending were the other key sectors.



*Basis 2019, 2021, 2022, 2023, H1-2024 data
Source: PwC analysis of Venture Intelligence data

USD 100 million+ deals: Five M&A deals were reported with valuation in excess of USD 100 million each. The top two deals were consummated by Polygon, a leading company in the blockchain space.

2021			2019	2022
Target - Mir Protocol	Target - Hermez	Target - Happay	Target - Qwikilver	Target - Digi2L
Acquirer - Polygon	Acquirer - Polygon	Acquirer - CRED	Acquirer - Pine Labs	Acquirer - Onsitego
USD million** - 400	USD million** - 250	USD million** - 180	USD million** - 110	USD million** - 100

**Disclosed deal value
Source: PwC analysis of Venture Intelligence data

Serial acquirers: Major FinTech companies in the payments and enabling tech sectors lead the tally in the number of M&A transactions.



Source: PwC analysis of Venture Intelligence data



Sectoral deep dive

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Digital lending attracted most funding (33% of total) in the last five years. Payments, enabling tech, InsurTech and WealthTech apps made it to the top five subsectors.

	Funding value (in USD million)		Deal count	
	2023	H1-2024	2023	H1-2024
Lending	982	353	37	27
Enabling tech	370	149	19	11
Payments	919	31	11	6
WealthTech	39	28	11	5
InsurTech	322	11	13	3
Others	33	4	6	4

- **Lending** contributed to 61% of the total funding activity during H1-2024. Average ticket size of deals in this space decreased from nearly USD 25 million in 2023 to USD 13 million in H1-2024.
- **Enabling tech:** During H1-2024, there was a decline in the funding activity by nearly 50%. Average ticket size reduced from USD 19 million in 2023 to USD 14 million in H1-2024. Perfios Software raised more than USD 50 million during H1-2024, contributing to 54% of the deal funding received in this subsector, and is one of the two companies to enter the unicorn club in 2024. It is also the only company in this subsector to have raised more than USD 100 million in 2023.
- **Payments:** The subsector's contribution to overall FinTech funding declined from 34% in 2023 to 5% in H1-2024. This decrease is compounded by a notable decline in the average ticket size per deal, from USD 84 million in 2023 to USD 5 million in H1-2024. The funding in H1-2024 was primarily driven by Mswipe Technologies which contributed to 58% of the total funding activity in this space, whereas PhonePe attracted the highest funding of USD 850 million in 2023 which contributed to 93% of the deal funding received in this subsector during the year.
- **WealthTech:** Nearly 60% of the deals (in terms of deal count) in H1-2024 in this space were driven by growth-stage funding rounds, with an average ticket size of USD 5 million, and the remaining were driven by early-stage start-up deals with an average ticket size of USD 7 million.
- **InsurTech:** The subsector experienced a significant decrease in the funding activity during H1-2024. Notable deals in 2023 include InsuranceDekho, RenewBuy and Onsurity which have raised more than USD 25 million each. The average size of deals has decreased significantly from USD 25 million in 2023 to USD 4 million in H1-2024, with fewer deals overall in H1-2024.
- **Others** comprise neo-banks, virtual assets and regulatory tech start-ups.

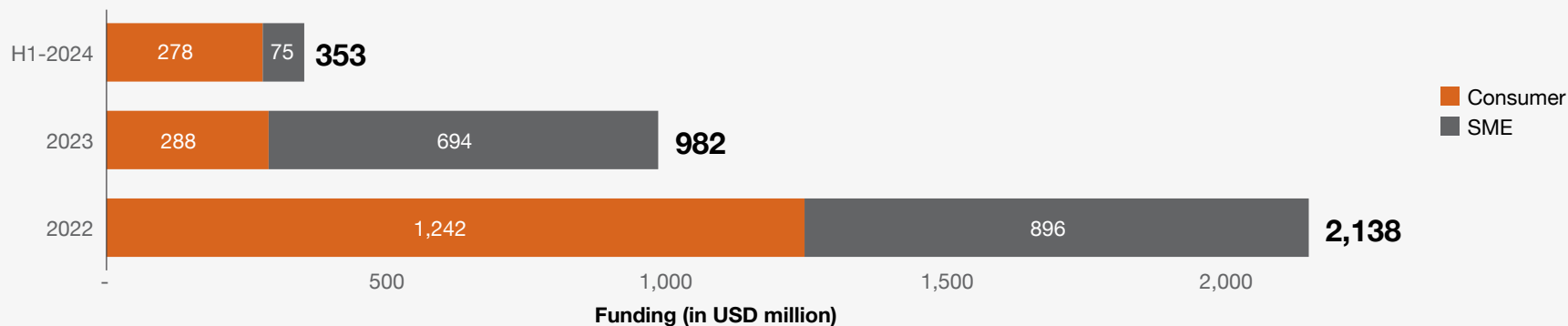
Source: PwC analysis of Venture Intelligence data

Digital lending start-ups attracted approximately USD 3.5 billion funding since 2022. In the consumer lending segment, majority of the funding was directed towards start-ups specialising in personal, education and home loans. Meanwhile, in the SME lending sector, the focus was on start-ups offering business loans, supply chain financing and debt solutions.

Digital lending funding trends: The total funding of USD 3.5 billion in digital lending companies was nearly equally split between consumer and SME lending.

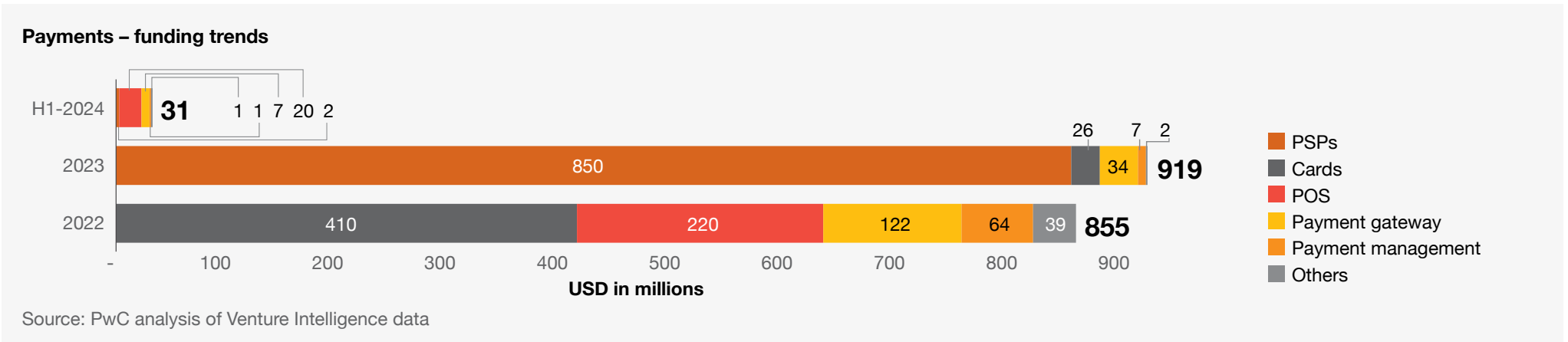
- In consumer lending, personal loan start-ups attracted the highest funding, contributing to 65% of the total funding activity between 2022 and H1-2024 followed by education loans (10%) and home loans (8%). Moneyview, Stashfin, Kreditbee have raised funding of more than USD 100 million each between 2022 and H1-2024. Nearly eight other start-ups raised more than USD 50 million each between 2022 and H1-2024.
- In SME lending, start-ups offering business loans have emerged as the primary beneficiaries, accounting for approximately 55% of total funding activity between 2022 and H1-2024. Following this, supply chain financing start-ups have received around 11% of the funding, while debt-solution start-ups have garnered about 9%. Oxyzo, DMI Finance, Yubi and Mintifi have raised funding more than USD 100 million each between 2022 and H1-2024.

Digital lending – consumer vs SME



Source: PwC analysis of Venture Intelligence data

Funding in the payments segment was concentrated among a select few companies. Four companies secured funding rounds exceeding USD 100 million each in 2022, and one company, PhonePe, raised USD 850 million in 2023.



Payments – funding trends

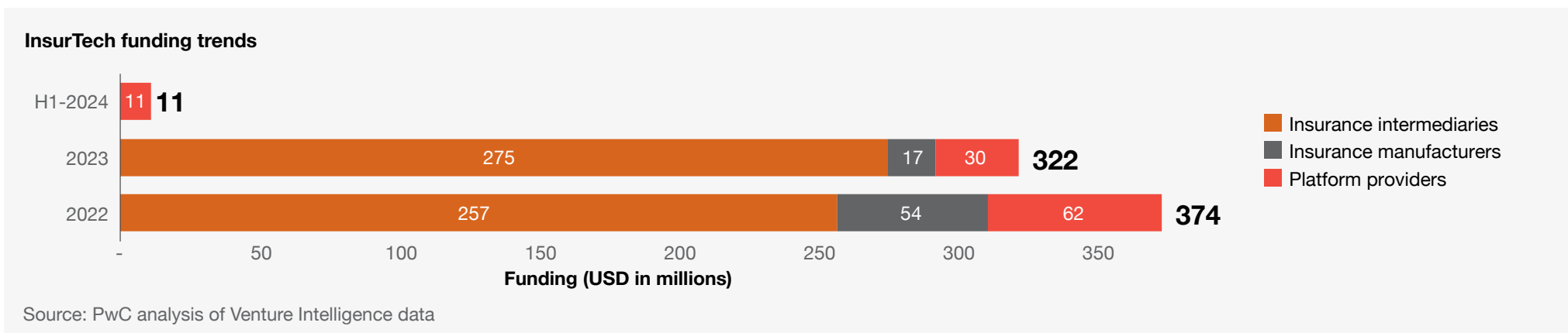
- CRED, Pine Labs, NiYo and OneCard received funding of more than USD 100 million each in 2022 while PhonePe received funding of USD 850 million in 2023, contributing to 93% of the total funding activity in payments segment that year.
- The key segments in payments include payment service providers (PSPs), which accounted for approximately 47% of total funding activity between 2022 and H1-2024. This was followed by co-branded card start-ups, contributing 24%, and point of sale (POS) start-ups, which made up 13% of the total.
- Payments leads the unicorn count with nine unicorns.

Emerging trends¹

- **Cross-border payments:** In order to facilitate cross-border payment remittances, the trend of integrating with regional payments platforms is gaining traction. Several initiatives are taken to enable the integration of UPI with payment systems of different countries. UPI can be further used to make payments after its integration with the payment systems of six other countries – Sri Lanka, Mauritius, France, the UAE, Bhutan and Nepal.
- **Cloud-based payments infrastructure:** In response to evolving demands and escalating difficulties, FinTechs are adopting numerous technological innovations, including the transition to cloud computing. These institutions are moving away from traditional on-site infrastructure and legacy systems to embrace the superior advantages offered by cloud technology.
- **Expansion into other spaces:** The segment has witnessed a pivot in the business models of many payment start-ups to lending and other sectors due to pressure on monetisation options and high costs of operations.

¹ PwC report: FinTech – Powering India's USD 5 trillion economy by fostering innovations, enabling inclusion and building a sustainable future

InsurTech witnessed a decline in overall funding in H1-2024. InsuranceDekho raised USD 210 million in 2023, contributing to 65% of the funding in the year.



Funding trends in InsurTech

- The players in the InsurTech value chain can be broadly classified into insurance intermediaries, insurance manufacturers and platform providers.
- Insurance intermediaries attracted the highest funding, contributing to nearly 75% of the overall funding activity between 2022 and H1-2024.
- Between 2022 and H1-2024, InsuranceDekho and Turtlemint raised funding of more than USD 100 million each. Furthermore, Renewbuy, Zopper and Digit have raised more than USD 50 million during said period.

Emerging trends²

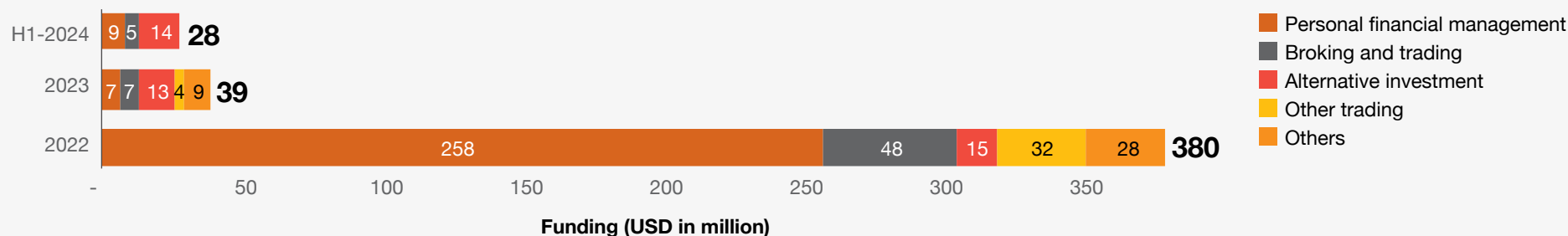
- **The evolution of insurance – from physical to phygital:** InsurTechs have been developing platforms which could potentially help with sales of insurance policies across different customer segments and demographics such as users in tier 2 and 3 cities, and employees. These sales-assist platforms enable agents (such as POSPs, motor insurance service providers) with marketing of insurance policies via multiple online and offline channels, lead generation, comparison between different insurance policies, real-time access to quotes, instant issue of policies, commission tracking, claim management, reporting and help with customer support.
- **Embedded insurance:** Insurance products/services are offered to users during the point of sale of a non-insurance product or service. It is usually provided on e-commerce, travel, telemedicine and ride-hailing apps and platforms through partnerships between insurance companies and non-FS providers.

Such insurance products, which are embedded in other FS or non-FS platforms, are of typically low-ticket sizes and contextual to product or service consumed/bought from the FS or non-FS platform. Embedded insurance could help in increasing insurance penetration in India by providing insurance at affordable prices to the customers on non-FS platforms, which are typically used by customers on a daily basis such as social media, e-commerce websites, food, cab and travel aggregators.

² PwC report: FinTech – Powering India's USD 5 trillion economy by fostering innovations, enabling inclusion and building a sustainable future

WealthTech start-ups witnessed significant funding in 2022, primarily led by personal financial management and broking and trading start-ups. IndMoney raised USD 86 million in 2022, contributing to 23% of the total funding in that year.

WealthTech – funding trends



Source: PwC analysis of Venture Intelligence data

Funding trends in WealthTech

- There has been some traction by investors in the WealthTech segment as funding has increased significantly from USD 39 million in 2023 to USD 28 million already being raised in H1-2024.
- Personal financial management segment attracted the highest funding, contributing to 61% of the total funding activity between 2022 and H1-2024 followed by the broking and trading segments contributing to 13% and alternative investment start-ups contributing to 9%.
- Notable deals in the WealthTech segment include IndMoney and Jar App that raised funding of more than USD 50 million in 2022.

Emerging trends³

- **Alternative investment** products exist outside traditional ecosystems and offer growth opportunities for WealthTechs across their value chain – i.e. streamlining distribution, co-creating small ticket-sized fixed-income products, automating underwriting processes, simplifying contracting and documentation processes, and enabling fractional investments. Types of alternative investments include P2P lending, lease financing, REITs/InvITs, gold ETFs.
- **Embracing an investment-focused economy:** There is a growing shift in terms of household savings, with allocation moving from banks to other instruments including retirement savings, mutual funds and insurance. The AUM for these instruments has grown at a CAGR of 15% while bank deposits have grown at a CAGR of 9% in the period between 2013–2023. This change in investment behaviour in India could be attributed to factors such as low interest rates in bank savings accounts as compared to potential return from capital market products, increased interest and awareness about investments, especially in instruments like mutual funds among the populace, and a shift in the mindset of the expanding middle class and millennials towards investing.
- **Global/offshore investments:** WealthTechs are offering solutions/platforms which enable retail investors in India to directly invest in publicly traded assets (direct equity, ETFs) from other geographies. There is a growing demand for investing in countries outside India as it can offer retail investors with an option to diversify their portfolio and reduce the risk exposure to a specific geography.

³ PwC report: FinTech – powering India's USD 5 trillion economy by fostering innovations, enabling inclusion and building a sustainable future

Abbreviations

Abbreviation	Full form
PSP	Payment service provider
POSP	Point of salesperson
REIT	Real estate investment trusts
InvIT	Infrastructure investment trusts
ETF	Exchange traded fund
AUM	Assets under management
CAGR	Compound annual growth rate
P2P	Peer-to-peer
UPI	Unified Payments Interface
SME	Small and medium enterprises





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